Department of Community Affairs
Selected Programs

July 1, 1999 to February 2, 2001

Richard L. Fair
State Auditor
The Honorable Donald T. DiFrancesco  
Acting Governor of New Jersey  

The Honorable Donald T. DiFrancesco  
President of the Senate  

The Honorable Jack Collins  
Speaker of the General Assembly  

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services  

Enclosed is our report on the audit of the Department of Community Affairs, Selected Programs for the period July 1, 1999 to February 2, 2001.

If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
May 15, 2001
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Department of Community Affairs
Selected Programs

Scope

We have completed an audit of the Department of Community Affairs, Selected Programs for the period July 1, 1999 to February 2, 2001. The selected programs included those administered by the Division of Local Government Services, Urban Coordinating Council, Division on Women, and Division of Administration. Our audit included financial activities accounted for in the state’s General Fund, Property Tax Relief Fund, and federal funds for women’s programs.

Total expenditures of the selected programs during the audit period were $1.9 billion. The prime responsibility of the Department of Community Affairs relating to these selected programs is to respond to the needs of and advocate solutions to the problems of local governments and select community groups. The programs provide technical, advisory, and financial assistance to communities and individuals. Services are provided through partnerships with public, private, and non-profit entities in an effort to improve the quality of life of all New Jersey residents. Revenues of the selected programs totaled $2.6 million during our audit period.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the agency’s programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of significant conditions noted in our prior report.

This audit was conducted 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.
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 State Comptroller, and policies of the agency. 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 message, reviewed financial trends, and interviewed agency 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 stratified and large dollar transactions were examined. Other transactions were judgmentally selected.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the agency and walked through the system to determine if the corrective action was effective.

Conclusions

We found that the financial transactions included in our testing were related to the agency’s programs, were reasonable and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management’s attention.

We also found that the agency has resolved the significant issues noted in our prior report.
The Office of Grants Management should ensure submission of final performance reports of grants-in-aid.

Community Development and Social Services Grants

The Office of Grants Management administered grants to municipalities and non-profit organizations. These grants are specifically identified in the appropriations acts and totaled $40.6 million to 301 recipients during fiscal year 2000, and $58.9 million to 457 recipients during fiscal year 2001. Grantees sign a contract with the department agreeing that funds received shall be used exclusively for the purpose(s) of the grant and expended during the grant award period. Furthermore, the grantee agrees to submit a final performance report on the accomplishments of the project within 60 days after the expiration or termination date of the agreement. Our review of 11 grant files with expired grant award periods selected from fiscal year 2000 awards disclosed that the Office of Grants Management did not have final performance reports on file. The Office of Grants Management was unable to perform any other procedures to ensure that the grantee/grantees had spent the grant as intended.

Recommendation

We recommend that the Office of Grants Management improve procedures to ensure submission of the required final performance reports or employ alternate methods to verify that grant funds were spent as intended.

Auditee’s Response

Due to a significant increase in the generosity of Fiscal Year 2001 State Legislative Grants and a limited staffing, the Office of Grants Management (OGM) has been unable to fully implement closeout and follow up procedures for Fiscal Year 2000 State Legislative Grants. An internal performance audit has been conducted of the grant process. As a result of the audit, procedures will improve to ensure a more timely submission of final performance reports and alternative grantee monitoring procedures will also be performed to verify grant funds are expended in accordance with the intent of the legislation. This procedure will be implemented by July 2001. The
Management should ensure proper internal control over computer inventory records.

Office of Auditing will periodically monitor the process to ensure the recommendation has been implemented.

Computer Inventory

During our review period we selected certain department purchases of personal computers, which totaled $500,000. The department maintains a computer tracking system for their inventory of desktop computer equipment. The department’s Office of Chief Information Officer is responsible for maintaining and updating these records. The system should identify the location or assignee of the asset. We selected 30 desktop computers from two purchase orders and attempted to locate these assets. Seven monitors and five central processing units (CPU) could not be located in the identified area as indicated on the inventory record or other reasonable alternative site. We were advised by agency officials that laptop computer records are to be kept at the divisional level. In a sample of laptop computers we were unable to locate 17 out of 27 units as divisional records were incomplete or inaccurate.

Recommendation

We recommend that management strengthen internal controls by centrally maintaining and updating computer records.

Auditee’s Response

DCA is in the process of migrating to a network system. Personal Computers are in the process of being “rolled out” to over 800 users. These PC’s are being inventoried, and will be maintained in a centralized “Track-It” database, which is a commercial product for tracking computer hardware inventory. Procedures for inventory control have been established for future purchases. Use of Track-It will enable DCA to centrally maintain and update computer inventory records. Inventory will be complete by July 1, 2001. The Office of Auditing
will have access to the Track-It database and will periodically monitor the process to ensure the recommendation has been implemented.