Annual Report of the New Jersey Office of Legislative Services Office of the State Auditor

For the Calendar Year Ended December 31,

1998

Richard L. Fair
State Auditor

New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
125 SOUTH WARREN STREET
PO BOX 067
TRENTON NJ 08625-0067

ALBERT PORRONI
Executive Director
(609) 292-4625

RICHARD L. FAIR
State Auditor
(609) 292-3700
FAX (609) 633-0834

The Honorable Members of the Senate and General Assembly

Mr. Albert Porroni, Executive Director
Office of Legislative Services

I am pleased to present to you the *Annual Report of the Office of Legislative Services, Office of the State Auditor* for 1998. In conformance with our responsibilities to perform financial and compliance reviews, all state agencies are audited over a five-year cycle. During 1998, we issued 44 reports, which identified $20.4 million in potential cost savings. If you or members of your staff would like additional information or a personal briefing please contact me.

Our mission is to improve the accountability for public funds and to improve the operations of state government. We serve the public interest by providing members of the Legislature and other policy-makers with unbiased accurate information and objective recommendations on how to best use public resources. In addition to fulfilling our audit mission, we have focused on maximizing the quality of our services and maintaining communication with the Legislature and the agencies that we audit. We are committed to providing high-quality audit reports. You may be assured that we will continue our efforts to improve state government accountability to the Legislature through an effective and constructive audit process.

Richard L. Fair
State Auditor
February 17, 1999

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INTRODUCTION

BACKGROUND

The Office of the State Auditor, within the legislative branch, was originally established in 1934, pursuant to P.L. 1933, c.295. A number of statutory amendments dealing with the powers and duties of the State Auditor have been enacted in the ensuing years.

Currently, the Office of the State Auditor is within the Office of Legislative Services under the provisions of the Legislative Services Act.

The State Auditor is a constitutional officer, appointed by the Legislature for a term of five years and until his successor shall be appointed and qualified. On September 26, 1989, Mr. Richard L. Fair, CPA, was appointed State Auditor Designate and was confirmed by a joint session of the Legislature on March 15, 1990.

The organization of the office within the legislative branch permits the State Auditor to be independent of the executive and judicial branches of government. This independence is critical in terms of meeting professional standards and in providing fair and objective reviews and audits of governmental operations.

Under the provisions of Article VII, Section 1, Paragraph 6 of the State Constitution and N.J.S.A. 52:24-1 et seq., the Office of the State Auditor is required to conduct post-audits of all transactions and accounts kept by or for all departments, offices and agencies of the state government and to report to the Legislature or to any committee thereof and to the Governor, and to the Executive Director of the Office of Legislative Services, as provided or required by law, and to perform such other similar or related duties as shall, from time to time, be required of him by law.

The State Auditor shall personally or by any of his authorized assistants or by contract with independent public accounting firms, examine and post-audit all accounts, reports and statements and make independent verification of all assets, liabilities, revenues and expenditures of the state, its departments, institutions, boards, commissions, officers, and any and all other state agencies now in existence or subsequently created.

In addition, at the request of the Legislature or the Legislative Services Commission, the State Auditor conducts studies on the operation of state and state-supported agencies with respect to their economy, internal management control, and compliance with applicable laws and regulations.

INTRODUCTION

MISSION

The State Auditor is an officer of the Legislature, independent of the other branches of state government. Through independent audits of records kept by or for any state agency, the auditor gives the Legislature assurance that funds appropriated are properly spent, assets of the state are safeguarded, management is complying with applicable laws and regulations, and the state's financial statements are fairly presented. The auditor also performs related duties as required by law or requested by the Legislature.

GOALS

To enhance accountability of state agencies to the Legislature, providing assurance that funds appropriated are properly spent, assets are safeguarded, and management is complying with applicable laws and regulations.

To verify the assets, liabilities, revenues, and expenditures of the state.

To assist public officials in meeting their responsibilities of maintaining effective controls, safeguarding resources, complying with laws and regulations, and capturing and reporting reliable data.

To report to the governor any and all instances of unlawful acts exposed in the course of audits.

To improve state government operations by recommending changes to increase the economy, efficiency, and effectiveness of government programs.

PROFESSIONAL STANDARDS

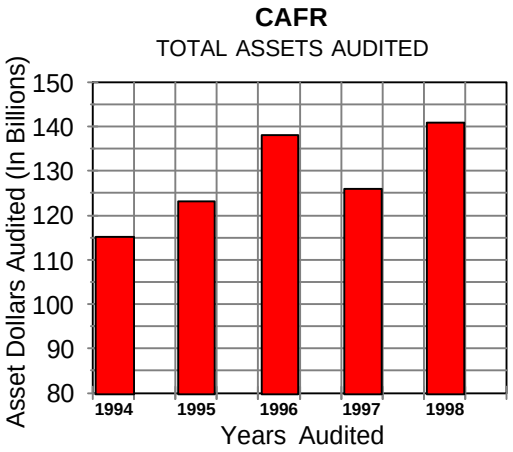
The Office of the State Auditor's audits are performed in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States.

AUDIT REPORTS

TYPES OF AUDITS PERFORMED

Financial Audits

Financial audits, which include financial statement and financial related audits, are designed to provide reasonable assurance about whether the financial statements (or schedules) of an audited entity are fairly presented in conformity with generally accepted accounting principles. The primary annual financial audit conducted by the office is the opinion on the state's *Comprehensive Annual Financial Report* (CAFR), which is issued by the Department of the Treasury. The CAFR engagement includes the audit of 183 funds, account groups and component units which had a total asset value of $140 billion at June 30, 1998.



Audits of State Agencies

The objectives of this type of audit are to determine whether financial transactions were related to an agency's programs, were reasonable and were recorded properly in the accounting systems. Where appropriate, these engagements may also provide economy and efficiency comments. Each of the state's departments are audited on a five-year cycle. The larger departments are audited on a divisional, agency or program basis rather than department wide because of their size and complexity. We performed 34 of these audits in 1998. These audits encompassed $15.6 billion and $9.3 billion of expenditures and revenues, respectively.

Electronic Data Processing Audits

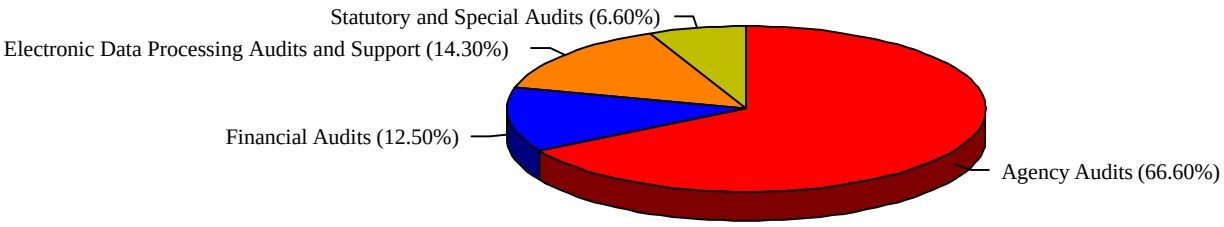
The objectives of this type of audit are to determine whether the financial data relating to a particular computer system are reliable, valid, safeguarded and recorded properly. During 1998 we reported on two departmental computer systems and reviewed the state's Year 2000 compliant efforts.

Statutory Audits, Legislative Requests and Special Audits

Certain legislation mandates that the State Auditor will audit a specific program or fund on a periodic basis. The Legislature may also request the State Auditor to conduct an audit or the State Auditor may decide to perform an audit of areas that cross departmental lines or are of specific concern.

During calendar year 1998, the distribution of audit hours used in performing these audits is depicted on the following chart:

DISTRIBUTION OF AUDIT HOURS



AUDIT REPORTS

HOW AND TO WHOM AUDIT REPORTS ARE ISSUED

The findings and recommendations in our reports are developed as a result of an independent objective audit and are intended to provide constructive criticism and recommendations for improvement of government operations. All reports issued are discussed with agency officials prior to finalizing the report. Modifications to the draft report are made if warranted. Agency comments to the final report are incorporated in the document. As a result of improving internal processing and with the cooperation of the audited agencies we have been able to significantly reduce the time required to issue reports. All issued reports of the Office of the State Auditor are public documents and since 1997 are available on the internet through the New Jersey Legislature's Home Page. Reports are statutorily required to be sent to:

- the Governor;
- the President of the Senate;
- the Speaker of the General Assembly; and,
- the Executive Director of the Office of Legislative Services.

In addition, copies of the report are routinely sent to:

- the management of the audited entity;
- the chairs of the Senate and General Assembly committees;
- the State Library; and,
- the World Wide Web at the New Jersey Legislature Home Page (http://www.njleg.state.nj.us/) Office of Legislative Services.

ORGANIZATION

HUMAN RESOURCES

The Office of the State Auditor is one of seven units within the Office of Legislative Services. The State Auditor's office is comprised of 78 professionals and six support staff. All auditors must have a bachelors degree in accounting or a related field and a minimum of 24 credit hours in accounting. Forty-two staff members (63 percent of the professional staff) possess professional certifications or advanced degrees.

The office provides a minimum of 40 continuing professional education credits annually and diversified work experience to enhance each individual's professional development. The audit staff attends professional development programs encompassing a myrid of accounting and auditing topics. In addition, staff members actively participated as officers, board members, and committee members of local, state, and national accounting and auditing organizations. The office also participates in the national peer review program under the auspices of the National State Auditors Association.

AUDIT STAFF

The audit staff is the primary operating group of the office. They plan, conduct and control the audit engagements and prepare and edit the reports. The audit teams report the results of their work to the auditee on an ongoing basis and at the conclusion of the engagement by means of a written report. In an effort to develop expertise, field managers are assigned specific departments. This practice enhances the quality and efficiency of our audits. This also ensures all programs are audited within our five year cycle. This group also contains staff which provides EDP support to other field staff.

TECHNICAL STAFF

The technical staff is responsible for technical compliance and quality control, staff training and research of technical issues. Quality assurance is achieved through reviews of working papers and reports to ensure adherence to professional standards. The technical staff, through its research of accounting and auditing issues, also responds to surveys, questionnaires and exposure drafts relating to proposed accounting and auditing standards.

ADMINISTRATIVE STAFF

The administrative staff processes, files and distributes all reports. This group is responsible for maintenance of audit working papers, purchasing and maintaining office supplies and other general administrative functions.

