Office of the State Auditor
Audit Report
Department of Law and Public Safety
Division of Criminal Justice
July 1, 1993 to March 31, 1995
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmittal Letter</td>
<td>1</td>
</tr>
<tr>
<td>Scope</td>
<td>2</td>
</tr>
<tr>
<td>Objectives</td>
<td>2</td>
</tr>
<tr>
<td>Methodology</td>
<td>2</td>
</tr>
<tr>
<td>Conclusion</td>
<td>3</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>State Medical Examiner</td>
<td>4</td>
</tr>
<tr>
<td>Confidential Fund</td>
<td>6</td>
</tr>
<tr>
<td>Victim Witness Advocacy Fund</td>
<td>7</td>
</tr>
<tr>
<td>Departmental Response</td>
<td>8</td>
</tr>
</tbody>
</table>
We have completed an audit of the Division of Criminal Justice for the period July 1, 1993 through March 31, 1995.

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 state accounting system. However, we did note areas where improvement is needed. State Medical Examiner (SME) procedures failed to ensure proper reimbursement for services rendered to four counties. Additionally, 13 employees of the SME were paid in a manner circumventing state personnel procedures and IRS regulations. Details of the findings and recommendations are included in our 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.
Division of Criminal Justice

Scope

We have completed an audit of the Division of Criminal Justice for the period July 1, 1993 through March 31, 1995. Our audit included financial activities accounted for in the state's General Fund and the Safe Neighborhood Services Fund. Activities of the Seized and Forfeited Property Program were not included in our audit as the Office of the Attorney General was conducting a detailed review of this area.

Total expenditures of the agency during the 21 month audit period were $91.1 million. The prime responsibility of the Division of Criminal Justice is to oversee and exercise the functions, responsibilities and powers of the Attorney General pertaining to the detection, enforcement and prosecution of criminal activities in the state. Revenues of the agency totaled $36.7 million during our audit period and the major component of revenue was federal funds.

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 state accounting system. 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 transactions as well as internal control and compliance attributes. Certain accounts were judgmentally selected for detailed testing and other transactions were randomly 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 state accounting system. In making this determination, we noted certain significant 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 except for the matters relating to the segregation of duties involving the confidential fund and the issuance of IRS required forms. These issues have been updated and restated in our current report.

Details of our findings and recommendations follow.
State Medical Examiner

Reimbursements

The Office of the State Medical Examiner [SME] collected $801,000 during our audit period. The majority of these funds represented fees paid by Essex, Hudson, Passaic and Somerset Counties for autopsies performed. Essex County additionally provides professional services and materials in addition to their monetary reimbursement. The amount of money received annually should increase as Somerset County was not being serviced until January 1995.

The SME exhibited a lack of consistency in the methods utilized to calculate county reimbursements and a failure to adjust the rate charged to three of the counties for at least five years. Additionally, there were no formal agreements between the SME and the counties. These deficiencies resulted from a lack of procedures requiring consistent criteria to charge the counties for services and a lack of formalized contracts. These conditions weaken the system of internal control necessary to ensure proper reimbursement for fees. Further failure to adjust the rate over a five-year period fails to account for inflation which increases the cost of providing services.

We recommend formal contracts between the state and the counties be negotiated and executed. These contracts should provide for a similar method of reimbursement for all counties and provide for a periodic review of the reimbursement rate.

Staffing

The state’s annual appropriation act provides funds for the salaries, fringe benefits and associated payroll taxes of authorized personnel. Funds appropriated in other spending accounts allow for the contracting of independent contractors to perform occasional necessary services.

Thirteen employees were paid from funds other than those available in the salary accounts. These employees who worked at various times during the audit period received a total of $182,000. They were treated as independent contractors and no provision was made for income tax and social security tax withholdings or payments. This practice allows the agency to exceed the allowable appropriation for salaries and related expenses. It additionally provides employees who are not subject to the normal hiring constraints required by division and state regulations. This practice also places the state in noncompliance with various IRS reporting and withholding requirements.
IRS regulations require all organizations to file a form 1099 for any person receiving at least $600 for services rendered in any calendar year. A review of the vendor table screen from the New Jersey Comprehensive Financial System showed that all 13 had filed the required IRS form W-9. However, the “no” indicator had been entered in the field activating the preparation of a 1099 for six of the employees. Originally, determination of whether the 1099 should be issued was made by the agency. The state treasurer currently makes this determination. These practices could result in the state being liable for the employees’ income and social security taxes.

We recommend the division cease using nonsalary accounts to pay employees. Further review should be made of all current vendor files used by the agency to ensure the proper activator code exists. Finally, we recommend the division notify the Department of the Treasury to issue amended 1099 forms for these individuals.
Confidential Fund

The Division of Criminal Justice maintains a $50,000 confidential fund. This provides the division with a source of funds for purchases of goods and services of a sensitive nature relating to investigations, litigations and other allowable uses. During our audit period, disbursements from the fund totaled approximately $470,000.

The segregation of duties concerning the maintenance of the fund’s records and the disbursement of funds was inadequate. One employee maintains the checkbook, authorizes disbursements, performs the monthly bank reconciliation and signs the checks. This condition, which weakens the system of internal control, was mentioned in our prior report.

Additionally there is no support for the amounts representing “reimbursement requests not submitted to OMB” amount on the annual reconciliation of special funds form required by Circular Letter 94-20. Agency officials just calculate the difference between the checkbook balance and the authorized fund amount. This practice negates any use of this document as a reconciliation device and may provide inaccurate information.

We recommend that:

C Fiscal management distribute responsibilities among employees to ensure adequate segregation of duties.

C The fund administrator support all figures on the annual reconciliation of special funds form submitted to the Department of the Treasury, Office of Management and Budget.
Victim Witness Advocacy Fund

New Jersey Statutes Annotated 2C:43-3.1 provides for the allocation of monies collected by the Violent Crime Compensation Board (VCCB) among various programs designed to help the victims of violent crimes. One of the recipient programs is the Victim Witness Advocacy Fund (VWAF).

The VCCB does allocate funds to the VWAF from most of the fines collected. It does not, however, allocate any of the funds received from the Department of Corrections. Such failure deprives the VWAF of resources necessary to fund the various programs it sponsors. Records available at the Department of Corrections could provide the information necessary to calculate the amount owed the VWAF. This information is not currently forwarded to the VCCB.

**We recommend** the VCCB work with the Department of Corrections to obtain the information necessary to allocate all funds owed the VWAF.