

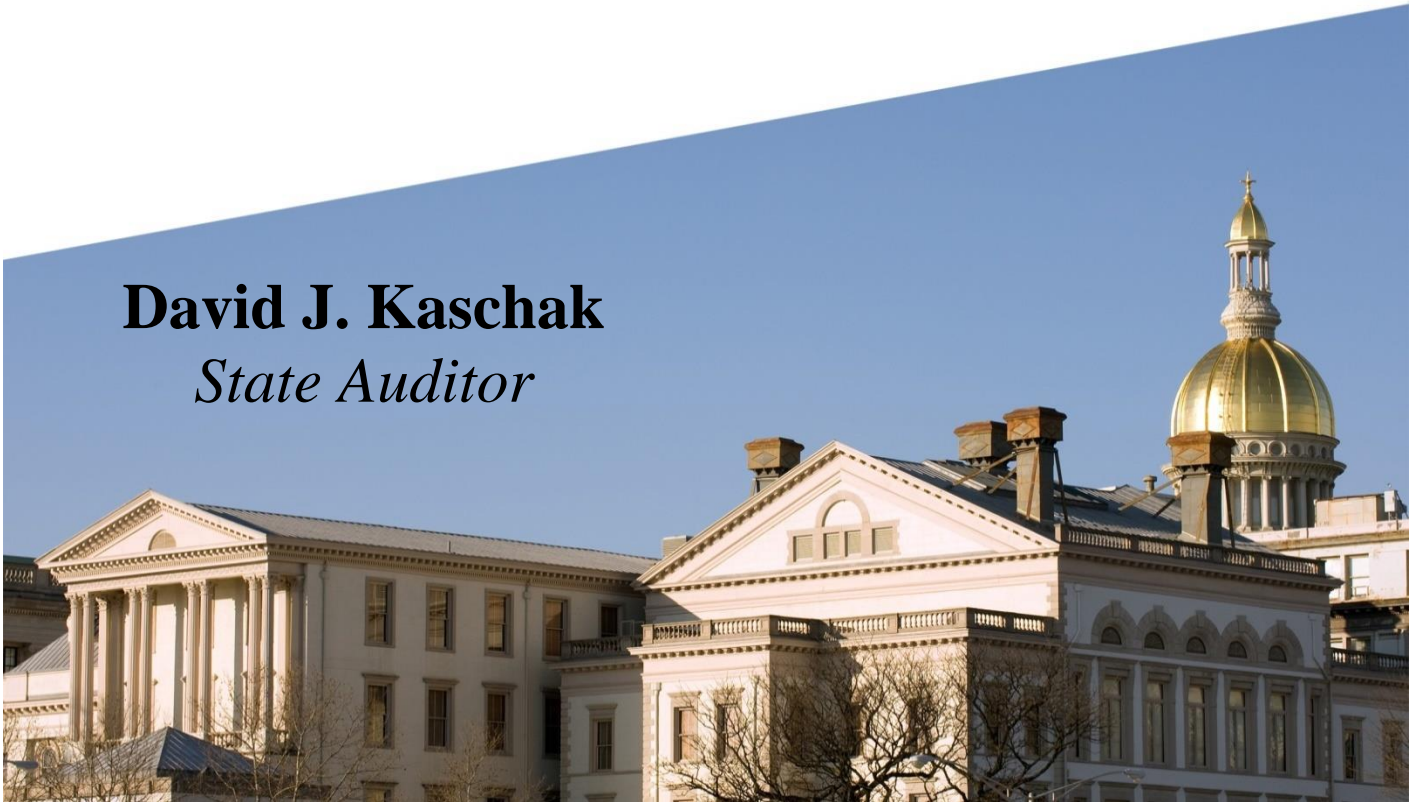


New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

Department of Law and Public Safety
Division on Civil Rights, Division of Highway Traffic Safety,
Division of Alcoholic Beverage Control, and New Jersey Racing
Commission

July 1, 2017 to January 31, 2022

David J. Kaschak
State Auditor



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The Honorable Philip D. Murphy
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The Honorable Nicholas P. Scutari
President of the Senate

The Honorable Craig J. Coughlin
Speaker of the General Assembly

Ms. Maureen McMahon
Executive Director
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Enclosed is our report on the audit of the Department of Law and Public Safety, Division on Civil Rights, Division of Highway Traffic Safety, Division of Alcoholic Beverage Control, and New Jersey Racing Commission for the period of July 1, 2017 to January 31, 2022. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in cursive script that reads "David J. Kaschak".

David J. Kaschak
State Auditor
December 20, 2022

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Scope

We have completed an audit of the Department of Law and Public Safety (department), Division on Civil Rights (DCR), Division of Highway Traffic Safety (DHTS), Division of Alcoholic Beverage Control (ABC), and New Jersey Racing Commission (NJRC) for the period of July 1, 2017 through January 31, 2022. Our audit was limited to payroll and non-payroll expenditures accounted for in the state’s General Fund, the Casino Simulcasting Fund, the Casino Simulcasting Special Fund, the Horse Racing Injury Compensation Fund, and the New Jersey Racing Industry Special Fund.

