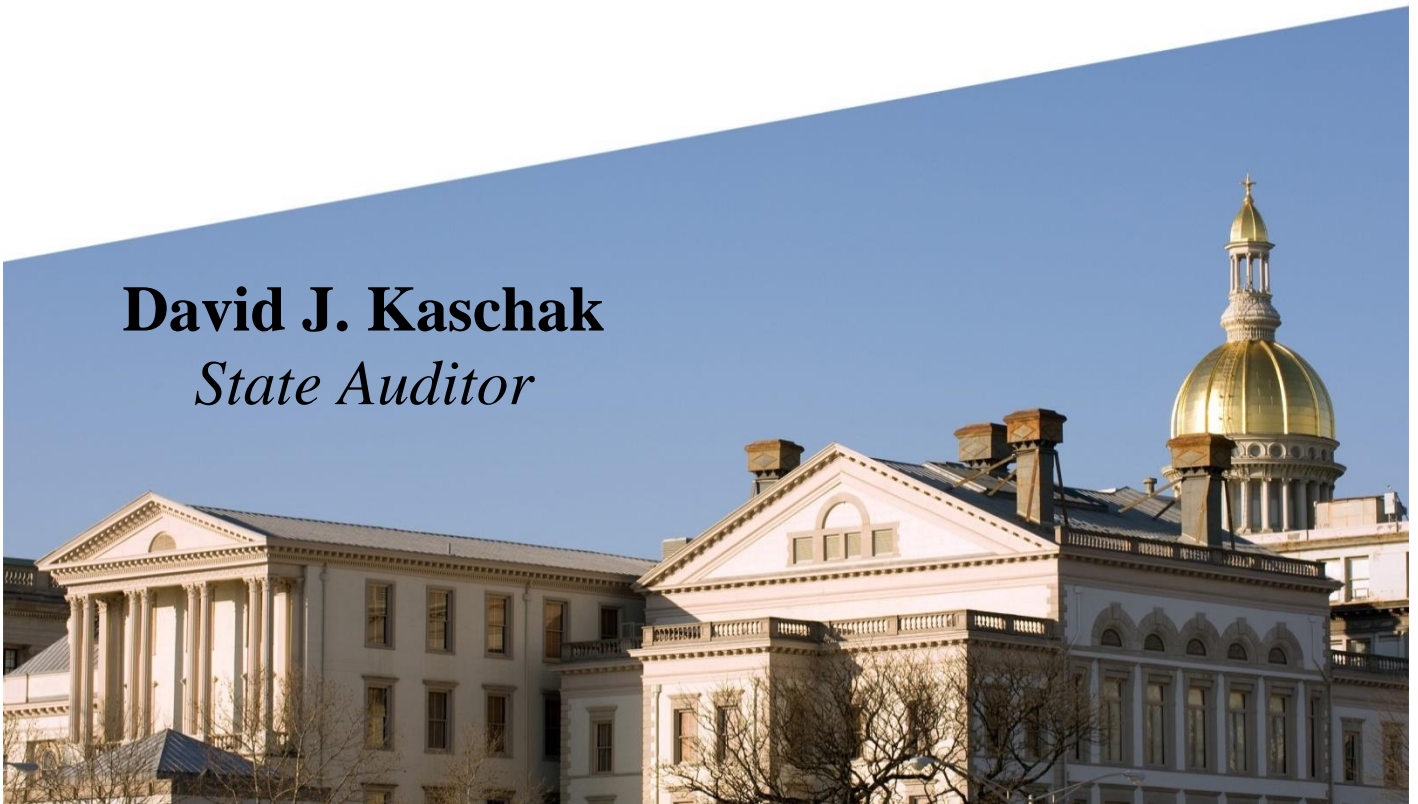


*New Jersey Legislature*  
★ *Office of* LEGISLATIVE SERVICES ★  
**OFFICE OF THE STATE AUDITOR**

Chief Executive's Office

July 1, 2016 to January 16, 2018

**David J. Kaschak**  
*State Auditor*



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125 SOUTH WARREN ST. • P.O. BOX 067 • TRENTON, NJ 08625-0067

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OFFICE OF THE

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609-847-3470

Fax 609-633-0834

David J. Kaschak

*State Auditor*

Brian M. Klingele

*Assistant State Auditor*

Thomas Troutman

*Assistant State Auditor*

The Honorable Philip D. Murphy  
Governor of New Jersey

The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Craig J. Coughlin  
Speaker of the General Assembly

Ms. Peri A. Horowitz  
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, 2016 to January 16, 2018. 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, 2021

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## *Scope*

We have completed an audit of the Chief Executive's Office (office) for the period of July 1, 2016 through January 16, 2018. Our audit included financial activities accounted for in the state's General Fund. Financial activities are processed by the Department of the Treasury, Division of Administration. During our audit period, there were three major units within the office: the Lieutenant Governor, the Chief of Staff, and the Chief Counsel. The activities of the Lieutenant Governor's Office were appropriated under the budget of the Department of State and excluded from the scope of this audit.

