

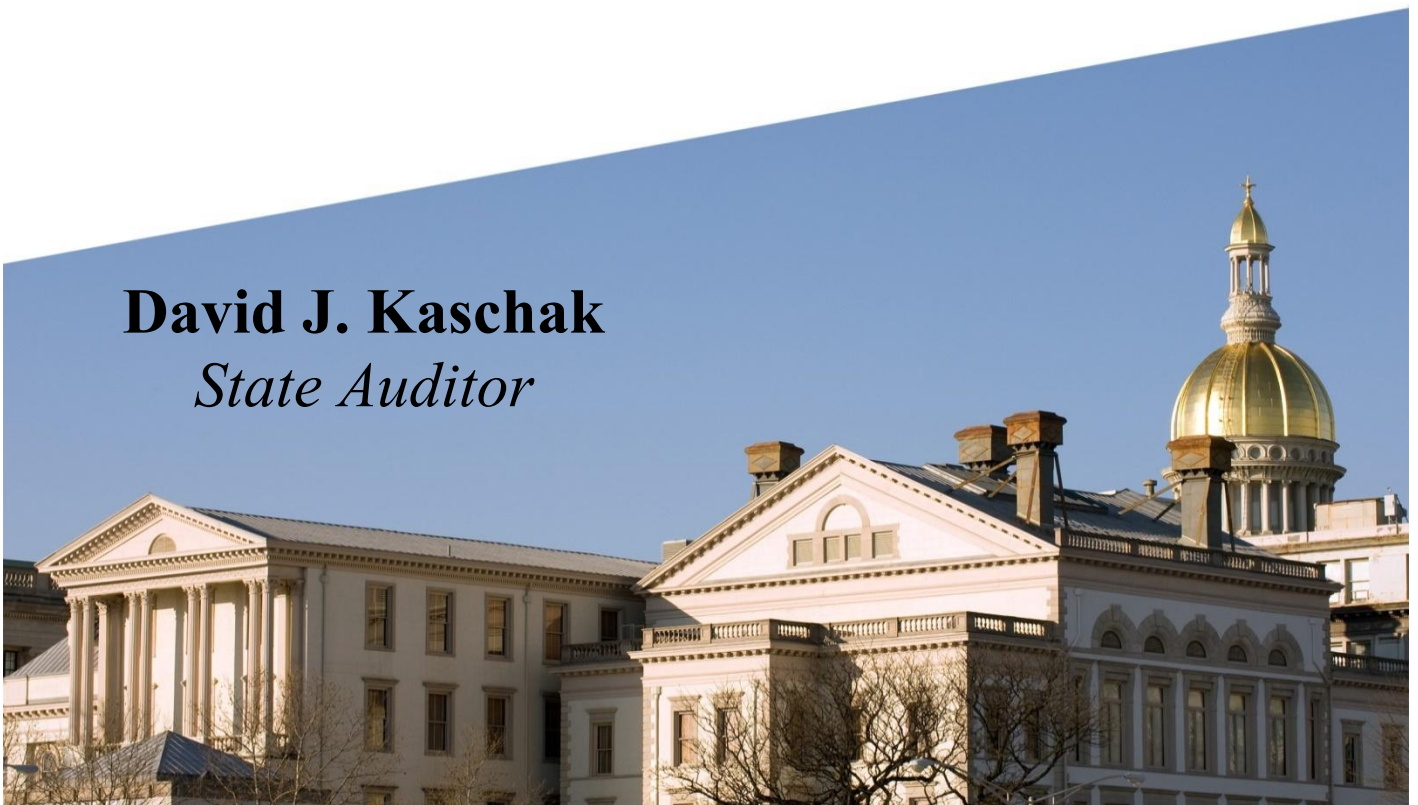


NEW JERSEY LEGISLATURE
OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR

Department of Law and Public Safety
Attorney General's Law Enforcement Forfeiture Account

July 1, 2021 to June 30, 2025

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, Attorney General's Law Enforcement Forfeiture Account for the period of July 1, 2021 to June 30, 2025. 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 16, 2025

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Scope

We have completed an audit of the Department of Law and Public Safety (department), Attorney General's Law Enforcement Forfeiture Account (AGLEFA) for the period of July 1, 2021 to June 30, 2025. Our audit included financial activities accounted for in the state's General Fund and within the state's Investment Trust Fund. The AGLEFA funds support law enforcement programs chiefly within the Office of the Attorney General, the Division of Criminal Justice, and the Division of State Police.

