New Jersey Historic Trust
Offline Cash Accounts

January 1, 1994 to July 31, 1997
The Honorable Christine Todd Whitman
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 New Jersey Historic Trust, Offline Cash Accounts for the period January 1, 1994 to July 31, 1997.

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

Richard L. Fair
State Auditor
January 9, 1998
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New Jersey Historic Trust
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Scope

We have completed an audit of the New Jersey Historic Trust offline cash accounts, for the period January 1, 1994 through July 31, 1997. The New Jersey Historic Trust (trust) is in but not of the Department of Environmental Protection and is a body corporate and politic with corporate succession. Our audit included financial activities in offline cash accounts. Offline cash accounts are those administered directly by the trust and not included in the state’s accounting records.

Total expenditures from the offline accounts during the 43 month audit period were $41,500. The prime use of the offline accounts is to provide small loans and grants to applicants for historic preservation purposes, reimburse expenses and make other minor expenditures in keeping with the mission of the trust. The purpose of the trust is to preserve the historic heritage of the State of New Jersey. Receipts of the offline accounts totaled $47,400 including interest during our audit period.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the programs, were reasonable and were recorded properly in the records of the offline accounts.

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, and policies of the trust.
Provisions that we considered significant were documented and compliance with those requirements was verified by interview and observation and through our testing of financial transactions. We also interviewed agency personnel to obtain an understanding of the programs and the internal control structure.

Our tests of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes.

**Conclusions**

We found that the financial transactions included in our testing were related to the offline accounts programs, were reasonable and were recorded properly in the accounting systems of the trust. In making this determination we noted certain internal control weaknesses in the administration of the offline accounts.
Controls over offline accounts need to be improved.

Our audit of the New Jersey Historic Trust offline cash accounts disclosed the following internal control weaknesses:

- The trust has no written procedures for the operation of the offline accounts.
- We were unable to locate documentation at the trust to support 31 of 40 disbursements.
- Bank reconciliations were not being performed on a timely basis and transactions were not recorded in the check register as they occur. We could not determine the last time a bank reconciliation had been performed. Several transactions were included on the bank statements but had not been recorded in the check register.
- An adequate mail log is not maintained to record revenue as it is received. While receipts are logged in, they are not listed separately from other correspondence. In addition, there is no reconciliation between checks received and logged in at the trust office, and activity recorded in the treasurer’s report.

The weaknesses listed above have come about over time for a variety of reasons. The offline accounts have been in existence for a number of years and the responsibility for their administration has passed from treasurer to treasurer. Currently there is very little activity in the accounts. The trust does exercise some controls over disbursements by requiring two signatures on each check and a treasurer’s report itemizing receipts and disbursements is presented at every trust meeting. An effective system of internal control would ensure that activity is properly recorded and in compliance with the purpose of the fund.
Recommendation

We recommend that the trust:

- Write procedures to define allowable activity in the accounts.
- Maintain copies of documentation to support disbursements.
- Ensure timely bank reconciliations and posting to the check register.
- Maintain a separate mail log for receipts and periodically reconcile it to the treasurer’s report.

Auditee’s Response

- The Treasurer and an Officer are authorized to issue checks for the following: food and beverages (non-alcoholic); Trust memberships; easement related expenses; and expenses for Trust-sponsored events. Advance Executive Committee or Board approval is required for all other expenses, except petty cash disbursements for up to $300.00 annually can be authorized by the Executive Director for Trust-related activities.
- A file designated for copies of all documentation related to the Treasurer’s disbursement activities (offline cash accounts) has been established in the Trust office.
- The Treasurer will reconcile all accounts on a quarterly basis.
- A mail log tracking all incoming and outgoing receipts (related to offline cash accounts) has been established in the Trust office. A quarterly reconciliation of receipts with the Treasurer’s Report will be performed by Trust staff.