Department of Law and Public Safety
Division on Civil Rights

July 1, 1996 to January 30, 1998

Richard L. Fair
State Auditor
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 Department of Law and Public Safety, Division on Civil Rights for the period July 1, 1996 to January 30, 1998.

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

Peter M. Guilfoyle
Assistant State Auditor
March 12, 1998
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Department of Law and Public Safety  
Division on Civil Rights

Scope

We have completed an audit of the Department of Law and Public Safety, Division on Civil Rights for the period July 1, 1996 to January 30, 1998. Our audit included financial activities accounted for in the state’s General Fund.

Annual expenditures of the Department of Law and Public Safety, Division on Civil Rights were approximately $4 million. The prime responsibility of the Division on Civil Rights is to administer and enforce the Law Against Discrimination (N.J.S.A. 10:5) and the Family Leave Act (N.J.S.A. 34:11B). Revenues of the agency approximated $600,000 annually. The major component of revenue was reimbursements from the United States Equal Employment Opportunity Commission for qualifying cases processed by the division.

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 accounting systems. We also tested for resolution of significant conditions noted in our prior report.

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 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 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 stratified and large dollar transactions were selected. 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 division and walked through the system to determine if the corrective action was effective.

**Conclusions**

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 accounting systems. In making this determination, we noted internal control weaknesses meriting management’s attention.

We also found that the agency has resolved the significant issues noted in our prior report.
The Division on Civil Rights should comply with its established Administrative Code.

In accordance with N.J.A.C. 13:10-2.2, the owner or owners of every multiple apartment development which has 25 units or more shall file an annual report with the Division on Civil Rights concerning the racial composition of the multiple dwelling, whether any of its buildings or developments are barrier free, and factors affecting its composition. The owner or owners failing to file these reports may be liable to a penalty of not more than $2,000 for the first offense and not more than $5,000 for the second and each subsequent offense as noted in N.J.S.A.10:5-14.1a.

Our testing of the division’s system of internal controls over this required report disclosed the following weaknesses:

- The division failed to enforce report filing requirements from 1992 through 1995. In late 1996 the division initiated action against owners who had not reported in past years. An analysis of memorandums from the Division of Law revealed that up to $220,000 in potential penalties were assigned for enforcement in summary Superior Court actions as of December 26, 1996.

- There is no system in place to ensure that all required owners are reporting.

- One division employee maintains the subsidiary records of reports due and reports filed. This employee also prepares and mails penalty letters and receives penalty payments remitted by owners. This is an inadequate segregation of duties.

- There are no written procedures for handling of penalties received.

- There are no records of outstanding penalties.
Deposits are not made on a timely basis.

An adequate system of internal control would provide management assurance that receipts are properly processed and that penalties are assessed.

**Recommendation**

We recommend the division establish written procedures for assessing, receiving, depositing and tracking multiple dwelling penalties and that duties be segregated. We further recommend the division develop a system to ensure that all applicable owners are reporting.

**Auditee’s Response**

The department agrees with the observations made in the audit report regarding the Multiple Dwelling Reporting Rule and is taking steps to implement your recommendations. The Division on Civil Rights will establish a new database of information regarding existing multiple dwelling owners required to file under the rule. This will include gathering and verifying current information from the Department of Community Affairs and local municipalities for the 1998 mailing. The Division on Civil Rights will install procedures to insure the timely deposit of funds collected from all activities in the division. The duties of the person responsible to initiate penalty letters will be segregated from the duties of the person responsible to collect penalties. The Division on Civil Rights will utilize an accounts receivable aging report to monitor outstanding penalties and the status of cases. To accomplish the foregoing, the Division on Civil Rights will restructure its Bureau of Policy to provide an administrative analyst to oversee all activities involved with the Multiple Dwelling Reporting Rule. I believe that these measures sufficiently address the concerns expressed in your audit report.