OFFICE OF THE STATE AUDITOR
STAFF ROSTER
As of December 31, 1998

STATE AUDITOR

Richard Fair, CPA, CGFM
Evelyn Boyer, Secretary

ASSISTANT STATE AUDITOR

Peter Guilfoyle, CPA
Joyce Kenney, Secretary

TECHNICAL DIRECTOR

Thomas Meseroll, CPA, CGFM
Deborah Tucker, Secretary

AUDIT MANAGERS

Robert Alu, CFE, CGFM
Franklin Bowker, MBA, CPA
Elwood Fell, CGFM
Anthony Glebocki, CPA, CFE, CGFM
Richard Nicomini, CPA
James Patterson, CIA
Walter Sleczki, CGFM
Ronald Thompson, CIA
Jeannette Valentine, CFE, CGFM

PRINCIPAL AUDITORS

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Paul Baron, CPA
Carol Combs, MBA
Keith Costello, CPA
Georgia Duval, CFE
Stephen Eells, CPA
Joseph Ettenger, CFE
Frederick Hansen
David Kaschak, CPA
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Charles Paslawsky
Gregory Pica, CPA
William Robinson, CPA
Thomas Siegfried
Susan Stradling, MS, CPA
John Termyna, CPA
Rose Todaro, CIA, CFE, CGFM
Thomas Troutman, CPA, CIA, CGFM
Edward Tyson
R. Douglas Wills, CFE

AUDIT STAFF

Edward Backer, CPA
Albert Bao
Ernest Barany, CFE
Harold Bauman
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Nikki Robinson
Donna Shemansky
Nelson Valosen
Patrick Whalin
Kenyona Williams
John Wouters
Yan Zhang

ADMINISTRATIVE STAFF

Camille Day
Lori Powell
Elaine Zielinski

AUDIT ACCOMPLISHMENTS AND RESULTS

During calendar year 1998 the office made recommendations which would reduce state costs by more than $20 million. Below we have highlighted three of the significant audits during the past year and commencing on page 17 we have detailed significant findings from our reports. In addition to these findings it should be noted that our reports contain other findings addressing areas of noncompliance with laws or regulations, weaknesses in internal controls, and economies and efficiencies to improve state governments. A listing of all reports issued is provided on pages 47 to 50.

Department of Health and Senior Services Division of Consumer Support, Medical Services for the Aged Selected Programs

We have completed an audit of the Department of Health and Senior Services, Division of Consumer Support, Medical Services for the Aged, Selected Programs, for the period July 1, 1996 to October 31, 1998. The annual federal and state expenditures for these programs are approximately $1.1 billion for 30,000 Medicaid eligible residents. The scope of our audit was limited to financial transactions related to nursing facility care. Our scope did not include residents in home and community based programs.

New Jersey's current rate setting methodology has been approved by the federal government to be an adequate way of reimbursing nursing facility costs. We found that payments for nursing facility care were reasonable, properly recorded and related to the department's programs. However, we found that the rate setting system is not timely, does not ensure that the rates are accurate, and does not adequately provide for the detection and recovery of funds if overpayments are made.

Setting Rates for Nursing Facilities

The current per diem rate setting process is a complicated, time consuming, and labor intensive process which relies on a significant amount of manual calculations due in large part to an outdated computer information system. Desk audits of approximately 320 cost studies are performed annually. Due to the limited functionality of the current computer system, analysts are required to perform a significant amount of manual work when performing the desk audits. Upon completion of the desk audit, revised costs are entered into the computer system to begin the process of determining the per diem. Many of the cost categories are affected by additional calculations. For example, routine patient care expense is based on minimum nursing required hours, but also includes a 25 step calculation for additional nursing services related to acuities.

Once the per diem is determined, some facilities receive "Add-Ons" to their per diem rate such as Therapy Add-on for facilities who administer physical, speech or occupational therapy. This process generally starts in April and continues through October and requires a staff of approximately ten. A review of the current rate calculation system should be made to determine how it could be simplified or improved.

Level I Appeals

As of September 1998, there were 573 outstanding appeals which had been submitted by 193 different facilities. Individual appeals had up to 11 separate issues and had been on file for as long as ten years. Some homes are waiting for eight or more appeals to be resolved. The appeals involve issues such as requests for incorporation of normally unallowable costs, disagreements on reclassifications, allowance for overdue appraisal, errors made by the Rate Setting Unit or disagreement with the inflation factor.

Audits of Reported Costs

To monitor the accuracy and propriety of the information reported on the annual cost reports, audits are performed by the state. Our review of the audit process noted the audits were for a period of only one year and were of payment periods at least three years prior. An average time span of 4.5 years occurred between the end of the period being audited and the date the report was issued to the Rate Setting Unit. A facility could be out of business or bankrupt before an audit is performed. We also noted that approximately 250 of the 320 medicaid nursing facilities were not audited each year.

We further noted that of the 341 audits issued from fiscal years 1992 through 1998, only half have had the rates recalculated and been forwarded to the recovery unit. Each audit awaiting rate recalculation could result in an average recovery of $60,000. Considering the potential cost recoveries, eliminating the backlog should be a priority.

Monitoring of Claim Payments

Per diem rates established by DHSS and resident days reported by the nursing facilities are used to calculate the monthly payments. Resident days are a critical element of the payment amount however, there was no policy to audit or investigate the claims for accuracy. During our testing, we noted that information appearing on claims submitted for payment may not be accurate and the errors may not be detected. For example, an analysis of claims during fiscal years 1997 and 1998 found that nursing facilities had submitted claims for services provided to 349 residents subsequent to their death. These reimbursements to 145 different facilities totaled $430,000 and represented billings for periods from one day to six months post mortem. We also noted that five of the eight nursing facilities visited reported patient acuities on billing documents that could not be supported by nursing records. We further noted that four of five nursing facilities visited had physical, occupational or speech therapy services reported on their billing documents which could not be supported by their nursing records.

Cost Recoveries

The Cost Recovery Unit has not been successful in recovering overpayments in a timely manner. The 145 current receivables have been open for an average of 5.5 years and some date back to 1986. Of the original $15.9 million due for these receivables, only $1.5 million or 9.3 percent has been collected leaving the uncollected balance of $14.4 million. A factor contributing to the inability of the Cost Recovery Unit to adequately recover overpayments were long delays before the overpayments were determined and sent for recovery processing. We reviewed 38 cases and found that from the end of an audit period to the time the Cost Recovery Unit received a case for collection averaged five years. These time delays impacted on the unit's ability to collect. For example, during a six year period approximately $4.5 million in overpayments could not be recovered because nursing facilities had changed ownership or gone out of business.

Medicare Co-Payment

Our review noted that the division reimbursed nursing facilities utilizing incorrect Medicare per diem rates. The division did not have current Medicare rates for all nursing facilities because it relied on nursing facilities to inform them of the rate, rather than obtaining them directly from Medicare. As a result, the state has been overpaying nursing facilities for years. We identified overpayments of $955,000 to 17 nursing facilities during 1996 and 1997. Upon being made aware of the problem, the DHSS obtained the current effective rates directly from the third party fiscal agents for Medicare and updated the payment file.

Reassessment of Care Needs

Once residents are classified as requiring a long- term placement, they are not periodically monitored for changes in care needs. Periodically reassessing all nursing facility residents will ensure that a resident receives the appropriate level of care and is considered for alternatives such as home or community based programs. Both the resident and the state could benefit. The resident could be moved to a better quality of life situation and a cost savings may be realized by the state.

Recommendations

We recommended that the current computer system be replaced with a modern Local Area Network system with client server based technology. A modern system would allow many of the current manual calculations to be done automatically and provide the agency's analysts with on line access to nursing facilities information. Such a system would reduce the time needed for the preaudit process, including performing analytical reviews of cost reports. In addition, by providing on-line access to current and prior year cost reports and per diem rate calculations for each nursing facility, analysts could quickly adjust cost reports and recalculate per diem rates when subsequent cost information is received or audits identify ineligible or inaccurate costs.

We also recommend that consideration be given to changing the current annual rate setting system to a multi-year rate system. This would require that the actual detail rate calculation for each nursing facility only be done periodically, for example on a three or four year interval and the facility would be given an annual adjustment to their rate based upon a specific cost index. This type of system is used by a number of other states. One of the benefits of this approach would be a reduction in the work load for agency staff related to the annual calculation of rates. It would permit more time to address other issues such as appeals and rate recalculations, enabling them to be done in a more timely manner. This approach would also reduce the audit effort needed to ensure the accuracy of the cost reports and claims, since only the base year of each cost cycle would have to be audited. In order to ensure the accuracy of the system, the audits would have to be done more timely than the current approach.

Department of Human Services
Division of Family Development

Front End Investigative Units

Applicants for public assistance (Temporary Assistance to Needy Families, or TANF; Food Stamps; Medicaid) must visit the welfare agency in the county in which they reside and complete an application with the assistance of an income maintenance (IM) worker. The county then performs on-line inquiries and field visits known as front-end investigations. The current procedures utilized by DFD and the 21 county welfare agencies (counties) for the prevention and detection of benefit overpayments are inefficient. Because it is quite difficult to recover benefit payments after they have been improperly disbursed, the state should encourage the counties to place much greater emphasis on the prevention of payments to ineligible applicants.

The front-end units that we observed were understaffed and in need of additional resources. Five of the seven counties that we visited maintained small front-end investigation units with staff from one to four investigators; the other two counties had no such unit. We found that 53 to 69 percent of the cases referred to front-end investigation units (for the three counties which maintained such records) resulted in reduced or denied benefit payments. Projected savings by these three counties alone amounted to approximately $2 million per year. Expansion of these efforts to the other counties should result in additional savings.

As a result of inadequate front-end efforts, ineligible applicants for public assistance have been granted benefits. The counties must then rely on the overpayment collection process, which requires numerous staff and does not result in the collection of a significant portion of the overpaid funds. Our review of collection activity at sampled counties revealed that recipients repaid approximately $50 per month on outstanding balances. We observed numerous cases where the payment schedule would require over 100 years before full collection would be achieved. Although the county welfare agencies recovered $27 million in TANF and Food Stamps overpayments during the period July 1,

1996 to March 31, 1998, the uncollected overpayments balance increased by $6.5 million to $218 million.