During fiscal years 2022 through 2025, AGLEFA expenditures totaled \$1,695,348; \$1,257,627; \$3,786,412; and \$4,590,168; respectively. Expenditures were used primarily for subsidizing confidential funds, renovations, and equipment.

Reported revenues during fiscal years 2022 through 2025 totaled \$1,475,000; \$2,266,756; \$2,970,039; and \$4,559,004; respectively. Revenues are derived from forfeitures prosecuted by the Division of Criminal Justice, forfeiture shares received from other prosecuting agencies, and interest earnings on seizures while cases are held for litigation.

The primary responsibilities of the program are to provide custodianship and financial accountability over seized proceeds held in trust and to disburse the assets resulting from forfeiture actions in accordance with applicable laws, directives, court orders, and standard operating procedures.

As of December 2024, the department held \$25,739,505 of seized funds in Asset Maintenance Accounts and \$4,145,106 of forfeited funds in AGLEFA.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the department's program, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of the significant issues noted in our prior report.

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, standard operating procedures of the program, and federal forfeiture guidelines. Provisions we considered significant were documented, and compliance with those requirements was verified by interview, observation, and through our testing. We also read the budget messages, reviewed financial trends, and interviewed department personnel to obtain an understanding of the program 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 were designed to provide conclusions on our audit objectives, as well as internal control and compliance. Sample populations were sorted, and transactions were judgmentally and randomly selected for testing. Because we used a nonstatistical sampling approach for our tests, we cannot project the results to the respective populations.

To ascertain the status of findings included in our prior report dated October 28, 2010, we identified corrective action taken, if any, by the department and tested transactions to determine if the corrective action was effective.

Data Reliability

We relied on data from the New Jersey Comprehensive Financial System. Our office assesses the reliability of the system's data annually, and we have determined it to be sufficiently reliable for the purposes of this report. We also assessed the reliability of the Cash Management Fund Account (CMA) data maintained in a Microsoft Excel database by tracing the information in the database to physical case files; comparing the accounts to the Department of Treasury, Division of Investment listing; and interviewing key personnel knowledgeable about the data. We determined the CMA data to be sufficiently reliable for the purposes of this report.

Certain other data in our report were used to provide background information. Data 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 program; however, they were not always reasonable or properly recorded in the accounting systems. In making these determinations, we noted certain issues meriting management's attention regarding the financial reporting of CMAs and weaknesses in the forfeiture noncash asset tracking system. We also found that the department has not resolved the significant issues noted in our prior report regarding untimely forfeiture revenue recognition, closure of CMAs, escheatment of unclaimed funds to the Unclaimed Property Administration, and unresolved balances in clearing accounts.

We also made observations related to the withholding of accrued interest from refunded seizures

and the use of AGLEFA funds.

Background

AGLEFA is a state-managed account that derives its resources from assets seized through criminal forfeiture in the course of law enforcement activities. These assets typically include money, property, and other valuables confiscated during investigations into alleged crimes.

Properties temporarily taken by law enforcement based on suspected involvement in criminal activity are considered seized assets. These assets remain in custody while legal proceedings are pending. Any funds seized by state law enforcement agencies are deposited into temporary clearing accounts before being transferred into individual CMA's where they earn interest.

Once a case is adjudicated and the legal status of the property is determined, seized assets are transferred to the government and become forfeitures before being shared with other law enforcement agencies or deposited into AGLEFA. Otherwise, the seized funds are to be returned to the defendant.

