



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

EXECUTIVE SUMMARY

**DEPARTMENT OF THE TREASURY
CONTRIBUTORY GROUP LIFE INSURANCE PROGRAM
July 1, 2015 to July 31, 2016**

We found the financial transactions were related to the program, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain control weaknesses regarding fund balance, benefit payments, and the contributory group life insurance contract. In addition, we found the Contributory Group Insurance Premium Fund (CGIPF) would be more appropriately presented as a special revenue fund in the state's comprehensive annual financial report rather than in the General Fund.

AUDIT HIGHLIGHTS

- The entire balance of the CGIPF was recorded as a liability in the state's General Fund in fiscal year 2015. The restriction of the use of funds for the program, as indicated by the New Jersey Constitution, meets the requirement of a special revenue fund in accordance with GASB No. 66.
- The Division of Pensions and Benefits (division) monitors the fund but has not analyzed whether the fund balance can sustain the program in the event of a catastrophe. By having an actuary review the program, the division can determine if the fund has an adequate balance and if the contribution rates are appropriate.
- The division paid 431 claims totaling \$35.9 million for active members from July 2015 to April 2016. We judgmentally selected 40 benefit payments during this time period for testing and noted that seven benefit payments contained exceptions ranging from an underpayment of \$6,720 to an overpayment of \$1,354. The average dollar value of the exceptions was \$1,682. The exceptions were the result of either human error or salary information not being updated at the time the benefits were calculated.
- Since the program's inception in 1955, the Department of the Treasury has contracted with the same insurance company to administer the benefit payments without rebidding the contract.

AUDITEE RESPONSE

The department generally concurs with our findings and recommendations.

For the complete audit report, click [here](#).