

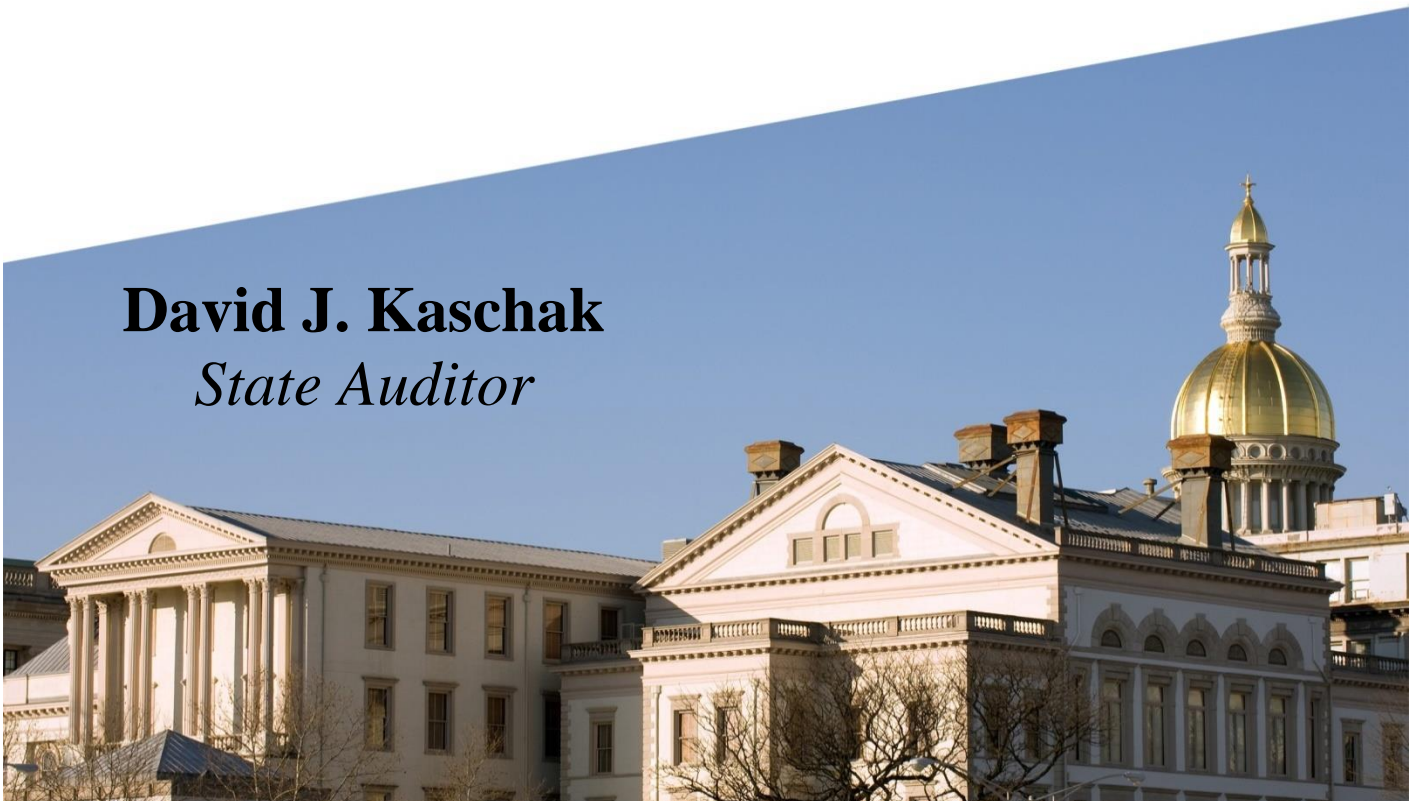


New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

2023 Annual Report

*Improving the accountability of public funds
and strengthening the operations of government*

David J. Kaschak
State Auditor



Message from the State Auditor

The Honorable Members of the Senate and General Assembly

Ms. Maureen McMahon
Executive Director
Office of Legislative Services

I am pleased to present to you the *Annual Report of the New Jersey Office of Legislative Services, Office of the State Auditor* for calendar year 2023. In conformance with our responsibilities to perform financial, performance, and compliance audits, all state agencies are audited periodically using a risk-based approach. During 2023, we issued 17 reports and identified \$67.2 million in potential cost savings, improper payments, and revenue enhancements. In addition, the state continues to save substantial dollars as a result of the resolution of issues previously reported by the Office of the State Auditor. If you or members of your staff would like additional information or a personal briefing, please contact me.

Our mission is to improve the accountability of public funds and to improve the operations of government. We serve the public interest by providing members of the Legislature and other policymakers with unbiased, accurate information and objective recommendations on how to better use public resources. In addition to fulfilling our audit mission, we have focused on maximizing the quality of our services and maintaining communication with the Legislature and the agencies we audit. We are committed to providing high quality audit reports. You may be assured we will continue our efforts to improve government accountability to the Legislature through an effective and constructive audit process.



David J. Kaschak
State Auditor
June 4, 2024

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INTRODUCTION

BACKGROUND

The Office of the State Auditor, which is in the legislative branch of government, was originally established in 1934 pursuant to P.L.1933, c.295. A number of statutory amendments dealing with the powers and duties of the State Auditor were enacted in the ensuing years. The Office of the State Auditor is within the Office of Legislative Services under the provisions of the Legislative Services Act.

The State Auditor is a constitutional officer appointed by the Legislature for a term of five years and until a successor shall be appointed and qualified. On February 23, 2021, David J. Kaschak, CPA, was confirmed by a joint session of the Legislature as the State Auditor.

The organization of the office within the legislative branch permits the State Auditor to be independent of the executive and judicial branches of government. This independence is critical in terms of meeting professional standards and in providing fair and objective reviews and audits of governmental operations.

Under the provisions of Article VII, Section I, Paragraph 6 of the State Constitution and N.J.S.A. 52:24-1 et seq., the Office of the State Auditor is required to conduct post-audits of all transactions and accounts kept by or for all departments, offices, and agencies of state government. Reports are submitted to the Governor, the Legislature, and the Executive Director of the Office of Legislative Services. In addition, all audit reports issued by the Office of the State Auditor are public documents and are available on the New Jersey Legislature's website at <https://www.njleg.state.nj.us/audit-reports>.

The Pamphlet Laws of 2006, Chapter 82 authorized the State Auditor to conduct a performance review of any program of any accounting agency, any independent authority, or any public entity or grantee that receives state funds. The law also requires the State Auditor to conduct a follow-up review to determine agency compliance with our audit recommendations. In addition, at the request of the legislative leadership or the Legislative Services Commission, the State Auditor conducts studies on the operations of state and state-supported agencies with respect to their efficiency, internal management control, and compliance with applicable laws and regulations.

INTRODUCTION

MISSION STATEMENT

The State Auditor provides independent, unbiased, timely, and relevant information to the Legislature, agency management, and the citizens of New Jersey that can be used to improve the operations and accountability of public entities. In addition, the State Auditor provides assurances on the state's financial statements annually.

VISION STATEMENT

The State Auditor and his staff will approach all work in an independent, unbiased, and open-minded manner.

The State Auditor will provide timely reporting to the Legislature, agency management, and the citizens of New Jersey.

Reporting will be in clear and concise language so it is understood by all users of the report.

Reporting will include recommendations on how to improve the workings of government and how to strengthen agency internal controls.

Reporting will include assurances on the financial operations of the state.

The State Auditor and his staff will perform all work in a professional manner using appropriate standards.

ACCOMPLISHMENTS

During calendar year 2023, we identified \$67.2 million in new cost savings, improper payments, and revenue enhancements. A schedule of cost savings, improper payments, and revenue enhancements is presented on page 4. The office provided training in various topics at no charge. Our compliance review on findings related to audit reports issued during the fiscal year ended June 30, 2022 disclosed that 82.0 percent of our recommendations have been complied with or management has taken steps to achieve compliance. Over a two-year period, the rate of compliance for fiscal year 2021 recommendations rose to 87.8 percent.

The office performs the annual financial audit of the state's Annual Comprehensive Financial Report. The Annual Comprehensive Financial Report engagement includes the audit of 208 funds and component units having a total asset value of \$299.8 billion at June 30, 2023.

INTRODUCTION

PROFESSIONAL STANDARDS

The Office of the State Auditor's audits are performed in accordance with generally accepted government auditing standards. These standards require that our operations be reviewed every three years. In 2023, the National State Auditors Association conducted a review of our system of quality control that resulted in a Peer Review Rating of Pass, the highest rating attainable. The report received from this review is presented on page 5.

**OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
SCHEDULE OF COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS
SCHEDULE OF REPORTS ISSUED DURING CALENDAR YEAR 2023
(Expressed in Thousands)**

<u>REPORT</u>	<u>COST SAVINGS, IMPROPER PAYMENTS, AND/OR REVENUE ENHANCEMENTS</u>
Department of Corrections	
Mid-State Correctional Facility	\$ 3,094.4
Department of Health	
Selected Programs Accounted for in the Division of Epidemiology, Environmental and Occupational Health	\$ 20.3
Department of Human Services	
Division of Medical Assistance and Health Services, New Jersey Medicaid/New Jersey FamilyCare Durable Medical Equipment and Medical Supplies	\$ 937.3
Department of Labor and Workforce Development	
Division of Unemployment Insurance	\$ 56,840.0
Department of Transportation	
Division of Multimodal Services Superload Unit	\$ 735.0
Trenton Board of Education	<u>\$ 5,526.2</u>
<i>Total Cost Savings, Improper Payments, and Revenue Enhancements</i>	<u><u>\$ 67,153.2</u></u>



PEER REVIEW REPORT
06/23/2023

The Honorable David J. Kaschak
New Jersey Office of the State Auditor
125 South Warren St.
P.O. Box 067
Trenton, NJ 08625-0067

We have reviewed the system of quality control of the New Jersey Office of the State Auditor (the office) in effect for the period April 1, 2022 through March 31, 2023. A system of quality control encompasses the office's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The design of the system and compliance with it are the responsibility of the office. Our responsibility is to express an opinion on the design of the system and the office's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external peer reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the office's system of quality control for engagements conducted in accordance with professional standards. In addition, we tested compliance with the office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the office's policies and procedures on selected engagements. The engagements selected represented a reasonable cross-section of the office's engagements conducted in accordance with professional standards. We believe that the procedures we performed provide a reasonable basis for our opinion.

Our review was based on selective tests; therefore it would not necessarily disclose all design matters in the system of quality control or all compliance matters with the system. Also, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of New Jersey Office of the State Auditor in effect for the period April 1, 2022 through March 31, 2023 has been suitably designed and was complied with during the period to provide the audit organization with reasonable assurance of performing and reporting in conformity with *Government Auditing Standards* in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. **The New Jersey Office of the State Auditor has received a peer review rating of *pass*.**

Pam Bormann, CPA, CGFM
Concurring Reviewer
External Peer Review Team
National State Auditors Association

Jennifer Paperman, CPA, CIA
Team Leader
External Peer Review Team
National State Auditors Association

AUDIT REPORTS

TYPES OF AUDITS PERFORMED

Financial Audits

Financial audits are designed to provide reasonable assurance about whether the financial statements of an audited entity are fairly presented in conformity with generally accepted accounting principles. The primary annual financial audit conducted by the office is the state's Annual Comprehensive Financial Report, which is published by the Department of the Treasury. In addition, we publish the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, which is an integral part of the Annual Comprehensive Financial Report opinion audit. We have also issued a special report related to fund balances as of June 30, 2022 in accordance with statutory requirements. Three other financial audits were issued in calendar year 2023.

Performance Audits

The objectives of this type of audit are to determine whether financial transactions are related to an agency's programs, are reasonable, and are recorded properly in the accounting systems. This type of audit may also focus on specific performance issues. Where appropriate, these engagements may also provide economy and efficiency comments. Audits are selected using a risk-based approach. Larger departments are audited on a divisional, agency, or program basis rather than on a department-wide basis because of their size and complexity. We completed nine performance audits in calendar year 2023. These audits encompassed \$19.2 billion and \$594.8 million of expenditures and revenues, respectively.

Information Technology (IT) Audits

The objectives of this type of audit are to determine whether the data maintained by a particular computer system is reliable, valid, safeguarded, and recorded properly; whether agency networks are properly managed to provide for business continuity and the prevention of system abuse; and whether system development and maintenance is performed in accordance with guidelines and best practices. During calendar year 2023, we reported on the Department of the Treasury, Office of Management and Budget, Centralized Payroll System.

The office has trained all audit staff on the basics of integrated auditing, where non-IT field auditors learn how to review IT controls while performing other audits. If the system they are reviewing has more complex controls, an IT auditor can be consulted or the system itself can be assigned to the IT unit as a separate audit. This effort will allow for the review of a greater number of IT controls.

AUDIT REPORTS

TYPES OF AUDITS PERFORMED (continued)

School District Audits

N.J.S.A. 18A:7F-6d authorizes the Office of the State Auditor to audit the accounts and financial transactions of any school district in which the state aid equals 80 percent or more of its net budget for the year. In addition, in accordance with N.J.S.A. 18A:7A-57, the State Auditor is authorized to perform a forensic audit of school districts with a general fund deficit and meeting additional specific criteria as stated in the statute. We audited one school district in calendar year 2023.

Legislative Requests

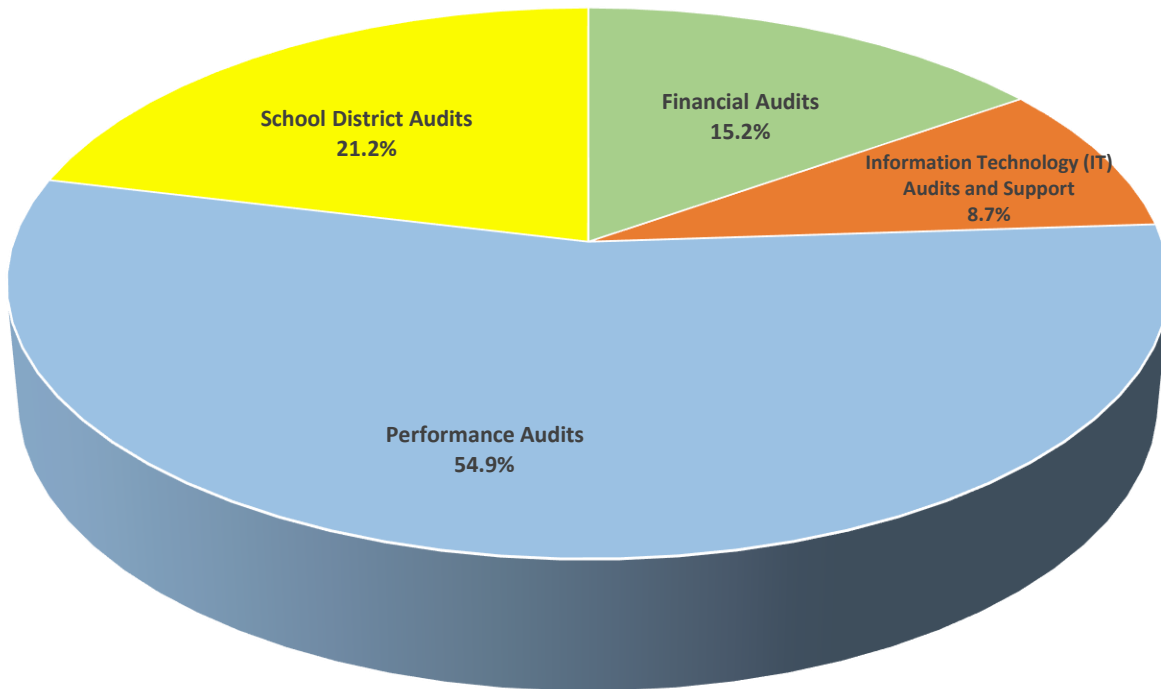
From time to time the Legislative Services Commission and Legislative leadership request the State Auditor to conduct special projects of the fiscal practices and procedures of the state and state-supported agencies, and to report findings to the Commission.