IEVS Matches

Federal regulations require all states to maintain an Income Eligibility Verification System (IEVS) whereby they match their public assistance files against various state and federal records of wages, income, and unemployment/disability benefits. The purpose of these matches is to identify cases where public assistance recipients are ineligible or are receiving excess benefits due to unreported income or other financial resources. The current IEVS system produces an excessive number of invalid matches that has overwhelmed the county welfare agencies' ability to resolve them in a timely manner. Some of the counties had backlogs up to 16,000 cases that they had not resolved. Approximately 75 percent of the matches referred to the counties are false hits, however, each case is required to be reviewed and its resolution reported to DFD. We recommended that additional edits be used to reduce the number of matches sent to the county welfare agency.

Deceased Match

The Division of Family Development does not have a systematic procedure for the timely removal of deceased clients from its public assistance files. The division does not compare public assistance recipients maintained on the FAMIS files to Vital Statistics records of deceased individuals, because it does not have access to such records. The primary method available to the county welfare agencies to identify deceased clients is through their eligibility redeterminations, which require the appearance of the public assistance client and are usually performed every six months.

We further noted that the FAMIS system does not automatically remove a client after funeral expenses have been paid for that individual. We noted 44 cases where funeral expenses were paid by TANF funds, but the deceased individual remained as an active participant. We also identified 12 instances of improper assistance payments totaling $12,947. Three of these twelve cases remain in payment status and were still receiving payments as of the conclusion of our field work. We recommended the division develop a system for matching FAMIS files against Department of Health records to determine deceased recipients. This system should automatically remove individuals from active status on the FAMIS files after funeral expenses have been paid.

Incentive Payments

County welfare agencies receive different payments for the collection of overpayments. They are allowed to retain either 35 percent or 20 percent of the amount recovered for food stamp overpayments, depending upon the category of overpayment, but can retain only five percent for (TANF) overpayments. These different rates encourage the counties to apply most of their collections of overpayments to the Food Stamp program. Because Food Stamp payments are 100 percent federally funded, the state receives no benefit from the counties' collections of overpayments. We recommend that the division establish a TANF incentive program that is competitive with that of the Food Stamp Program so that it can benefit from the overpayment collections made by the county welfare agencies. The division is exploring the recommendation.

General Assistance Audit Reviews

The General Assistance (GA) program is administered by municipal welfare departments and, beginning in fiscal year 1998, county welfare agencies. Annual expenditures of the program are approximately $100 million. The General Assistance program is audited as part of a municipality's single audit. If a municipality has received excess state aid, DFD should request a refund from that municipality.

We noted that , there were 38 municipalities, with excess state aid totaling $1 million, which should have been requested to refund their excess to the state, but were not. In addition, GAFU personnel did not request refunds from municipalities that are transferring the administration of their GA program to the counties. We recommended that a determination be made by the division regarding the recoupment of funds from those municipalities which are consolidating their GA programs under county administration.

Department of State
Protection of Citizens' Rights Programs

Public Defender Client Reimbursements

The Office of the Public Defender (OPD) provides for the legal representation of any indigent defendant who is formally charged with an indictable offense. N.J.S.A. 2A:158A-19 requires the Public Defender to do all things necessary and proper to collect all moneys due to the state by way of reimbursement for services pursuant to this act. This includes placing a lien on any and all property to which the defendant shall have or acquire. As of March 31, 1998 outstanding receivables amounted to $122 million and collections amounted to approximately $2 million annually.

We noted that collection efforts by the OPD are severely hampered by the lack of current mailing addresses. Although the Division of Revenue has the most current addresses in their database, due

to confidentiality laws the division is not permitted to release this information to the OPD. In addition, although clients are initially billed, it is the OPD's policy not to bill the client while incarcerated, however, the OPD is not notified when an individual is released. We recommended that the OPD seek legislation authorizing addresses to be obtained from the Division of Revenue. In the interim, new clients should be required to sign an authorization form permitting the Division of Revenue to release needed information. The Department of Corrections should also be contacted for current addresses for clients released on parole.

Clients who are delinquent for six months have their names submitted to the Department of the Treasury, Division of Revenue for possible collection through the Set-off of Individual Liability (SOIL) program. SOIL collections amount to $1 million annually. Approximately 20,000 clients had their refunds and/or homestead rebates withheld during fiscal year 1998. We selected 30 individuals and compared them with the Department of Labor's wage reporting database to determine if the person was working and the amount of wages earned during 1997. Twenty-eight individuals had earnings averaging $14,400 during the year. We estimate that the OPD could increase collections by more than $2 million a year by obtaining nominal wage garnishments against those individuals with sufficient earnings.

We further noted that billing notices indicate the client's current balance, but it does not request a minimum payment. This may explain why some individuals are not remitting any payments. By requiring a minimum payment, the OPD should be able to increase collections between $500,000 to $750,000 a year.

The OPD requires a $50 prepaid administrative fee from all new clients. Our review disclosed that the 22 regional public defender offices responsible for collecting this fee were lax in their collection efforts. Between July 1, 1997 and March 31, 1998 the OPD opened approximately 58,000 new cases. During the same period collections totaled $154,975 or $2.67 per client. OPD agreed with our recommendations and has initiated corrective action.

Case Management and Billing Systems

The OPD's case management system includes an accounts receivable component which generates billings to clients for services rendered. Our review of 21 case files for two regional offices disclosed that in eight cases, attorney hours worked were not recorded and included in the bill. In three other cases, attorney hours recorded on the case time sheet were not entered into the case management system. An additional three cases included investigators' time which was not supported by the case time sheets. We further noted that ten of the files did not contain a signed reimbursement agreement as required. Additionally, we randomly selected 34 payments to pool attorneys, experts, and court transcribers and attempted to trace these payments into the case management system. In 11 instances the expenditure was either not entered or incorrectly entered into the system causing the bills to be understated. We recommended and the OPD agreed to instruct the regional offices to implement procedures to ensure that all costs are accurately entered into the case management system in a timely

manner. Additionally, we encourage the OPD to set up a quality control review team to periodically monitor and review case files to ensure that the regional offices are complying with established policies and procedures.

Expert Witnesses and Other Professional Services

In order to provide a proper defense, the OPD often requires the services and testimonies of expert witnesses and other ancillary service providers. These services cost $3 million annually. The OPD utilizes between 30 and 50 experts on a regular basis. Due to the nature and timing of cases processed, the OPD requested and received a waiver of advertising from the Department of the Treasury. Although the OPD has an established fee schedule for selected experts, we found that the rates charged are usually higher. Additionally, approval forms did not always agree with the actual rate(s) charged. In order to eliminate confusion as to which rate or fee is correct and to encourage competition, we recommended that the OPD require professionals to submit proposals indicating the nature and type of work they are willing to provide and the associated fees to be charged over a stated period of time. OPD is implementing this recommendation.

OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
SCHEDULE OF COST REDUCTIONS AND REVENUE ENHANCEMENTS
REPORTS ISSUED DURING 1998

REPORT	COST REDUCTIONS
Department of Community Affairs	
Selected Programs	2,700,000
Department of Corrections	
Southern State Correctional Facility	110,000*
Bayside State Correctional Facility	150,000*
Department of Environmental Protection	
Selected Programs	3,000,000
Department of Health and Senior Services	
Public Guardian	234,000
Medical Services for the Aged	5,400,000*
Department of Human Services	
Division of Family Development	2,000,000*
Department of Law and Public Safety	
Division of Consumer Affairs	895,000*
Department of State	
Citizens' Rights	3,000,000*
Department of the Treasury	
Statewide Copier Contract	2,700,000*
Division of Administration	250,000
Total Cost Reductions and Revenue Enhancements	$20,439,000

*Annually

SUMMARIES OF AUDIT FINDINGS

Inspectors' Timekeeping

The Department of Community Affairs employs over 100 inspectors and sub-code officials. Inspections are performed for fire safety, building code compliance and elevator maintenance. The inspectors are required to prepare detailed weekly logs showing the location and type of inspection. They are also required to call the main office twice daily to report their location, once in the morning and again in the afternoon. Inspectors are required to work seven hour days. According to the department's procedure, if travel in excess of one hour is required to the first inspection site, the employee is required to arrive at the first site no later than 9:30 a.m. and may leave no earlier than 4:30 p.m. We sampled time records for 21 days and found that inspectors performed inspections for an average of four hours per day.

We found no evidence of adequate supervisory review of inspectors' weekly logs, phone bills, and daily call-in sheets. The inspector logs are not reviewed for compliance with the seven hour workday requirement. Adequate supervisory review of these documents should have found these discrepancies prior to our audit. We recommended that supervisors review inspectors' documentation that supports the work performed. Supervisors should evaluate the reasonableness of time spent by the inspectors for all required duties. Also, the supervisors and inspectors should be responsible for keeping accurate records. The agency agreed.

Mileage Reimbursement

We conducted a review of 38 travel vouchers for fiscal year 1997 and found 12 cases of overreporting of mileage. The reported mileage exceeded our estimates by as much as 300 to 500 miles or $75 to $125 per month. In a few instances employees reported and were paid for mileage on days that their leave records show them to have been on vacation. Proper supervisory review should detect these errors. During fiscal year 1997 eight employees of the Division of Codes and Standards each received over $5,000 in mileage reimbursement, six of which averaged over 2,000 miles per month in reimbursable miles. By reassigning underutilized state vehicles to employees with the highest usage, the department could reduce its mileage reimbursement costs. We recommended that the department comply with Treasury Circular Letter 94-12 and that supervisors review travel vouchers prior to approval. Mileage should be verified on a test basis and location of trip should be supported by inspection reports or reason for travel. The Department agreed.

Rental Assistance Program

The department disburses over $107 million annually in rental assistance, primarily Section 8 Tenant-Based Assistance Program funding, to low income families. The purpose of the program is to make housing available to low-income households in the private rental market. The program pays the balance of the rent directly to the landlord of the property.

The department is owed $4.2 million in receivables from 6,200 landlords and tenants. The receivables are due because landlords were paid after leases were terminated or tenants committed damages to a rental unit or misreported income. The department's collection system in place during

our audit was not adequate. According to federal regulations, the department must first attempt to collect from landlords before its $2.1 million landlord receivable can be written off as uncollectible. Once the receivable is written off, the department may be reimbursed $2.1 million from HUD. The absence of an adequate collection system prevents the department from determining whether its landlord receivable is uncollectible. The department failed to recover $643,000 due from 626 active landlords who continue to receive rental assistance checks. During our field work, the department started to recover from active landlords by offsetting subsequent rental assistance payments.

