Office of the State Auditor

Audit Report

Department of Insurance

July 1, 1994 to March 31, 1996
State of New Jersey
Department of Insurance

Audit Report

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We have completed an audit of the Department of Insurance for the period July 1, 1994 to March 31, 1996.

We found that the financial transactions included in our testing were related to the agency’s programs, were reasonable, and were properly recorded in the accounting systems.

This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in the Article VII, Section 1.6 of the State Constitution and Title 52 of the New Jersey Statutes.

Richard L. Fair
State Auditor
August 5, 1996
Department of Insurance

Scope

We have completed an audit of the Department of Insurance for the period July 1, 1994 to March 31, 1996. Our audit included financial activities accounted for in the state’s General Fund and the following special revenue, and trust and agency funds:

- New Jersey Automobile Insurance Guaranty Fund
- Unsatisfied Claim and Judgment Fund
- Stock Workers’ Compensation Security Fund
- Mutual Workers’ Compensation Security Fund
- Real Estate Guaranty Fund
- New Jersey Insurance Development Fund
- New Jersey Medical Malpractice Reinsurance Recovery Fund

Total expenditures of the agency during the 21 month audit period were $1,094.1 million. The Department of Insurance is responsible for administering and enforcing the statutes regulating the conduct of business in the insurance and real estate industries. Revenues of the agency totaled $518.7 million during our audit period and the major components of revenue were assessments levied on insurance and real estate companies, examination fees and license fees.

Objectives

The objectives of our audit were to determine whether the 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 issues noted in our prior report.

This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section 1.6 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 and 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 control structure.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of the 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.

Conclusion

We found that the financial transactions included in our testing were related to the agency’s programs, were reasonable, and were properly recorded in the accounting systems.

We also found that the agency has resolved the significant issues noted in our prior report.