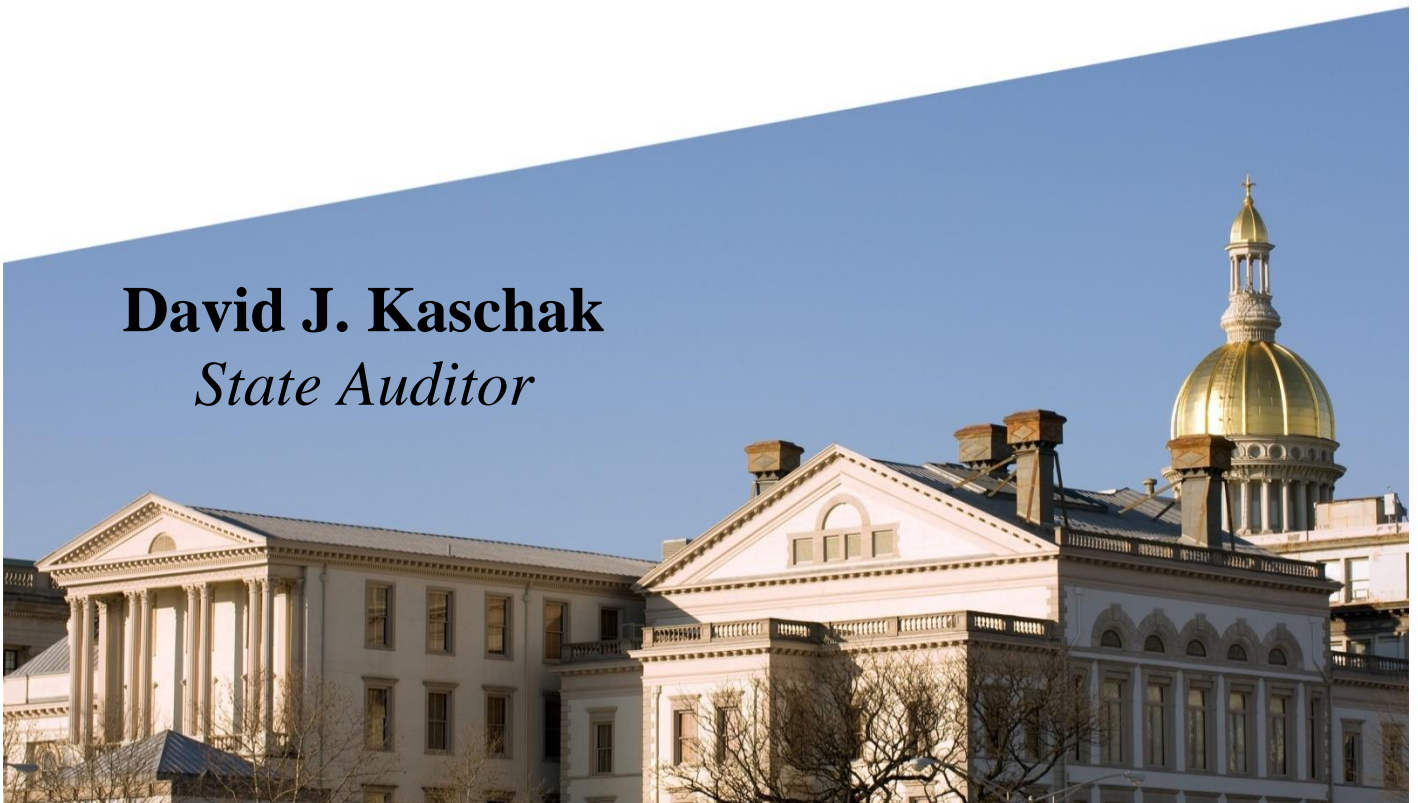


NEW JERSEY LEGISLATURE
OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR

Department of Law and Public Safety
Division of State Police
Non-Payroll Transactions

July 1, 2022 to June 30, 2024

David J. Kaschak
State Auditor



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The Honorable Philip D. Murphy
Governor of New Jersey

The Honorable Nicholas P. Scutari
President of the Senate

The Honorable Craig J. Coughlin
Speaker of the General Assembly

Ms. Maureen McMahon
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Department of Law and Public Safety, Division of State Police, Non-Payroll Transactions for the period of July 1, 2022 to June 30, 2024. 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
April 16, 2025

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Scope

We have completed an audit of the Department of Law and Public Safety, Division of State Police (division), Non-Payroll Transactions for the period of July 1, 2022 to June 30, 2024. Our audit included non-payroll financial activities accounted for in the state's General Fund.