We also noted that the department makes greater effort to collect debts from tenants with low incomes than from landlords. It should be expected that a greater collection outcome is possible from landlords with income producing properties than tenants with low incomes. The department agreed to prioritize collection efforts based on a debtor's financial ability.

Homelessness Prevention Program

The Homelessness Prevention Program (HPP) provides financial assistance in the form of grants and noninterest loans to families that are in imminent danger of losing their home as a result of eviction for nonpayment of rent or mortgage foreclosure. Loans average $2,100 and are to be repaid in a maximum of 60 monthly installments. Repayments from loans are used to provide additional financial assistance to other families. The department has never received any repayment from 1,200 of the 2,500 loans made. These delinquent loans total $2 million. Since there is no periodic billing, it is easy for the families to ignore their financial obligation. We recommended that the department implement a screening, billing and collection system over HPP loans. The Department agreed.

Balanced Housing Loans

The department funds two types of loans to developers for the construction of affordable housing. They are either "excess cash flow" loans with repayment contingent on availability of cash proceeds at year end or fixed payment loans with repayment based on a predetermined schedule. The department provided $14 million in excess cash flow loans to 12 developers. The contract requires the developer to furnish audited annual financial reports. We found that financial reports are not received by the department. Without the audit reports, the department cannot determine if any payment is due from the developers. To date no repayments on excess cash flow loans have been received. We recommended that the department require the submission of audited financial reports from developers and that collection procedures be initiated where appropriate. The agency agreed.

Internal Controls - Nonappropriated Funds

The business office maintains the Inmates' Trust Fund to account for the assets of the inmate population, the Bayside State Industries Fund which is an enterprise run by staff using inmate labor, and the Inmates' Canteen Fund to account for sales, cost of goods sold and expenses of the commissary run for the inmates. Our review noted that for each of the funds accounting controls such as signing checks, reconciling to the bank records and preparing financial statements are the responsibility of one employee. Having one employee responsible for all three functions increases the risk of errors and irregularities going undetected. We further noted that not all applicable costs of operations are charged to the funds resulting in a state subsidy of the operations. We estimate personnel costs for the inmates canteen to be $150,000 annually.

We recommended that management segregate the duties within the fund, establish procedures to monitor operating results, and charge all appropriate costs of operations to the fund. The agency has agreed to address the recommendations.

Appropriations

Our review of appropriation expenditures noted internal control structure weaknesses. We noted that purchase request forms were not approved by supervisors as required by DOC policy. We further noted that one individual prepared the purchase request form, selected the vendor, and signed the receiving report in one department that had material expenditures. Segregation of these duties between two or more employees reduces the risk that an error or irregularity could go undetected. We also observed that lumber products were being stockpiled at the facility to utilize available appropriations.

We recommended that the purchasing and receiving functions be properly segregated. Purchases should be approved and based upon current needs rather than available funds. The agency was taking steps to correct the situations.

Funds

Southern State Industries

Management has not established operating expectations nor procedures to periodically monitor operating results. We also noted a lack of segregation of duties in areas of procurement, accounts payable, inventory control and safeguarding of assets. Discussions with management disclosed that not all costs (salaries, fringe benefits, and materials) were charged to the fund resulting in a state subsidy of operations. Our tests noted that products valued at $10,000 were given away free of charge or exchanged for trade agreements since November 1994. The above weaknesses create a risk that errors or improprieties could occur and remain undetected.

Inmate Store

The effectiveness of the internal control system is questionable due to the lack of an independent review of inventory counts, which are used by management to monitor the effectiveness of operating results. We also noted that operating costs (salaries and wages) are charged to the General Fund rather than the Inmate Store Fund and are not reflected in the prices charged.

Welfare Fund

We noted a lack of segregation of duties in determining the need for goods and services, vendor selection, support for bids/quotes, and accounts payable initiation. Proper segregation of duties helps management provide reasonable assurance that assets are safeguarded and objectives are achieved.

We recommended that management implement procedures that address segregation of duties and the means to effectively monitor operating results. These procedures should also include recording all costs of operations to the dedicated account as required by state guidelines. We further recommended that the facility discontinue the practice of giving away assets of Southern State Industries free of charge or exchanging them for trade agreements. The agency has taken steps to correct these situations.

Cost Recoveries

Cost recoveries represent funds collected from responsible parties for site remediation and administrative oversight costs incurred by DEP's Site Remediation Program. These cost recoveries are used to pay for the administrative costs of the Division of Responsible Party Site Remediation. The Site Remediation Program created a Cost Recovery Unit in fiscal year 1996 to place the initial responsibility for recovering cleanup costs and delinquent oversight costs within the program itself.

During fiscal year 1997 the amount collected by the Cost Recovery Unit was $2.5 million. The caseload of the Unit was approximately 600. It was projected that, due to several factors, the caseload would increase to as much as 2000 by the end of fiscal year 1998. There are three cost recovery negotiators in the unit.

We tested 43 cost recovery cases (with total cost recovery amounts of $15 million) that were open as of August 20, 1997 and found that 16 of these cases (with cost recovery amounts totaling $1.5 million) had remained open from 12 to 26 months with little or no progress made in collecting the amounts due. Cases were not closed out in a timely manner because of understaffing and because unit personnel keep cases open as long as there is some chance of collection. The projected increased caseload could result in decreased attention to individual cases and delayed collections for the Hazardous Discharge Site Cleanup Fund. We recommended that the program allocate additional resources to the Cost Recovery Unit to handle the increased caseload. In addition, we recommended that the Cost Recovery Unit use other agencies such as the SOIL program and the direct billing program located in the Department of the Treasury.

Administrative Cost Reimbursement

The annual appropriations act states that administrative costs associated with the cleanup of hazardous waste sites are to be paid from the Hazardous Discharge Site Cleanup Fund. The Fund incurred expenditures of $16 million during fiscal year 1997. Our review of these expenditures revealed that $132,000 did not relate to the purposes of the Hazardous Discharge program and therefore should not have been reimbursed. These expenditures consisted primarily of excessive administrative overhead charges caused by the use of salary estimates when actual expenditures were available; and the charging of unrelated salary costs to cover a shortfall in the Office of Regulatory and Governmental Affairs. Department personnel did not revise their estimate when the actual cost data became available. We recommended that department personnel review administrative costs to ensure that only those costs related to the Hazardous Discharge program are reimbursed by the Hazardous Discharge Site Cleanup Fund. In addition, the department should use actual data when calculating the administrative overhead charge.

Air Permit Receivables

The air quality permitting process administered by the department evaluates permit applications and collects a fee for certificates to operate. As of June 1998, there were approximately $3 million in outstanding fees related to certificates to operate. Executive Reorganization Plan No. 001-1997 transferred the responsibilities for debt collection policies and receipts processing to the Department of the Treasury, Division of Revenue. The Division of Revenue and the Department of Environmental Protection had not effected procedures to collect the outstanding accounts receivable or pursue facilities operating with expired certificates.

We recommended that the Department of Environmental Protection and the Division of Revenue implement procedures to follow-up on delinquent renewals. The department responded that the Enforcement Program has notified existing certificate holders and they are developing changes to the Air Information Management System (AIMS).

Internal Controls

The office provides legal assistance, social services planning, and financial management of approximately 600 active client accounts. Improvement of internal controls could reduce the risk of loss or misstatement of client funds maintained in five bank accounts with an approximate value of $5 million.

We found that reconciliations of system bank accounts have not been performed since March 31, 1994 and reconciliations of daily mail logs to daily deposits were not performed on a regular basis. Supervisory review was not evident in the deposit and reconciliation processes. We also found clerical errors in the mail logs, transfers ($125,000 and $30,000) between bank accounts that were not posted to the computer system and a $64,000 disbursement not posted to the system for eighteen months. We also identified a surplus of $234,000 in the General Office (money market) Account.

We recommended that system bank accounts and mail logs be reconciled on a timely basis to ensure accurate information. We further recommended that $234,000 in the General Office Account be transferred to an account in the state accounting system. The agency agreed.

Payments for Client Services

In fiscal year 1997, the commission processed payments for client services in the amount of $4.8 million. Payments for client services (including medical services, equipment, and various items to assist blind or visually impaired clients with education and everyday functionality) are being processed through a special payment system. Our review found that the commission is not following the procurement procedures of the Department of the Treasury's Purchase Bureau when engaging in the purchase of goods and services for clients. In our sample of 25 expenditure transactions, 18 payments for client services were not processed through the state purchasing system, the normal processing procedure for purchasing, nor were they subject to review by the Purchase Bureau. In addition, an internal control weakness in the commission's Client Services Payment System makes it possible for caseworkers to initiate payments for such purchases at dollar levels exceeding the $500 maximum level authorized by the commission's procedures. Finally, the commission does not always maintain supporting documentation to substantiate the payments made. We recommended that the commission comply with the provisions of Treasury Circular Letter 96-23G-GSA when purchasing goods and services for clients.

Vending Machine Program

In July 1992, New Jersey enacted legislation that transferred the administration of the state's Vending Machine Program to the Commission for the Blind and Visually Impaired and appropriated the receipts earned through vendor rebates to cover the administrative costs of operating the program and to expand the delivery of vision screening services. Currently, a part-time employee is assigned to run and supervise all program operations. Monitoring of the vending machine activities are performed on an exception basis, rather than an ongoing review to ensure that contractors are in compliance with the general terms and conditions of the vending machine service contract. In addition, there is no marketing plan to promote the expansion of vending machine operations into other locations which would provide additional funding for vision screening services.

The internal control over the collection process needs to be strengthened. Currently, the one employee who services vending machine commission checks is also responsible for the accounting records. These functions should be segregated among two or more employees.

The commission acknowledged that the development of a marketing plan will be beneficial to the expansion of the program. The commission will meet with DHS staff to formulate such a plan. Also, the duties of collection and accounting for revenue will be segregated.