AUDIT REPORTS

DISTRIBUTION OF AUDIT HOURS

The distribution of audit hours used in performing audits during calendar year 2023 is depicted on the following chart.

Distribution of Audit Hours



AUDIT REPORTS

HOW AND TO WHOM AUDIT REPORTS ARE ISSUED

Findings and recommendations developed as a result of our independent audits are intended to provide accountability and improvement of government operations. All reports are discussed with agency officials prior to finalization, and modifications are made where warranted. Management comments to the final report are incorporated within the document. All issued reports of the Office of the State Auditor are public documents and are available on the New Jersey Legislature's web site at <https://www.njleg.state.nj.us/audit-reports>.

Reports are statutorily required to be sent to the:

- Governor
- President of the Senate
- Speaker of the General Assembly
- Executive Director of the Office of Legislative Services

In addition, copies of reports are routinely sent to the:

- Legislature (all members)
- Executive Directors of partisan staff
- Management of the audited entity
- State Treasurer
- State Comptroller
- State Library

Items Reported Under Separate Cover

Our audits sometimes disclose reportable conditions deemed confidential in nature. These conditions are communicated in a confidential management letter provided to agency management only. The findings and recommendations contained in the management letters are subject to the Office of the State Auditor's compliance process as required by N.J.S.A. 52:24-4.

ORGANIZATION

HUMAN RESOURCES

The Office of the State Auditor is one of eight units within the Office of Legislative Services. The State Auditor's office is comprised of 92 professional and 4 support staff positions. All auditors must have a bachelor's degree in a business or related field such as accounting, finance, information systems, or data analytics. As of December 31, 2023, there were 49 staff members, 55 percent of the 89 filled professional positions, who possessed professional certifications or advanced degrees. Additionally, 40 percent of the 89 staff members belong to a local, state, or national professional organization. Working for the office qualifies for the one-year intensive and diversified experience needed to become a Certified Public Accountant in the State of New Jersey.

The office provides a minimum of 80 continuing professional education credits biennially and diversified work experience to enhance each individual's professional development. The audit staff attends professional development programs encompassing a myriad of accounting and auditing topics. In addition, staff members actively participate as officers, board members, and committee members of local, state, and national accounting and auditing organizations, including the AGA, Institute of Internal Auditors, National State Auditors Association, and New York/New Jersey Intergovernmental Audit Forum. The office also participates in the national peer review program administered by the National State Auditors Association.

The office continues to provide training in New Jersey Law and Ethics for CPAs to its staff, as well as to other state employees requiring the course. Staff also provided a governmental auditing presentation to university students seeking to learn about the operations of the Office of the State Auditor.

AUDIT STAFF

The audit staff is the primary operating group in the office. They plan, conduct, and control the audit engagements and prepare and edit the reports. The audit teams report the results of their work to the auditee on an ongoing basis and at the conclusion of the engagement by means of a written report. In an effort to develop expertise, field managers are assigned specific departments. This practice enhances the quality and efficiency of our audits and ensures all programs are audited within a reasonable cycle. Information technology support is also provided by our IT staff.

The office maintains six active committees staffed by individuals in various titles to provide guidance in the areas of information technology (hardware/software and information), personnel, planning, policy, sampling, and training. An intranet site is also maintained that contains staff information, state budget and appropriation information, and commonly used accounting and auditing research and reference internet sites that the audit staff can access through their computers.

ORGANIZATION

QUALITY ASSURANCE

The quality assurance staff is responsible for technical compliance and quality control, oversight of staff training, and research of technical issues. Quality assurance is achieved through reviews of working papers and reports to ensure accuracy and adherence to professional standards. The quality assurance staff, through its research of accounting and auditing issues, also responds to surveys, questionnaires, and exposure drafts relating to proposed accounting and auditing standards.

ADMINISTRATIVE STAFF

The administrative staff processes, files, and distributes all reports. This group is responsible for the office library, purchasing and maintaining office supplies, and other general administrative functions.

**OFFICE OF THE STATE AUDITOR
STAFF ROSTER
As of December 31, 2023**

STATE AUDITOR

David J. Kaschak, CPA, CGFM
Robyn Boyer, Administrative Assistant

ASSISTANT STATE AUDITOR

Brian M. Klingele, MS, CIA, CGAP

ASSISTANT STATE AUDITOR

Thomas Troutman, CPA, CIA, CGFM

Jill Bodnar, Secretary

AUDIT MANAGERS

Daniel Altobelli, CPA, CISA, CEH
John J. Coyle, CPA
Robert F. Gatti, CPA

Anna Lorenc
Linda Maher, CGFM
Kristen Menegus, CGAP

Robert Rizzo, CPA
Christopher D. Soleau, CGAP
Michael A. Tantum, MBA

PRINCIPAL AUDITORS

Derek Bachmann
Kenyona Booker, CGAP
Stephanie A. Collins, MBA
Jennifer Dougherty, CISA
Luz K. Dow, CPA
Sean F. Duffy
Meghan Ellis, CICA
Lorien Flannery, MAccy
Eric Fonseca
Rene Gervasoni

Kathleen Gorman
Iryna Gryniv, MAccy
David M. Illuminate, CFE
Vishal P. Jhaveri, MBA, CPA
Kirill Kornoukh, CPA
Joshua Mastro, CFE
Matthew T. McCue
Richard J. McHale
Smaragda Ng, MBA
Joseph Pica

John R. Pullen, CICA
Michelle Quinones, CICA
Stephanie Rybak, MAccy
Nicole Sansone, CFE, CGAP
Brian K. Sherfese
Hiral Singh, MBA, CPA
Jesskim So
Justin Toldt, MS, CPA
Kiersten K. Zadworney, CFE, CICA
Kurt T. Zadworney, CICA

AUDIT STAFF

Jennifer Alemoh
Paulina Badway, MAccy
Justin Bence
Timothy Carey
Eric Carter
Jaclyn Cena, CPA
Christine Chang, CPA
Morgan Cole, CFE
Ansley Cubero
Devan Davies, CFE
Evan Delgado
Michael Dintrone
Helene Evich, CPA
Tanja Fessler, MBA
Jacob Gatti
Andy Gramajo-Renoj

Rachel A. Haines
Austin Hammond
Kenneth P. Henderson, CPA
Zachary Hobson
Shane Hoffman
Kevin Holt, MS, CGFM
Elizabeth Hudock
Amanda Ireland
Kristopher Kirkland, MAccy
Douglass W. MacArthur
Bennie Macklin
Christopher Mason
Jesenia Maldonado
Isabella McNulty
Daniel Mostrangeli, MAccy
John O'Meara, CPA, CFE

Dean Powers
Kelsey Preston
Abeeda Razack, MAccy
Michael Salberta
Edward Shields, CPA, CGFM
Andrew Silva
David Skorko
Meghan Stillwell
Simone Thomas, MBA
Luisa Torres, MAccy, MBA, MA
Shrushti Trivedi, MAccy, MC, CICA
John Urcioli
Lesia Vasylyv, MBA
Olha Vorobchak

ADMINISTRATIVE STAFF

Megan Kritzer, Support Services Assistant
Barkley Sury, Support Services Assistant

IT SUPPORT STAFF

John L. Garrett, Data Analyst

Certification Legend:

CEH – Certified Ethical Hacker
CFE – Certified Fraud Examiner
CGAP – Certified Government Auditing Professional
CGFM – Certified Government Financial Manager
CIA – Certified Internal Auditor
CICA – Certified Internal Controls Auditor
CISA – Certified Information Systems Auditor
CPA – Certified Public Accountant
CRMA – Certification in Risk Management Assurance
MA – Master of Arts
MAccy – Master of Accountancy
MBA – Master of Business Administration
MC – Master of Cybersecurity
MS – Master of Science

ACCOMPLISHMENTS AND RESULTS

SUMMARY

This section highlights six audits issued during the past year that contained cost savings, improper payments, and revenue enhancements totaling \$67.2 million. Information on these reports is presented on pages 14 through 34. Highlights of nine reports containing other significant findings and observations are presented on pages 35 through 61. In addition, our reports contain non-monetary findings addressing areas of noncompliance with laws or regulations, weaknesses in internal controls, and economies and efficiencies to improve operations.

All reports issued in calendar year 2023 are identified on a schedule on page 62 and are available for review on our website.

**ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS**

**DEPARTMENT OF CORRECTIONS
MID-STATE CORRECTIONAL FACILITY**

Expenditures

Internal controls over the procurement process should be strengthened.

Delegated Purchasing Authority (DPA) and Other Expenditure Transactions

Management is responsible for establishing and maintaining internal controls that safeguard assets from loss or unauthorized use. Proper segregation of duties, adherence to state regulations, and maintenance of accurate and complete documentation are necessary to ensure the proper use of resources. Below is a summary of expenditures for fiscal years 2019 through 2022. Payroll and medical services comprise the majority of Mid-State Correctional Facility (facility) expenditures.

Expenditures by Fiscal Year

Object	Object Description	FY 2019	FY 2020*	FY 2021*	FY 2022	Percentage of FY 2022
1210	Salaries and Wages	\$21,631,176	\$22,564,500	\$23,773,600	\$26,262,559	65%
3621	Medical Services	\$8,074,374	\$7,548,399	\$5,108,686	\$8,571,137	21%
2010	Food	\$1,097,640	\$1,126,044	\$1,108,145	\$1,259,113	3%
	All Other Expenditures	\$4,129,776	\$3,802,039	\$4,106,677	\$4,274,112	11%
Totals		\$34,932,965	\$35,040,981	\$34,097,107	\$40,366,921	100%

*salaries and wages included the use of federal COVID-19 funds.

We judgmentally sampled 60 expenditure transactions totaling \$1,638,235 for fiscal years 2019, 2020, and 2022 based on dollar amounts and vendors unique to the facility. The samples included 25 DPA transactions, 25 non-DPA transactions, and an additional 10 DPA transactions from fiscal year 2022. Our testing identified the following internal control weaknesses over procurement:

- Documentation of a competitive procurement process in accordance with the DPA procedures was not always evident. Treasury Circular No. 22-09-DPP defines a DPA transaction as one that cannot be procured through one of the four primary contracting methods and establishes procedures for obtaining price quotes based on specific transaction dollar amounts. Of the 24 applicable expenditures tested, we found 14 (58 percent) totaling \$107,531 lacked adequate documentation of a competitive procurement process.

According to management, subsequent to fiscal year 2020 the requirements of the circular were reinforced with employee training, and there should be improved compliance for more recent transactions. To determine the validity of this statement, we sampled 10

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF CORRECTIONS MID-STATE CORRECTIONAL FACILITY (continued)

additional fiscal year 2022 DPA transactions and noted one lacked documentation of a competitive procurement process.

- Requisition forms were not fully completed for 8 of 49 (16 percent) sampled transactions totaling \$54,017. According to Department of Corrections (department) policy, all purchases should be initiated with a properly executed requisition form. The review and approval of this form ensures procedural compliance and availability of funds.
- A confirming order is the ordering of goods or services before an authorized requisition and purchase order are approved, thus bypassing the procurement process. Our review of 35 transactions found four confirming orders (11 percent) totaling \$18,134. This procurement practice is discouraged by department policy and increases the risk that a budget could be overspent because of unrecorded liabilities.

Fuel and Utilities Payments

The department continues to pay fuel and utilities based on the availability of budgeted funds rather than actual costs. Our analysis of costs charged to object code 2510 (Fuel and Utilities) noted large fluctuations. We reviewed expenditure transactions from fiscal year 2019 through 2022 for this object code to determine the reason for the volatility in an account expected to remain relatively stable (see the chart below).

Description	Fuel and Utilities				
	FY 2019	FY 2020	FY 2021	FY 2022	Total
Expended Amount	\$600,000	\$450,000	\$674,000	\$1,098,362	\$2,822,362
Actual Cost	\$414,572	\$435,848	\$430,978	\$ 502,896	\$1,784,294
Difference	\$185,428	\$ 14,152	\$243,022	\$ 595,466	\$1,038,068

We reviewed the energy bills for the facility and found actual costs for the period were \$1.0 million less than the amount recorded in the accounting system. According to management, payments were made based on available funding in respective appropriation accounts because funding had been perceived as department-wide and not specific to a facility. Our office released an audit report with a similar finding in 2018 for another department facility, and the department responded: “Reallocation of institutional appropriations will be requested through the fiscal year 2020 budget process to align the funding for these expenditures.” The department adjusted its procedures in fiscal year 2020 to ensure expenditures would be based on actual costs; however, this did not occur for the facility. Failure to properly record costs for each facility distorts the department’s ability to accurately compare spending between facilities and cost per inmate calculations.

ACCOMPLISHMENTS AND RESULTS

COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF CORRECTIONS

MID-STATE CORRECTIONAL FACILITY (continued)

Internet Service Contract

We found one paid service was not used because of the internet usage restriction at the facility. The facility signed a contract for internet services that were necessary to remotely regulate the temperature of the cooling system. Payment of these services totaled \$28,860 between March 2018 and January 2020. Internet service or wireless networks were not allowed in areas with inmates and were not installed or used. Regulation of the cooling system is performed manually at the facility. The contract was terminated in July 2019.

Substance Use Disorder Vendor Invoices

The department does not review the accuracy of vendor invoices for substance use disorder (SUD) treatment services. In accordance with the contract, SUD treatment services are billed for inmates participating in the program at a fixed daily rate. The vendor submits a monthly invoice that includes a list of inmates and the number of days billed. The vendor contract states: “A treatment bed may be billed for any day that the bed is occupied at 11:59 PM by an inmate participating in the SUD program on that day.” We sampled four months of invoices between July 1, 2019 and November 30, 2021 to determine if inmates resided at the facility on the days included on the invoice. The average sampled monthly invoice totaled \$246,396, and the total for the four invoices was \$985,583. During our sampled period, we found the vendor billed the department the incorrect number of days for 70 inmates, resulting in a net overpayment of \$7,115. Of these inmates, 42 were temporarily transferred to another facility during the period the vendor billed for services. Ten (25 percent) of these inmates were never transferred back to the facility. Although these inmates were still assigned to the facility, they were not occupying a bed or receiving treatment services during the days transferred out of the facility.