AGLEFA Seizure-Forfeiture Workflow



The purpose of the AGLFEFA is to support law enforcement efforts by allowing the proceeds of criminal forfeiture to be reinvested into law enforcement operations and the community. The forfeited assets are used to fund a variety of programs aimed at crime prevention, enhancing law enforcement capabilities, and community outreach.

The use of the forfeiture funds is regulated with oversight provided by the New Jersey Office of the Attorney General to ensure that funds are used appropriately and in compliance with state and federal laws.

Findings

Revenue

Revenue from forfeitures is not recognized in a timely manner in the state's accounting system.

Government Accounting Standards Board (GASB) Statement No. 33 establishes reporting standards for certain "nonexchange" transactions, which are defined as a government entity giving or receiving value without directly receiving or giving equal value in return. The statement also provides guidance as to when and how government accounting systems should recognize these transactions as revenues. According to Statement No. 33, revenue should be recognized at the time an enforceable legal claim has arisen.

Forfeited funds and interest are deposited as revenue when spending projects are approved by the Attorney General rather than when the seized funds are forfeited by an enforceable legal claim. This practice misrepresents the account's financial position and performance by improperly deferring recognition of available resources and decreasing transparency.

Our prior report dated October 28, 2010 cited \$6.2 million in prior fiscal years' forfeiture revenue that was not recognized in a timely manner. Revenues were underreported in fiscal years 2022 to 2024 by \$6,482,889 and overreported in fiscal year 2025 by \$2,439,929.

Recommendation

We recommend the department recognize forfeited revenue earned by the state at the time of securing an enforceable legal claim, in accordance with Statement No. 33.



Custodial Funds

Accounting for CMAs holding seized funds lacks financial transparency.

Seized funds are usually held temporarily in CMAs until they are returned, forfeited, or otherwise distributed by court order and appear to meet the criteria for custodial fund classification rather than investment trust fund classification under GASB Statement No. 84. As of December 2024, there were 287 CMAs holding seized funds totaling \$25,739,505. The liability for seized funds pending final disposition is not accounted for in the state's accounting system; they are reported in the state's Annual Comprehensive Financial Report (ACFR) as part of the Investment Trust Fund, which serves as an investment pool to consolidate monies from municipalities, counties, school districts, and any other public body, corporate or politic, thereby providing limited financial transparency. Recording seized funds in the state's accounting system and reporting it as an individual custodial fund would improve transparency regarding how the funds are handled,

managed, and eventually disposed. This transparency is crucial for public trust and for overseeing forfeiture programs.

Recommendation

We recommend the department improve financial transparency of seized funds by recording the funds in the state's accounting system. We also recommend the department consult with the Department of the Treasury to determine whether the CMAs should be reported as a separate custodial fund in the ACFR.



Cash Management Fund Accounts

Several long-standing CMAs remained open without valid justification.

The Property Management Unit (PMU) is responsible for managing the lifecycle of CMAs holding seized funds during the resolution of related criminal proceedings. This responsibility includes ensuring accurate documentation of deposits and withdrawals, reconciling account activity, and closing accounts once cases are concluded and all funds have been appropriately returned or forfeited. PMU staff are also expected to maintain supporting documentation for each account and coordinate with attorneys and law enforcement to ensure compliance with applicable laws governing seized funds.

We reviewed all 28 CMAs that had remained open for more than 10 years and were not on the escheatment list to determine whether their continued active status was adequately justified. These accounts were opened between 1989 and 2014 and had a cumulative balance of \$1,825,107 as of December 31, 2024.

We assessed whether each account had clearly documented justification to remain open. This included a review of correspondence, legal records, and internal notes in both the CMA files and InfoShare¹. Our review found that 12 of the 28 accounts, totaling \$302,816, lacked a documented or valid reason to remain open at the time of our testing. Maintaining these accounts without proper justification increases the risk of misappropriation or loss of funds and may result in noncompliance with financial reporting and forfeiture requirements.