Annual non-payroll expenditures during fiscal years 2023 and 2024, excluding grants-in-aid to counties and municipalities, averaged \$194.6 million. Annual revenues during fiscal years 2023 and 2024, excluding disaster recovery funds for natural disasters and the COVID-19 pandemic, averaged \$205 million. The major components of revenue were reimbursements for services provided to the New Jersey Turnpike Authority and the South Jersey Transportation Authority, as well as fees for identity verification. Disaster recovery funds were not included in our testing.

The primary responsibility of the division is to protect, preserve, and safeguard the constitutional and civil rights of all citizens through impartial and courteous law enforcement with integrity and professionalism and to ensure public safety and provide quality service in partnership with its communities.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the division'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

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 division. 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 reviewed financial trends and interviewed division personnel to obtain an understanding of the programs and the internal controls. To achieve our objectives, we performed various tests and analyses, as we determined necessary. Additional detail regarding our methodology and work performed can be found in the Appendix, as well as in the finding section when testing resulted in a reportable condition.

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

For the financial activities accounted for in the state's General Fund, we relied on data from the New Jersey Comprehensive Financial System. Our office assesses the reliability of this data annually, and we determined it to be sufficiently reliable for the purposes of this report. We assessed the reliability of the Firearms Application Registration System (FARS) data and the Concealed Carry Permit (CCP) data by interviewing division personnel and vendor personnel knowledgeable about the data and performing analysis on the data. We determined that the data were sufficiently reliable for the purposes of this report. We assessed the reliability of the AssetCloud Tracking System and capital asset data in the Statewide Land and Building Asset Management (LBAM) system by tracing source data to the datasets. We determined that the data were sufficiently reliable for the purposes of this report.

Certain other data in our report were used to provide background information. Data that we used for this purpose were obtained from the best available sources. *Government Auditing Standards* does not require us to complete a data reliability assessment for data used for this purpose.

Conclusions

We found that the financial transactions included in our testing were related to the division's programs, were reasonable, and were recorded properly in the accounting systems. However, in making these determinations, we found certain internal control deficiencies and compliance issues regarding procurement via Waivers of Advertising, Delegated Purchasing Authority, and Purchasing Cards (P-Cards). In addition, we found late payments to vendors, FARS revenue not being reconciled, and weaknesses in the timely recording of fixed asset and capital asset items.

We also made an observation related to the processing times of applications for firearms registrations.

Procurement

The division did not comply with various procurement guidelines.

Waivers of Advertising

State law and policy dictates all goods and services to be procured, to the extent feasible, through existing contracts or publicly advertised bidding. Waivers of Advertising, as exceptions to law and policy, are expressly limited by statutory design. They result in contractual commitments by the state, are strictly scrutinized by the Department of the Treasury (Treasury), and require substantial justification from the requesting agency.

As defined by Department of the Treasury Circular No. 18-14-DPP, a “Confirming Waiver” is a state contract created when a using agency directs a vendor to provide goods and/or services to the state before the official Request for Waiver of Advertising Form (CC-129) has been signed by Treasury. There are two types of confirming waivers: Authorized Confirming and Unauthorized Confirming.

- An “Authorized Confirming Waiver” is a state contract created when a using agency directs a vendor to provide goods and/or services to the state after having been granted express, written approval by Treasury.
- An “Unauthorized Confirming Waiver” is a state contract created when a using agency directs a vendor to provide goods and/or services to the state before receiving the approval for an Authorized Confirming Waiver.