The primary duty of the office, also referred to as the Governor's Office, is to direct and coordinate the activities of the various state departments. Total expenditures of the office during the 19-month audit period were \$8.7 million, with net payroll accounting for \$6.7 million of the total. The office uses a mobility staff that is paid by other state departments. These costs were approximately \$3.2 million for the period under review. The mobility salary expense is not included on the office's payroll since the staff is on the payroll of other state agencies. The total revenue during the audit period consisted of \$1.4 million in salary assessments charged to state authorities.

## *Objectives*

The objectives of our audit were to determine whether financial transactions were related to the office'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. 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 that 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 and circulars promulgated by the Department of the Treasury. 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 detailed budgets, reviewed financial trends, and interviewed office personnel to obtain an understanding of the programs and the internal controls. In order 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 findings 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 and randomly 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 assessed the reliability of New Jersey Comprehensive Financial System (NJCFS) data by performing a three-way match between the NJCFS source system data, the Office of the State Auditor (OSA) Data Warehouse, and the Office of Information Technology (OIT) Enterprise Data Warehouse NJAWS data universe to determine that all three reconciled and agreed on a single version of the true contents of NJCFS. We also assessed the reliability of the New Jersey Centralized Payroll System data by performing a three-way match between the mainframe Centralized Payroll source system data, the OSA Data Warehouse, and the OIT Enterprise Data Warehouse NJAWS Payroll data universe to determine that all three reconciled and agreed on a single version of the true contents of the Centralized Payroll system. We also assessed the reliability of the Time and Leave Reporting System (TALRS) by tracing the TALRS data to supporting source documents and interviewing personnel knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

### ***Conclusions***

We found that the financial transactions included in our testing were related to the office's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted deficiencies in internal controls over expenditures related to wireless devices. We also made an observation about the office's assessments charged to authorities.

## Wireless Devices

### **Internal controls over wireless devices need improvement to ensure compliance with Treasury requirements.**

New Jersey Department of the Treasury Circular No. 15-04-OMB/OIT (circular) requires all state departments and agencies to establish an internal policy and guidelines for the use of wireless devices within their department. All staff should be aware of this policy, and a copy of the formal policy must be maintained on file. The circular also requires each department to review quarterly Office of Information Technology (OIT) Zero Usage Reports, which list wireless devices having no activity. The circular states that a device must be terminated if no longer necessary, and OIT is to be notified when a device should be deactivated.

During our review, we noted the office did not have a formal policy governing wireless devices. Furthermore, wireless device assignments were inconsistently tracked on an electronic spreadsheet. We reviewed device assignments for six judgmentally selected non-consecutive months and compared them to OIT billing records, totaling \$59,797. The office paid for service for 235 wireless devices at an average cost of \$42.41 per month per device during this period. We noted a range of between 27 and 43 wireless devices that were unassigned in the months tested, with expenditures totaling \$10,928. This includes 21 wireless devices that were not on any of the assignment lists.

In addition, we reviewed and analyzed Zero Usage Reports from July 2016 through December 2017 and noted 22 wireless devices appeared on the Zero Usage Report for at least 12 consecutive months.

### **Recommendation**

We recommend the office implement a formal policy in accordance with the Treasury circular to strengthen controls over usage of wireless devices. In addition, the office should review the Zero Usage Report and reconcile its assignment list with the monthly bills and notify OIT of any unnecessary wireless devices for deactivation.



## Observation

### **Authorities Assessments**

### **The Chief Executive's Office does not bill all state authorities for oversight services provided.**

The enabling statutes for 23 state authorities include language requiring them to submit the minutes of every meeting to the governor for the approval or veto of any action taken by the

authorities as communicated in the minutes. The oversight is performed by the office through its Authorities Unit, which is part of the Chief of Counsel, which acts on behalf of the governor. Each authority is charged an assessment to recover the cost of the salaries and administrative overhead of the Authorities Unit staff on an annual basis, and the collections are considered revenue for the office. There are no written policies in place to ensure the assessment amount is appropriate and represents the cost for providing oversight. Annual revenue for this oversight amounted to \$760,000 in fiscal years 2016, 2017, and 2018.

