Department of Law and Public Safety
Division of Law

July 1, 2000 to November 30, 2001

Richard L. Fair
State Auditor
The Honorable James E. McGreevey  
Governor of New Jersey

The Honorable John O. Bennett  
President of the Senate

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 Law for the period July 1, 2000 to November 30, 2001.

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

February 21, 2002
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>1</td>
</tr>
<tr>
<td>Objectives</td>
<td>1</td>
</tr>
<tr>
<td>Methodology</td>
<td>1</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>Collections</td>
<td>3</td>
</tr>
</tbody>
</table>
We have completed an audit of the Department of Law and Public Safety, Division of Law for the period July 1, 2000 to November 30, 2001. Our audit included financial activities accounted for in the state’s General Fund. We also reviewed the debt collection activity by the agency on behalf of other state agencies.

Annual expenditures of the agency were $65 million. The prime responsibility of the Division of Law is to represent state-related agencies involved in litigation. Annual revenues of the agency totaled $47 million, with the major component being billings for legal services.

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.

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.

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 transactions were judgmentally selected.

**Conclusions**

We found that the financial transactions included in our testing were related to the division’s programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted an area of operating inefficiency meriting management’s attention.
The division should obtain wage reporting data files from the Department of Labor to enhance its collection efforts.

Collections

In addition to providing legal services, the Division of Law is involved in recovering outstanding debts owed to state agencies. The following are examples of debts collected: defaulted student loans, unpaid taxes, unpaid motor vehicle surcharges, and insurance fraud penalties. Currently the unit’s data file has 21,000 open cases totaling $675 million. Recoveries by the unit totaled $12 million during fiscal year 2001.

Collection actions to recover these debts include wage garnishments. The current procedure requires a paralegal to manually input debtors’ social security numbers into the Department of Labor’s wage reporting records to determine whether the debtors had reported earnings. This process is time consuming and inefficient since not all debtors are in the system, working, or earning sufficient wages for garnishment. Greater efficiency and productivity could be achieved by obtaining the wage reporting data files from the Department of Labor on a quarterly basis to match with its current case data files and redirecting resources to other collection functions. Our match of the case data files with the wage reporting system for the quarter ending September 30, 2001 resulted in 8932 matches as follows:

<table>
<thead>
<tr>
<th>Wages (in dollars)</th>
<th>1-1,000</th>
<th>1,000-5,000</th>
<th>5,000-20,000</th>
<th>20,000-40,000</th>
<th>40,000+ over</th>
</tr>
</thead>
<tbody>
<tr>
<td># of cases</td>
<td>1180</td>
<td>2396</td>
<td>4973</td>
<td>318</td>
<td>65</td>
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</tbody>
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Recommendation

The division could improve efficiency and enhance collections by gaining access to the wage reporting records from the Department of Labor to match with its case files.
Auditee’s Response

The department agrees with this recommendation. The Division of Law will pursue obtaining the wage reporting data files from the Department of Labor for use by the Collections Unit for wage garnishment.