Catastrophic Illness in Children Relief Fund

The Catastrophic Illness in Children Relief Fund was established by legislation to provide financial assistance for families whose children have experienced an illness or condition which is not otherwise covered by insurance, state or federal programs, or other sources. To be eligible the family must have incurred medical expenses, not otherwise covered, which exceed 15 percent of the family's income and 20 percent of any income greater than $100,000. Management requires a copy of the federal 1040 tax return for proof of income. No independent verification of income is performed.

Management should independently verify the family's income with established state resources. The agency agreed with the recommendation and will implement an additional process in the verification of income. An agreement is pending with the Department of Labor for on-line verification of income information reported by employers. This resource was not available to this office prior to our audit. Additionally, tax records in the Division of Taxation may be obtained when appropriate and with required family authorization.

Document Approval Authorizations

The New Jersey Department of the Treasury, Office of Management and Budget, and Office of Telecommunications and Information Systems have established security password rules and regulations regarding the electronic approval of financial transactions by selected officials. Individuals are given approval authorization by level and type of document based upon their title and responsibilities. Employees are required to safeguard their password to prevent unauthorized use.

During our tests we found documents with employees' approvals even though they were not working that day. This was being done because management did not want to delay the processing of documents when employees were on leave. We did not find any wrongdoings regarding these employees or documents, but the potential exists because of this security breech.

We recommended that Central Office take the appropriate action to correct this security breech and develop procedures to deter this from occurring in the future. The Division responded that it will continue to examine alternative approval methods to ensure that all documents are processed in accordance with the Treasury security regulations.

Community Service Contracts

According to the division's Contract Close-Out Guidelines, the Administrative Disposition Unit (ADU) is required to determine if the independent audit report supports the final report of expenditures (ROE). If unexplained material differences exist, a reconciliation must be requested from the contract provider if one was not provided. A review of questioned costs and internal control weaknesses identified by the independent audit report must also be performed by the ADU.

In reviewing the four independent auditors' reports received in our sample of ten contracts, we noted in three instances, there were material differences between the final ROE and the audited financial statements. These differences ranged from $62,200 to $301,600. Our review of the close-out files for these three contracts indicated that the ADU did not perform the comparison between the auditor's report and final ROE as required by their procedures. As a result, the estimates of questioned costs made by the division are based on financial reporting (ROE) by the provider that may be incorrect. We recommended and the division agreed that the Administrative Disposition Unit should adhere to the procedures set forth in the division's Contract Close-Out Guidelines, with particular emphasis on the comparison of the CPA audit report with the provider's final report of expenditures.

Contract Close-Out

Further review of the preliminary Close-Out Review Schedule, which identified the division's 207 community care provider contracts with fiscal years ending June 30, 1997 or December 31, 1997, noted that 62 percent had not been closed out as of October 1998. In addition, the schedule disclosed preliminary estimated questioned costs of $1.5 million for 71 of the 207 contracts. As of October 1998, only 8 of these 71 contracts have had recoveries made or scheduled for amounts totaling $8,900. According to the division's management, the Administrative Disposition Unit has experienced personnel changes and shortages throughout 1998. We recommended the division assign sufficient staff to ensure that contract close-out is completed in a timely manner. The division agreed.

Level of Service Reports

The division monitors the contract level of service delivery through quarterly reports prepared by the providers. This data is then input by the division's management information system unit into a computer system which generates the Quarterly Contract Monitoring Report. These reports represent the provider agency's actual performance which will be measured against their contractual commitment. Based on our review of contract files, we noted that none of these reports are being verified by the program analysts for accuracy. We recommended and the division agreed that the providers' level of service reports should be subject to random testing to ensure the accuracy of the data provided.

Timely Deposits

Field officers collect money orders from Intensive Supervision Program (ISP) participants and remit the money orders to the regional offices weekly. The receipts totaling $150,000 annually are then forwarded to the administrative office for recording and deposit. This process takes a minimum of two weeks and on occasion two months. OMB Circular Letter 94-24 requires that funds be deposited and recorded on the NJCFS on the same day as received. The risk of loss or misuse of funds would be reduced if collections of cost-of-supervision receipts were deposited in a timely manner. This condition has been previously reported. It was recommended that money orders be deposited by the regions the same day they are received in accordance with OMB Circular Letter 94-24.

The agency responded that they have instituted a procedure whereby the money orders are batched twice weekly at each of the regional offices. Each batch is then sent by messenger service to Trenton or the nearest vicinage probation department. Deposits are then logged, verified to logs supplied by the regional offices along with the money orders, and prepared for immediate deposit.

ISP Consultants

Prior to the Judicial Unification Act, the ISP program utilized county probation department employees as ISP consultants to perform the same duties as the ISP officers (i.e., performing assessments of ISP applicants). These consultants were treated as independent contractors. Upon unification, the probation department employees became employees of the state and no longer meet the Internal Revenue Service's definition of consultant/independent contractor. The program continued to utilize these employees as ISP consultants and pays them from the Medical/Nurses/Therapy Consultant account instead of compensating them as employees on a supplemental payroll. Our tests disclosed that less than 25 percent of the $150,000 paid to the employees incorrectly classified as consultants was reported as income and subjected to New Jersey Gross Income Tax. If the consultants were properly classified as employees and reported on form W-2, nearly 100 percent of the income would be taxable.

We recommended that these employees be compensated as such, with charges to the proper salary account and all applicable deductions made. The agency agreed and effective April 11, 1998 those employees will no longer be paid as consultants, but will be paid for all work on an hourly basis.

Officers of the Special Civil Part

Our review of the Officers of the Special Civil Part audits disclosed several areas of weakness indicating that these audits provide a false sense of security when used as a monitoring tool. Administrative Office of the Courts (AOC) directive 4-82 requires semi-annual audits be performed of the officers' records. Our 1994 audit of the vicinages stated that the criteria established by AOC directive 4-82 for audits of the officers was not sufficient to ensure a thorough review of their records. Furthermore, audits which we reviewed did not meet the criteria established in the AOC directive; a condition also noted in our 1994 audit.

During our 1994 audit, we noted that there was no mechanism at either the counties or the AOC to ensure the audits were performed. We additionally stated there were no effective reviews of completed audits to determine their adequacy and to ensure follow up on weaknesses noted. At least one of the prior three audits was not available when requested for 30 of 60 officers. None of the requested audits were available for officers in two of the counties, while in two other counties the last two audits of each officer were not available. The AOC was able to obtain these audits at a later date.

The semi-annual audit reports indicated there were delays in the officers' remittance of post judgment awards to the court-directed recipient of these funds. Information taken from the audit reports show that some officers retained more than one month's cash receipts in their bank accounts, indicating remittances were being unnecessarily delayed. In addition, 51 reports showed an outstanding checks amount of more than the entire final month's disbursements which raises questions as to their ultimate disposition.

We recommended that the AOC adopt the cash receipt procedures used by three vicinages where the officers served papers but did not collect or disburse funds. The monies were sent to the courts, which then assumed the responsibility of disbursing them to the court-ordered recipient. Vicinage employees maintained the records removing the need for the audit. Additionally, it strengthened the safeguards over the funds collected by centralizing the collection and disbursement process while giving the AOC control over the disbursement date. The AOC responded that they would prefer to correct the current system.

Internal Controls

Properly designed and implemented internal controls include an adequate segregation of duties to reduce the opportunity of allowing one person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of business as well as specific procedures to detect or minimize the chance of this occurring.

Payroll

Individuals who prepared payroll proofs and maintained employee time records also had the responsibility of distributing paychecks. Also, weekly time records used to prepare bi-weekly payroll proofs were not properly certified for accuracy by a supervisor, timekeeper or individual employee. Furthermore, undistributed payroll checks were kept in an unsecured box until picked up and no formal log was maintained documenting the contents of this box.

We recommended segregating the employee timekeeping and payroll proof functions from the check distribution function, requiring bi-weekly time records to be certified for accuracy by each employee and their immediate supervisor, and maintaining a log documenting the contents of the box of undistributed checks. The vicinage agreed with our recommendations.

Revenue and Disbursements

The collection, deposit and disbursement functions were not properly segregated from the accounting and reconciliation functions. One person within each revenue source had full access to the Automated Case Management System (ACMS), prepared the daily deposits, initiated disbursements and performed required reconciliations. Furthermore, adjustments made to records on ACMS were not independently verified for propriety. This weakness was compounded because, in accordance with established practices, checks were not restrictively endorsed until the following day when the deposit was prepared. Finally, we noted that one person had the ability to prepare as well as sign special civil checks and performed bank reconciliations.

We recommended segregating the recording function from the deposit function as well as the disbursement function from the reconciliation function, separating check access and preparation functions from the signing function, and restrictively endorsing checks upon receipt. The vicinage agreed with our recommendations.

Payroll

Payroll expenditures for the vicinage totaled $34.7 million for fiscal year 1997. The vicinage employs over 1000 individuals. Various deficiencies were noted in the testing of the payroll processing operations of the vicinage. These errors included inaccuracies in leave balance calculations, untimely removal from the payroll for employees leaving state service, and a lack of adequate supervisory review and approval of the payroll register and adjustments. In addition, an internally developed computerized timekeeping program was used to track benefit leave time for vicinage employees. Exceptions were noted that indicated the potential existence of programming errors which questions the reliability of the program to serve as the basis for employee benefit leave time tracking.

We recommended that vicinage management strengthen the internal controls over payroll through the training of employees involved in employee benefits calculations, removing terminated employees timely and indicating proper support for payroll documents. We further recommend that the computerized tracking system be corrected and tested to prevent the deficiencies noted. The vicinage plans to implement our recommendations and has reviewed its leave time management tracking system and has identified problems and system deficiencies. A new attendance and time tracking system is in the final stages of development.

Segregation of Duties

We noted a lack in the segregation of duties between receiving, recording revenues and preparing deposits. The duties of personnel and payroll offices and the recording of pay time and issuing paychecks were also not segregated. In addition, purchasing and receiving goods and services were performed by the same employees. These duties should be effectively segregated.

We recognized that internal controls at the vicinage had improved since hiring a new manager of finances. However, we recommended and the agency agreed that additional improvements be made by segregating employee duties in the above areas.