Unauthorized Confirming Waivers are a violation of state procurement law, policy, and procedure that can lead to an overcommitment of state funds that could be directed elsewhere as needed.

From July 1, 2022 through December 13, 2023, there were 41 purchase orders totaling \$29.9 million. We judgmentally selected 12 purchase orders totaling \$17.7 million for testing based on dollar amount. We found five transactions (41.7 percent) totaling \$2.8 million that were Unauthorized Confirming Waivers because the goods or services were provided before the requests were approved by Treasury. The division has been made aware of this issue in the past.

Delegated Purchasing Authority

Delegated Purchasing Authority (DPA) transactions are used for purchases below a given threshold. Treasury circulars establish the policies and procedures for agencies to follow when using their DPA for goods and services. These circulars also require three price quotes for transactions over \$1,000.

From July 1, 2022 through December 13, 2023, there were 1,294 DPA purchase orders totaling \$3.5 million. We tested 27 transactions totaling \$591,000 based on dollar amount and found 24

purchases (89 percent) totaling \$525,000 that were confirming purchase orders because the goods or services were provided before a purchase order was created and approved. This practice is a violation of proper procurement controls except when done in exigent circumstances.

In addition, we found 11 transactions (41 percent) totaling \$248,000 lacked adequate documentation that price quotes had been obtained. Not obtaining price quotes risks not obtaining the most competitive price on DPA purchases while also causing budgetary issues.

Recommendation

We recommend the division comply with applicable state circulars when contracting for goods and services.



New Jersey Purchasing Card (P-Card) Program

The division is not complying with state guidelines governing the P-Card program.

According to Department of the Treasury Circular No. 23-10-DPP, the state's P-Card program was established to provide governmental agencies with a convenient method to purchase goods and services. The circular recommends each agency develop and document internal control procedures to ensure P-Card usage is consistent with the circular. However, the division uses the circular as its own internal guidelines. The circular also requires agencies to create a purchase order prior to using the P-Card for any purchase exceeding \$1,000 and P-Card users to maintain a transaction log with supporting documentation, including receipts, for all purchases with a P-Card.

From July 1, 2022 through December 29, 2023, the division had 895 P-Card transactions totaling \$1,152,492 for 12 P-Card users. We judgmentally selected 50 transactions totaling \$382,505 to determine compliance with the circular. Our sample was selected based on vendor name and item description, with an emphasis on high-dollar transactions. We found the following noncompliance:

- None of the 32 transactions that exceeded the \$1,000 threshold had a purchase order created before the purchase was made. These transactions totaled \$373,025 and averaged \$11,657.
- We could not determine the propriety or validity for 21 transactions (42 percent) totaling \$146,463 because adequate supporting documentation was not provided. For ten of the transactions, no supporting documentation was provided at all.

Failure to comply with the circular could result in unnecessary or improper purchases and overcommitting available state funds.

Recommendation

We recommend the division develop its own internal policies and procedures for P-Card transactions to ensure supporting documentation is being logged and purchase orders are created for transactions over \$1,000.



Interest Paid for Late Payments

Delays in the payment process resulted in unnecessary interest costs of almost \$63,000.

In accordance with Department of the Treasury Circular No. 24-02-OMB, interest must be paid to a vendor that does not receive payment within 60 days of the service date or invoice date, whichever is later. During fiscal years 2023 and 2024, the division made 503 late payments to vendors, with interest on these payments totaling \$62,880. These costs were incurred when invoices were paid 60 days after the invoice date on the state's procurement system (NJSTART), which allows sellers to create electronic invoices that include the date when goods and services were provided. For blanket purchase orders (PO) with multiple invoices, we found the division enters the PO date into NJSTART as the effective date and makes one final payment when the PO is completed instead of paying invoices based on the date when goods and services were received.