The office's management confirmed oversight is provided for all 23 authorities. However, in fiscal years 2017, 2018, and beyond, only 18 authorities were charged an assessment for the oversight. Revenue collected for this oversight should offset the cost of providing the oversight. Therefore, no additional revenue would be collected by the office as the result of assessing five additional authorities. However, the assessments of the 18 authorities currently charged may decrease.



## *Appendix*

### **Methodologies to Achieve Audit Objectives**

To determine the accuracy and propriety of employee time and leave records, we traced leave times to official timekeeping records, compared payroll records to timesheet reports, and verified employee timesheet reports were properly approved. We judgmentally selected 24 salaried, full-time employees active during the audit period: 12 employees from fiscal year 2017, pay period 06; and 12 employees from fiscal year 2018, pay period 17. The total population for these two pay periods was 167 employees, with employees appearing in both pay periods counted twice. The employees were selected based on their salary and unit, while the pay periods were selected based on the amount of leave time charged.

We reviewed payroll databases and personnel files to determine whether employees were properly added to the state's pension system and hiring procedures were followed. We judgmentally sampled 5 of the 15 employees hired between July 1, 2016 and December 31, 2017 based on their date of hire.

To determine whether proper procedures were followed for separated employees, we reviewed personnel files and time reports from time reporting systems. We judgmentally selected 7 of the 75 separations that occurred between July 1, 2016 and January 16, 2018 based on the employees' separation dates.

We tested for duplicate account numbers for all employees on the office's payroll during 2017. In addition, we verified the existence of the office's mobility staff by obtaining independent support, such as email confirmations of employment, for all 19 employees on the mobility staff list dated November 21, 2017.

In fiscal year 2017, 20 state agencies were charged a total of \$1.6 million by the office in salary credit assessments. We reviewed supporting documentation for all 20 agencies that received assessments to determine their accuracy. We verified the salary credit assessments were calculated and entered into the state accounting system (NJCFIS) correctly. We also traced salary credit assessments to supporting documentation and verified that amounts billed to agencies agreed with amounts received by the office.

To determine whether the office had adequate internal controls over the processing of non-payroll expenditures, we sampled 40 non-payroll expenditure transactions totaling \$930,832. Of these, 25 were judgmentally selected based on various analyses we performed, and 15 were randomly selected from the remaining population. The population for non-payroll expenditures obtained from NJCFIS for the audit period totaled \$1,976,935 for 1,065 transactions.

To determine if travel credit card transactions were properly supported, reasonable, and related to the office and state business, we reviewed three monthly corporate credit card statements and their supporting documentation. Each corporate credit card statement includes statements for the



various individual cardholders. We judgmentally sampled 42 individual cardholder accounts from the three sampled corporate statements based on their dollar amounts. The total expenditures for the three months were \$222,089, and the amount we reviewed was \$171,450. Total travel credit card expenditures during the audit period were \$543,687. We also reviewed all active cardholder accounts and verified that each cardholder was an employee.

We performed various data matches using centralized payroll data and NJCFS data to identify possible related-party transactions. This included matching employee identification numbers to vendor numbers, employee addresses to vendor addresses, and employee names to vendor names. We also performed a data match between centralized payroll data and NJCFS expenditure data.

To determine whether the office had adequate internal controls over revenue and authorities were accurately billed for oversight work performed by the office, we reviewed the statutes for the 23 state authorities. We also reviewed all 18 revenue transactions, totaling \$760,000, for the 18 authorities billed during FY 2017. We verified the transactions were properly approved and recorded on NJCFS, the timeliness of the deposits, and other transaction support.





## State of New Jersey

OFFICE OF THE GOVERNOR

P.O. Box 001

TRENTON, NJ 08625-0001

PHILIP D. MURPHY  
*Governor*

December 13, 2021

Brian M. Klingele  
Assistant State Auditor  
Office of Legislative Services  
Trenton, NJ 08625

Dear Mr. Klingele:

Thank you for the draft report of the Chief Executive's Office for the period of July 1, 2016 to January 16, 2018.

In response to concerns regarding internal controls over usage of wireless devices, please be advised the current administration has taken action to ensure an appropriate response. This procedural change will further strengthen the system of internal controls currently in place.

Sincerely,

A handwritten signature in blue ink that reads "Brandon Sitzler".

Brandon Sitzler  
Director of Administration and Personnel  
Office of the Governor