Payroll and Personnel

Annual salary expenditures totaled $11.9 million or 85 percent of the total appropriated expenditures. Our review of payroll procedures found that there is no supervisory approval of an employee's pay time. Vicinage payroll policy does not require the use of time sheets or sign-in sheets by employees or supervisors attesting to their time worked. The payroll office and the unit timekeepers, who do not have contact with the employees, assume that employees are working their assigned schedules unless informed to the contrary by the employee. In most instances there is no documentation to verify the validity of the pay time. We recommended and the vicinage agreed to establish a biweekly time reporting system where each employee and their immediate supervisor certifies the accuracy of the pay time.

Unremitted Revenue - Special Civil Court

The Administrative Office of the Courts (AOC) Special Civil Court filing fee collection procedures require each vicinage to deposit daily receipts into a central account controlled by the AOC. In accordance with N.J.S.A. 22A:4-15, the court clerk must certify the monthly revenue and remit this revenue to the State Treasurer. Therefore, the AOC procedure is to wire transfer the total month's filing fee back to the Special Civil Court Clerk's checking account so a check can be issued to the State Treasurer. This process could be simplified by transferring funds from the AOC directly to the state's General Fund. The vicinage is exploring the implementation of this recommendation.

Bail Forfeitures

The state and county share equally on all bail forfeitures posted after December 31, 1994. Procedures for bond forfeitures require the full amount of the bond to be received and recorded. The system will clear the bail bondsman of their liability and automatically issue a check to the county and state for their share of the forfeiture revenue. The Morris bail unit has been unable to have the County Counsel comply with the bond forfeiture procedures. The Morris County Counsel requires bail bondsmen to pay forfeited bail bonds to the county instead of the bail unit. The county then issues a check to the bail unit for the state portion. These funds are not being recorded as bail forfeiture revenue and are not remitted to the State Treasurer. The bail unit has deposited these checks into the Judiciary-Bail Fund bank account without making an entry on the central automated bail system (CABS). There is a risk that either the county or CABS issued checks ($126,000 at the close of our audit) can be misappropriated. This weakness in control could be alleviated if the County Counsel deposited the full amount of the forfeited bonds with the bail unit. The vicinage agreed.

Cost Allocation Plan

The Division of Consumer Affairs implemented a cost allocation plan (CAP) which allocates certain centralized costs to the professional boards which have benefited from their activities, such as centralized licensing, the Bureau of Enforcement and administrative units. Our review of the CAP disclosed that fringe benefits for the director's office and the Office of Administration's salaries were not allocated to the boards. The fringe benefit rate for fiscal year 1997 was 26.95 percent which translates to $895,000 not being charged to the professional boards. All costs of the board's operations should be included in the CAP in order to provide a correct basis for establishing fee schedules and to assure that the state is properly reimbursed for its board related outlays.

The agency responded that the fringe benefit rate for FY98 is 20.95% which will amount to $750,000 attributable to the Director's Office and Administration Office being charged under the cost allocation plan. The payment of fringe benefits for the Director's Office and Administration Office will impact the fee structure of certain licensing boards.

Revenue Collection Procedures

In 25 of the 28 professional boards, there was a lack of segregation of duties for handling receipts in the mail room, cashier and accounting functions. The number of employees at the various boards range from one to thirty-one, with nine boards employing a staff of two or less. While a proper segregation of these duties is usually impractical due to the limited number of employees at the boards, these functions could be efficiently segregated through centralization of the revenue collection function.

The division responded that they have recently purchased a new professional licensing system. This new system, which will be operational for all boards within 12 months, will require the establishment of a Cashier's Office. The Cashier's Office will be located within the Administration Office and, therefore, accomplish the segregation of duties and timely deposit of receipts as recommended in this finding.

Internal Control

Our audit of the New Jersey Historic Trust offline cash accounts disclosed the following internal control weaknesses:

- The trust has no written procedures for the operation of the offline accounts.
- We were unable to locate documentation at the trust to support 31 of 40 disbursements.
- Bank reconciliations were not being performed on a timely basis and transactions were not recorded in the check register as they occur. We could not determine the last time a bank reconciliation had been preformed. Several transactions were included on the bank statements but had not been recorded in the check register.
- An adequate mail log is not maintained to record revenue as it is received. While receipts are logged in, they are not listed separately from other correspondence. In addition, there is no reconciliation between checks received and logged in at the trust office and activity recorded in the treasurer's report.

We recommended that the trust:

- Write procedures to define allowable activity in the accounts.
- Maintain copies of documentation to support disbursements.
- Ensure timely bank reconciliations and posting to the check register.
- Maintain a separate mail log for receipts and periodically reconcile it to the treasurer's report.

Single Audit Policy

The Commission on Higher Education administers the Educational Opportunity Fund program (EOF). The EOF program is covered by the state single audit requirements as promulgated in the Office of Management and Budget Circular Letter 93-05. This delegates the responsibility for the timely receipt of quality audit reports to the Department of the Treasury for all Commission on Higher Education state aid programs. To assure quality audit reports, the Department of the Treasury issued the State Grant Compliance Supplement establishing criteria for compliance testing and suggesting audit procedures, performed desk audits of the single audit reports and ensured that external quality control reviews of the auditors were performed. Our review of five fiscal year 1996 audit report work papers noted the requirements of the Grant State Compliance Supplement were not being satisfied. We noted instances where EOF program testing was completely excluded or only partially performed. We recommended that the Department of the Treasury to conduct reviews of audit work papers to ensure compliance with the State Grant Compliance Supplement.

Circular Letter 93-05 requires recipient single audit reports to include a schedule entitled Schedule of State Financial Assistance which lists the institution's state grant and financial assistance programs. This schedule is used to identify major state grant and aid programs. The circular letter requires the auditor to test compliance issues for all major programs. Our review noted commencing with fiscal year 1997 reports, state appropriations for operating expenses are being included on the Schedule of State Financial Assistance at the direction of the Department of the Treasury. Inclusion of these amounts has resulted in a number of the commission's grant and aid programs not being classified as major programs, hence not requiring compliance testing. We recommended that the commission increase the monitoring of their programs in institutions where compliance testing is not required. The Department of the Treasury has decided to instruct the institutions to exclude operating aid the determining the programs to be tested.

Educational Opportunity Fund Program

The Educational Opportunity Fund program was enacted to provide eligible students access to and preparation for undergraduate, graduate and professional education. The program provides funding directly to students for educational costs and to institutions for administrative costs. We tested student eligibility and academic standards and found no exceptions. However, we noted costs charged to state funded administrative expense accounts which were contrary to the program objectives and for services not available to the total student population. These costs, the majority of which were at one institution, include the following,

- contribution for attendance at a political fund raiser;
- catered parties for orientation and graduation;
- transportation for a field trip to Great Adventure Amusement Park; and
- trip to Boston, including housing, and orchestra and aquarium admission;

We recommended that the commission provide guidance to the recipient institutions for allowable state and institution administrative costs. The Commission did not agree with our findings.

Duplicate Payments to Vendors

Our analysis and testing of agency expenditure transactions disclosed duplicate payments to vendors totaling $253,505. We identified 15 duplicate payments ranging from $22 to $7,565 and one duplicate payment for $242,982 made to vendors during our audit period. Duplicate payments primarily occurred because of the high volume of transactions processed by the division. Also, the division relies upon controls at the various agencies it services to provide a level of assurance that payment vouchers will not be submitted for payment twice. A breakdown in these controls allowed for the duplicate payment of a $242,982 telecommunications billing.

Upon notification of the duplication of payments, the division implemented controls to lessen the possibility of further duplicate payments. All duplicate payments have since been recovered except for $473 which is currently being pursued.

Governor's Council on Alcoholism and Drug Abuse Revenue Processing

The Governor's Council on Alcoholism and Drug Abuse is an "in but not of" agency of the Department of the Treasury and is responsible for its own revenue. The court system submits a portion of fines and penalties to the council. The council received approximately $11 million annually. Our review of the council's revenue processing found that a mail log was not being maintained and revenues were not being deposited timely. Of the $3.1 million tested, $1.7 million was not deposited within three working days after receipt. Noncompliance with these requirements results in a loss of interest earnings and places the undeposited revenue at a greater risk of loss or misuse.

We recommended and the council agreed that moneys received will be recorded in a mail log on a daily basis and deposited in a timely manner.

Unclaimed Property Transfers

Our review of procedures in place to process and redeposit returned checks by the division noted numerous positive taxpayer account balances which had not been forwarded to the Unclaimed Personal Property Trust Fund. This fund was established to receive personal property deemed abandoned by but still due to the owners. A summary of the five year period from calendar year 1991 to 1995 showed approximately $15.9 million in unclaimed accounts. During our audit, the division obtained an Attorney General's opinion which states that the accounts do qualify as unclaimed property. We noted that checks returned for taxpayers entitled to an income tax refund or homestead rebate are not notified that a balance exists in their account, even though in some cases a scanning or keypunch error may have been the reason for the error in delivery.

We recommend the division review taxpayer files in existence for the homestead rebate and income tax accounts. Where positive balances exist in the taxpayer's account, the division agreed to take the necessary steps to transfer the account balance to the Unclaimed Personal Property Trust Fund in accordance with P.L.1989, c.58.

Payment Processing Controls

Our survey and assessment disclosed a lack of segregation of duties throughout the division in the processing of taxpayer liability payments. Division staff have the ability to adjust a taxpayer's assessment and also receive a payment directly from the taxpayer. In some cases the same employee may also have initiated the billing to the taxpayer. In addition, although checks are date stamped when received, they are not restrictively endorsed. Restrictive endorsement would make it difficult for anyone other than the state to deposit the check.

We recommended and the division agreed to implement controls which would require the initial processing of payments to include a procedure to open all mail and restrictively endorse all checks before distribution.

Returned or Undeliverable Checks

Our survey and testing of procedures to process and redeposit undeliverable and returned checks by the Taxpayer Accounting Branch disclosed a lack of segregation of duties. An individual may be responsible for sorting and batching the checks and entering the redeposit transaction to the taxpayer's account in the Generic Tax System (GENTS) without the involvement of another employee. As a result, internal controls are inadequate and returned checks not processed properly may go undetected.

Our testing noted ten returned checks for which the redeposit entry was not made properly to GENTS, thus the checks were never posted to the taxpayers' accounts even though the checks were redeposited. Additional analysis disclosed 61 returned Inheritance Tax checks totaling $207,019

which had not been forwarded to the Division of Revenue for redeposit into the state accounting system. The checks dated back to fiscal year 1994.