Recommendation

We repeat our prior recommendation that the department establish a formalized process for the routine review of aging CMAs. This process should ensure that accounts no longer justified are closed promptly to maintain fiscal integrity and operational efficiency. It should also require

¹ InfoShare is Department of Law and Public Safety's criminal case tracking system.

thorough documentation to support the continued maintenance of any account that remains open beyond a reasonable timeframe.



Unclaimed Property

We identified approximately \$350,000 in unclaimed funds from closed cases that were not escheated in a timely manner.

The PMU maintains CMAs holding seized funds while forfeiture cases are pending. After a case concludes and all reasonable efforts to return residual funds to the rightful owner have been exhausted, any unclaimed funds are statutorily required to be reported to the New Jersey Unclaimed Property Administration (UPA) for custody.

During our audit, the PMU consisted of only one employee who was responsible for managing CMAs and monitoring balances eligible for escheatment to the UPA. The procedures for managing unclaimed property involve sending a notification letter to the individual's last known address. If the property remains unclaimed after one year and one month, the funds should be documented and escheated to the UPA. Although the PMU maintains a tracking list of unclaimed accounts, the process has not been prioritized. The PMU acknowledged that many accounts on the list were overdue for transfer, and no escheatments to the UPA have been processed since at least 2022. Lack of staff support following an employee's retirement and competing responsibilities were cited as the primary reasons for the backlog.

As of November 2024, the tracking list included 134 accounts totaling \$352,293, with 6 accounts not eligible for escheatment because of their current status. The remaining 128 accounts, totaling \$350,126, were eligible for escheatment, including 8 accounts designated as ready for immediate escheatment and 120 accounts designated for escheatment between April 2022 and May 2025.

Recommendation

We recommend the department escheat all eligible funds to the UPA timely and take immediate steps to address the backlog.



Clearing Accounts

Clearing accounts maintained long-standing balances, contrary to their intended purpose as temporary holding accounts.

The clearing account serves as an interim repository for seized funds managed by the PMU. It functions as a temporary holding account until the funds are transferred to another clearing

account, the Seized Money Transfer Account (SMTA) at a different bank. The SMTA acts as an additional processing stage before the funds are moved into the individual CMA established for each case.

Clearing accounts are designed to temporarily hold funds pending further allocation. They are to be reconciled regularly to match the incoming and outgoing transactions with the goal of maintaining a zero balance.

Clearing Account

The PMU monitors all deposits and outgoing wire transfers and performs monthly reconciliations of the account using bank statements. We reviewed account activity from July 2021 through June 2024 to determine whether the account was used in accordance with its intended purpose. Our analysis found that the account did not function as a true clearing account. A floating balance persisted throughout the three-year period, with an unreconciled amount totaling \$33,557. These funds remained in the account since at least 2010 without being transferred to designated CMAs or other appropriate accounts. We recommended in our prior report that the department determine the proper disposition of the surplus funds; however, the balance remains unresolved, the origin of the funds is unclear, and the PMU has expressed a preference to retain the amount as a financial buffer.

Seized Money Transfer Account

During our prior audit, a floating balance was also identified in the SMTA. In response to the audit recommendation to determine the disposition of the funds, the department established a CMA titled Original Transfer Account and transferred the entire balance of \$81,522 into the account in November 2011. Since its creation, only accrued interest has been periodically transferred out to the Asset Maintenance Account. As of December 2024, the Original Transfer Account retained a balance of \$91,344.

Maintaining surplus funds indefinitely in the accounts, contrary to its intended use, increases the risk of misappropriation.

Recommendation

We repeat our prior recommendation that the department determine the origin and proper disposition of the \$33,557 and \$91,344 balances.



Noncash Assets

Processes for tracing and tracking forfeited noncash assets are insufficient.