Fiscal years 2018 through 2021 non-payroll expenditures for ABC, DCR, DHTS, and NJRC are presented below.

AGENCY NAME	FISCAL YEAR			
	2018	2019	2020	2021
Division of Alcoholic Beverage Control	\$1,544,291	\$2,198,704	\$2,244,318	\$1,926,971
Division on Civil Rights	957,634	951,856	3,176,771	1,744,647
Division of Highway Traffic Safety	8,567,763	10,170,190	7,543,769	7,053,576
New Jersey Racing Commission	29,637,724	49,364,664	44,003,334	48,375,646
TOTAL	\$40,707,412	\$62,685,414	\$56,968,192	\$59,100,840

Fiscal years 2018 through 2021 payroll expenditures for ABC, DCR, DHTS, and NJRC are presented below.

AGENCY NAME	FISCAL YEAR			
	2018	2019	2020	2021
Division of Alcoholic Beverage Control	\$3,960,848	\$3,970,859	\$3,978,627	\$4,322,708
Division on Civil Rights	3,614,376	3,827,894	3,960,206	4,091,873
Division of Highway Traffic Safety	1,079,809	1,261,929	1,174,835	1,215,571
New Jersey Racing Commission	3,321,887	3,195,502	3,154,877	3,331,660
TOTAL	\$11,976,920	\$12,256,184	\$12,268,545	\$12,961,812

Non-payroll expenditure transactions for the DCR, ABC, and NJRC are processed centrally by the department’s Division of Administration (DOA), which oversees the operational and administrative units and includes fiscal management and human resources. DHTS non-payroll expenditures for federal grants are managed through its fiscal unit.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the agencies’ 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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circulars promulgated by the Department of the Treasury, and policies of the agencies. Provisions we considered significant were documented, and compliance with those requirements was verified by interview, observation, and through our testing 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. In order to achieve our objectives, we performed various tests and analysis, as we determined necessary. Additional detail regarding our methodology and work performed can be found in the findings section.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions on our audit objectives as well as internal controls and compliance. Sample populations were sorted, and transactions were judgmentally selected for testing. Because we used a nonstatistical sampling approach for our tests, we cannot project the results to the respective populations.

Data Reliability

We relied on data from the New Jersey Comprehensive Financial System and the New Jersey Centralized Payroll System. Our office assesses the reliability of each system's data annually, and we have determined it to be sufficiently reliable for the purposes of this report. We assessed the reliability of the Electronic Cost Accounting and Timesheet System (eCATS) data by reviewing existing information about the data and interviewing agency personnel knowledgeable about the data. We found the data were sufficiently reliable for purposes of this report.

Conclusions

We found that the financial transactions included in our testing were related to the agencies' programs. However, we could not always determine that they were reasonable or recorded properly in the accounting systems because adequate supporting documentation was not provided.

Non-Payroll Expenditures

Internal controls over the non-payroll expenditure processing should be strengthened.

The purpose of internal control is to provide adequate checks and balances to ensure financial transactions are properly authorized and recorded. 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. Failure to implement internal controls increases the risk of errors or improper payments occurring without detection by management.

To assess internal controls over DCR, ABC, and NJRC non-payroll expenditures, we tested a sample of transactions from fiscal years 2019 and 2020. We judgmentally selected 66 transactions totaling \$5,420,736 from a population of 5,292 transactions totaling \$131,778,243 based on the type of expenditure, vendor, and dollar amount. For 26 transactions totaling \$3,015,191, we did not receive sufficient supporting documentation, such as invoices, receipts, vehicle justification forms, expense calculations or breakdowns, or evidence of quotes required by Department of Treasury circulars for Delegated Purchasing Authority (DPA) purchases. Therefore, we were not able to verify if all transactions were related to programs and justified, were mathematically accurate, and recorded in the correct fiscal year. In addition, we did not receive any supporting documentation for two transactions totaling \$8,026 despite multiple follow-up requests.

To assess internal controls over DHTS non-payroll expenditures, we tested a sample of transactions from fiscal years 2019 and 2020. We judgmentally selected 19 transactions totaling \$872,930 from a population of 2,531 transactions totaling \$21,355,968 based on the type of expenditure, vendor, and dollar amount. For 7 transactions totaling \$92,242, we did not receive sufficient supporting documentation such as purchase orders, receipts, expense calculations or breakdowns, or evidence of quotes required by Department of Treasury circulars for DPA purchases. Therefore, we were not able to verify if all transactions were mathematically accurate and if goods or services were received. In addition, we did not receive any supporting documentation for one transaction totaling \$147,842 despite multiple follow-up requests.

Recommendation

We recommend the agencies strengthen internal controls by maintaining complete and sufficient supporting documentation and by complying with applicable Department of Treasury circulars when making purchases.



Payroll and Personnel

Payments for Unused Leave Balances

Payments to employees for unused leave-time balances were not accurate.

During calendar years 2018 through 2021, payments for unused sick, vacation, and compensatory leave balances to employees upon separation totaled \$187,238, \$230,932, and \$4,514, respectively. We tested all 57 payments to 39 employees and noted the following based on our calculations:

- One NJRC employee was underpaid \$1,750 for unused compensatory time leave balance.
- One DCR employee was underpaid \$70, and four ABC employees were underpaid a total of \$4,558 for unused sick leave balance.
- Two ABC employees were underpaid a total of \$145, and one DCR employee was underpaid \$53 for unused vacation leave balance.

