



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

EXECUTIVE SUMMARY

**DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
July 1, 2022 to June 30, 2025**

We found that the division is in compliance with established laws and regulations, and it is currently meeting its fiduciary responsibilities. In addition, we observed that the division's organizational structure presents risks that could affect its ability to effectively perform its fiduciary responsibilities. In making these determinations, we noted certain issues meriting management's attention regarding the division's delay in procuring critical systems and account reconciliations.

AUDIT HIGHLIGHTS

- The Division of Investment resides within the Department of the Treasury and is therefore bound by the department's personnel and operational rules and regulations. However, the division is an investment organization that could potentially benefit from being semi-autonomous. Unlike other government agencies, the division needs flexibility and the ability to deploy fast-paced operations in order to keep up with a dynamic finance industry, especially when making personnel and procurement decisions. The division's organizational structure leads to the following risks that could impact its ability to perform its fiduciary responsibilities:
 - The division faces significant key person risk from its high vacancy rate, limited succession planning, and difficulty retaining experienced staff.
 - The division faces significant technology risk from its outdated and ineffective systems, prolonged procurement delays, and heavy reliance on manual processes, all of which increase operational, security, and error risks.
- The division had multiple requests for proposal, with estimated costs totaling more than \$79 million, that have been pending internally for up to 4 ½ years. It has also failed to replace an inefficient 25-year-old trade order management system and had invested \$2.86 million in an analytical tool that is unusable for its purpose. These issues have hindered the division's ability to execute trades, maintain controls, and effectively monitor investment risk.
- From 2018 to 2024, the division did not consistently reconcile its trade order management system with its custodial account, leading to discrepancies that caused three erroneous stock sales and increased the risk of unintended losses. Although no financial losses occurred and some reconciliations have resumed, stronger controls and automated reconciliations are needed to ensure accurate investment records.

AUDITEE RESPONSE

The department generally concurs with our findings and recommendations.

For the complete audit report or to print this Executive Summary, click on the attached files.