AGLEFA includes cash and noncash forfeitures from both the Division of State Police (DSP) and the Division of Criminal Justice (DCJ). Each division stores seized and forfeited noncash assets in its own Evidence Management Unit (EMU). A Microsoft Access-based Asset Tracking System (ATS) was used to maintain an inventory of seized assets until May 2024. The InfoShare case tracking system now includes a newly introduced module designed to facilitate ongoing asset management. We found the historical data from the ATS has not been migrated to InfoShare.

We attempted to verify the physical existence of all 86 noncash assets from the ATS and InfoShare systems for both DSP and DCJ. We found the records were incomplete or inconsistent, thereby making it difficult to confirm the status or the location of some assets. The current DSP liaison to the PMU does not have access to the ATS and was denied InfoShare access because of system limitations. Without access to either system, the liaison maintains asset records in an Excel spreadsheet. We also found DCJ EMU employees use a distinct system called the Bar Coded Evidence Analysis Statistical Tracking (BEAST) system for asset tracking rather than using InfoShare. There was no common unique identifying field to be able to accurately identify an asset listed in ATS or InfoShare to BEAST. We were unable to confirm the location of 38 assets (44 percent).

The PMU does not consistently receive timely notifications regarding asset dispositions necessitating retroactive investigation to identify the source of received checks. This practice elevates the risk of asset misplacement and compromises tracking accuracy. Management of forfeited property is an important component of the forfeiture program. Department policy calls for maintaining records of noncash assets; however, it does not provide uniform procedures to ensure consistent tracking across divisions.

Recommendation

We recommend the department develop and implement a formal and uniform process for tracking and tracing forfeited assets.



Observations

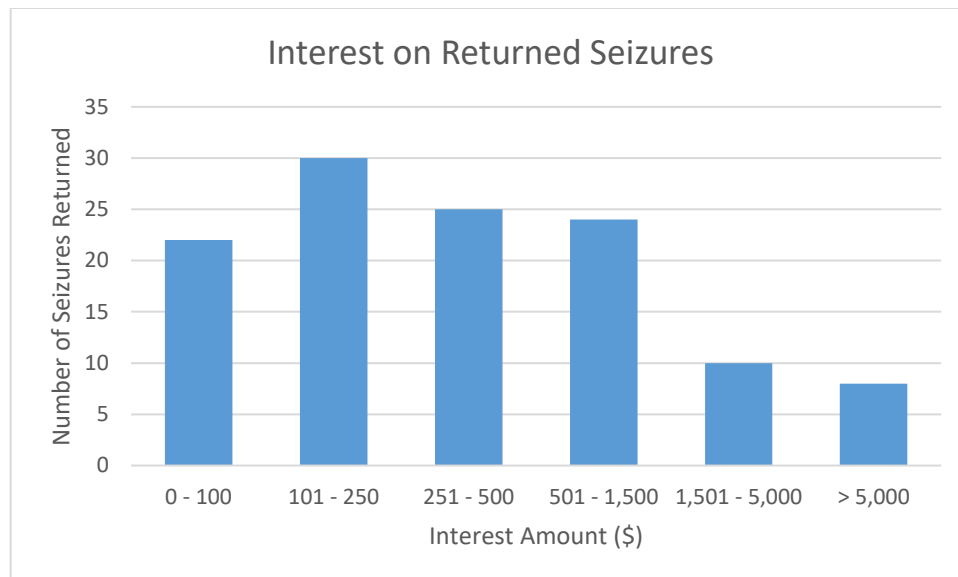
Retained Interest

The department keeps interest earned from seized cash subsequently returned to its owners.

The department's standard operating procedures for administering the forfeiture program require accrued interest from seized assets to be placed into a dedicated Asset Maintenance Account

(AMA) for the cost of maintaining, safeguarding, or disposing of seized or forfeited property. Interest remitted to the AMA includes accrued interest on seized assets subsequently returned to their rightful owners. As of June 30, 2025, the balance of the AMA was \$1,289,057, with only one withdrawal of \$125,000 taken since July 1, 2021.

