

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

**Department of Law and Public Safety
Division of Criminal Justice and
Office of the State Medical Examiner**

July 1, 2007 to April 30, 2010

**Stephen M. Eells
State Auditor**

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Enclosed is our report on the audit of the Department of Law and Public Safety, Division of Criminal Justice, Office of the State Medical Examiner for the period of July 1, 2007 to April 30, 2010. If you would like a personal briefing, please call me at (609) 292-3700.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
August 9, 2010

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**Department of Law and Public Safety
Division of Criminal Justice and
Office of the State Medical Examiner**

Scope

We have completed an audit of the Department of Law & Public Safety, Division of Criminal Justice and Office of the State Medical Examiner for the period July 1, 2007 to April 30, 2010. Our audit included financial activities accounted for in the state's General Fund. We did not audit the Division of Criminal Justice and the Office of Insurance Fraud Prosecutor confidential funds.

Expenditures were \$82.1 million during fiscal year 2008 and \$87.4 million for fiscal year 2009. Revenues were \$52.2 million for fiscal year 2008 and \$48.9 million for fiscal year 2009. We also reviewed controls over the American Recovery and Reinvestment Act (ARRA) monies apportioned to the division. ARRA grants awarded totaled \$34.6 million for fiscal year 2009. The largest of the grants is the Justice Assistance Grant (JAG) which was \$29.8 million. JAG monies are received upon award not when expended. Total expenditures as of March 2, 2010 were \$543,000.

The Division of Criminal Justice is charged with detecting, enforcing, and prosecuting the criminal business of the state through the uniform and efficient administration of our criminal laws. The division also provides oversight and coordination within New Jersey's law enforcement community. The Office of Insurance Fraud Prosecutor reports to the division. The Office of the State Medical Examiner is responsible for the administration and enforcement of state laws and regulations relating to the medical examiner system and medicolegal death investigation in New Jersey. The State Medical Examiner directly supervises the state's Northern and Southern Regional Medical Examiner Offices (NRMEO and SRMEO), which provide medicolegal death investigation services to six counties, and serve in a general supervisory capacity over the remaining county medical examiners and their offices.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the division's programs, were reasonable, and were recorded properly in the accounting system. Special consideration was given to transactions involving ARRA funds. Our objective was to determine whether the costs charged to ARRA projects were allowable; the funds were separately accounted for in the state's accounting system; and, as with other federal funds, there are adequate controls to assure effective cash management, and accurate and timely reporting of ARRA funds. We also tested for resolution of significant conditions noted in our prior reports dated April 6, 2004 and July 15, 2005.

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, administrative code, circular letters promulgated by the Department of the Treasury and standard operating procedures and other 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.

Both statistical and nonstatistical sampling approaches were 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

either randomly or judgmentally selected.

To ascertain the status of findings included in our prior reports, we identified the corrective action taken, if any, by the division and walked through or performed tests to determine if the corrective action was effective.

Conclusions

We found that the financial transactions included in our testing were related to the division's programs, were reasonable, and were recorded properly in the accounting system. We also determined that costs charged to ARRA projects were allowable; the funds are separately accounted for in the state's accounting system; and there are adequate controls to assure the effective cash management and accurate and timely reporting of ARRA funds. In making these determinations, we noted an issue at the State Toxicology Laboratory and the Northern and Southern Regional Medical Examiner Offices, as well as certain weaknesses within the division with regard to payroll, equipment inventory, and vehicles meriting management's attention.

Medical Examiner Offices

A comprehensive review should be performed of the operations and costs for the Northern and Southern Regional Medical Examiner Offices and the State Toxicology Laboratory.

The Northern Regional Medical Examiner Office (NRMEO) provides pathology services for four participating counties while the Southern Regional Medical Examiner Office (SRMEO) provides pathology services for two other participating counties. The State Toxicology Lab housed in the NRMEO provides post-mortem forensic toxicological services and drug testing. The toxicology lab shares the operating costs of the building, such as utilities, fuel, household, security, and garbage services, as well as a percentage of the administrative costs. The SRMEO also shares in a percentage of the administrative costs.

The State Toxicology Lab is not self-supporting. In fiscal year 2009 the Division of Criminal Justice provided \$600,000 (44 percent) towards the toxicology lab's expenditures, which totaled \$1.3 million. As of the end of the third quarter of fiscal year 2010, the toxicology lab was still operating at a deficit.