We recommended that the Taxpayer Accounting Branch initiate controls which allow for a segregation of duties between the sorting and batching functions and the processing of redeposit entries on the GENTS system for all returned checks received.

Gents Suspense File Refund Transactions

The division uses "suspense transactions" to edit a taxpayer's account, a line on a tax return or an entire return. Our testing of cash receipts disclosed an instance in which the use of suspense transactions enabled a technician to generate a duplicate Homestead Rebate check to a taxpayer. The lack of a system control requiring the supervisor to approve all suspense transactions where a refund has been transferred to create a second refund in the same taxpayer account allows for the possibility of a misappropriation of funds.

We recommended and the division agreed to institute system reports to identify suspense transactions in which a refund is transferred allowing a second refund to be created in the same taxpayer account. Also, procedures should require documented supervisory approval for all such transactions processed.

Prequalification and Classification Systems

The Office of Design and Construction (ODC) contractor classification system currently classifies approximately 1,600 contractors throughout the state in 86 specific construction trades. Based on submitted information, the ODC determines the total dollar amount of projects that a contractor is capable of managing at one time. Once classified, contractors are eligible to bid on projects at all levels of government.

The ODC architect/engineer consultant prequalification system has approximately 600 consultants currently prequalified. Once prequalified, each firm is assigned a classification level which is the maximum estimated cost of a project upon which the consultant is eligible to bid.

Municipalities and counties, which initiated more than $130 million in construction during 1997, are not using the ODC architect/engineer consultant prequalification system or contractor classification system. The school districts, which initiated more than $175 million in construction during 1997, are required by the State Board of Education to use the contractor classification system, but are not using the architect/engineer consultant prequalification system. By not using the state systems, local governments and school districts must perform their own contractor/consultant applications and evaluations or risk hiring substandard contractors and consultants.

Municipalities, counties, and school districts using these systems could achieve the following benefits:

- Cost savings due to a reduction in construction contracting costs.
- Confidence that qualified architects, engineers, and contractors will be bidding on their projects.
- Improvement in the prevention of delays and cost overruns caused by hiring substandard architects, engineers, and contractors.

In addition, implementing a centralized prequalification and classification process would be business friendly. Consultants and contractors could submit a single application which would make them eligible to bid on projects in all 21 counties, 566 municipalities, and 581 operating school districts rather than having to submit qualification information to each governmental entity with whom they would like to be considered for projects. We recommended that municipalities, counties, and school districts be made aware and take advantage of the architect/engineer consultant prequalification system and contractor classification system administered by the ODC. In addition, the ODC should explore the possible use of internet technology in making their information more easily accessible to the municipalities, counties, and school districts. ODC was in full agreement with the recommendations.

System Security

System Access

The current authorization process used to grant access for TAXNET applications dictates that the section supervisors obtain access through the Office of Technical Support (OTS). The OTS procedures do not require a review to determine if conflicts exist between users' privileges and their official responsibilities. We noted individuals whose duties require them to receive cash payments and who have system privileges allowing the adjustment of account balances for which the cash was received. Based on our recommendation, the division has modified the procedure for requesting system access. A standardized form has been established, requiring that the supervisor sign the request verifying that the request has been reviewed and is appropriate.

User Authorization

The GENTS User Authorization File contains the security entries that determine a user's system access privileges within the application. Our review disclosed that six individuals in OTS have the authority to update user security profiles, including their own. One of these individuals also performs transaction edits and updates on the GENTS system. This could allow the processing of improper transactions with a reduced probability of detection.

As a result of discussions with management, the number of employees within OTS that have the ability to grant update authority for GENTS conversations through the User Authorization File has been reduced to two.

Operational Continuity

The Office of Telecommunications and Information Systems (OTIS) Technical Service Standardization Plan states that a disaster recovery plan must be exercised at each OTIS data center at least once a year to ensure that it will in fact satisfy a site's processing requirements. The functions of such tests are to determine the ability to recover key processing components based on a documented set of instructions and assure that the measures in place will in fact enable recovery. OTIS has not performed a test of its disaster recovery plan for the TAXNET applications. One of the primary causes of this is the lack of sufficient resources. This condition was noted in our prior report on the River Road and Barrack Street Data Centers. The processing of tax revenues would be seriously hampered if the TAXNET applications were not operational.

We recommended management provide the necessary capacity to allow for the testing of the disaster recovery plan for TAXNET applications in compliance with their Technical Service Standardization Plan.

Cost-Per-Copy Contracts

Significant improvements have occurred in the 1990's in the method of copier procurements. Contract terms are clearer, recourse is provided for poor service, ownership of machines remains with vendors, and prices are lower. In the most recent procurement, entitled "cost-per-copy" (CPC), an annual cost savings per the Printing Control Office of $1.2 million has been realized when using agencies discontinued the older more costly machines and moved towards the current CPC contracts during fiscal year 1998. We estimate an additional $2.7 million in cost savings could be achieved annually if the state discontinued the older, more costly machines and moved to the current CPC contracts.

We found that insufficient effort is made by the Purchase Bureau to phase out the older contracts. Extensions of older contracts are made because the process to acquire a photocopy machine begins with the using agency. While the Purchase Bureau has communicated via addendums to the current Notice of Awards (NOA), these notifications have not successfully discouraged agencies from extending the older contracts. We recommended that the Purchase Bureau and the Printing Control Office actively market to state agencies, the benefits of the current CPC contracts and use MACSE edit for restricting usage to payments only. The division agrees that a more proactive approach to the marketing of these contracts may result in more agencies using the CPC contracts and more savings to the state.

Contract Administration

As procurements for photocopiers and their related expenses evolved over the last six years, significant changes in the terms and conditions have occurred to better service the state's interest. These improvements, however, have caused confusion and have created a cumbersome process for both using agencies and vendors alike. For example, the substitution of machines is not allowed without the Director of Purchase and Property's approval. This is to prevent the vendors from arbitrarily substituting a machine from the one ordered. Our testing disclosed ten instances where the machine received by the using agency was not the one ordered; one vendor was responsible for nine of these unauthorized substitutions.

Generally, the procurement documentation does not provide using agencies with the information they need to verify prices. Therefore, agencies rely on the vendor to provide the accepted price without verification. The results of our testing disclosed that in 26 out of 42 acquisitions reviewed, the state was not paying the price as agreed upon. In addition, the automated purchasing system, permits agencies to process purchase orders against incorrect contracts. We noted 17 of 55 acquisitions reviewed had payments processed against incorrect contracts. We also found that 10 of 27 sampled acquisitions did not transition to CPC, but improperly kept their old machines and payment terms. While the Purchase Bureau communicated the restricted usage for the related contracts generically through the NOA forum, this notification has proved ineffective.

We recommended that the Purchase Bureau and the Printing Control Office provide training to users of the copier contracts outlining their responsibilities, contractual rights, and the correct method to

process a payment. A periodic review should be performed by them on the usage of these contracts. The division agreed that additional training and monitoring of using agencies would help to ensure compliance with contract terms.

Nonperforming Vendors

The complaint process is the current mechanism to address a vendor's failure to comply with contract provisions. Its purpose is not only to document substandard performance but also to mutually and productively resolve complaints in a manner which fosters performance conforming to the requirements of the contract. Over the years, it has been perceived through experience from using agencies that this process is meaningless. We found significant improvements have been made in the complaint process. Evidence was provided to us indicating contractor terminations and vendor bypasses have occurred for other commodities due to complaints. However, we found a continuance of using agency perceptions during our audit of photocopier contracts. Specifically, 6 of 22 agencies we interviewed stated that they had contractual problems with copier vendors, but did not complain to the Purchase Bureau. In addition, 15 of the agencies we interviewed were not satisfied with the performance of their photocopier vendor.

In April 1998 the Purchase Bureau developed a formal complaint booklet which provides clear and concise guidance on when and under what terms a formal complaint should be filed. This booklet, however, had not been disseminated as of August 17, 1998. NJAC 17:12-4.6 allows the Director of Purchase and Property to rescind a contract with a non-complying vendor and immediately utilize another source. While the process allows the Division of Purchase and Property to debar or suspend vendors for nonperformance, the division has chosen not to follow this procedure in the case of photocopiers. Instead, the division's process before terminating a vendor for poor performance includes appeal rights both within the division and the appellate court.

Based upon a plethora of formal complaints (34 in total dating back to April 1997) concerning poor performance of a photocopier vendor, the division issued a termination letter to the vendor in early March 1998 with a final determination letter from the director on August 6, 1998. This delay included extensions granted by the director, appellate court litigation and ruling, and an absence of time requirements to respond to documents presented. Throughout this process the vendor continued to conduct business with the state and the complaints dealing with poor performance continued to be filed.

We recommended and the Purchase Bureau agreed to develop and implement a marketing strategy to inform using agencies of the benefits of the complaint process. This should include the dissemination of the complaint booklet. The Purchase Bureau should also provide agencies with feedback as to immediate and long term corrective action. In addition, we recommend that the Director of Purchase and Property seek legislative action to amend the applicable statutes to make more explicit the director's authority which has always been inherent. The division recognizes that such an issue although complex deserves a thorough examination.

Year 2000 Compliance Plan

OTIS has been given responsibility for the planning and implementation of Year 2000 actions for the executive branch information systems that it uses and/or maintains for the various agencies of state government. Individual agencies have responsibility for the planning and implementation of Year 2000 actions for agency-managed systems. These non-OTIS, agency-managed systems were not included in our audit.

OTIS management has recognized the importance of solving the Year 2000 problem. They have developed a *Year 2000 Compliance Plan* which breaks down the project into ten key tasks, formed a Project Management Team, assessed the requirements for each system, and begun renovation of some applications.

While there has been initial progress made, there are several critical planning issues facing OTIS that, if not fully addressed, may result in the failure of its systems to successfully operate in the Year 2000. For example, as of January 1998 OTIS had not performed a complete risk assessment of its systems to determine the extent and type of the problems for each system or implemented a Year 2000 certification program that defines the conditions to be met for automated systems to be considered compliant.

In addition to the comprehensive Year 2000 plan, which required each directorate and project team to develop and incorporate plans, our review of selected Year 2000 projects disclosed that all three directorates and two of the three applications reviewed did not have a complete Year 2000 plan. We distributed questionnaires for the 462 identified applications maintained by OTIS to the responsible project managers. The results of our questionnaires disclosed that 65 of the 462 responders did not have a year 2000 plan in place and 32 had no answer at all. Additionally, the answers to the questionnaires disclosed that although 115 application systems have undergone logic testing and are ready for Year 2000 certification, a Year 2000 test environment is not in place and operational.