Interest transferred from the various CMAs to the AMA totaled \$618,083 from July 2021 through March 2025. That amount included \$136,981 in earned interest related to 119 cases where seized funds were later returned to their owner. This earned interest ranged from forty-two cents to \$12,878 per case, including 42 cases with earned interest exceeding \$500.



According to 28 U.S. Code § 2465, when a claimant prevails in a federal civil forfeiture proceeding, the government must return the property along with interest. In addition, N.J.S.A. 46:30B (Uniform Unclaimed Property Act) also requires that property held by the state on behalf of rightful owners must be returned upon claim, often with accrued interest. Returning both principal and accrued interest safeguards the owner's financial rights and reinforces public trust by demonstrating that funds are held and released in an equitable, accountable manner.

Use of AGLEFA Funds

N.J.S.A. 2C:64-6 permits the use of forfeited property and proceeds solely for law enforcement purposes and for the exclusive use of the law enforcement agency. The statute defines "law enforcement purpose" as a purpose that is calculated to enhance a law enforcement agency's ability to conduct criminal investigations, surveillance, arrests, and prosecutions and to respond more fully to the effects of crime beyond any amounts allocated by the law enforcement agency's annual budget. Law enforcement purposes shall include expenditures to:

- Defray the costs of protracted or complex investigations

- Educate the public in crime prevention techniques
- Promote community outreach
- Provide diversity training for law enforcement officers
- Establish and implement minority selection and recruitment programs
- Provide additional technical assistance or expertise, including:
 - o Purchase of surveillance and undercover transportation
 - o Investigation equipment
 - o Computer hardware and software to enhance coordination and information sharing among county and state law enforcement agencies
- Provide matching funds to obtain federal law enforcement enhancement grants
- Support other purposes as authorized by the Attorney General

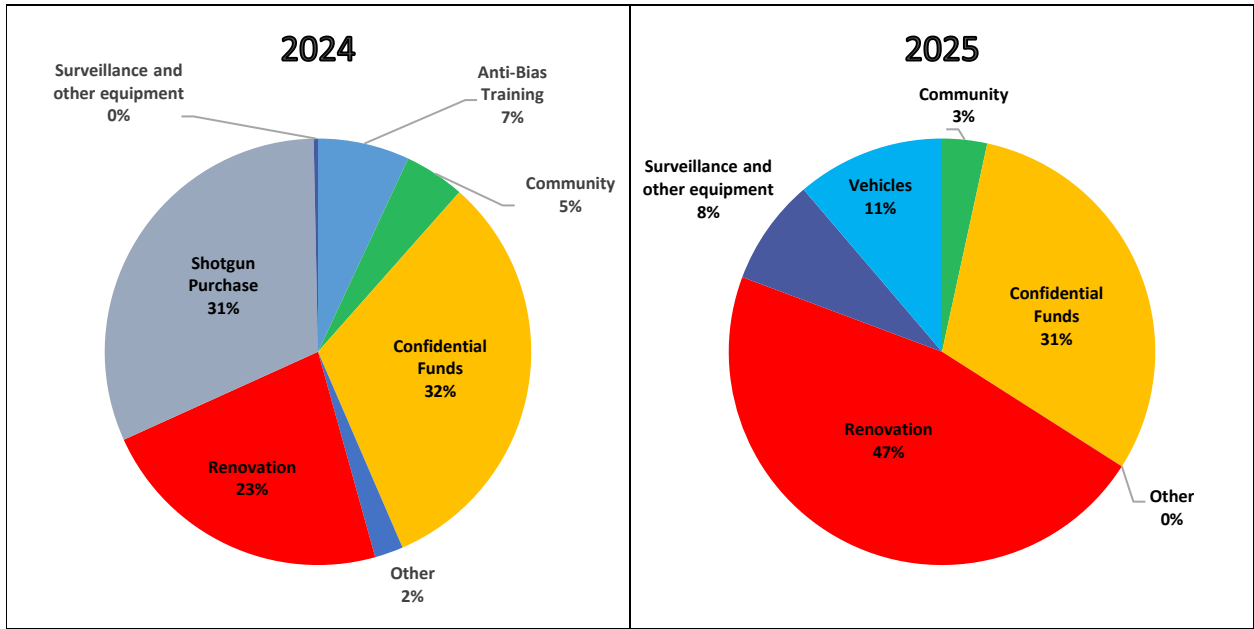
Permissible uses of AGLEFA funds are also outlined in the department's forfeiture program's standard operating procedures (SOPs) and mirror the allowable uses identified in the statute, except for the community outreach, diversity training, and minority selection and recruitment programs. In addition, the SOPs prohibit forfeiture funds from being a source of revenue to meet normal operating needs of the law enforcement agency.