Additionally, we expanded our testing for two inmates included on the sampled monthly invoices that remained on invoices for an extended period of time after leaving the facility. During the period June 2019 through November 2021, we found the vendor billed the department \$10,412 for 668 days these inmates were no longer housed at the facility. One of these inmates was billed for 550 days while located at a different facility. The department does not have a review process to ensure the accuracy of the invoiced amount. Failure to review invoices for accuracy prior to payment can lead to improper payment and loss of funds.

Healthcare Provider Logbook

The department uses a state contract vendor to provide healthcare services to inmates at the facility. The vendor submits monthly invoices, which include employee wages, to the department for review and payment. According to the contract, the department is required to request at least three percent of timesheets that support monthly wages on vendor invoices. These timesheets should be reviewed for propriety. However, we found these reviews are not performed. Timesheets are not requested or reviewed before the vendor receives payment. When timesheets

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF CORRECTIONS MID-STATE CORRECTIONAL FACILITY (continued)

are not reviewed for accuracy, there is an increased risk of improper payment.

As required by contract, the facility maintains a healthcare provider logbook for the vendor's employees to sign in and sign out of the facility. The logbook should document all vendor employees entering and departing the facility and is necessary for safety and security purposes. We compared all 241 time entries for May 2022 vendor timesheets to the logbook and found sign-ins and sign-outs were missing or inaccurate 73 times (30 percent). Of the 73 exceptions, 27 were for no employee signature, 21 were for the time recorded in the logbook not agreeing with the timesheet, and 25 were for a missing or illegible time recorded in the logbook. Failure to track vendor employees coming in and out of the facility could be a safety concern. Furthermore, timesheets cannot be corroborated by the department using the logbook.

Observations

Expenditures During the COVID-19 Pandemic

The Governor of New Jersey declared a state of emergency on March 9, 2020 because of the COVID-19 pandemic. As a result, the department enacted numerous procedures to reduce the spread of the virus within the facility for employees and inmates. These procedures included suspending the transfer of inmates from county jails and between department facilities, implementing work from home or alternative schedules for non-essential staff to reduce the foot traffic at the facility, and halting group SUD programming to achieve social distancing.

According to the Substance Abuse Service Contract, the vendor is to provide in-prison SUD treatment services for inmates with a drug and/or alcohol addiction. The contract also states that minimum treatment hours shall be provided to each inmate based on their diagnosed level of care as determined by an assessment. The daily per bed reimbursement rate is a fixed price all-inclusive of direct and indirect costs, including, but not limited to, direct labor costs, overhead, fee or profit, clerical support, equipment, supplies, and managerial and administrative support. The rate does not include costs to house or feed offenders; these costs are incurred by the department.

During the COVID shutdown, the department made the decision to continue to reimburse the vendor the full contracted daily rate even though services were limited or suspended. The Department of the Treasury, Division of Purchase and Property was contacted for guidance regarding this matter and left the decision to continue to pay for vendor services with the department. According to documentation, only four vendor employees reported to the facility daily in order to update records and provide the custody staff with written materials to deliver to the inmates. The remaining vendor employees worked remotely to develop materials related to programming, complete professional development training courses, and perform other administrative duties. Programming in a group setting was temporarily discontinued to avoid

ACCOMPLISHMENTS AND RESULTS

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DEPARTMENT OF CORRECTIONS

MID-STATE CORRECTIONAL FACILITY (continued)

unnecessary human contact. Communication between the vendor and inmates was conducted through the J-Pay self-help kiosks, which are located throughout the facility and in each dormitory. For the period April 1, 2020 through April 1, 2021, the department paid the vendor a total of \$2.8 million for providing limited or no treatment services at the facility.

Compensatory Time

Excessive compensatory time could result in unnecessary overtime costs.

Officers working in excess of their designated 40-hour workweek are compensated at the rate of time and one-half for overtime hours. The union contract gives officers the choice of receiving compensatory leave time or cash payment for overtime worked. When compensatory time is used, the officer's regular shift needs to be covered by another officer. When the covering officer is also working an overtime shift, an additional 50 percent in costs is incurred when compared to paying cash for all overtime. The additional cost could be compounded even further when the covering officer working overtime also chooses to get reimbursed in compensatory leave time.

Between January 1, 2019 and December 31, 2020, the facility's officers used 18,808 hours of compensatory leave time. Of these hours, 15,508 (82 percent) required paying the covering officer overtime. We estimated the additional cost associated with paying this overtime amounted to \$248,000 for this period, or an average of \$124,000 annually. Although some of these costs may be unavoidable, stronger controls over the use of compensatory leave time would result in savings.

A request for the use of compensatory time may be denied only in circumstances when it cannot be accommodated for operational reasons. Additionally, the facility does not perform an analysis of compensatory leave time earned and used by custody staff.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF HEALTH
SELECTED PROGRAMS ACCOUNTED FOR IN THE
DIVISION OF EPIDEMIOLOGY
ENVIRONMENTAL AND OCCUPATIONAL HEALTH

Contact Tracing Program

Monitoring of the COVID-19 contact tracing program needs improvement.

Background

Contact tracing is a core disease control measure employed by public health agencies for decades. Contact tracing involves working with a patient who has been diagnosed with an infectious disease to identify and provide support to individuals (contacts) who may have been infected through exposure to the patient. The objective of the COVID-19 contact tracing program is to help break the chain of transmission and slow community spread by identifying individuals who may have come into contact with someone infected by COVID-19.

In July 2020, in response to the COVID-19 pandemic, the state entered into a contract with a consultant (contractor) to manage its contact tracing program in an effort to curtail the spread of the COVID-19 virus by assisting the state’s efforts to provide additional contact tracing capacity to county and local health departments. Contact tracers were hired by the contractor and its three subcontractors to remotely perform case investigations in collaboration with local health departments. The following chart shows the number of contact tracers from September 2020 through May 2022:

Month	Year	Contact Tracers Billed by		
		Contractor	Dollar Amount	Cases
September	2020	694	\$ 809,854	13,315
October	2020	834	3,049,788	32,611
November	2020	1,850	4,394,543	99,418
December	2020	2,114	6,800,570	140,056
January	2021	2,098	10,314,750	146,181
February	2021	1,958	8,473,025	78,184
March	2021	1,951	8,197,366	97,666
April	2021	1,806	7,866,367	73,536
May	2021	1,741	9,346,904	14,772
June	2021	1,638	6,541,131	5,284
July	2021	1,101	4,567,836	14,266
August	2021	794	3,490,616	44,554
September	2021	884	3,755,274	51,809
October	2021	911	4,909,545	38,681
November	2021	890	3,983,236	44,429
December	2021	1,033	4,514,952	258,041
January	2022	1,170	6,597,679	481,631
February	2022	1,100	4,895,235	46,241
March	2022	1,077	4,547,156	26,122
April	2022	1,046	4,010,864	50,062
May	2022	586	2,880,463	106,534
		Total	\$ 113,947,154	

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF HEALTH
SELECTED PROGRAMS ACCOUNTED FOR IN THE
DIVISION OF EPIDEMIOLOGY
ENVIRONMENTAL AND OCCUPATIONAL HEALTH (continued)

The cost of the contact tracing program is 100 percent reimbursed through federal funds. The contractor is reimbursed contact tracing salary costs: \$25 per hour for contact tracers and \$35 per hour for contact tracing supervisors, plus a markup of 40.5 percent for indirect costs. In addition, the contractor received a monthly management fee of \$464,900 in fiscal year 2021 and \$410,900 in fiscal year 2022, as summarized below:

Monthly Management Fee Breakdown (rounded to nearest \$100)

Task/Line Item	Description	FY 2021	FY 2022
Project Management and Subcontractor Oversight	Project management implementation, ongoing PM, and oversight of subcontractors	\$180,700	\$180,700
IT Provisioning	Distribution of laptops, inventory management, collection of laptops, and shipping	\$37,800	\$11,300
Community Engagement Subcontractor	Community engagement efforts and collaboration with Community-Based Organizations	\$45,800	\$18,300
Quality Assurance Staff and Support	Staff to evaluate performance of staff, managing productivity, call monitoring, training tracking, and remedial training	\$86,700	\$86,700
Call Center & Workforce Management	Scheduling of staff and work hours based upon volume of cases and management of call center functions	\$109,700	\$109,700
Insurance Costs (Liability)	General insurance costs (removed in home site liability insurance coverage)	\$4,200	\$4,200
Total Monthly Management Fee		\$464,900	\$410,900

For the 23-month period from July 2020 through May 2022, the Division of Epidemiology, Environmental and Occupational Health (division) paid the contractor \$113.9 million for contact tracing expenses and \$10.1 million in management fees. Management fees and contact tracing expenditures commenced in July 2020 and September 2020, respectively.

ACCOMPLISHMENTS AND RESULTS

COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF HEALTH

SELECTED PROGRAMS ACCOUNTED FOR IN THE

DIVISION OF EPIDEMIOLOGY

ENVIRONMENTAL AND OCCUPATIONAL HEALTH (continued)

Our review of the contact tracing program found control weaknesses related to contact tracer work schedules, contractor invoices, and laptop purchases as well as certain aspects of the contact tracing contract that did not appear reasonable.

Contact Tracer Work Schedules

A centralized work schedule used by all contact tracers could be an important management tool to help minimize labor costs by allocating contact tracers based on daily need. The contractor informed us that the “online scheduling functionality exists to effectively articulate schedules for staff with automated schedule distribution, and schedule oversight for the client.” The centralized work schedule provided by the contractor includes a portal that could allow the Office of the Commissioner, Chief of Staff to review contract tracer timesheets and schedules.

As part of the monthly management fee, the division paid the contractor \$109,700 for the scheduling of contact tracers’ work hours and the management of a call center. Six counties opted out of using the contractor’s work scheduling system because they already had their own system in place. As of December 2021, only 619 contact tracers of the 969 (64 percent) were using the contractor’s work scheduling system. Despite the six counties opting out of using the contractor’s work scheduling system, the monthly management fee paid by the division to the contractor included funds to provide work schedules for all contract tracers throughout the state.

Contractor Invoices

According to Department of the Treasury Circular No. 14-08-DPP, the appointed State Contract Manager (contract manager) is responsible for the overall management and administration of a state contract. The duties and responsibilities related to managing a state contract include communicating with the contractor, reviewing all contractor billing (invoices), and ensuring the contractor is paid only for services rendered and goods delivered. On a biweekly basis, the contractor requests payment for services rendered by providing invoices of all hours worked by contact tracers, including overtime hours, based on the contracted reimbursement rates. The division’s contract manager did not perform a sufficient review of the invoices before approving payment. Based on our review of eight invoices totaling \$32.3 million of a population of 44 invoices totaling \$113.9 million, we found eight employee overpayments totaling \$20,299, including one for a person with the name of a fictitious character. The contractor claimed the name was included for testing purposes. Based on our inquiry, the contractor subsequently issued a full credit to the division for these overpayments.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES
NEW JERSEY MEDICAID/NEW JERSEY FAMILYCARE
DURABLE MEDICAL EQUIPMENT AND MEDICAL SUPPLIES

Claims Support

Providers did not always provide adequate support for the claims for which they billed.

All claims are subject to control edits prior to reimbursement by the health plans to ensure all the required information has been submitted and the claim has met program requirements. The division contracts with a fiscal agent to manage the Medicaid fee-for-service (FFS) claim processing system, while the managed care organizations (MCOs) manage their own. Although all providers need to maintain adequate supporting documentation for each claim that they bill, the health plans do not always require the documentation to be submitted or review it prior to making payment.

We obtained the claims data for the period July 1, 2018 through June 22, 2021 for both FFS and managed care programs. We used this data to perform a number of audit analyses, all of which included an attribute test for supporting documentation. The various test populations included:

- 7,274 instances encompassing 24,452 possible duplicate claims totaling \$3.7 million. A random sample of 163 instances encompassing 424 claims totaling \$147,808 was selected across all health plans.
- 76,804 claims for possible noncovered items totaling \$3.1 million. A judgmental sample of 64 claims totaling \$7,619 was selected across all health plans.
- 159,690 claims requiring preauthorization totaling \$94,669,030. A random sample of 199 claims totaling \$149,384 was selected across all health plans.
- 393,799 claims for incontinence supplies totaling \$19 million. A random sample of 75 claims totaling \$3,893 was selected across all health plans.
- 32,602 claims for miscellaneous procedure codes (E1399 and K0108) totaling \$8.3 million. A random sample of 60 claims totaling \$59,826 was selected across all health plans.

In total, we sampled 822 claim reimbursements across all health plans totaling \$368,531 for adequate supporting documentation. Based on our review of the supporting documentation provided by the providers and health plans, we found that 164 claims (20.5 percent) totaling \$67,244 were not adequately supported by the billing providers. Reasons for this determination included the following:

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DEPARTMENT OF HUMAN SERVICES DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES NEW JERSEY MEDICAID/NEW JERSEY FAMILYCARE DURABLE MEDICAL EQUIPMENT AND MEDICAL SUPPLIES (continued)

- 7 of the claims were missing either a prescription, medical necessity form, or physician order
- 20 of the claims did not have the required preauthorization
- 45 of the claims did not have proof of delivery
- 33 of the claims had issues with the prescription or medical necessity form
- 11 of the claims had issues with the preauthorization
- 26 of the claims had issues with the invoice or proof of delivery
- 24 of the claims had incorrect payment calculations
- 18 of the claims were duplicates
- 30 of the claims had no supporting documentation at all, as there was no response from the provider

The lack of supporting documentation provides an opportunity for improper reimbursement and a misappropriation of New Jersey Medicaid/New Jersey FamilyCare (Medicaid) funds.

Duplicate Claims

System edits did not always prevent reimbursements for duplicate claims.

We analyzed claims data to identify possible duplicate claims by comparing several claim fields, including beneficiaries' current Medicaid ID, national provider identification number, procedure code, and claim service date.

Our initial analysis found 7,274 instances encompassing a combined 24,452 claims for both miscellaneous procedure codes and non-miscellaneous procedure codes that we considered to be possible duplicate claims. The total amount reimbursed for these claims was \$3.7 million. We randomly selected 163 instances encompassing 424 claims totaling \$147,808 across all health plans for testing, and we found the following issues:

- 16 claims totaling \$1,709 were actual duplicate claims that were billed by providers and reimbursed by one of the health plans.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES
NEW JERSEY MEDICAID/NEW JERSEY FAMILYCARE
DURABLE MEDICAL EQUIPMENT AND MEDICAL SUPPLIES (continued)

- 52 claims totaling \$3,906 lacked adequate supporting documentation, thereby preventing us from determining whether they were duplicates.

The claim processing systems of the division and the MCOs lack the necessary edits to detect duplicate claim reimbursements. This lack of system edits could allow the total reimbursement amounts to be inflated, which could affect the capitation rates used by the division to reimburse MCOs for their services, as the reimbursement amounts are a contributing factor when determining the capitation rates.

Rentals

Durable Medical Equipment (DME) rentals have surpassed their monthly reimbursement limit and have exceeded the purchase price.