We selected a judgmental sample of eight higher-dollar prompt payment interest transactions totaling \$33,571 and found all eight were paid more than 60 days after the invoice date, ranging from 32 to 234 days late. Delays in payments increase the overall cost of purchases, possibly resulting in overcommitting state funds. Furthermore, late payments of vendor invoices cause unnecessary payments of interest, may damage business relations, and could also cause the division to miss the opportunity of any available vendor discounts.

Recommendation

We recommend the division make payments for blanket PO invoices within 60 days in order to avoid unnecessary interest costs.



Uncollectible Debts

The non-tax debt collection process should be strengthened.

Department of the Treasury Circular No. 13-11-OMB requires agencies to develop written procedures and guidelines for collecting non-tax debt. The circular also requires accounts uncollected within 90 days to be transferred to Treasury's Division of Revenue and Enterprise Services (DORES) for further collection efforts and any write-offs to be approved by Treasury. However, we found the division does not have a policy regarding the handling of uncollected debt and did not always comply with the circular by transferring the debt to DORES.

We observed that the division did not forward two accounts delinquent more than 90 days old to DORES for further collection efforts.

- One delinquent account totaling \$246,317 for providing policing services to an authority was never forwarded to DORES, and the division is no longer pursuing this reimbursement.
- Another delinquent account with a balance totaling \$13.4 million is for providing on-going police services involving 22 officers since 2019. The balance of this uncollectible debt had not been forwarded to DORES as of September 19, 2024.

This uncollected debt totaling \$13.65 million could have an effect on the division's operating budget.

Recommendation

We recommend the division comply with the circular by forwarding debts over 90 days old to DORES for further collection efforts.



Reconciliation

No reconciliations are performed for firearms applications and background check revenue; and firearms permit revenue was not remitted to the Victims of Crime Compensation Office.

The division's Firearms Investigation Unit (FIU) processes firearms IDs, permits to purchase handguns, and concealed carry permits; the division's State Bureau of Identification (SBI) processes background checks; and the division's Fiscal Control Bureau oversees the accounting function of revenue. An applicant pays for these services electronically, and revenue is collected by an outside vendor. The vendor transfers the revenue to Treasury two business days after collecting it. Treasury then transfers revenue for the background checks to the division and the

firearms IDs, permits to purchase handguns, and concealed carry permit revenue to the Department of Law and Public Safety, Victims of Crime Compensation Office (VCCO), as required by New Jersey statute.

We found there were no reconciliations being performed between revenue collected by the vendor and the revenue transferred to Treasury. When the vendor transfers the revenue to Treasury, a transfer report is included showing the amount transferred; however, no reconciliations are performed with this information.

The reconciliation process is a necessary control to ensure the accuracy of revenue being reported. These reconciliations should be completed to verify that all revenue collected by the vendor is being sent to Treasury, with the correct amounts then being sent to the VCCO or the division. Without a proper reconciliation process in place, discrepancies and irregularities could go undetected.

In addition, N.J.S.A. 2C:58-3(g) requires all fees for permits to be paid to Treasury for deposit into the VCCO account. The VCCO account is used to provide financial assistance to individuals whose lives have been tragically altered as a result of victimization from violent crimes. According to the division, fees for firearms IDs and permits were not properly credited to the VCCO account and have instead been going to the state's General Fund. The division's Fiscal Control Bureau informed us it had not been aware of this requirement and would contact Treasury to remit the funds to the VCCO account going forward. Although this revenue is collected for the division-issued IDs and permits, it is out of the division's control once it is transferred to Treasury. After we brought this issue to the division's attention, all revenue from permits started being transferred to the VCCO account as of May 7, 2024.

Based on data we received from the vendor, we calculated that \$476,923 was collected for firearms ID and permit fees between December 22, 2022 and April 30, 2024 that should have been transferred to the VCCO account. This money could have been available to provide additional financial assistance to victims and their families to cover expenses, such as medical, counseling, dental, prescriptions, relocation, funeral, and loss of earnings.