The agencies did not provide us with explanations for how they calculated the payments. Scrutiny should be exercised when payments are calculated, and the calculations should be well documented to prevent inaccuracies.

Timesheet Approval

Timesheets were not always properly approved within the Electronic Cost Accounting and Timesheet System (eCATS).

Timesheets should be submitted timely and properly approved. Proper levels of approval are necessary to increase accountability and reduce the risk of improper time reporting. We reviewed fiscal year 2020 timesheet approvals in eCATS for 20 of 142 full-time employees during pay period 17 and for 20 of 149 full-time employees during pay period 11. Our sample was judgmentally selected and included employees in various job titles. We noted two DHTS employees in similar titles had approved each other's timesheets rather than the timesheets being approved by someone in a senior title. We also noted three ABC, one DCR, and two DHTS employees' timesheets were completed and approved by supervisors in the employee's absence. According to the eCATS training guide, great care and accuracy are essential in working with employee timesheets because approved timesheets in eCATS are legal representations of hours worked and are the basis for calculating all benefits. When an employee submits a timesheet, the employee is certifying that the information contained in the timesheet is accurate and complete. Although eCATS allows supervisors to prepare and approve timesheets for employees, this feature should be used only when circumstances prevent an employee who would normally submit a timesheet from doing so. We saw no evidence the above employees could not certify their timesheets.

Temporary Employment Services

Some Temporary Employment Services (TES) employees exceeded the limit of 944 work hours within a fiscal year.

According to the Civil Service Commission, a TES designation is used to identify the employment of temporary employees in state government who should not exceed 944 hours of work within a 12-month period. The use of TES employees in excess of the maximum hours could indicate the need for permanent full- or part-time positions, which would qualify employees for enrollment in the state's pension and benefits programs. We reviewed total hours worked by all 82 TES employees during fiscal years 2018 through 2021 and found five employees exceeding the 944-hour threshold, ranging from 1,031 to 1,793 hours. In addition, we noted 16 TES employees who were still active on the state's Personnel Management Information System (PMIS) as of January 31, 2022 but had no earnings for one to four years.

Recommendation

We recommend the agencies exercise additional scrutiny when calculating payments for unused leave time and consider implementing formal detail calculation worksheets. In addition, we recommend the agencies follow proper levels of approval when processing timesheets. We further recommend the agencies ensure TES employees do not exceed the limit of 944 work hours and are placed in inactive status on PMIS when not used.





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December 13, 2022

Via E-mail

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Re: Response to Department of Law and Public Safety, Division on Civil Rights, Division of Highway Traffic Safety, Division of Alcoholic Beverage Control, and New Jersey Racing Commission Audit

Dear Mr. Klingele,

On behalf of the Office of the Attorney General, I would like to thank you for the opportunity to provide comments to the draft audit report regarding the Department of Law and Public Safety, Division on Civil Rights, Division of Highway Traffic Safety, Division of Alcoholic Beverage Control, and New Jersey Racing Commission.

Our comments to the findings are as follows:

Non-Payroll Expenditures

Internal controls over the non-payroll expenditure processing should be strengthened.

Recommendation:

We recommend the agencies strengthen internal controls by maintaining complete and sufficient supporting documentation and by complying with applicable Department of Treasury circulars when making purchases.



Response:

We will review our internal controls with regard to maintenance of supporting documentation as well as any applicable Circular Letters. Any necessary adjustments will be made as a result of this review.

Payroll and Personnel

Payments for unused leave balances

Payments to employees for unused leave-time balances were not accurate.

Timesheet approval

Timesheets were not always properly approved within the Electronic Cost Accounting and Timesheet System (eCATS).

Temporary Employment Services

Some Temporary Employment Services (TES) employees exceeded the limit of 944 work hours within a fiscal year.

Recommendation:

We recommend the agencies exercise additional scrutiny when calculating payments for unused leave time and consider implementing formal detail calculation worksheets. In addition, we recommend the agencies follow proper levels of approval when processing timesheets. We further recommend the agencies ensure TES employees do not exceed the limit of 944 work hours and are placed in inactive status on PMIS when not used.

Response:

Payments for unused leave balances are calculated by Human Resources. Once complete, the actions are then approved by both the Civil Service Commission and Centralized Payroll. We will review the calculations mentioned in the audit and will make any necessary corrections. We will also review the process to ensure that amounts are correct going forward.

We have contacted the division directors to inform them of the findings related to timesheet approvals, and will make necessary adjustments to ensure approvals are proper.

We will review the work hours of the TES employees, and take steps to ensure their work hours do not exceed the 944 hourly limit within a fiscal year.

I would like to thank the auditors for their professionalism and patience throughout this entire audit, especially during these unprecedented times. Their dedication has been appreciated.

Please let me know if you have any questions, or require any further information.

Sincerely,

William H. Cranford

William H. Cranford
Chief Administrative Officer