DME may be rented when the medical need for the equipment is of such duration that the rental is more economically practical than authorizing its purchase. For the FFS health plan, the rental is based on the New Jersey Administrative Code (N.J.A.C.) 10:59-1.8. Section (b)1 states that if the item has a maximum fee allowance of \$100 or less, the monthly rental payment will be the amount billed or 20 percent of the approved purchase price, whichever is less, not exceeding six such payments. Section (b)2 states that if the item has an approved maximum fee allowance of more than \$100, the monthly rental payment will be the amount billed or 12 percent of the fee, whichever is less, not exceeding ten payments. When such payments are met, the item shall be deemed to have been purchased. No further payments shall be made, and the equipment will be considered the property of the state. However, the five MCOs are not required to follow the administrative code regarding rentals. Certain rentals are reimbursed on a monthly fee that shall not exceed ten continuous monthly payments. When this occurs, it is deemed to have been purchased, and no further payment shall be made, unless Medicaid is the secondary payer of the claim.

We performed an analysis of 93,009 rentals encompassing 616,312 claims (excluding claims for oxygen and miscellaneous codes), totaling \$53.4 million, for the period July 1, 2018 through June 22, 2021 to identify beneficiaries who had rental claims for a medical equipment item for more than 10 consecutive months. We found one instance for FFS and 4,483 instances for managed care where the beneficiary had more than 10 consecutive monthly claims for the same item during our audit period. There was also one instance for FFS and 1,556 instances for managed care where there were more than 10 payments for the same item; however, the payments were not consecutive (a month gap or more).

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES
NEW JERSEY MEDICAID/NEW JERSEY FAMILYCARE
DURABLE MEDICAL EQUIPMENT AND MEDICAL SUPPLIES (continued)

We judgmentally selected a sample of the managed care instances to determine whether the reimbursement limit was exceeded. Our sample included 91 instances totaling \$79,213 where the claim payments exceeded 10 months. We determined that 46 of these instances (50.6 percent) exceeded the applicable 10-month reimbursement limit and the item should have been considered purchased. The estimated amounts of these overpayments totaled \$14,351. Control edits in the managed care program did not always prevent a claim from being reimbursed after the DME item had exceeded the applicable monthly reimbursement limit.

After bringing our results to each of the MCO's attention, one MCO concurred that all of the instances provided were paid in error (other MCOs agreed with some of the errors, but not all). After we brought this issue to its attention, the MCO added an edit in its system to deny rental claims that exceeded the applicable monthly reimbursement limit.

In addition, we performed an analysis of all rental claims for the same period to identify any rental that exceeded the average purchase price of the item by more than \$100. We found there were 1,660 instances totaling \$1.9 million in rental payments for managed care where the total rental payment exceeded the average purchase price by more than \$100. We estimate the overpayments of these items to be \$845,482. We also found 23 instances totaling \$8,225 for FFS where the estimated overpayment amounted to \$4,581.

Allowing rental reimbursements to exceed the monthly reimbursement limit could affect capitation rates, as the reimbursement expenses are a contributing factor when determining the rates.

ACCOMPLISHMENTS AND RESULTS

COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

DIVISION OF UNEMPLOYMENT INSURANCE (division)

Shared Work Program

The division was not timely in marketing the Shared Work Program (SWP), which provides employers an alternative to employee layoffs.

On January 17, 2014, the governor signed the short-time unemployment benefit legislation (P.L.2001, c. 154) allowing employers to reduce hours while employees receive some unemployment benefits through an SWP. The benefits payable to employees under an approved SWP are intended to be in lieu of layoffs. The purpose of the program is to stabilize the employer's work force during a period of economic disruption by permitting the sharing of the work remaining after a reduction in total hours of work. An employer who has at least 10 employees may apply to the division for approval to provide an SWP. Employers must complete an SWP application, which certifies to the division that the aggregate reduction in work hours is in lieu of layoffs, provides an estimate of the number of employees who would have been laid off in the absence of the program, and certifies that the employer will not hire additional employees while SWP benefits are being paid.

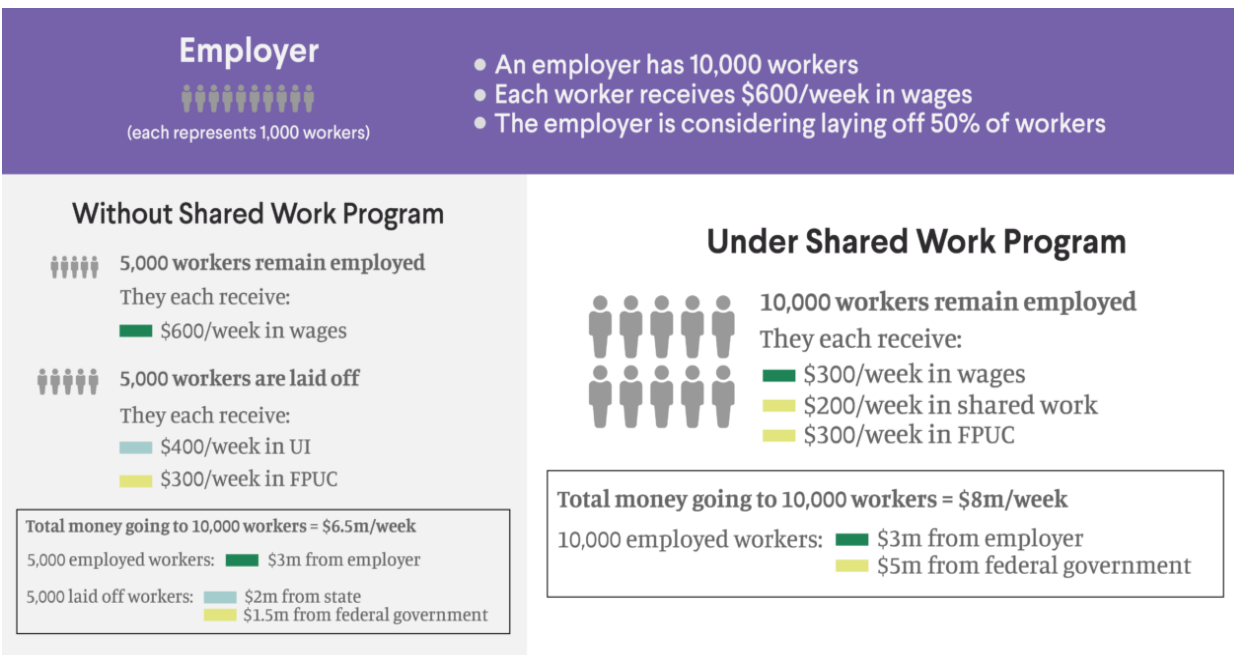
The advantages for employers under an approved SWP include: continuing to provide quality services by retaining skilled workers, allowing for trained work teams to remain intact as business improves, and avoiding the time and expense of hiring and training new employees. In addition, for some employers, the unemployment insurance (UI) tax rate may be lower than if employees were completely unemployed. The advantages for employees in an SWP include: remaining employed and continuing to earn wages, retaining their health insurance and retirement benefits, and maintaining their job skills. In addition, the reduction in wages would be partially offset by UI benefits.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act included three provisions that maximized the SWP: 100 percent federal funding for states with an already existing SWP, a pause on employer contributions, and Federal Pandemic Unemployment Compensation (FPUC) payments through September 6, 2021. The CARES Act FPUC program provided increased benefits for workers collecting UI benefits for claims effective from March 27, 2020 through September 6, 2021.

A Roosevelt Institute briefing document was issued March 23, 2021 titled *Shared Work: The Little-Known Program that Could Prevent Layoffs, Relieve State Budgets, and Boost the Economy*. The document analyzed unemployment data from the pandemic. It demonstrated the scale of potential savings to states and of additional payments to workers when states participate and encourage an SWP and offers policy recommendations. The following illustration is an example of an employer with 10,000 employees and the potential savings associated with an SWP:

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT DIVISION OF UNEMPLOYMENT INSURANCE (continued)



Roosevelt Institute briefing, “Shared Work: The Little-Known Program that Could Prevent Layoffs, Relieve State Budgets, and Boost the Economy”

The briefing explains how state budget savings could have been achieved by converting just 20 percent of claims into an SWP, assuming employers laid off an average of one in five employees. The briefing also discussed how states can participate in the SWP as employers to assist in eliminating public-sector layoffs and referenced the state of Michigan:

“Between May 17 and July 25 of last year, 31,000 Michigan state employees—more than half the state’s 48,295—took one furlough day per week, saving the state \$80 million in wages and millions more in unemployment insurance payments, while supporting these workers and their families with reduced hours and increased pay (LeBlanc 2020).”

Marketing

Prior to the pandemic, from July 14, 2019 through March 15, 2020, there was a total of 106 SWP claims totaling \$760,971. The division determined it was necessary to contract with a vendor to provide useful SWP marketing deliverables to better assist in communicating with businesses during the pandemic to provide employers an alternative to employee layoffs. The United States Department of Labor, Employment and Training Administration, UI Program Letter No. 10-20, dated March 12, 2020, “strongly urge states to consider implementing and promoting use” of the SWP, which could prevent layoffs where possible.

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT DIVISION OF UNEMPLOYMENT INSURANCE (continued)

On April 7, 2021, more than a year after the CARES Act was signed into law, the department advertised a mini-bid request of three deliverables needed to market the SWP. The three deliverables included a promotional video outlining the benefits of the SWP and defining the eligibility criteria, an onboarding educational webinar designed to help newly approved employers navigate participation in the SWP process, and employee-facing literature informing employees of their rights and responsibilities during their employer's participation in the SWP. The initial purchase order of \$107,575 was submitted to the vendor on August 25, 2021, which was less than two weeks before the 100 percent federal funding of the SWP expired. The promotional video and employee-facing literature were due within 45 days from the awarding of the mini-bid, while the onboarding educational webinar was due within 60 days. The SWP deliverables were not available on the department's website until October 6, 2022, at which point the SWP was no longer 100 percent federally funded.

From June 1, 2020 through January 31, 2023, the division processed 11,765 initial SWP claims. Total SWP claims compensated during that time period totaled approximately \$21.0 million.

Cost Savings

In response to the COVID-19 pandemic, in June of 2020 the Executive Branch signed a Memorandum of Agreement with a state employee union agreeing to various conditions to offset the impact of the pandemic on state revenues to avoid layoffs. This included two sets of furlough days for the union members totaling twelve days. Of the twelve furlough days, ten were eligible for unemployment benefits under the CARES Act FPUC program because they were to be taken between June 29 and July 31, 2020. The remaining two furlough days were unpaid holiday furlough days on November 27, 2020 and February 15, 2021.

We analyzed union members who were furloughed from June 29, 2020 through August 1, 2020 (earliest compensable week ending for filing of UI benefits that includes July 31, 2020) and verified that members were active union members during the periods for which UI claims were submitted. We determined there was a total of 18,245 active members who received UI benefits totaling \$20,517,944. In addition, we analyzed New Jersey employers who could have potentially enrolled in the SWP by reviewing employer UI claims from April 5, 2020 through August 29, 2021 with benefit payments through September 4, 2021. We identified 973 employers with a total of 30,280 UI claims totaling \$181,610,353.

The division could have utilized its resources to ensure furloughed union member claims would be cost beneficial to the state. Once the CARES Act was signed into law, the division could have established a timely marketing plan for its existing SWP to ensure timely exposure of the program among employers in New Jersey. With the CARES Act covering 100 percent of the costs, the state could have saved up to \$20,517,944 by converting furloughed union members claims to the SWP and at least \$36,322,071 for the Unemployment Compensation Fund by converting 20 percent of the New Jersey employer claims.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF TRANSPORTATION
DIVISION OF MULTIMODAL SERVICES
SUPERLOAD UNIT

Contract Services

The Department of Transportation (department or DOT) overpaid for contract services because of a calculation error in the contract.

The department contracted with a vendor to provide an upgrade to its version of the GotPermits system. GotPermits is used for the issuance of oversize and overweight truck permits and the collection of the associated revenues. In addition, the department contracted with the same vendor to also provide software and industry support, hosting of the system, on-going training, management insight into the data/metrics of a hauling permits system, as well as addressing new DOT-specific development needs. Both contracts were awarded on December 1, 2016 for a five-year period. On a monthly basis, the vendor deducts their fees associated with both contracts from the revenues generated from the GotPermits system and forwards the remaining revenues to the state.

The contract for upgrading the GotPermits system was set at a fixed price of \$750,000 payable in annual installments. However, the contract indicated annual fees totaling \$177,000 per year rather than \$150,000 ($\$750,000/5$ years). This resulted in an overpayment of \$135,000 for the five-year contract period, as total fees amounted to \$885,000.

In addition, the \$1 million technical support contract was payable in monthly installments of \$83,333. The vendor guaranteed to provide 1.5 full-time equivalents (FTEs) of support services for the first year of the contract. Prior to each subsequent contract year, the department had the option of adjusting the level of support services based on need within the range of 1.0 to 1.5 FTEs in increments of 0.1 FTE valued at \$30,000 per unit. Department personnel overseeing daily operations were unaware of this option and did not track the level of support services being provided. If the department had performed an assessment and determined that a reduction in support services was warranted, it could have saved between \$30,000 to \$150,000 annually, or a total of \$120,000 to \$600,000 for the remaining four years of the contract.

Both contracts expired on November 30, 2021. The new technical support contract eliminated the department's option to adjust support services based on need within the range of 1.0 to 1.5 FTEs. The current contract guarantees to provide up to 1.5 FTEs of support services at a cost of \$1.2 million and recurring services will renew for subsequent terms, as agreed to by both parties each time for a one-year period. In addition, under the new contract, revenues are now remitted quarterly instead of monthly.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

TRENTON BOARD OF EDUCATION

Observation

Health Benefits Waiver Incentive

Employees with health insurance coverage from another source may be paid to waive Trenton Board of Education (district) health benefits coverage. The waiver incentive payment amount depends on the employee's bargaining unit contract and is paid only if proof of other health benefits coverage is provided.

The district does not participate in the New Jersey School Employee Health Benefits Program (SEHBP), administered by the New Jersey Division of Pensions and Benefits. The SEHBP permits incentives to waive coverage; the waiver cap is defined by P.L. 2010, c.2 and N.J.S.A. 52:14-17.31a and may not exceed 25 percent of the amount saved by the employer or \$5,000, whichever is less.

We performed an analysis of health benefits waiver payments the district paid in fiscal years 2018 through 2022 and noted individual payments as much as \$19,900. If the union contracts capped health benefits waiver payments at \$5,000, the district could have saved \$5.4 million over the five fiscal years we reviewed. The following chart summarizes the five-year health benefits incentive payments:

Fiscal Year	Total Incentive Payment	Total Employees	Total Exceeding \$5,000	Employees over \$5,000
2018	\$ 2,596,867	309	\$ 1,131,054	242
2019	2,655,256	320	1,146,097	249
2020	2,707,002	342	1,160,623	232
2021	2,561,805	337	1,029,003	214
2022	2,492,015	343	977,232	204
Totals	\$ 13,012,945		\$ 5,444,009	

Health benefits payments exceeding \$5,000 is trending down because two contracts began capping payments at \$5,000 for employees who opted to waive health benefits for the first time and for newly hired employees – one in 2018 and another in 2020.