We interviewed two county medical examiners who contracted with a private laboratory rather than participating in the toxicology lab. Each stated they saved approximately \$50,000 to \$70,000 by outsourcing their laboratory services.

Additionally, three of the counties participating in the NRMEO are not satisfied with the services they are currently receiving. Their contracts with the NRMEO are up for renewal on June 30, 2010. At the time of our conversations, they were negotiating with the Division of Criminal Justice and the Office of the Attorney General for service improvements and a shorter contracting period. These three counties represent 90 percent of the business of the NRMEO. Should the largest county with approximately 45 percent of the business or a combination of the smaller counties decide to obtain their medical examiner services

elsewhere, the NRMEO would be unable to sustain the costs of operating the office.

Recommendation

We recommend the Division of Criminal Justice perform a comprehensive review of the operations and the costs of the NRMEO, SRMEO, and the State Toxicology Lab. Changes should be made to enable the toxicology lab to be more competitive and better able to serve their customers.

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Cash Compensation

4L titled employees should not receive cash payments for straight time overtime.

Employees in the 4L title work an alternate work schedule known as the 28-day cycle. Straight time overtime includes hours worked between the 160th and 171st hour within the 28-day cycle. New Jersey Administrative Code 4A:6-2.2(b) states that:

- The tour of duty in a 28-day cycle shall total at least 160 hours but no more than 171 hours.
- Premium overtime, paid at 1.5 times the regular hourly pay, begins at the 172nd hour.
- At the discretion of the appointing authority, employees who work more than 160 hours may be compensated through either a provision for flexible work patterns or a grant of comparable amounts of time off to a maximum of one hour for each hour of additional time worked.

Investigators in a 4L title at the Division of Criminal Justice are receiving cash compensation for straight time overtime in violation of the administrative code. One hundred fifty 4L titled employees received cash compensation for

straight time overtime totaling \$469,000 during the 32-month period from July 2007 to February 2010.

Recommendation

We recommend the Division of Criminal Justice allow 4L titled employees to flex their time or encourage the employees to take the time off, and eliminate the cash payments for straight time overtime. The hours earned and taken between the 160th and 171st hour should be tracked to ensure full accountability.

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Payroll Internal Controls

Payroll internal controls need strengthening.

Prior to fiscal year 2008, the Division of Criminal Justice utilized a paper timesheet for job costing. During calendar year 2008 the division implemented an electronic timekeeping system. This electronic timekeeping system is not utilized to process payroll or maintain leave time balances. The Time and Leave Reporting System (TALRS) is utilized for those tasks. It is the employees' responsibility to prepare the electronic timekeeping system timesheet, as well as the leave authorization form that is used for input to TALRS. The employees' supervisor also approves both documents. The hours worked and type of leave time charged should agree. There is a duplication of effort by the employee and supervisor. The division does not perform a reconciliation between the electronic timekeeping system and TALRS. We tested 80 timesheets and found 13 where leave time charged/not charged on the electronic timekeeping system did not match leave time recorded/not recorded in TALRS. A reconciliation should be performed if the division continues to utilize both processes. Additionally, we found 13 instances where timesheets could not be located.

Security access to the regional medical examiner offices and the division's satellite offices can easily be compromised. Identification badges

produced at the Northern Regional Medical Examiner Office (NRMEO) can be easily replicated. There is no internal control process to prevent the creation of unauthorized identification badges. Gaining admittance to the building would allow an individual to have access to the personal effects of a decedent, equipment, assets, and personal information. Identification badges for the employees at the SRMEO are produced in the same manner. In addition, newly hired non-credentialed staff (clerical and administrative) employed at the division's satellite offices do not receive an official identification badge identifying them as an employee.

Recommendation

We recommend that the Division of Criminal Justice reconcile time charged on the electronic timekeeping system timesheets to TALRS. Identification badges should be issued to all employees upon being hired or transferred and the badges should be of an official nature.

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Equipment Inventory

Equipment inventory records are inaccurate.

The Division of Criminal Justice facilities section, currently consolidated with the Office of the Attorney General facilities section, has an inventory record that is outdated and incomplete. During calendar year 2006, the division's facilities section attempted to perform a complete inventory and tag all division assets. However, the inventory and tagging was never completed. Additionally, not all purchases made since 2006 have been recorded on an inventory listing or tagged. We also noted that several units within the division maintain their own listings.

