



**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

**Department of the Treasury
Division of Administration**

July 1, 2010 to June 30, 2012

**Stephen M. Eells
State Auditor**

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New Jersey State Legislature

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The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Sheila Y. Oliver
Speaker of the General Assembly

Mr. Albert Porroni
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Enclosed is our report on the audit of the Department of the Treasury, Division of Administration for the period of July 1, 2010 to June 30, 2012. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink that reads "Stephen M. Eells".

Stephen M. Eells
State Auditor
October 24, 2012

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Scope

We have completed an audit of the Department of the Treasury, Division of Administration for the period July 1, 2010 to June 30, 2012. Our audit was limited to activities involving the division's expenditure, revenue, and payroll functions. A detailed description of activities excluded from our audit scope is presented in the appendix. Our audit included activities accounted for in the state's General Fund and certain special revenue fund transactions processed by the Division of Administration.

The prime responsibility of the Department of the Treasury, Division of Administration is to provide department-wide support services. Total expenditures of the agency within our scope were \$587 million during fiscal year 2011 and \$592 million for fiscal year 2012. Revenue in our scope approximated \$64 million and \$85 million for fiscal years 2011 and 2012, respectively.

Objectives

The objectives of our audit were to determine whether General Fund transactions processed by the Division of Administration were related to the programs, were reasonable, and were recorded properly in the accounting system. Our further objectives were to determine if special revenue fund transactions processed by the Division of Administration were related to the programs and were recorded properly in the accounting system. We also tested for resolution of significant conditions noted in our prior report dated September 10, 2004.

The audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, the administrative code, circular letters promulgated by the Department of the Treasury, and policies of the division. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget messages, reviewed financial trends, and interviewed division personnel to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were sorted and transactions were randomly and judgmentally selected for testing.

Conclusions

We found that the General Fund transactions included in our testing were related to the programs, were reasonable, and were recorded properly in the accounting system. We also found that the special revenue fund transactions processed by the Division of Administration were related to the programs and were recorded properly in the accounting system. In making these determinations, we identified a weakness in the monitoring of wireless devices, as well as an opportunity for cost savings related to mileage reimbursement. We also found that the agency has resolved the significant issues noted in our prior report.

Wireless Devices

Monitoring of wireless devices could be improved.

As of April 2012, 750 wireless devices were assigned to organizations in our scope including 224 cell phones, 375 smartphones, and 151 aircards. Service fees for wireless devices totaled \$285,000 in fiscal year 2011. Our review of the 750 devices found 66 were assigned to individuals who had separated employment with the Department of the Treasury. Separation dates for these individuals ranged from August 2005 to March 2012. As of June 2012, 48 of the 66 devices had no usage for an average of 21 months. Inactivity ranged from four months to more than five years depending on the employee's separation date. The department paid an average of \$6,000 a year for these inactive devices from August 2005 to March 2012.

Circular Letter 04-06-OIT "Assignment and Use of Cellular Wireless Devices" requires each department to notify the Office of Information Technology (OIT) when a device should be deactivated or is reassigned. In January 2007, the Department of the Treasury implemented a process to notify key individuals of employee separations via email. The individuals contacted were responsible for removing the separated employee's system and building access. OIT was added to the process in February 2011 and was notified by the Division of Administration of all employee separations since January 2007. This procedure is currently being followed. Although the department does notify OIT of employee separations, it does not follow-up to verify that wireless devices are actually deactivated.

Recommendation

We recommend the department improve its employee separation notification process by following up with OIT to ensure wireless devices are deactivated.



Mileage Reimbursement

A cost savings could be achieved by purchasing or reassigning state vehicles.

The Unclaimed Property Administration (UPA) employs auditors to identify and recover abandoned or lost property. The auditors are reimbursed 31 cents a mile for using their personal vehicles to travel to audit locations throughout the state. Treasury Circular Letters 10-05-ADM and 12-11-ADM "State Vehicular Assignment and Use Policy" state employees may be assigned a vehicle permanently if it will be used on official business for more than an average of 1,250 miles per month (15,000 miles per year). Eleven auditors traveled more than 15,000 miles in fiscal year 2011 accounting for \$82,000 of the \$103,000 in mileage reimbursements. Further analysis disclosed that 9 of the 11 employees also averaged more than 15,000 miles per year from fiscal years 2010 through 2012.

Cost savings could be achieved by purchasing and assigning vehicles to some of these employees. Distributing the cost of a new vehicle over five years, we estimate a savings of approximately \$87,000 over that period by purchasing vehicles for 5 of the 11 employees with the highest mileage. A cost savings may also be achieved without expanding the fleet by reviewing vehicle usage and reassigning less frequently used Treasury vehicles to the UPA.