Recommendation

We recommend the division work with the vendor to obtain reports with the detail needed to perform a reconciliation. We further recommend the division work with the VCCO and perform reconciliations between all revenue collected by the vendor and funds received by the division and by the VCCO office. Additionally, we recommend the division request Treasury to transfer the firearms ID and permit fees to VCCO that were not transferred previously.



Asset Inventory

Asset inventory items were not recorded timely in the state's inventory management systems.

WASP

According to Department of the Treasury Circular No. 19-12-OMB, state agencies are required to manage and track their inventory of both tangible and intangible assets with an individual original cost of \$250 or more and an expected useful life of greater than one year in the state-wide software application called AssetCloud (WASP) developed by WASP Technologies. The master inventory must be updated as assets are acquired or disposed of. Updating should be continuous but is mandatory by the end of each fiscal year. However, we found the division does not always record equipment inventory items in WASP when required.

Between July 1, 2022 and February 13, 2024, the division acquired \$54.5 million worth of equipment and furniture. We identified equipment expenditure transactions in the New Jersey Comprehensive Financial System (NJCFIS) meeting the dollar threshold and therefore should have been recorded in WASP. We tested 26 high-dollar items totaling \$975,000 and found 14 totaling \$382,260 had not been recorded by the end of the fiscal year in which they were purchased, causing assets to be understated and not properly accounted for in inventory.

LBAM

Department of the Treasury Circular No. 24-19-OMB requires capital assets, both tangible and intangible, with a useful life of greater than one year and a value exceeding its respective minimum dollar threshold to be recorded in the Land and Building Asset Management system (LBAM). A capital asset must meet a minimum value to be reported in LBAM, and the minimum value threshold varies depending on the asset's class. Additional circulars specify the date by which all departments are required to enter capital acquisitions into LBAM, depending on the fiscal year. However, we found the division does not always record capital assets in LBAM when required.

We tested 27 capital assets that were acquired during fiscal years 2023 and 2024 as of February 13, 2024 totaling \$2.7 million and noted 14 (52 percent) totaling \$1.4 million had not been recorded in LBAM by the deadline imposed by the applicable circular, thereby causing assets to be understated and not properly accounted for. Ten of the capital assets totaling \$1.1 million had still not been recorded in LBAM as of August 16, 2024.

Furthermore, according to the division's standard operating procedures, each of the 15 section commanding officers is to appoint an Inventory Control Coordinator (ICC) responsible for conducting and reporting annual inventory within its section to the division's LBAM Coordinator. However, the LBAM Coordinator could not clearly identify the ICCs for us when we asked.

Recommendation

We recommend the division record applicable assets timely in the state's inventory management systems, WASP and LBAM. We also recommend the division ensure each of its 15 sections is appointed an ICC, and they are clearly communicated to the LBAM Coordinator.



Observation

Firearms Application Processing Times

All applicants applying for a firearms purchaser identification card (firearms ID) or permit to purchase a handgun (permit) apply online through the Firearms Applicant Registration System (FARS). Applications are then sent to the applicant's licensing authority, either the local police department or the division, depending on where the applicant lives. According to N.J.S.A 2C:58-3, once the application is determined to be complete, the licensing authority has 30 days to process the application for New Jersey residents and 45 days for nonresidents.

We obtained firearms ID and permit data from July 1, 2022 to April 30, 2024 for the purpose of analyzing the application processing times of those applicants applying at the division. During this period, there were 14,275 New Jersey applicants and 1,745 nonresident applicants. Because FARS does not identify the date an application is deemed to be complete, we were unable to determine the time it took for an application to be approved once it was determined to be complete. Nevertheless, we found that 10,322 of the New Jersey applicants (72 percent) had been processed within 30 days of the receipt of the application, and 680 of the nonresident applicants (39 percent) had been processed within 45 days.