We sampled 16 assets purchased during our audit period and attempted to trace them to a listing. Eleven of the assets could not be traced to a listing and five were not tagged. The division's Information Technology unit maintains a record

of the division's computer and network equipment. Of the 21 Information Technology assets sampled, 5 could not be located. The listing also contained inaccurate information for 7 of the 21 assets sampled. The Northern Regional Medical Examiner Office also maintains an inventory record. Of the 75 assets tested, 6 could not be located.

The Division of Criminal Justice and the regional medical examiner offices should maintain accurate equipment inventory records in accordance with the Department of the Treasury, Circular Letter 91-32-OMB. Retaining accurate records provides a means of efficient asset management and the necessary information needed in the event an asset is lost, stolen, or misplaced. Accurate location is imperative for all assets, particularly information technology equipment since computers may contain sensitive information that should not be viewed by all individuals. Prompt notifications of asset movements or reassignments should be forwarded to asset management personnel.

Recommendation

We recommend the Division of Criminal Justice centralize the equipment inventory records into one record and comply with the Department of the Treasury Circular Letter 91-32-OMB. The division should better utilize their inventory numbering system to track assets. Assigning an inventory number is a good control procedure; however, if the number is not recorded and maintained it serves no purpose. We also recommend the division update their policies and procedures for fixed assets and communicate them to staff. Staff remaining in the Division of Criminal Justice administrative section, as well as the Office of the Attorney General Facilities Unit need to have a clear understanding of their responsibilities for maintaining and updating the inventory record.

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Vehicles

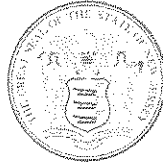
Vehicle assignments and usage should be reviewed to ensure effective and efficient asset management.

The Division of Criminal Justice maintains a fleet of 414 vehicles as of July 2009. Of the 45 vehicles sampled for compliance with the Department of the Treasury circular letter requirements and agency directives, 26 (58 percent) were below the requirements for average monthly business miles. Nineteen of the twenty-six exceptions were more than twenty percent below the minimum mileage requirement. Additionally, each vehicle is assigned an E-ZPass transponder. The E-ZPass transponder assignment listing was finally forwarded to the auditors on the last day of field work, June 29, 2010. Therefore, we could not test E-ZPass business usage. E-ZPass invoices are paid after just a cursory review. To ensure that E-ZPass is being utilized for business purposes only, a comparison to the vehicle mileage logs would need to be performed. No such comparison is performed on a monthly basis. Although the division would not receive toll charges for travel on the New Jersey Turnpike and the Garden State Parkway, when the vehicle is being utilized for commutation it would be the driver's responsibility to pay the toll. Use of the E-ZPass during commutation results in lost revenue to the toll roads. Vehicles are an expensive asset, not only to purchase but to maintain. Inefficient utilization of these assets, lack of proper monitoring, and lack of review of monthly mileage logs and E-ZPass tolls is wasting limited resources.

Recommendations

We recommend the division conduct a comprehensive review of all vehicles and reassign them based on actual business usage. E-ZPass charges should be compared with monthly mileage logs for accuracy and to ensure charges are not incurred for commutation.

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August 5, 2010

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

Dear Mr. Termyna,

Enclosed is the response to the audit report of the Department of Law and Public Safety,
Division of Criminal Justice and Office of the State Medical Examiner.

Please include this document with your release of the audit to the Governor and the
Legislature.

Very truly yours,

Daniel W. Foster
Administrator

DWF/dg
Enclosure
BGO866

CC: Paula T. Dow, Attorney General
Stephen Taylor, Director, Division of Criminal Justice
Nieta Steele, Chief of Staff, Division of Criminal Justice
Ronald Kraemer, Deputy Director, Office of the Attorney General



**Department of Law and Public Safety
Division of Criminal Justice and Office of the State Medical Examiner
Audit Response**

Medical Examiner Offices

Recommendation: We recommend the Division of Criminal Justice perform a comprehensive review of the operations and the costs of the NRMEO, SRMEO, and the State Toxicology Lab. Changes should be made to enable the toxicology lab to be more competitive and better able to serve their customers.

Response: We agree the State Toxicology Laboratory is not self supporting and the Division has made a review of the operations and costs of the State Toxicology Laboratory and proposed a new fee structure for the State Toxicology Laboratory to attract more counties to use the lab, in addition to looking toward new sources of revenue that could be generated by the STL. It should also be mentioned that outsourcing of toxicology services to private labs at a lower cost does not always guarantee the same quality of testing as a College of American Pathology (CAP) or other certified lab, which many counties use, and not all counties perform the minimum required testing on toxicology cases in accordance with the State Medical Examiner Act as those performed at the state Toxicology Laboratory.