Additional Assignments Payroll

The district makes payroll payments for additional assignments performed. Payments for additional assignments are supported by voluminous paper payroll vouchers and are cumbersome to process. Additional assignments payroll earning codes include Class Coverage, Missed Prep, and Extra Duties. Total additional assignment expenditures were:

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

TRENTON BOARD OF EDUCATION (continued)

<u>Fiscal Year</u>	<u>Additional Assignments</u>		
	<u>Class Coverage</u>	<u>Missed Prep</u>	<u>Extra Duties</u>
2018	\$ 41,680	\$ 206,338	\$ 1,170,779
2019	83,574	465,321	1,250,174
2020	53,348	522,553	954,906
Total	<u>\$ 178,602</u>	<u>\$ 1,194,212</u>	<u>\$ 3,375,859</u>

The board annually approves a bi-monthly payroll schedule for submission of additional assignments payroll vouchers based on the dates additional assignments were performed. Paper payroll vouchers are filled out by the employee. An additional assignments payment may be supported by multiple payroll vouchers and multiple line items on each payroll voucher detailing the dates and time worked by the employee. The supervisor of each program, who may not be the employee’s direct supervisor, reviews the voucher, signs each line indicating an authorization for payment, then forwards it to the payroll unit for processing.

Payroll processors must verify that payment was not already made for the same date and time and should also review school calendars for closures before processing a payment. Payroll processors and supervisors who sign payroll vouchers do not have access to employee leave records. There were three payroll processors in fiscal year 2018 through 2020. As of February 2023, the district had one full-time processor and one temporary payroll processor. The district began using an online timekeeping system in September 2022; however, it was too early in its implementation to test the system as part of our audit.

Additional Assignments Payments

The district’s cumbersome payment process for additional assignments increases the risk of inaccurate payments to employees.

We tested additional assignments payments for fiscal years 2018 through 2020 to determine their propriety. We noted internal control weaknesses that resulted in inaccurate payments and found payments were not always paid in accordance with the applicable contracts, memorandum of agreement, payroll procedures, or board approvals. In addition, the district lacked policies specifying when Extra Duties may be performed. Approximately 70 percent of district employees were members of the teacher’s union and 7 percent were members of the paraprofessionals’ union.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

TRENTON BOARD OF EDUCATION (continued)

Class Coverage

Class Coverage payments are made to paraprofessionals to cover classes in the absence of a teacher. Payments are based on a daily rate that is dictated by the Trenton Paraprofessional Association contract, and payment rate and eligibility varied in each fiscal year we reviewed. We selected the 10 employees who were paid the most for Class Coverage during each fiscal year to test for propriety. Fiscal year payments that pertained to work completed in a prior fiscal year were excluded. The following table summarizes our samples and the testing population:

Class Coverage Payments Summary			
Fiscal Year	2018	2019	2020
Total Number of Payments	285	493	294
Total Employees Paid	53	91	74
Total Payments Tested	\$21,019	\$36,940	\$26,772
Number of Payments Tested	89	111	61
Number of Vouchers Tested	160	214	138
Number of Line Items Tested	420	797	487
Sampled Employees	10	10	10

Of the 261 payments we tested, 167 had at least one error (64 percent), with 28 of the 30 sampled employees (93 percent) receiving at least one incorrect payment. In total, we determined \$34,441 was incorrectly paid to employees. The majority of incorrect payments were made to paraprofessionals without a substitute certification calculated and paid at the rate for employees with a substitute certification.

Missed Prep

Missed Prep payments are made to teachers who miss their contracted preparation period in order to perform another needed duty. Payments are based on a rate that is dictated by the Trenton Education Association contract. We selected the 10 employees who were paid the most for Missed Prep during each fiscal year to test for propriety. Fiscal year payments that pertained to work completed in a prior fiscal year were excluded. One employee was removed from our fiscal year 2019 sample because all payments were related to work completed in the prior year, leaving nine employees tested. The following table summarizes our samples and the testing population:

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

TRENTON BOARD OF EDUCATION (continued)

Missed Prep Payments Summary			
Fiscal Year	2018	2019	2020
Total Number of Payments	1,793	2,740	1,927
Total Employees Paid	490	648	530
Total Payments Tested	\$49,041	\$68,452	\$90,035
Number of Payments Tested	67	111	116
Number of Vouchers Tested	210	288	317
Number of Line Items Tested	926	1,271	1,620
Sampled Employees	10	9	10

Of the 294 payments we tested, 105 had at least one error (36 percent), with 28 of the 29 sampled employees (97%) receiving at least one incorrect payment. In total, we determined \$22,782 was incorrectly paid to employees.

In fiscal year 2019, we noted 67 percent of the incorrect payments were related to the same employee. The majority of these exceptions were for payroll vouchers that did not indicate the hours worked and others that indicated the employee worked multiple programs in different locations simultaneously.

In fiscal year 2020, 66 percent of the incorrect payments were related to two employees, the majority of which were for work that was performed in the prior fiscal year. One employee submitted payroll vouchers in February 2020 for work performed from September 2018 to February 2019. The other employee submitted payroll vouchers in February 2020 for work performed from February to June 2019.

Extra Duties

Extra Duties are those performed outside of the employee’s regular workday. The board sets the hourly rates of pay, applicable program expenditure thresholds, individual employee participation approval, and maximum income for select programs. However, the district does not have policies that specify the days or times employees may perform these duties, and leave records are not available to payroll processors or all supervisors of Extra Duties. The accounting system (EduMet) summarizes expenditures by program; it does not provide total payments to individual employees. We selected the 10 employees who were paid for the most hours worked for Extra Duties during each fiscal year to test for propriety. Fiscal year payments that pertained to work completed in a prior fiscal year were excluded. The following table summarizes our samples and the testing population:

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

TRENTON BOARD OF EDUCATION (continued)

Extra Duties Payments Summary			
Fiscal Year	2018	2019	2020
Total Number of Payments	3,239	3,300	2,815
Total Employees Paid	609	623	716
Total Payments Tested	\$129,233	\$126,875	\$55,393
Number of Payments Tested	160	165	61
Number of Vouchers Tested	296	440	205
Number of Line Items Tested	1,322	1,920	850
Sampled Employees	10	10	10

Of the 386 payments we tested, 95 had at least one error (25 percent), with 26 of the 30 sampled employees (87 percent) receiving at least one incorrect payment. In total, we determined \$9,605 was incorrectly paid to employees.

In fiscal year 2018, 77 percent of the incorrect payments and 75 percent of the total exceptions related to three employees. A variety of exceptions were noted with each employee.

In fiscal year 2019, 46 percent of incorrect payments were related to one employee, 65 percent of which were for an incorrect earnings code classification.

In fiscal year 2020, 50 percent of the incorrect payments and 46 percent of the total exceptions were related to two employees and were the result of a variety of reasons.

If an employee worked a half day and received an Extra Duty payment that day, we did not consider this to be an exception because we could not determine which portion of the day was worked. However, we noted 21 instances where an employee worked half a day and received a payment for Extra Duty.

We also did not consider it to be an exception when employees received an Extra Duty payment on days that they took a personal day off or schools were closed for professional development. However, we noted eight employees received \$656 on days they took a personal day off and four who were paid \$483 when schools were closed for professional development.

ACCOMPLISHMENTS AND RESULTS OTHER FINDINGS AND OBSERVATIONS OF INTEREST

DEPARTMENT OF AGRICULTURE STATE AGRICULTURE DEVELOPMENT COMMITTEE

Observation

Farmland Preservation Goal

Based on historical trends, it is debatable whether the State Agriculture Development Committee (SADC) will achieve the goal of preserving 550,000 acres of farmland.

As of June 30, 2022, New Jersey had preserved 2,800 farms totaling 247,517 acres at a cost of \$1.8 billion, of which \$1.2 billion was from state cost-share and \$649 million from counties, municipalities, and federal cost share.

The Planning Incentive Grant (PIG) program enables the SADC to provide grants to eligible counties and municipalities for the purchase of development easements to permanently preserve farmland in designated areas. As part of the application process for PIG program funds, counties and municipalities submit a ten-year plan to the SADC that includes targeted farm acreage, preservation goals, and project costs. In fiscal year 2013, counties and municipalities combined to identify 323,000 acres of targeted farm acreage to be preserved and established a ten-year goal to preserve 208,976 acres, or an average of 20,898 acres per year. Our analysis of preservation data revealed that this goal was not achieved.

During the ten-year period of fiscal year 2013 through 2022, the counties and municipalities preserved a total of 31,053 acres (14.9 percent), or 3,105 acres per year. Of the 62 counties and municipalities that had established an individual preservation goal, just one was able to achieve its goal. While preservation efforts may have been impacted by the COVID-19 pandemic, through the first seven years of the 2013 ten-year plan (prior to the onset of the pandemic), only 25,095 acres were preserved, or an average of 3,585 per year. Furthermore, when we include the efforts of all other preservation partners, there were 39,006 acres preserved during the same seven-year period, or an average of 5,572 per year. Based on this prior performance, it would take an additional 54 years to achieve the goal of preserving 550,000 acres.

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF CORRECTIONS (department)
MID-STATE CORRECTIONAL FACILITY**

Substance Use Disorder (SUD) Program Monitoring

The goal of the department’s SUD program is to advance the department’s mission-mandate to act in the interest of public safety while also providing its inmate population with the necessary tools to successfully re-enter society. In order to meet this mandate, the department made providing treatment to its SUD population a priority. The department entered into a contract with a vendor on March 6, 2017 to provide in-prison SUD treatment services for inmates. The contract had an original term through March 5, 2022, and as of February 28, 2022 it had been extended once through March 5, 2023. Department-wide expenditures for the SUD treatment program vendor, at intake and the facility, averaged \$3 million for fiscal years 2019 through 2022. According to the contract, inmates who present substance use concerns are burdened with the added re-entry barrier of addiction, and approximately 47 percent of those inmates have a moderate to extreme addiction severity index rating in alcohol and/or drugs. Our review disclosed the following internal control weaknesses related to contract monitoring.

Counseling Services and Treatment Plans

Counseling services and treatment plan reviews for inmates are not being conducted in accordance with contract requirements.

The department provides three levels of care for inmates based on their individual addiction treatment needs. The level of care is determined by a formal SUD clinical screening and assessment based on the American Society of Addiction Medicine criteria and guidelines. Pursuant to the contract, treatment plans are required to be reviewed every sixty days, and counseling services must be provided at specified frequencies depending on an inmate’s level of care. The chart below identifies the three levels of care and the frequency of required services.

Description	Level of Care		
	Long Term Residential	Intensive Outpatient	Outpatient
Hours per week of counseling/education	11	9	<9
Frequency of individual sessions	once a week	once a week	once a month

We identified 38 inmates who received treatment services for 30 months or longer during the period July 2018 through December 2020. We selected 5 of these inmates and reviewed counseling/education sessions, individual sessions, and treatment plans during the period July 2018 through mid-March 2020. Because the COVID-19 pandemic resulted in the suspension of treatment services at the facility in mid-March 2020, testing was conducted for periods prior to the pandemic. The period reviewed consisted of 89 weeks broken up into programming periods

ACCOMPLISHMENTS AND RESULTS OTHER FINDINGS AND OBSERVATIONS OF INTEREST

DEPARTMENT OF CORRECTIONS MID-STATE CORRECTIONAL FACILITY (continued)

of one week or one month, depending on the inmate's level of care. We found none of the five inmates received all of the required treatment services and noted the following:

- In 225 of 445 programming periods reviewed, the inmate did not receive the required counseling/education hours. For example, an inmate who should have received at least nine treatment hours per week did not receive these hours for over 78 percent of the review period.
- In 161 of 356 programming periods reviewed, the inmate did not receive the required number of individual sessions. For example, an inmate who should have received a weekly individual session did not receive these sessions for over 66 percent of the review period.
- 23 of 49 treatment plan reviews were not completed every sixty days.

While performing the review above, we noted issues with attendance documentation. Specifically, there were six instances where documentation indicated an inmate attended an individual session at the same time as a group session and nine instances where the group session notes showed an incorrect time. For these instances, we could not verify whether the inmate received the appropriate number of session hours. Additionally, there were two instances where inmates were in the hospital but marked present at a group session. As a result of these issues, we obtained 25 attendance sheets to determine if inmates were present for group sessions and noted ten issues: five attendance sheets were not signed by the inmate, one inmate signed into a group session while the clinical system indicated attendance at an individual session at the same time, and four attendance sheets were signed by the counselor on behalf of the inmate. The attendance sheets document whether the inmate is participating in the sessions and substantiate notes in the clinical system that reflects services provided.

Discharge Summaries

Discharge summaries were not completed as required by the administrative code.

We reviewed clinical files for 20 of the 57 inmates discharged from the program within a month of their admission during the period July 2018 through December 2020 to determine if discharge summaries were completed in accordance with N.J.A.C. 10:161A-19. These summaries provide management with the discharge reason and could be used to improve the program or assist in evaluating inmate needs. A discharge summary was not completed for three of the inmates we reviewed.

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF CORRECTIONS
MID-STATE CORRECTIONAL FACILITY (continued)**

Periodic Review

The department is not adequately overseeing the services provided by the contracted vendor.

Department oversight is achieved by periodically reviewing inmate clinical files and attending sessions to ensure required treatment is provided. Department policy requires a report to be completed to document these reviews regardless of whether the vendor is compliant or deficient. The policy does not specify time frames for these reviews to be conducted; however, according to department management, these reviews should be conducted quarterly. Additionally, the policy requires corrective action be taken for any deficiencies noted. We requested all nine reports that should have been completed during calendar years 2018, 2019, and the first quarter of 2020. The department was only able to provide four reports: three for 2018, one for 2019, and none for the first quarter of 2020. All four issued reports noted deficiencies, including inmates not receiving appropriate treatment hours.

Biannual Report

The department has not completed required biannual reports.

According to Treasury Circular No. 14-08-DPP, the department must submit a report to the Division of Purchase and Property every six months for the SUD contract. The main purpose of the report is to document contractor performance and fulfillment issues. The department did not complete these reports for calendar years 2019, 2020 and 2021.

ACCOMPLISHMENTS AND RESULTS OTHER FINDINGS AND OBSERVATIONS OF INTEREST

DEPARTMENT OF ENVIRONMENTAL PROTECTION HAZARDOUS DISCHARGE FUNDS

Uncollected Debt

The Department of Environmental Protection (department) needs to strengthen its collection efforts.

As of June 30, 2021, the Hazardous Discharge Site Cleanup Fund had \$17 million of uncollected debt according to department records. Of this amount, \$15.7 million (92 percent) had been transferred to the Department of the Treasury, Division of Revenue and Enterprise Services (DORES) for collection efforts, with \$657,000 collected as of June 30, 2021. We found the department is not utilizing all collection efforts available.

Statewide Nontax Debt Collection and Write-Off

Department of the Treasury Circular No. 13-11-OMB provides guidelines for the collection and write-off of statewide nontax debt. According to the circular, accounts receivable that have not been collected within 90 days should be transferred to the DORES for collection. The department received an extension of this timeframe to 165 days, which is also when it deems a debt account as delinquent. The circular also states the department shall develop and establish written procedures and guidelines that include, at a minimum, an initial billing (invoice), two dunning letters via regular and/or certified mail after 30 and 60 days, and telephone calls after 45 and 75 days.