The remaining 3,953 New Jersey applications and 1,065 nonresident applications took at least 30 days and 45 days, respectively, to process following the receipt of the application. We performed additional analysis on 10 of the New Jersey and 10 of the nonresident applications to determine if there were any delays during the processing of the applications caused by the division and found the following:

- There were four New Jersey applications that had delays during the processing of the application that were at least partially caused by the division. Reasons for these delays included: a mental health form not being requested by the division for approximately two months and, in three instances, back-and-forth communications within the division regarding the details entered into the system by division personnel. On average, it took more than 300 days to process these applications, with delays within the division being a significant contributing factor.
- There were five nonresident applications that had delays during the processing of the application that were at least partially caused by the division. Reasons for these delays

included: additional questioning of the applicant was needed but was not initiated by the division for several months, back-and-forth communications within the division, and investigations into the applicant regarding an out-of-state criminal history. On average, it took more than 250 days to process these applications, with delays within the division being a significant contributing factor.

Any delays in processing the remaining 11 applications reviewed were for reasons outside the division's control. Reasons included: applicants not submitting all required information, other out-of-state agencies not responding to the division's requests for information, applicants not getting fingerprinted for the required background check, and the applicant not submitting additional required information in response to a mental health check.

To help expedite processing firearms ID and permit applications, the division has hired 13 temporary workers. These temporary workers were hired within the past year to only work on the processing of applications.



Appendix

Methodologies to Achieve Audit Objectives

To determine if proper segregation of duties exist for NJSTART transactions, we judgmentally sampled and tested 10 high-dollar Waiver of Advertising purchase orders totaling \$16.8 million from a population of 16 totaling \$29.9 million from July 1, 2022 to December 13, 2023. We also judgmentally sampled and tested 10 high-dollar DPA transactions totaling \$108,600 from a population of 1,294 totaling \$3.5 million from July 1, 2022 to December 13, 2023.

To determine whether the projects under the State and Local Fiscal Recovery (SLFRF) fund were fully obligated and expended by the required deadline, we reviewed each project's expended and encumbered amounts through the New Jersey Comprehensive Financial System. To determine whether SLFRF expenditures were for allowable costs, we tested all 29 expenditures, totaling \$7.8 million during fiscal years 2023 and 2024, as of February 13, 2024 based on the 2022 Final Rules, 2023 Interim Final Rules, and 2023 Consolidated Appropriation Act. We also reviewed the SLFRF Final Rule Frequently Asked Questions and contacted the U.S. Department of Treasury SLFRF Coronavirus Center for clarification on certain expenses.

To determine if revenue transaction and collection procedures were being properly followed, we judgmentally tested 23 high- and low-dollar value transactions totaling \$24.5 million from a population of 5,463 transactions totaling \$282 million from fiscal years 2023 and 2024 through February 13, 2024.

To determine the cause of any delays in processing various background checks for state agencies and local police departments, we judgmentally sampled 10 applications that took longer than 30 days to process. The total number of applications taking more than 30 days was 2,141. There was a total of 13,613 applications from July 1, 2022 to April 26, 2024.

To determine the cause of any delays in processing various non-criminal fingerprint applications, we judgmentally sampled 15 applications that either took more than 30 days to process or had no date entered in the data. The total number of applications taking more than 30 days was 30,593. There was a total of 777,515 applications from July 1, 2022 to May 31, 2024.

To determine the cause of any delays in processing various background checks for private sector employees and private detective agencies, we judgmentally sampled 10 applications that took longer than 30 days to process. The total number of applications taking more than 30 days was 252. There was a total of 26,158 applications from July 1, 2022 to May 6, 2024.

To determine the cause of any delays in processing concealed carry permits, we judgmentally sampled 20 applications that took longer than 90 days to process. The total number of applications taking more than 90 days was 555. There was a total of 2,744 applications from July 25, 2023 to April 25, 2024.

To determine if fixed assets in WASP could be located, were labeled correctly, and had an accurate asset description, we judgmentally sampled 30 assets based on the location of the assets totaling \$725,000 from a population of 4,068 assets acquired from July 1, 2022 to November 13, 2023 totaling \$18.8 million.

