



**New Jersey State Legislature  
Office of Legislative Services  
Office of the State Auditor**

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**Chief Executive's Office**

July 1, 2008 to January 18, 2010

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Stephen M. Eells  
State Auditor

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# New Jersey State Legislature

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Governor of New Jersey

The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Sheila Y. Oliver  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Chief Executive's Office for the period of July 1, 2008 to January 18, 2010. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
State Auditor  
September 22, 2010

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## Chief Executive's Office

### *Scope*

We have completed an audit of the Chief Executive's Office for the period July 1, 2008 through January 18, 2010. Our audit included financial activities accounted for in the state's General Fund.

Annual expenditures of the office were \$5.6 million, mainly consisting of payroll costs. Additionally, the Chief Executive's Office has historically utilized a mobility staff which is paid by other state departments. These costs were \$2 million annually for the period under review. The primary responsibility of the Chief Executive's Office is to assist in directing and coordinating the activities of the various state departments. Annual revenues were \$650,000 consisting of assessments to state authorities.

### *Objectives*

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

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

### *Methodology*

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the Department of the Treasury, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget messages, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were sorted and transactions were judgmentally selected for testing.

*Conclusions*

We found that the financial transactions included in our testing were related to the agency's programs, were reasonable, and were recorded properly in the accounting systems. In making these determinations, we noted an internal control weakness meriting management's attention.

## NJCFS Approvals

**T**here should be proper segregation of NJCFS approvals.

The Department of the Treasury, Division of Administration processes all financial transactions through the New Jersey Comprehensive Financial System (NJCFS) on behalf of the Chief Executive's Office, where all transactions initiate. The ordering and receiving of goods or services is authorized and completed by the Chief Executive's Office before the transactions are entered and approved in NJCFS by one individual in Treasury's Division of Administration. A strong system of internal control dictates that accounting transactions be entered by one individual and approved by another. This segregation of duties decreases the risk of improper transactions occurring and not being detected by management.

***Recommendation***

We recommend that the appropriate NJCFS approval levels be segregated.

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**State of New Jersey**  
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CHRIS CHRISTIE  
*Governor*

September 16, 2010

John J. Termyna  
Assistant State Auditor  
Office of Legislative Services  
PO Box 067  
Trenton, NJ 08625-0067

Dear Mr. Termyna:

Thank you for the draft audit report of the Chief Executive's Office for the period of July 1, 2008 to January 18, 2010.

In response to concerns regarding internal controls, please be advised the current administration has taken action to ensure appropriate NJCFS approval levels have been segregated. The procedural change will further strengthen the system of internal controls currently in place.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rosemary Iannacone".

Rosemary Iannacone  
Director of Operations

c: David Ridolfino, Director, Treasury Administration