Expenditures from AGLEFA during fiscal years 2024 and 2025 totaled \$3,786,412 and \$4,590,168, respectively. Our review found that \$854,145 (23 percent of fiscal year 2024 expenditures) and \$2,141,621 (47 percent of fiscal year 2025 expenditures) were allocated to office renovations for leased properties not owned by the state to relocate two departmental units. The renovations included costs of general construction, HVAC, plumbing, sprinklers, electrical wiring, painting, cabinets and countertops, furniture, blinds, management and architect fees, and other costs.

While these expenditures received the necessary approvals, neither the statute nor the SOPs explicitly list facility renovations as allowable expenses. This use of funds stands in contrast to other authorized expenditures clearly outlined in the statute, such as training, community outreach, or public education.

Notably, only \$173,426 (five percent of fiscal year 2024 expenditures) and \$156,571 (three percent of fiscal year 2025 expenditures) were directed toward community outreach programs.

The pie charts on the next page summarize expenditures as a percentage of the total for fiscal years 2024 and 2025. Additionally, \$263,394 (seven percent of fiscal year 2024 expenditures) supported training initiatives.



Appendix

Methodologies to Achieve Audit Objectives

To determine if CMAs opened during our audit period were maintained properly, we randomly and judgmentally selected a sample of 20 accounts opened after July 1, 2021 totaling \$770,488.41 from a population of 132 accounts totaling \$12,455,061 for review.

To determine whether the contributions from AGLEFA to the Department of Health's Hepatitis Inoculation Fund were correct and timely in accordance with statutory requirements, we reviewed reported internal transfers for fiscal years 2023 and 2024.

To determine whether the Office of the Attorney General's public online forfeiture dashboard complied with the statutory reporting requirements, we reviewed the dashboard available on the office's website.

To determine if the county forfeiture reports included statutorily required information, we randomly selected 25 quarterly reports from 252 reports (third quarter in 2021 through the second quarter in 2024) for review.

To determine the timeliness of the county forfeiture reports, we examined 252 quarterly reports (third quarter in 2021 through the second quarter in 2024).

To determine whether AGLEFA withdrawals were supported by appropriate documentation, we reviewed all 45 withdrawals totaling \$6,858,687 made between July 2021 and June 2024.

To determine whether controls over expenditures were in place and functioning as intended, we randomly selected 32 transactions totaling \$4,273,483 from 267 transactions totaling \$9,442,976 from July 1, 2021 to November 10, 2024 for review.





State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY
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November 28, 2025

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 Office of the Attorney General would like to thank the Office of the State Auditor for affording us the opportunity to provide comments to the draft audit report of the Department of Law and Public Safety, Attorney General's Law Enforcement Forfeiture Account issued by your office on November 5, 2025.

I would also like to take this opportunity to thank the auditors for their professionalism and patience throughout this audit. We look forward to maintaining a proactive relationship going forward, as we work to improve the Department of Law and Public Safety and its Divisions.

Our comments to the audit report are as follows:

Findings

Revenue

Revenue from forfeitures is not recognized in a timely manner in the state's accounting system.