We found the department does not have written procedures for debt collection. The department provided us with dunning letter templates, but it did not provide evidence the dunning letters were sent out. Additionally, the department's management admitted it did not make telephone calls at the 45- and 75-day marks.

Property Liens

Department policy allows property liens to be placed on delinquent accounts with certain exclusions, e.g., governmental entities and bankruptcy cases, when an unpaid balance is over \$5,000. However, we found the department is only establishing property liens on delinquent accounts over \$10,000. This was also an issue in our prior audit of the department's Site Remediation Program.

We identified 119 delinquent accounts between \$5,000 and \$10,000, totaling \$876,640, as of June 30, 2020 that may have been eligible for a property lien; however, they were not considered. Additionally, we tested 28 applicable delinquent accounts, totaling \$1.3 million, that each accrued to over \$10,000 between fiscal years 2008 and 2020 and found that 11 (39 percent), totaling \$749,711, had not had a property lien established. Seven of the eleven delinquent accounts, including one for \$315,547, were over two years delinquent as of June 30, 2020 without having

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF ENVIRONMENTAL PROTECTION
HAZARDOUS DISCHARGE FUNDS (continued)**

a property lien established. As of September 28, 2022, we noted 10 of the 11 delinquent accounts still did not have a property lien established.

Interest and Penalties for Uncollected Fees

According to N.J.A.C. 7:26C-4.9, the department is permitted to charge interest and penalties for unpaid remediation fees and costs; however, it did not. Assessing interest and penalties may influence responsible parties to make payment on delinquent accounts.

ACCOMPLISHMENTS AND RESULTS OTHER FINDINGS AND OBSERVATIONS OF INTEREST

DEPARTMENT OF HEALTH SELECTED PROGRAMS ACCOUNTED FOR IN THE DIVISION OF EPIDEMIOLOGY, ENVIRONMENTAL AND OCCUPATIONAL HEALTH

Contact Tracing Program – Laptop Inventory

The Department of Health (department) did not comply with asset inventory requirements.

Contact tracers work remotely using either a state-issued laptop or their own personal computer. In July 2020, the department purchased 1,000 laptops to be used exclusively by contact tracers for \$1.3 million using federal COVID-19 funds.

The Department of the Treasury Circular No. 19-12-OMB requires all state agencies to manage the inventory of property owned by or the responsibility of the agency. The circular provides the minimum requirements for subsidiary records, including the location of the asset and the organization/division unit and name of the employee charged with custody. In order to ensure that agencies are able to efficiently record, manage, and track asset inventories as described in the circular, the state has adopted a cloud-based state-wide software application (inventory system).

In addition, the department's internal procedure requires the facility management unit to verify the physical existence of each asset and affix an internal inventory tag prior to uploading the asset's information to the inventory system. The department did not follow its procedure and instead permitted the vendor to affix inventory tags to each laptop prior to shipping. The vendor provided the department with a computerized inventory list including serial numbers and internal departmental inventory tags upon delivery. The list indicated all of the laptops were at the location where they were initially received by the department in July 2020 (Location A).

In December 2021, we requested an inventory list of the laptops and were provided with a download from the inventory system. The download was the same list initially provided by the vendor, which the department had not uploaded to the inventory system until December 2021. In the 18 months since the laptops were purchased, the department reported the contractor had received 49 laptops, with only 9 distributed to contact tracers because the majority of contact tracers were able to perform their duties using their personal computer. The department further reported 2 laptops had been used for software testing purposes and 41 had been deployed to employees of the division's vaccine command center's mobile rapid response team, leaving 908 laptops to account for. The December 2021 inventory system download incorrectly indicated all of the laptops purchased were at the location where they were initially received by the department in July 2020 despite the laptops being at the various locations indicated above.

Prior to uploading the vendor-prepared inventory list to the inventory system in December 2021, the department accounted for the laptops by creating subsidiary lists of the laptops by location and employee assignment. Because of the inaccurate inventory records on the inventory system, we relied on the subsidiary lists provided by the department to prepare a schedule of the locations

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF HEALTH
SELECTED PROGRAMS ACCOUNTED FOR IN THE
DIVISION OF EPIDEMIOLOGY,
ENVIRONMENTAL AND OCCUPATIONAL HEALTH (continued)**

of the 1,000 laptops as of January 2022. According to the subsidiary lists, 76 laptops were moved from their original location (Location A) to another location (Location B), leaving 832 laptops that should have remained at Location A.

Laptops purchased	1,000
Less: Laptops assigned to contractor	(49)
Less: Laptops assigned for testing phase	(2)
Less: Laptops assigned to department employees	(41)
Laptops unassigned (Two building locations)	908
Less: Laptops stored at Location B	(76)
Remaining laptops stored at Location A	832

In January 2022, we selected a random sample of 25 laptops from the 832 laptops thought to be stored at Location A to test for physical existence; however, we were unable to conduct the test because of the disorganized and random manner in which the laptops were stored. According to the circular, “a physical asset inventory should be taken annually.” However, the department’s facility management unit had not performed an annual physical inventory of the laptops prior to our inquiries. In February 2022, following our inquiries, the department completed an inventory scan of all of the laptops at Location A in an attempt to locate the 25 sampled laptops; however, the department was unable to locate 1 of the 25 laptops. The department speculated the laptop that was unaccounted for could have been removed from its original serial-numbered box and repackaged into a different box when the laptops were removed from their original boxes in preparation for deployment.

After the department completed inventory scans of the laptops in storage in February 2022, the inventory system indicated 42 of the 1,000 laptops had never been scanned or distributed. As of May 2022, the department did not know the location of these 42 laptops.

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES
NEW JERSEY MEDICAID/NEW JERSEY FAMILYCARE
DURABLE MEDICAL EQUIPMENT AND MEDICAL SUPPLIES**

Noncovered Items

Reimbursements were made to providers for items not covered under the New Jersey Medicaid/New Jersey FamilyCare (Medicaid)

The Medicaid program does not cover medical supplies, routinely used Durable Medical Equipment (DME), and other therapeutic equipment/supplies essential to furnish the services offered by a facility for the care and treatment of its residents. Pursuant to the Medical Supplier Manual, New Jersey Administrative Code (N.J.A.C.) 10:59-1.4(a)4, such items are considered part of a nursing facility's per diem and, therefore, are not covered. Examples of these items include but are not limited to hospital beds (including mattress and side rails), oxygen and related equipment, nebulizers, and medical supplies, such as incontinency pads, bandages, dressings, pads used to save labor or linen, catheters, and rubber gloves. In addition, N.J.A.C. 10:59-1.4(b) lists items that are considered noncovered, which include but are not limited to the following: first aid supplies or medicine chest items (gauze, adhesive tape, bandages, and cotton), humidifiers, mattresses (orthopedic or mattresses without FDA approval), pads (heating, hydrocollators, sanitary, thermophore), and scales.

Based on our review of the procedure codes and the descriptions of the items listed in the administrative code, there were 76,804 claims for possible noncovered items totaling \$3.1 million billed by providers and reimbursed by the health plans. Of those claims, 459 totaling \$18,568 were reimbursed by the Medicaid fee-for-service health plan and 76,345 claims totaling \$3.1 million were reimbursed by the five managed care organizations (MCOs) of the managed care health plan.

We sorted the 76,804 claims by health plan and selected a judgmental sample of 64 claims totaling \$7,619 across all health plans. We asked each of the health plans if the claims should have been reimbursed based on the administrative code. After reaching out several times, the health plans did not provide us with an answer and made no determination as to whether these reimbursements should have been made based on the administrative code. Therefore, we could not determine whether these claims were proper.

The providers should not have sought reimbursement and the health plans should not have reimbursed for routine items that are covered by a nursing facility's per diem rates or for items considered to be noncovered according to N.J.A.C 10:59-1.4. The possible improper reimbursements by the health plans demonstrate a lack of edits and controls within their claim processing systems. Reimbursing for items that should not have been covered in the managed care program could affect the capitation rates, as the reimbursement expense is a contributing factor when determining the rates.

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES
NEW JERSEY MEDICAID/NEW JERSEY FAMILYCARE
DURABLE MEDICAL EQUIPMENT AND MEDICAL SUPPLIES (continued)**

Data Reliability

System edits do not always accurately process and accept managed care claims for recording purposes into the New Jersey Medicaid Shared Data Warehouse (SDW).

During our audit, we had determined that the claims data in the SDW was sufficient for the purpose of our audit findings and conclusions in this report. However, we noted exceptions with managed care claims data during our testing that could affect the monthly capitation rates used by the division to reimburse MCOs for their services.

Claims for the managed care program are processed and reimbursed by the five MCOs that the division contracts with to provide medical and health services to New Jersey Medicaid beneficiaries. The claims are electronically submitted daily by the MCOs to the division's fiscal agent for recording purposes. The fiscal agent will submit a file that itemizes all processed claim records that the MCOs are responsible for accepting and processing according to the HMO System Guide. This shall include the disposition (approved or denied) for each claim record the MCO submits, along with the error(s) for every denied claim recorded that the division's fiscal agent denied. Within 90 days, the MCO is responsible for matching the claims records from the fiscal agent's file against their data file(s) to correct any denied claim records and discrepancies noted by the fiscal agent. The MCOs then resubmit the corrected claims according to the requirements listed in the HMO Systems Guide. However, the division's fiscal agent does not reconcile the claims or files that were received by the MCOs that had once been rejected and have now been resubmitted. It is the responsibility of the MCOs to ensure all claims that should have been submitted were accepted. The claims data in the SDW may not always reflect the MCOs adjustments/recoupments.

As noted in an earlier finding, during our previous testing of duplicate claims from a population of 163 instances, totaling 424 claims amounting to \$147,808, we found 10 claims totaling \$30,525 that were duplicates. However, the providers were not reimbursed by the MCO that submitted the claims. Rather, the MCO had submitted the claim record twice and the fiscal agent accepted and recorded them as different claims. This occurred because the edit logic in the fiscal agent's claim processing system allows managed care claims, for certain procedure codes, to bypass the duplicate edit check. We also found seven claims for items totaling \$1,325 that were also included in other claims the MCO had submitted to the fiscal agent. This occurs when the MCOs bundle individual claim line items and submit them to the division's fiscal agent as one claim. When these are submitted to the division's fiscal agent, it appears as if a new claim has been submitted. At this point, the claim has been submitted more than once. This was not detected by the fiscal agent. In addition, we found 12 claims where the MCOs made an adjustment/recoupment to the claims with no adjustment/recoupment recorded in the SDW.

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES
NEW JERSEY MEDICAID/NEW JERSEY FAMILYCARE
DURABLE MEDICAL EQUIPMENT AND MEDICAL SUPPLIES (continued)**

The division's fiscal agent lacks the necessary system edits to identify and prevent the MCOs from submitting the same claims more than once. When this happens, those duplicate claims are accepted and recorded as valid claims in the SDW, thereby inflating the number of valid claims. There is a lack of controls to verify that the MCOs are submitting all of their claim adjustments/recoupments. These claim processing discrepancies could possibly inflate Medicaid reimbursements, which could affect the capitation rates as the reimbursement expenses are a contributing factor when determining the capitation rates.

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
DIVISION OF UNEMPLOYMENT INSURANCE (division)**

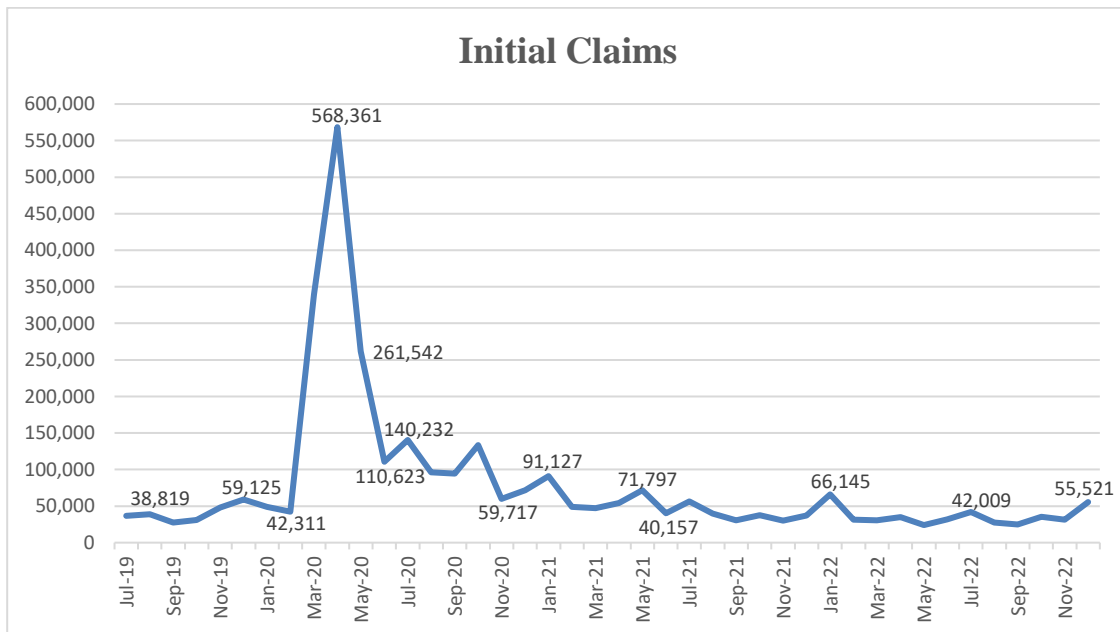
Observation

The Pandemic’s Impact on the Division’s Operations and How the Division Responded

The onset of the COVID-19 Pandemic (pandemic) in early 2020 and the related public health measures taken to control its spread resulted in significant levels of job loss across the nation. The economic effects of the pandemic drastically impacted the operations of state unemployment systems. A United States Government Accountability Office (GAO) report issued June 2022 titled *Unemployment Insurance: Pandemic Programs Posed Challenges, and DOL Could Better Address Customer Service and Emergency Planning* (GAO-22-104251) examined six selected states and noted shortages of experienced staff, untimeliness of claim payments, and persistent customer service problems such as long call wait times. New Jersey was not one of the states selected. During our audit, we noted the division encountered similar issues, including first payment promptness and a claim adjudication backlog.