As of the date of this report, after meeting with all four counties participating in the NRMEO, they have agreed to renew their contracts for a five year period from July 1, 2010 through June 30, 2015. We are currently waiting for the signed contracts to be returned.

We also agree and welcome a comprehensive review of the operations and costs of the services we provide to be more competitive and better serve our clients.

Cash Compensation

Recommendation: We recommend the Division of Criminal Justice allow 4L titled employees to flex their time or encourage the employees to take the time off, and eliminate the cash payments for straight time overtime. The hours earned and taken between the 160th and 171st hour should be tracked to ensure full accountability.

Response: The Department acknowledges the finding, however the employees who are covered by this regulation and who would be impacted by any change in the Division's current practice have filed representation petitions with the Public Employment Relations Commission. In view of that circumstance, the Department is reviewing the matter with labor counsel.

Payroll Internal Controls

Recommendation: We recommend that the Division of Criminal Justice reconcile time charged on the electronic timekeeping system time sheets to TALRS. The division should remind all operating units of the document retention requirements. Identification badges should be issued to all employees upon being hired or transferred and the badges should be of an official nature.

Response: The Division notes that the electronic timekeeping system (OLTS) is used as a fiscal tool for accurately tracking employee funding sources based on work assignments. The TALRS system is an exception based system intended to track use of leave time. Supervisors are required to review leave and work time for employees. The Division has been in full support of obtaining the eCATS system and DCJ staff has participated in development meetings. The eCATS system will have the ability to combine the functionality of both OLTS and TALRS, thereby eliminating the need for two separate systems.

The Division Document Retention Policy is posted on the DCJ intranet site for use by all employees. A reminder will be provided to all employees concerning use of the policy.

Picture identification badges are provided by the Department. Building access cards are provided by Treasury in conjunction with NJ State Police for the Hughes Justice Complex as well as the satellite offices.

An electronic card access system is currently being installed at the NRMEO to address unauthorized access and admittance to the facility. In addition, access to the facility has always been restricted by the internal security force on site 24 hours a day. All persons not known to the security force are required to sign in and provide identification before entry will be granted.

ID badges are part of OAG consolidated services. A Standard Operating Procedure (SOP) clarifying the separate functions

between the Division and OAG consolidated services shall be prepared.

Equipment Inventory

Recommendation: We recommend the Division of Criminal Justice centralize the equipment inventory records into one record and comply with the Department of the Treasury Circular Letter 92-32-OMB. The division should better utilize their inventory numbering system to track assets. Assigning an inventory number is a good control procedure; however, if the number is not recorded and maintained it serves no purpose. We also recommend the division update their policies and procedures for fixed assets and communicate them to staff. Staff remaining in the Division of Criminal Justice administrative section, as well as the Office of the Attorney General Facilities Unit need to have a clear understanding of their responsibilities for maintaining and updating the inventory record.

Response: As the tagging and distribution of assets is now handled through OAG consolidated services, general inventory and IT inventory, excluding law enforcement equipment, will be part of the OAG asset tracking system. In addition, an SOP clarifying the separate functions between the Division and OAG consolidated services shall be prepared.

Vehicles

Recommendation: We recommend the division conduct a comprehensive review of all vehicles and reassign them based on actual business usage. E-Z Pass charges should be compared with monthly mileage logs for accuracy and to ensure charges are not incurred for commutation.

Response: As a law enforcement agency, vehicle assignments are confidential assignments and based on operational need within the detective and senior level prosecutorial and professional staff. The operational need for a vehicle does not necessarily translate into business mileage. For example, a vehicle used in surveillance may sit in the same place for an extended period of time without accruing mileage. Law enforcement usage is not predictable; however, the vehicle assignments are required due to the unique 24/7 on-call status of our detective bureaus. The Division notes that law enforcement vehicle log destinations must be general in nature due to law enforcement and investigative confidentiality issues. DCJ drivers will be required to submit vehicle logs to OAG consolidated services for reconciliation with EZ Pass activity logs in

compliance with the Treasury circular letter. An SOP clarifying the separate vehicle functions between the Division and OAG consolidated services shall be prepared.