Centralized Systems Inventory

The creation of a comprehensive inventory system that includes all the elements necessary to identify, analyze and track the status of the Year 2000 project was still in the development phase. Although efforts to add data are ongoing, as of January 1998, 452 of 462 computer applications have not been entered. The inventory should be used in monitoring the status of each system; including assessing whether all OTIS maintained systems are receiving appropriate attention, determining needs for testing facilities, and identifying areas that may require additional resources.

Disaster Recovery

The consolidation of the three OTIS data centers into one has eliminated the ability to use the other sites as backup for each other. As a result, the state does not have an alternate data center (hot site) available or a revised Disaster Recovery Plan currently in place for its IBM operating environment.

Additionally, the pending BULL Operating System upgrade to a year 2000 compliant one will make it incompatible with its presently contracted hot site located in Billerica, MA. In the event of an emergency or natural disaster, the state's ability to restore computer operations and/or recover data will be substantially weakened and may result in the inability of OTIS to provide the required services.

We recommended that OTIS continue its efforts to revise its disaster recovery plan for its data center and contract for hot sites for the IBM and BULL operating environments. OTIS is actively working to ensure that its disaster recovery planning is current and has developed a request for proposal (RFP) and revised existing contracts to address the issue of a back-up to the environments; the RFP stipulates that a comprehensive disaster recovery plan is a deliverable.

Contingency Plans

Contingency plans for many OTIS maintained applications do not exist. There is no statewide contingency plan that establishes policies, programs, and procedures and assigns responsibilities for the contingency planning process. There is no documented policy, issued by management, initiating actions to require contingency planning. Specifically this plan should address noncompliant systems that are at risk of not being replaced or converted prior to the Year 2000 and systems being replaced or renovated as Year 2000 compliant that may not operate at the turn of the century. Contingency plans are essential because they identify the alternative activities to be employed should systems fail to meet their Year 2000 deadlines. A statewide plan should require project managers and directors to develop realistic contingency plans with client agencies, for information systems and activities to ensure the continuity of their core business processes. Although the Year 2000 project calls for the systems to eventually be validated prior to implementation, even with a structured process for assessing compliance, many OTIS maintained systems are still at risk that unanticipated operational failures could occur.

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Appendix A - Calendar Year 1998 Audit Reports

OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
AUDIT REPORTS ISSUED DURING CALENDAR YEAR 1998

NAME OF AUDIT	AUDIT PERIOD	RELEASE DATE
JUDICIARY, SUPERIOR COURT OF NEW JERSEY, UNION VICINAGE	07/01/95 TO 10/28/97	01/02/98
STATE LOTTERY FUND	07/01/96 TO 06/30/97	01/08/98
NEW JERSEY HISTORIC TRUST OFF-LINE CASH ACCOUNTS	01/01/94 TO 07/31/97	01/09/98
JUDICIARY, SUPERIOR COURT OF NEW JERSEY, ESSEX VICINAGE	07/01/96 TO 11/07/97	01/12/98
DEPARTMENT OF THE TREASURY, DIVISION OF ADMINISTRATION	07/01/95 TO 12/15/97	01/16/98
DEPARTMENT OF CORRECTIONS, SOUTHERN STATE CORRECTIONAL FACILITY	07/01/96 TO 11/30/97	01/16/98
DEPARTMENT OF LAW AND PUBLIC SAFETY, DIVISION OF ALCOHOLIC BEVERAGE CONTROL	07/01/96 TO 01/31/98	02/10/98
STATE OF NEW JERSEY, REPORT ON COMPLIANCE AND INTERNAL CONTROL RELATED TO OUR AUDIT OF THE STATE'S COMPREHENSIVE ANNUAL FINANCIAL REPORT	07/01/96 TO 06/30/97	02/10/98
DEPARTMENT OF STATE, COMMISSION ON HIGHER EDUCATION	07/01/95 TO 01/28/98	02/25/98
DEPARTMENT OF HUMAN SERVICES, COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED	07/01/96 TO 01/12/98	02/27/88
DEPARTMENT OF LAW AND PUBLIC SAFETY, DIVISION ON CIVIL RIGHTS	07/01/96 TO 01/30/98	03/12/98
STATE OF NEW JERSEY COMBINED PENSION TRUST FUNDS	07/01/96 TO 06/30/97	03/18/98
STATE OF NEW JERSEY PENSION ADJUSTMENT FUND	07/01/96 TO 06/30/97	03/18/98
NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN	07/01/96 TO 06/30/97	03/18/98
DEPARTMENT OF LAW AND PUBLIC SAFETY, DIVISION OF CONSUMER AFFAIRS	07/01/96 TO 01/20/98	03/23/98
DEPARTMENT OF CORRECTIONS, BAYSIDE STATE PRISON	07/01/96 TO 02/27/98	03/31/98

OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
AUDIT REPORTS ISSUED DURING CALENDAR YEAR 1998

NAME OF AUDIT	AUDIT PERIOD	RELEASE DATE
DEPARTMENT OF HUMAN SERVICES, DIVISION OF MANAGEMENT AND BUDGET, AND DIVISION OF THE DEAF AND HARD OF HEARING	07/01/96 TO 01/30/98	04/15/98
JUDICIARY, ADMINISTRATIVE OFFICE OF THE COURTS, INTENSIVE SUPERVISION AND JUVENILE INTENSIVE SUPERVISION PROGRAMS	07/01/96 TO 03/20/98	04/15/98
OFFICE OF TELECOMMUNICATIONS AND INFORMATION SYSTEMS, YEAR 2000 COMPLIANCE PLAN	06/16/97 TO 03/26/98	05/04/98
DEPARTMENT OF THE TREASURY, DIVISION OF THE STATE LOTTERY	07/01/96 TO 03/16/98	05/14/98
REPORT ON COMPLIANCE AND INTERNAL CONTROL RELATED TO OUR AUDIT OF THE FINANCIAL STATEMENTS OF THE STATE OF NEW JERSEY CASINO CONTROL FUND	07/01/96 TO 06/30/97	05/14/98
DEPARTMENT OF STATE PROTECTION OF CITIZENS' RIGHTS PROGRAM	07/01/96 TO 04/30/98	06/09/98
DEPARTMENT OF CORRECTIONS SOUTH WOODS STATE PRISON	07/01/98 TO 05/29/98	06/10/98
INTERSTATE SANITATION COMMISSION	07/01/96 TO 06/30/97	06/24/98
DEPARTMENT OF TRANSPORTATION, BRIDGE AND ROAD CONSTRUCTION MANAGEMENT	07/01/96 TO 06/15/98	06/30/98
DEPARTMENT OF COMMUNITY AFFAIRS, SELECTED PROGRAMS	07/01/96 TO 05/31/98	07/09/98
DEPARTMENT OF THE TREASURY, OFFICE OF TELECOMMUNICATION AND INFORMATION SYSTEMS, DIVISION OF TAXATION'S COMPUTER SYSTEMS (TAXNET)	10/01/97 TO 06/09/98	07/17/98
DEPARTMENT OF THE TREASURY, OFFICE OF DESIGN AND CONSTRUCTION	07/01/98 TO 06/17/98	07/17/98
JUDICIARY, OFFICERS OF THE SPECIAL CIVIL PART, LAW DIVISION, SUPERIOR COURT	01/01/98 TO 06/23/98	08/03/98
DEPARTMENT OF STATE, OFFICE OF ADMINISTRATIVE LAW	07/01/97 TO 07/31/98	08/11/98

OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
AUDIT REPORTS ISSUED DURING CALENDAR YEAR 1998

NAME OF AUDIT	AUDIT PERIOD	RELEASE DATE
DEPARTMENT OF HEALTH AND SENIOR SERVICES, PROGRAMS FOR THE AGED AND OFFICE OF THE OMBUDSMAN	07/01/96 TO 06/30/98	08/26/98
JUDICIARY, SUPERIOR COURT OF NEW JERSEY, ATLANTIC/CAPE MAY VICINAGE	07/01/97 TO 08/17/98	09/18/98
DEPARTMENT OF THE TREASURY, DIVISION OF TAXATION	07/01/96 TO 07/31/98	09/24/98
DEPARTMENT OF HEALTH AND SENIOR SERVICES, OFFICE OF THE PUBLIC GUARDIAN FOR ELDERLY ADULTS	07/01/96 TO 06/30/98	10/07/98
DEPARTMENT OF TREASURY, COMPREHENSIVE ANNUAL FINANCIAL REPORT	07/01/97 TO 06/30/98	10/30/98
DEPARTMENT OF TREASURY, STATEWIDE COPIER CONTRACTS	07/01/96 TO 08/17/98	11/04/98
DEPARTMENT OF EDUCATION, STATE AID AND GRANTS-IN-AID	07/01/97 TO 10/15/98	11/13/98
DEPARTMENT OF HUMAN SERVICES, DIVISION OF FAMILY DEVELOPMENT	07/01/96 TO 07/31/98	11/17/98
DEPARTMENT OF ENVIRONMENTAL PROTECTION, SELECTED PROGRAMS	07/01/96 TO 08/31/98	11/24/98
JUDICIARY, SUPERIOR COURT OF NEW JERSEY, BURLINGTON VICINAGE	07/01/97 TO 09/25/98	12/01/98
JUDICIARY, SUPERIOR COURT OF NEW JERSEY, HUDSON VICINAGE	07/01/96 TO 06/30/98	12/01/98
JUDICIARY, SUPERIOR COURT OF NEW JERSEY, MORRIS/SUSSEX VICINAGE	07/01/96 TO 08/31/98	12/01/98
DEPARTMENT OF HEALTH, DIVISION OF CONSUMER SUPPORT, DIVISION OF MEDICAL SERVICES FOR THE AGED SELECTED PROGRAMS	07/01/96 TO 10/31/98	12/21/98
DEPARTMENT OF HUMAN SERVICES, DIVISION OF MENTAL HEALTH SERVICES, COMMUNITY SERVICES - GRANTS-IN-AID	07/01/96 TO 10/31/98	12/23/98