State of New Jersey
Report on Compliance and on Internal Control
Related to Our Audit of the State’s Comprehensive
Annual Financial Report

For Fiscal Year Ended June 30, 2003

Richard L. Fair
State Auditor
The Honorable James E. McGreevey  
Governor of New Jersey  

The Honorable Richard J. Codey  
President of the Senate  

The Honorable Albie Sires  
Speaker of the General Assembly  

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services  

We have audited the financial statements of the State of New Jersey as of and for the year ended June 30, 2003 and have issued our report thereon dated December 1, 2003. In connection with that audit, we tested internal controls and compliance to laws and regulations. The results of our tests are contained in our Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.  

The audit was performed and this report is submitted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.  

April 12, 2004
State of New Jersey
Report on Compliance and on Internal Control
Related to Our Audit of the State’s Comprehensive Annual
Financial Report

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the government activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Jersey as of and for the year ended June 30, 2003, which collectively comprise the state’s basic financial statements and have issued our report thereon dated December 1, 2003. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the discretely presented component units, is based upon the reports of the other

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auditors. Our report contained herein on compliance and internal control over financial reporting excludes these component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the State of New Jersey’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the State of New Jersey’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of the State of New Jersey in a separate letter dated December 1, 2003.

This report is intended solely for the information and use of management of the State of New Jersey, the legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these parties.

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Richard L. Fair  
State Auditor  

December 1, 2003