Initial Claims

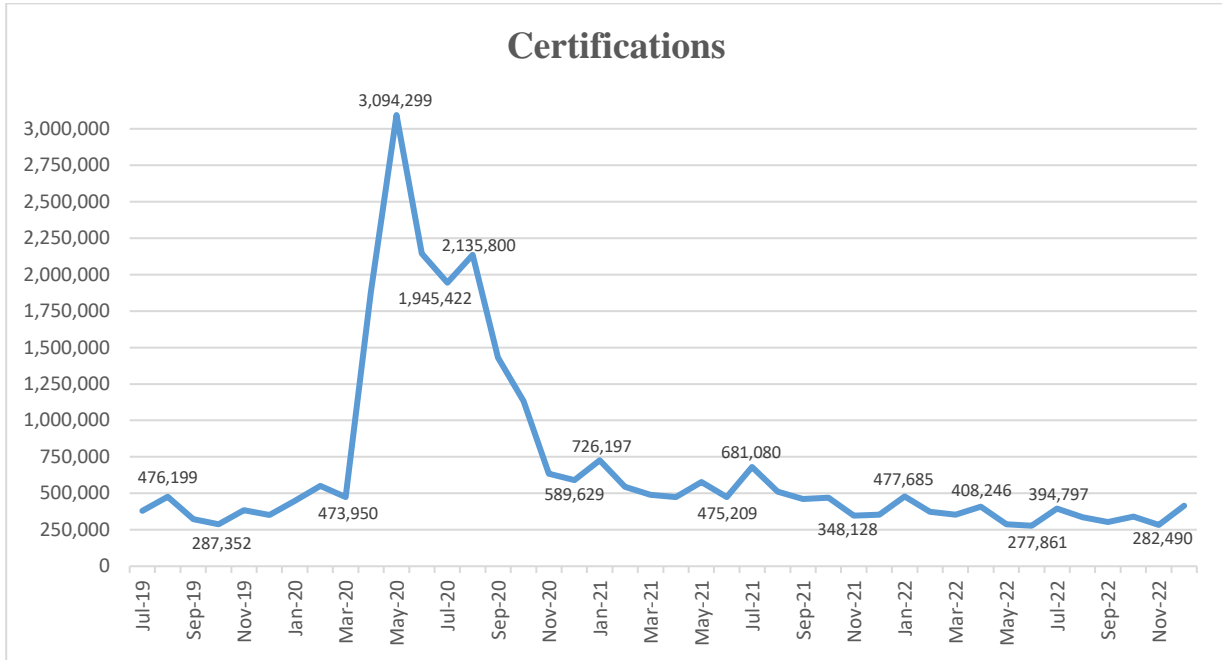
The pandemic caused an unprecedented surge in initial unemployment insurance (UI) claim filings, creating a significant increase in calls to the division. Initial claims measure emerging unemployment, while certifications measure the number of persons claiming UI benefits. The following graphs show the New Jersey initial and certification claims activity from July 2019 through December 2022 according to the United States Department of Labor (USDOL):



Source: USDOL

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
DIVISION OF UNEMPLOYMENT INSURANCE (continued)**



Source: USDOL

Comparing the eight-month period prior to March 2020 to the initial eight-month period of the pandemic, there was a 425 percent increase in the number of initial claims filed and a 345 percent increase in certifications. The following table provides a comparison of initial and certification claims in eight-month increments, with the final period being ten months:

Time Period (filed week ended)	Initial Claims	Certifications	Total Claims
07/06/2019 to 02/29/2020	332,335	3,200,108	3,532,443
03/07/2020 to 10/31/2020	1,744,339	14,241,103	15,985,442
11/07/2020 to 06/26/2021	484,574	4,511,589	4,996,163
07/03/2021 to 02/26/2022	329,004	3,676,295	4,005,299
03/05/2022 to 12/31/2022	338,355	3,400,705	3,739,060
Total Claims	3,228,607	29,029,800	32,258,407

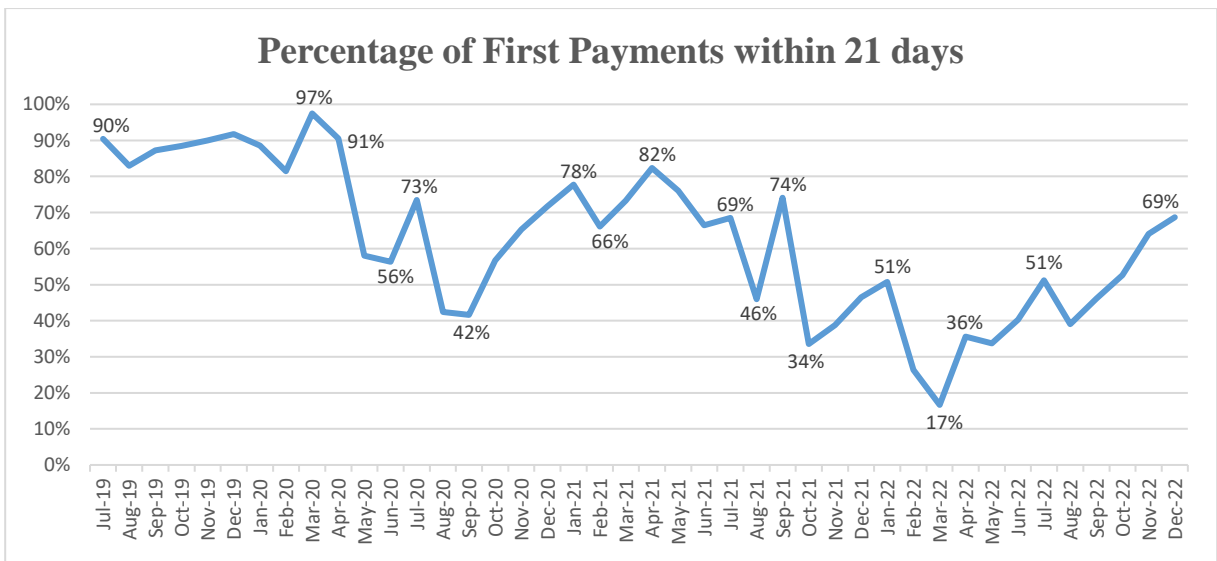
First Payment Promptness

The USDOL first payment promptness core measure Acceptable Level of Performance (ALP) states that 87 percent of all first payments should be made within 21 days after the week ending date of the first compensable week in the benefit year, with certain exceptions. New Jersey had difficulty meeting the first payment promptness requirement for many years prior to the pandemic. For federal reporting years 2014 through 2018, the division only met the requirement

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

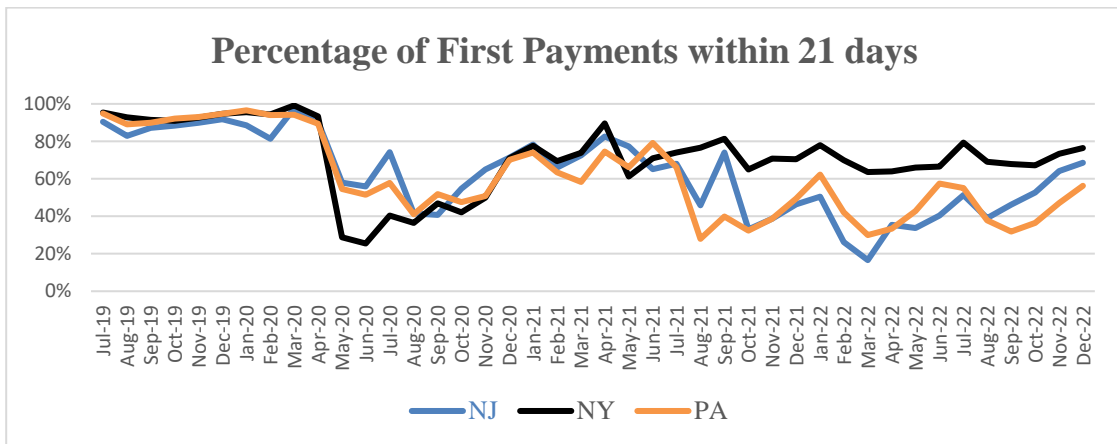
**DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
DIVISION OF UNEMPLOYMENT INSURANCE (continued)**

for the months of July and December 2018. The division made process changes that improved first payment promptness resulting in the division meeting the reporting requirement for 8 of the 10 months between July 2019 and April 2020, with percentages ranging from 81.4 percent to 97.5 percent. After the unprecedented surge in initial UI claim filings, the division had not met the 87 percent reporting requirement from May 2020 through December 2022. Below are the first payment promptness percentages for July 2019 through December 2022:



Source: USDOL

From April 2020 through December 2022, New Jersey averaged 66.7 percent of first payments made within 21 days compared to the national average of 62.9 percent. For comparison purposes, below are the first payment promptness percentages for New Jersey, New York, and Pennsylvania from July 2019 through December 2022:



Source: USDOL

ACCOMPLISHMENTS AND RESULTS OTHER FINDINGS AND OBSERVATIONS OF INTEREST

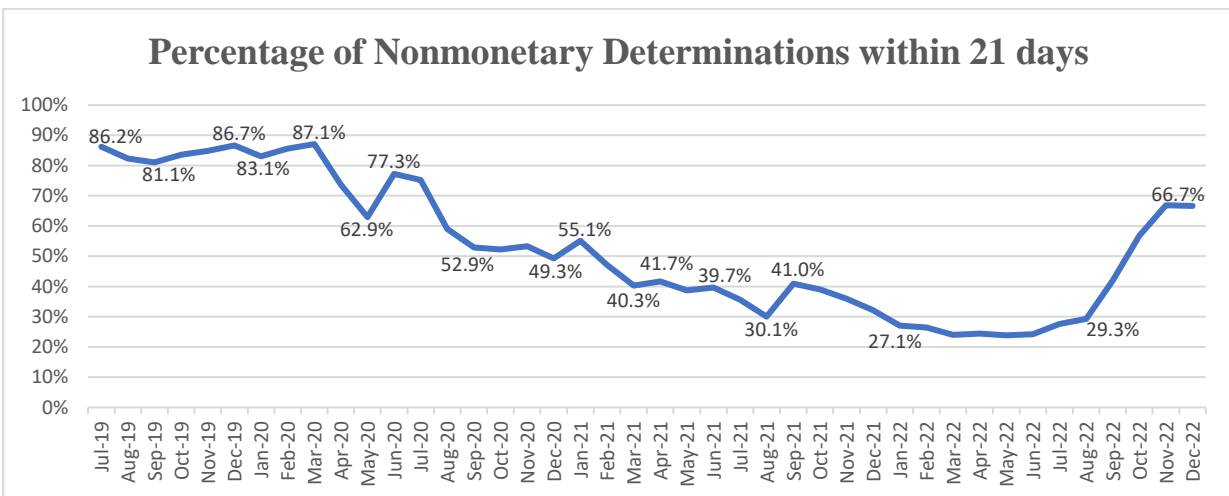
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT DIVISION OF UNEMPLOYMENT INSURANCE (continued)

Adjudication Backlog

Adjudication is the process in which the division has additional questions about a claim when making a benefit eligibility determination. According to division personnel, the largest backlog of open adjudication cases waiting for an eligibility determination was approximately 200,000 cases in calendar year 2020. There were approximately 105,000 open cases as of September 2021; 91,000 as of December 2021; 60,000 as of February 2022; and 30,000 as of May 2022. To address the backlog of adjudication cases and the loss of claim examiners owing to promotion and retirement, the division began hiring examiners in June 2020 and hired approximately 100 examiners throughout the pandemic.

Nonmonetary Determination Time Lapse

A nonmonetary determination is a determination of eligibility regarding a specific issue or circumstance other than monetary eligibility that may affect benefit eligibility, such as quitting a job or being discharged for misconduct. The USDOL UI nonmonetary determination time lapse core measure ALP requirement states that 80 percent of nonmonetary determinations should be made within 21 days of the date of detection of any nonmonetary issue that has the potential to affect a claimant’s benefits rights. The division met the 80 percent requirement from July 2019 through March 2020 but did not meet the requirement from April 2020 through December 2022. Below is the total monthly percentage of nonmonetary determinations made within 21 days for July 2019 through December 2022:

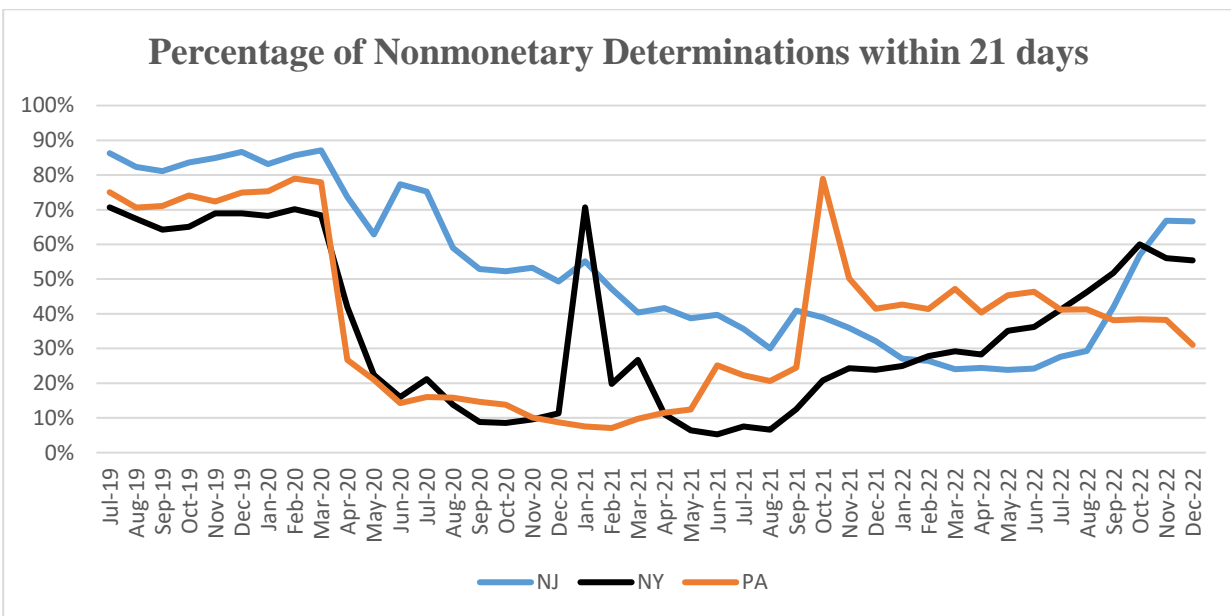


Source: USDOL

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
DIVISION OF UNEMPLOYMENT INSURANCE (continued)**

From April 2020 through December 2022, New Jersey averaged 44.3 percent of nonmonetary determinations made within 21 days compared to the national average of 48.6 percent. For comparison purposes, the chart on the next page illustrates the total monthly percentages of nonmonetary determinations made within 21 days for New Jersey, New York, and Pennsylvania from July 2019 through December 2022:



Source: USDOL

Staffing

The Department of Labor and Workforce Development (department) temporarily reassigned employees internally to assist with UI functions, including the processing of claims; other UI-related functions, such as work typically completed by the Division of Information Technology and the Office of Research and Information; and work specifically related to the Coronavirus Aid, Relief, Economic Security (CARES) Act. Retired division employees were rehired and dedicated to UI operations and UI information technology-related functions. The retired employee headcount was 18 full-time employees (FTE) as of June 30, 2020, and 30 FTE as of June 30, 2021. In July 2020, there were 76 Department of the Treasury, Division of Taxation employees who were temporarily reassigned to the division to work various part-time schedules equal to approximately 20 FTE. The following table shows the total FTEs and headcounts of internally reassigned division employees:

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
DIVISION OF UNEMPLOYMENT INSURANCE (continued)**

DOL FTEs

Date	UI Functions			Total FTEs	Total Headcount
	UI Claims	Other UI-Related Functions	CARES Act Functions		
3/1/2020	4.9	39.6	-	44.5	68
6/30/2020	46.8	22.1	64.5	133.4	356
6/30/2021	70.9	20.2	41.3	132.4	235

Fraud Prevention

In the months following the emergence of the pandemic, the department implemented a number of measures to strengthen its anti-fraud efforts. On September 4, 2020, the department and the New Jersey Office of Information Technology (OIT) implemented a data observability fraud tool to assist in the prevention of UI fraud by identifying unusual trends in UI data, specifically suspicious claim activity. This enhanced the department’s review of initial and continued weeks claims (certifications). During the early operation of the fraud tool, only web-based claims were being tested. The commonality reports were manually reviewed, and suspicious claims were suspended two to three times per week. In October 2020, automation of the fraud tool was implemented, and by November the tool was operating seven days a week and suspicious claims were suspended daily.

