Department of Law and Public Safety
Division of Criminal Justice and the
Office of the State Medical Examiner

July 1, 2002 to December 31, 2003
The Honorable James E. McGreevey
Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

The Honorable Albio Sires
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 Law and Public Safety, Division of Criminal Justice and the Office of the State Medical Examiner for the period July 1, 2002 to December 31, 2003. If you would like a personal briefing, please call me at (609) 292-3700.

April 6, 2004
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Department of Law and Public Safety  
Division of Criminal Justice and the  
Office of the State Medical Examiner

Scope

We have completed an audit of the Department of Law and Public Safety, Division of Criminal Justice (DCJ) and the Office of the State Medical Examiner (SME) for the period July 1, 2002 to December 31, 2003. Our audit included financial activities accounted for in the state’s General Fund.

The primary responsibility of the DCJ is to help coordinate and enhance the operations and policies of the state’s law enforcement community and to investigate and prosecute those cases which are beyond the jurisdiction or capabilities of other law enforcement agencies. Total expenditures and revenues for the DCJ during fiscal year 2003 were $99.3 million and $71 million, respectively. The major components of revenues for the DCJ included fines and penalties collected for the Safe and Secure Neighborhoods Program, funding from the Department of Banking and Insurance for the Office of the Insurance Fraud Prosecutor, and federal funds.

The SME oversees the investigation of all violent or suspicious deaths and those which constitute a threat to public health within the state. Investigations involve conducting postmortem examinations and providing forensic laboratory analyses. The SME also provides general supervision over county medical examiners, and by court order, may supersede the medical examiner of any county. Total expenditures and revenues for the SME during fiscal year 2003 were $7.3 million and $6.3 million, respectively. The major components of revenues for the SME were fees collected for the performance of autopsies and toxicology testing.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the
DCJ’s and SME’s programs, were reasonable, and were recorded properly in the accounting systems.

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 DCJ and SME. 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 DCJ and SME 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 sorted and transactions were judgmentally selected for testing.

**Conclusion**

We found that the financial transactions included in our testing were related to DCJ’s and SME’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.
The DCJ should follow established guidelines when operating the Confidential Fund.

Confidential Fund

The Division of Criminal Justice operates a Confidential Investigative Fund with an authorized level of $50,000. Its purpose is to provide funds for the efficient and expeditious conduct of investigations and trials pursuant to the statutory responsibilities of the Division of Criminal Justice. The account is funded and reimbursed through forfeiture funds.

Annually, the Internal Controls unit of the Office of the Attorney General performs an audit of the fund in accordance with the Standards for the Professional Practice of Internal Auditors. We reviewed the audit reports for fiscal years 2000, 2001 and 2002 and found that the same reportable conditions were included in each of the audit reports.

The fund has been used to purchase items that are not confidential in nature. These purchases were not in compliance with the Department of the Treasury, Office of Management and Budget (OMB) Circular Letter 96-10, Guidelines for the Establishment and Operation of Special or Confidential Funds. Items that are not confidential in nature or related to an undercover investigation should be processed using normal state appropriations. During fiscal year 2000, nine of 33 expenditures reviewed were determined to be unallowable. During fiscal years 2001 and 2002, nine of 29 and six of 66 sample transactions, respectively, were not confidential in nature.

DCJ employees are not returning unused funds timely. This practice increases the risk of loss or misuse of the funds. DCJ’s Standard Operating Procedures state that unused funds should be returned timely. During fiscal year 2000, it was determined that eight of 33 transactions reviewed were returned untimely. This same condition was noted during fiscal years 2001 and 2002 when five of 29 and five of 66 transactions, respectively, were not
returned timely. As a result, reimbursements to the fund are being issued for the full amount of the advance. Thus, when unexpended funds are returned, it increases the balance of the fund above its $50,000 authorized limit. During fiscal year 2000, the fund balance exceeded the authorized amount five of 12 months. During fiscal years 2001 and 2002, the balance was exceeded five and eight times, respectively. This practice is not in compliance with OMB Circular Letter 96-10.

**Recommendation**

We recommend the DCJ comply with OMB Circular Letter 96-10 and DCJ’s Standard Operating Procedures to ensure that a strong system of internal controls is in place and operating effectively.

**Auditee Response**

The audit discloses a finding of the Office of the Attorney General Internal Control reviews of the Division of Criminal Justice Confidential Fund for the periods FY 2000, 2001 and 2002. These reviews uncovered no material misstatements, but rather observed certain weaknesses within the internal control structure.

**Allowable Purchases and Expenditures**

The Division of Criminal Justice acknowledged previous use of confidential funds for transactions not confidential in nature. Subsequent to internal post audit conference DCJ custodial staff took steps to educate field investigative personnel regarding allowable uses of confidential funds. The results of those actions then became evident where requests were critically evaluated by custodial staff to determine whether state procurement procedures should be utilized instead. Since the onset of FY 2003 when these observations were discussed with current management staff, confidential funds have only been used for the appropriate costs relative to the conduct of investigations and trials. Work has been directed toward reviewing and updating DCJ Standard Operating Procedures number 17 “Access To and Use of the Confidential Fund” and number 30
“Custodian of the Confidential Informant/Source Files.” Concurrently, efforts have been directed toward developing an automated accounting and tracking program. The result will be a more responsive system to track and monitor the distribution of funds, expenditures, receipts and reimbursements. The implementation of a revised SOP and an automated system will require the training of all division personnel involved. This along with a controlled environment inherent in an automated system will result in limiting expenditures to those allowable and educate staff to the proper means to obtain nonconfidential resources.

**Delay in Return of Funds**

The Division of Criminal Justice acknowledged delays in the return of unused funds in a timely manner resulting in reimbursements to the confidential fund of full amounts of draws. The revised SOP will include specific personnel related actions to be taken and definitive time frames. The current system to manually monitor and track confidential funds enables recipients to hold funds for longer periods of time rather than return unused funds and request additional funds at a later time. The process for obtaining funds will be streamlined while maintaining controls and necessary approvals. The automated system will make it easier for supervisory personnel to monitor investigators’ usage of confidential funds. Reminders will be generated automatically saving custodial staff time and effort.

**Exceeding Authorized Balance**

The Division of Criminal Justice acknowledged occurrences of the confidential fund balance exceeding the authorized limit when reimbursements were made and funds subsequently returned. The division custodial staff have implemented a more exact method of replenishing the confidential fund. In instances where the funds have been replenished
for an expenditure and unused funds are returned, and adjustment is made to the following replenishment. This serves to minimize the condition of exceeding the authorized balance while maintaining the availability of funds for disbursement when needed.