To determine if fixed assets in LBAM could be located, were labeled correctly, and had an accurate asset description, we judgmentally sampled 27 assets based on location totaling \$1.1 million from a population of 390 assets acquired from July 1, 2022 to December 6, 2023 totaling \$17.2 million.





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April 11, 2025

Mr. Brian M. Klingele
Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
P.O. Box 067
Trenton, New Jersey 08625-0067

Dear Mr. Klingele:

The Division of State Police would like to thank the Office of the State Auditor for the opportunity to provide comments on the draft audit report of the Department of Law and Public Safety, Division of State Police, Non-Payroll Transactions, issued on March 18, 2025. Enclosed, please find our response.

I would also like to take this opportunity to thank the auditors for their professionalism and patience throughout this entire audit. Their dedication has been appreciated. We look forward to continuing a proactive relationship as we work to improve the Division of State Police.

Please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,

Patrick J. Callahan
Colonel
Superintendent

cc: Lt. Colonel Frederick Fife, Branch Commander, Administration Branch, New Jersey State Police
Major Michael Haws, Commanding Officer, Administration Section, New Jersey State Police
Captain Alan Cook, Bureau Chief, Fiscal Control Bureau, New Jersey State Police



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State of New Jersey
Department of Law and Public Safety
Division of State Police

Response to OLS Audit Findings
July 1, 2022 to June 30, 2024

April 11, 2025

Procurement

Audit Recommendation:

We recommend the division comply with applicable state circulars when contracting for goods and services.

Auditee Response:

The division will ensure that it complies with applicable state circulars for proper procurement when possible.

Many of the noted transactions are emergent situations which require immediate response. The division will draft an internal process memo for any emergent purchasing needs of the division.

New Jersey Purchasing Card (P-Card) Program

Audit Recommendation:

We recommend the division develop its own internal policies and procedures for P-Card transactions to ensure supporting documentation is being logged and purchase orders are created for transactions over \$1,000.

Auditee Response:

The division concurs that internal policies and procedures are needed for emergent circumstances that arise. The division will create an internal P-Card policy for these circumstances.

Interest Paid for Late Payments

Audit Recommendation:

We recommend the division make payments for blanket PO invoices within 60 days in order to avoid unnecessary interest costs.

Auditee Response:

After it was made aware of an error in the data entry fields for the NJSTART program, the division worked with NJSTART and the vendor to correct the timing difference in order to avoid any future late payments. The issue has since been corrected.

Uncollected Debts

Audit Recommendation:

We recommend the division comply with the circular by forwarding debts over 90 days old to DORES for further collection efforts.

Auditee Response:

The Division of State Police will make every attempt to follow the circular in order to collect the outstanding debts. Nevertheless, the division will continue to provide policing services in order to ensure the safety of the residents of New Jersey.

Reconciliation

Audit Recommendation:

We recommend the division work with the vendor to obtain reports with the detail needed to perform a reconciliation. We further recommend the division work with the VCCO and perform reconciliations between all revenue collected by the vendor and funds received by the division and by the VCCO office. Additionally, we recommend the division request Treasury to transfer the firearms ID and permit fees to VCCO that were not transferred previously.

Auditee Response:

The division will work with the vendor and the Department of Treasury to create a process to ensure that all of the funds derived from the firearms applications are sent electronically to Treasury, deposited to the VCCO account, and able to be reconciled.

Asset Inventory

Audit Recommendation:

We recommend the division record applicable assets timely in the state's inventory management systems, WASP and LBAM. We also recommend the division ensure each of its 15 sections is appointed an ICC, and they are clearly communicated to the LBAM Coordinator.

Auditee Response:

The division will perform an assessment to determine the appropriate staffing level needed to fulfill the state's reporting requirements. Due to staffing limitations the Division will implement the use of temporary/contract employees and 944's.

Observation:

Firearms Application Processing Times

The Division of State Police is dedicated to processing applications within the required timeframe. The additional staff has contributed to our efforts to reduce processing times and make the application process more efficient. We will seek to identify other steps that can be taken to improve the timeliness and efficiency of the process going forward.