Recommendation

We recommend the department recognize forfeited revenue earned by the state at the time of securing an enforceable legal claim, in accordance with Statement No. 33.

DLPS Response: All revenue from forfeitures is administered in accordance with the State of New Jersey Forfeiture Program Administration Standard Operating Procedure. Should the current SOP be updated in the future, we will share the update with the State Auditor.



Custodial Funds

Accounting for CMAs holding seized funds lacks financial transparency.

Recommendation

We recommend the department improve financial transparency of seized funds by recording the funds in the state's accounting system. We also recommend the department consult with the Department of the Treasury to determine whether the CMAs should be reported as a separate custodial fund in the ACFR.

***DLPS Response:** DLPS agrees with this finding and is nearing completion of a multi-year effort to implement a new system that will provide the additional transparency recommended by the State Auditor. That system will provide transparency through a publicly available dashboard once the implementation is complete.*

Cash Management Fund Accounts

Several long-standing CMAs remained open without valid justification

Recommendation

We repeat our prior recommendation that the department establish a formalized process for the routine review of aging CMAs. This process should ensure that accounts no longer justified are closed promptly to maintain fiscal integrity and operational efficiency. It should also require thorough documentation to support the continued maintenance of any account that remains open beyond a reasonable timeframe.

***DLPS Response:** DLPS agrees with this finding and is working to review all CMAs to ensure that they do not stay open any longer than is necessary. The Division of Criminal Justice and the Financial Management Office will work together to draft guidelines and a procedure that will document the CMA review process and provide timelines for closure.*

In addition, DCJ has already made significant operational changes to enhance management of the related functions, including staffing a dedicated forfeiture unit within DCJ and centralizing property management functions within that unit.

Unclaimed Property

We identified approximately \$350,000 in unclaimed funds from closed cases that were not escheated in a timely manner.

Recommendation

We recommend the department escheat all eligible funds to the UPA timely and take immediate steps to address the backlog.

***DLPS Response:** DLPS agrees with this finding and has been working to ensure that outstanding balances eligible for escheatment are forwarded in a timely manner. The Financial Management Office will develop an SOP to address the escheatment of seized property and the requirements under the State Circular of Unclaimed Property process as it relates to seized funds available for return or distribution. Also, the Division of Criminal Justice is actively working to add this to the forfeiture system.*

Clearing Accounts

Clearing accounts maintained long-standing balances, contrary to their intended purpose as temporary holding accounts.

Recommendation

We repeat our prior recommendation that the department determine the origin and proper disposition of the \$33,557 and \$91,344 balances.

***DLPS Response:** DLPS agrees with this finding and has been making every effort to review and reconcile the clearing accounts on a timely basis. The aforementioned organizational changes will assist in this effort. Once reconciled, any balances will be transferred to the appropriate account to ensure compliance.*

Noncash Assets

Processes for tracing and tracking forfeited noncash assets are insufficient.

Recommendation

We recommend the department develop and implement a formal and uniform process for tracking and tracing forfeited assets.

***DLPS Response:** DLPS agrees with this finding. The Financial Management Office and the Division of Criminal Justice will develop an SOP that addresses the tracking and disposition of non-cash assets, as well as, the requirement that all the assets be tracked and updated in the Forfeiture Tracking System.*

Observations

Retained Interest

The department keeps interest earned from seized cash subsequently returned to its owners.

***DLPS Response:** While DLPS understands this observation, all interest on seized property is handled in accordance with New Jersey law.*

Use of AGLEFA Funds

***DLPS Response:** While DLPS understands this observation, all funds expended from AGLEFA are done so in accordance with New Jersey law and with the approval of the Attorney General.*

As always, it has been a pleasure working with your office. Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. J. Platkin", with a long horizontal flourish extending to the right.

Matthew J. Platkin
Attorney General

C: Theresa Hilton, Director, Division of Criminal Justice
Erin Zippel, Chief Administrative Officer, Division of Administration