Recommendation

We recommend the department consider purchasing vehicles for employees who are reimbursed for significant mileage or reassigning less frequently used Treasury vehicles to the Unclaimed Property Administration.

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APPENDIX

Department of the Treasury Division of Administration

The following financial transactions processed by the units under the administration of the Department of the Treasury, Division of Administration were excluded from the scope of our audit. These activities are included in the scope of other audits performed by our office or by certified public accounting firms.

Expenditure Accounts

Debt Service Bond Redemptions and Reimbursements (Objects 5410 and 5499) – All Treasury Organizations

Interest on Bonds and Reimbursements (Objects 5510 and 5599) – All Treasury Organizations

State Distribution Center/Purchases for Resale (Organization 2057 - Object 2710)

Lottery Award Payments and Interfund Transfers to the General Fund (Organization 2090 – Objects 5810 and 8910)

Central Motor Pool Vehicular Purchases (Organization 2052 – Object 7410)

Office of Management and Budget – Other Special Purpose and Interfund Transfers to the General Fund (Organization 2040 – Objects 5810 and 8910)

Grants in Aid (Object 6130) - All Treasury Organizations

Other Equipment (Object 7610) – All Treasury Organizations

Other Special Purpose (Organizations 2000 and 2080– Object 5810)

Interfund Transfers to the General Fund (Organization 2000 – Object 8910)

New Jersey Commission on Science and Technology, excluding payroll expenditures (Organization 2042)

Revenue Accounts

Organization 2000, Revenue Sources 5XXX, - Tax Revenue

All Organization 2014 - Division of Energy Planning and Conservation

All Organization 2026 - Office of Administrative Law

Organization 2040 excluding Revenue Source 1166 – Recoveries for Services

All Organization 2051 – Division of Risk Management

Organization 2057 – Distribution Center, Revenue Source 3783, Purchasing and Inventory Management

Organization 2067 – Division of Property Management, Revenue Source 1194 – DEPE Properties

All Organization 2080 – Tax and Revenue Administration

All Organization 2090 – Lottery, excluding Revenue Source 1171- Communications Fee and Revenue Source 1572 - Lottery Trust Fund

All Organization 2105 – Division of Revenue

Organization 2120 – Division of Investment, specific transactions not processed by the Department of the Treasury, Division of Administration



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Governor

KIM GUADAGNO
Lt. Governor

ANDREW P. SIDAMON - ERISTOFF
State Treasurer

October 23, 2012

Mr. John J. Termyna
Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
P.O. Box 067
Trenton, New Jersey 08625-0067

RE: Departmental Audit Response - Department of Treasury
Division of Administration

Dear Mr. Termyna:

On behalf of the State Treasurer I am providing the following in response to the draft audit report of the Department of the Treasury, Division of Administration for the period July 1, 2010 to June 30, 2012.

Wireless Devices

Recommendation – OLS recommends the department improve its employee separation notification process by following up with the Office of Information Technology (OIT) to ensure wireless devices are deactivated.

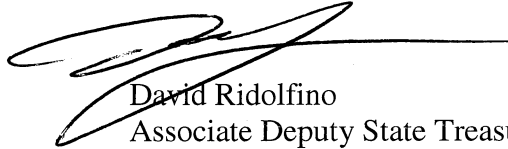
Response – In order to improve the process, the initial employee separation notification will include the phone number of the wireless device assigned to the employee, when applicable. On a quarterly basis, we will request a deactivation report from OIT to ensure the requested devices have been successfully deactivated. The Division of Administration will reconcile OIT's deactivation report with the deactivation requests and follow up accordingly.

Mileage Reimbursement

Recommendation – OLS recommends the department consider purchasing vehicles for employees who are reimbursed for significant mileage or reassigning less frequently used Treasury vehicles to the Unclaimed Property Administration.

Response – The significant mileage reimbursements are reflective of recent field audits which required more mileage than typically incurred. As these audits are now nearing completion, the expectation is future mileage reimbursements will decrease. However, the Division of Administration will work with the management of the Unclaimed Property program to identify mileage intensive activities and assign state vehicles if the approach is deemed the most economical means to accommodate business travel.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Ridolfino', with a long horizontal flourish extending to the right.

David Ridolfino
Associate Deputy State Treasurer

c: Andrew P. Sidamon-Eristoff, State Treasurer, Department of the Treasury
Daniel Povia, Chief Auditor, Internal Audit Unit, Department of the Treasury
James Leonard, Chief of Staff, Department of the Treasury
Michael Jonas, Chief Financial Officer, Department of the Treasury