In March 2021, the department implemented a third-party identity proofing and verification tool. This tool enables claimants to verify their identity online using a self-service application to submit a social security card, driver’s license, and other forms of identification. Claimants also have the option of completing the identification process via a live video conference session.

In April 2021, the department was able to build and customize a risk-based analysis (RBA) score for all claims, whether the claim is filed by phone or through a web-based portal. According to the department, web-based claims accounted for approximately 85 percent of the claim population, and the RBA implementation reduced the false-positive claim suspension, thereby reducing delays while increasing overall fraud identification accuracy. In June 2021, the department implemented a working dashboard for investigative employees to allow for the continuous monitoring of claims. Additionally, during fiscal year 2021, the department dedicated a Cyber Fraud Investigations unit to combat suspicious claim activity.

During the pandemic, several other states found issues related to improper payments made to incarcerated individuals. One state reported it paid over \$140 million in unemployment claims to more than 20,000 individuals who did not appear to be eligible for UI benefits because they were incarcerated. We did not find this to be an issue in New Jersey because the division had controls in place prior to the pandemic to help prevent improper payments to incarcerated individuals.

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
DIVISION OF UNEMPLOYMENT INSURANCE (continued)**

Contracted Call Center Metrics

The department contracted with a call center to expand the division's capability to address the significant increase in the number of calls received by the division's three call centers. The contractor began call center operations in June 2020 and was responsible for handling and assisting claimants with the filing of their initial claims and answering high-level unemployment-related inquiries.

We analyzed select key metrics of the call center contractor's Call Performance reports from June 2020 through April 2022. These metrics included the total number of inbound calls, calls answered, lines busy, and calls abandoned (inbound calls that entered the queue but were disconnected before speaking to a call agent). We noted a considerable spike in lines busy from June 2020 through August 2020 before declining until June 2021 and then steadily increasing through September 2021. From June 2020 through April 2022, there was a total of 8,183,114 inbound calls, with 3,053,685 (37 percent) calls answered, 3,060,230 (37 percent) calls that encountered a busy line, and 448,665 (6 percent) calls abandoned.

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF TRANSPORTATION
OFFICE OF FREIGHT PLANNING**

State-Owned Freight Rail Lines

The Department of Transportation (department or DOT) can repurpose inactive railroad lines for other transportation or recreational use by entering into agreements with other government agencies or private companies.

The Lackawanna Cutoff Railroad (LCRR), Rahway Valley Railroad (RVRR), Staten Island Railroad (SIRR), and one segment of the Southern Secondary Railroad (SSRR) were acquired in accordance with the New Jersey Bridge Rehabilitation and Improvement and Railroad Right of Way Preservation Bond Act of 1989, P.L. 1989, c. 180 (Bond Act) and are not being used for their intended transportation purpose. We determined that 70 of the 82 total miles of rail on the four lines are not currently operational.

Railroad Line		Track Miles	Current Non-Operational Miles
LCRR	Lackawanna Cutoff Railroad	28	20
RVRR	Rahway Valley Railroad	9	9
SIRR	Staten Island Railroad	5	4
SSRR	Southern Secondary Railroad	40	37
Total		82	70

The department has been advised by the New Jersey Office of the Attorney General (OAG) that the Bond Act precludes the sale of these properties. Based on our interviews and our review of documentation, we have concluded that a ballot measure would be necessary to authorize the sale of these properties. However, the 1994 letter by the OAG states the department may, within the guidelines set forth in N.J.S.A. 27:7-21.4; 21.6 and 21.7, enter into a temporary lease with the highest responsible bidder for property acquired under the Act. The department could enter into an agreement with local jurisdictions or private companies to use these properties for transportation purposes or to provide tourist destinations by converting the properties into rail parks, rail trails, or rail museums. Additionally, an agreement could be entered into with New Jersey Transit (NJT) for properties that have future passenger transportation potential.

Entering into agreements with other government agencies or private companies could also relieve the department of potential liabilities and maintenance costs related to overgrowth, encroachment issues, trespassing violations, illegal dumping, defacement of structures, and the removal of safety barriers (see exhibits). The department does not maintain a separate accounting of maintenance costs for these properties.

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF TRANSPORTATION
OFFICE OF FREIGHT PLANNING (continued)**

Exhibits

Photographic Examples of Railroad Abandonment Issues

During our audit, we reviewed documentation supplied by the DOT and performed online research, which confirmed the existence of several abandonment issues for the four railroads, such as overgrowth, dumping, and defacement of structures.

[Lackawanna Cut-off Railroad:](#)

The Paulinskill Viaduct is located on the LCRR. The viaduct is 1,100 feet long, and its 115 foot-tall seven arch span provided rail service across the Paulinskill River between 1910 and 1978. Despite being officially closed to the public, the viaduct still receives pedestrian traffic, including hikers, ATV riders, and graffiti artists. The continued use of the property by trespassers along with missing guardrails, missing manhole covers, and rusted ladders presents an increased liability to the state.



Paulinskill Viaduct (Source: Lehigh Valley Live)

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF TRANSPORTATION
OFFICE OF FREIGHT PLANNING (continued)**

Rahway Valley Railroad:

The following two pictures are of the rusted Rahway River bridge, constructed in 1905. The first photo shows graffiti, missing railroad ties, and downed trees covering the tracks in the background. The second photo demonstrates how these abandoned sites can become a dumping ground for vehicles, trash, and other vegetative debris.



Rahway River bridge (Source: DOT)

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF TRANSPORTATION
OFFICE OF FREIGHT PLANNING (continued)**



(Source: DOT)

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF TRANSPORTATION
OFFICE OF FREIGHT PLANNING (continued)**

Staten Island Railroad:

This photo of the Staten Island Railroad near Liberty Avenue provides another example of these properties being used as a dumping ground for a variety of household trash on the right of way.



(Source: DOT)

ACCOMPLISHMENTS AND RESULTS OTHER FINDINGS AND OBSERVATIONS OF INTEREST

DEPARTMENT OF THE TREASURY OFFICE OF MANAGEMENT AND BUDGET CENTRALIZED PAYROLL SYSTEM

Observation

Risk to Payroll Processing Functionality

The payroll system uses a vendor-licensed software that is critical to the payroll process because it is used for direct data input and edit within the mainframe data tables. It creates data entry forms and edit checks that are used during payroll processing as well as allows Centralized Payroll (CP) to correct issues and errors identified by its audit processes before the payroll is finalized.

In July 2022, the vendor that licenses the software announced that it was closing its business and that the software in use by CP would no longer be available for use after December 31, 2023. Because this is a yearly subscription, the license will expire after this date and the functionality of the software to perform input and edits will no longer be available. After the vendor announced the discontinuation of the software, the Office of Information Technology (OIT) identified another program that could perform that same functionality as the expiring software; however, after testing the software CP did not feel the software met its needs.

In May 2023, CP decided to develop an in-house replacement software that, according to CP management, will perform the same functions as the expiring software. In addition, CP informed us it has identified alternative procedures that, although involving more manual intervention and being more time consuming, will allow payroll to be processed if the replacement is not completed by December 31, 2023. CP staff have stated that they would decide which path to pursue by the end of November 2023 in order to allow for adequate testing of the process chosen.

CP provided an abbreviated project plan for the in-house replacement project, which identified the tasks necessary to complete and the requirements of each of the three phases in the development. The plan stated the entire project would be completed and tested by December 15, 2023. Discussions with CP disclosed that development and testing of the first phase is almost complete, and progress on the second phase has been made. CP expressed that tasks can and will be tested independently in the future phases; however, a complete parallel test to ensure the entire process works as expected can only be performed after all parts of the new system and all necessary changes to the associated mainframe processing programs have been successfully completed. CP has identified the processing programs needing changes to work with the new software. Access controls will be handled using the same technology currently in place because it is part of the computing environment and not the expiring product.

According to CP, the alternative procedures could be used immediately if necessary and, as a result of our inquiries, CP and the OIT are working to identify and document any differences from the existing payroll process. The alternative procedures have not yet been completely tested

ACCOMPLISHMENTS AND RESULTS OTHER FINDINGS AND OBSERVATIONS OF INTEREST

DEPARTMENT OF THE TREASURY OFFICE OF MANAGEMENT AND BUDGET CENTRALIZED PAYROLL SYSTEM (continued)

in parallel with the existing process. The CP informed us it plans to test the alternative procedures in the last two regular and supplemental payrolls of calendar year 2023, in parallel to the current process. Our inquiries disclosed that the access controls related to the data inputs used in the alternative procedures may not allow CP to identify who makes changes to an individual payroll record.

Whether CP is able to finish the in-house replacement or the alternative procedures are adopted, if adequate testing is either not conducted or is unsuccessful and any issues cannot be corrected before December 31, 2023, there is a risk that certain payroll submissions will not be able to be processed. The ability to process a payroll submission will depend on the type of submission input and/or errors in the submission identified during CP's audit process. CP is working on both options and anticipates that one will be successfully tested and in use by the first payroll after December 31, 2023.

The CP unit has a responsibility to notify payroll officers throughout the state of any potential payroll processing issues that may arise, as well as any potential changes to their requirements or procedures for submission. If the selected solution is not successfully tested prior to December 31, 2023, CP needs to communicate to the payroll officers of any potential delay or disruption to regular or supplemental payroll processing.

Payroll Certifications

Centralized Payroll is not enforcing the payroll certification administrative code.

A payroll certification accompanies every payroll proof submitted to CP by payroll units statewide. N.J.A.C 4A:3-4.1 states:

In State service, the appointing authority or the appointing authority's designee shall sign the regular and supplemental payroll certification documents submitted to the Centralized Payroll Unit, Department of the Treasury. The certification documents shall state, in substance, that all persons whose names appear on the accompanying payroll proof have rendered services for the benefit of the State, in the positions shown and for the time period indicated, for which funds are available. The certification shall further state, in substance, that formal approval of the employment of these persons has been, or is in the process of being, secured from the Civil Service Commission and the Department of the Treasury.

Agencies designate their authorized approvers by completing and submitting a signature card to CP. It is the responsibility of each agency to update the signature card when there is a change in authorized approvers.

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**DEPARTMENT OF THE TREASURY
OFFICE OF MANAGEMENT AND BUDGET
CENTRALIZED PAYROLL SYSTEM (continued)**

Regular Payroll

Based on the timekeeping input used and dollar amount processed, we judgmentally sampled 40 payroll submissions that processed a total of \$65.8 million in regular payroll from a single pay period in calendar year 2022. The sample included 18 spreadsheet-based submissions, 16 submissions with both a direct system interface and spreadsheet-based component, and 6 direct system interface submissions. We found that 6 of the 40 (15 percent) regular payroll certifications tested did not have authorized signatures.

Supplemental Payroll

Based on the timekeeping process used and the dollar amount processed, we judgmentally sampled 204 payroll submissions that processed a total of \$19.2 million in supplemental payroll from a pay period in calendar year 2021. The sample included 199 spreadsheet-based submissions and 5 direct system interface submissions. We found that 22 of the 204 (10.7 percent) supplemental payroll certifications tested did not have an authorized signature. Included in these exceptions are 11 payroll certifications totaling \$767,741 with no signatures at all.

The results of our tests disclosed that CP is not enforcing the certification requirements by accepting payroll certifications without the proper authorized signatures. CP informed us that its position is to not reject payrolls for signature issues because they must be processed on time. When certifications do not include proper authorizations, CP's procedure is to follow up with the agency to obtain the required authorizations; however, this procedure was not followed for our test exceptions. Payroll submissions without proper review and authorization increases the risk of incorrect or improper data being processed and payments issued based on that data.

**ACCOMPLISHMENTS AND RESULTS
OTHER FINDINGS AND OBSERVATIONS OF INTEREST**

**STATE OF NEW JERSEY
REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Finding 2022-001 - Unemployment Compensation Fund (UI Fund)

Financial Statement Reporting

The Department of Labor and Workforce Development is responsible for preparing complete and accurate financial statements for presentation to the Department of the Treasury's Office of Management and Budget – Financial Reporting (OMBFR). The OMBFR is responsible for including those financial statements in the state's Annual Comprehensive Financial Report.

We presented an adjustment totaling a net of \$223,464,474 decreasing the UI Fund's Accounts Receivable, net of Allowances for Uncollectibles – Departmental Accounts, and Operating Revenues – Assessments because of calculation errors and an omission regarding bad debt. This adjustment decreased the total Net Position by \$223,464,474.

**OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
SCHEDULE OF REPORTS ISSUED DURING CALENDAR YEAR 2023**

<u>REPORT</u>	<u>TYPES OF FINDINGS</u>			<u>NONE</u>
	<u>COMPLIANCE</u>	<u>CONTROLS</u>	<u>ECONOMY/ EFFICIENCY</u>	
Department of Agriculture State Agriculture Development Committee				X
Department of Community Affairs Section 8 Housing Program Financial Data Schedules		Opinion Report		X
Department of Corrections Mid-State Correctional Facility	X	X	X	
Department of Environmental Protection Hazardous Discharge Funds	X			
Department of Health Selected Programs Accounted for in the Division of Epidemiology, Environmental and Occupational Health	X	X	X	
Department of Human Services Division of Medical Assistance and Health Services, New Jersey Medicaid/New Jersey FamilyCare Durable Medical Equipment and Medical Supplies	X	X	X	
Department of Labor and Workforce Development Division of Unemployment Insurance	X	X	X	
Department of Transportation Division of Multimodal Services Superload Unit Office of Freight Planning	X	X X	X	
Department of the Treasury Office of Management and Budget Centralized Payroll System	X	X		
State of New Jersey Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2022 Fund Balance Report as of June 30, 2022 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> Schedule of Benefit Claim Payments and Expenses Local Education Retired - For the Fiscal Year Ended June 30, 2022 Schedule of Benefit Claim Payments and Expenses State Retired - For the Fiscal Year Ended June 30, 2022		Opinion Report Special Report X Opinion Report Opinion Report		X X X X
Transportation Trust Fund Authority				X
Trenton Board of Education	X	X	X	

*The Annual Comprehensive Financial Report is issued by the New Jersey Department of the Treasury, Office of Management and Budget. It can be found at <https://www.nj.gov/treasury/omb/publications/23fr/NJFRFY2023Complete.pdf>.