New Jersey Office of Homeland Security and Preparedness

July 1, 2007 to February 28, 2009
The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the New Jersey Office of Homeland Security and Preparedness for the period of July 1, 2007 to February 28, 2009. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
Assistant State Auditor  
August 20, 2009
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New Jersey Office of Homeland Security and Preparedness

Scope

We have completed an audit of the New Jersey Office of Homeland Security and Preparedness (OHSP) for the period July 1, 2007 to February 28, 2009. Our audit included financial activities accounted for in the state’s General Fund. Expenditures were $21.3 million during fiscal year 2008 and $21.6 million for fiscal year 2009 at February 28, 2009. Revenues were $47 million for fiscal year 2008 and $32 million for fiscal year 2009 at February 28, 2009. The revenues represent federal grants awarded to the OHSP that are administered by the Division of State Police, Office of the Attorney General, and OHSP. The expenditures represent only the monies expended from the OHSP. The mission of the New Jersey Office of Homeland Security and Preparedness is “To protect the citizens and critical infrastructure of the State of New Jersey to the greatest extent possible from acts of terrorism, natural disasters, and other catastrophic events and emergencies.” The office coordinates counter-terrorism and emergency response efforts across all levels of government, law enforcement, the emergency management and response community, nonprofit organizations, the private sector, and other jurisdictions as necessary to protect the citizens of New Jersey.

Objectives

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

The audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section I, 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 Department of the Treasury, and Standard Operating Procedures and other policies of the office. 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 division personnel to obtain an understanding of the programs and the internal controls.

Both statistical and nonstatistical sampling approaches were 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 either randomly or judgmentally selected.

Conclusions

We found that the financial transactions included in our testing were related to the office’s programs, were reasonable, and were recorded properly in the accounting systems. In making these determinations, we noted certain weaknesses with regards to security, vehicles, and fixed assets meriting management’s attention.
Security

Our review of human resources noted two of seven employees sampled did not return their identification badges and red alert cards upon separation. The New Jersey Office of Homeland Security and Preparedness (OHSP) has a checklist that instructs individuals conducting an exit interview as to what items need to be obtained from the departing employee such as identification badges and office assigned equipment. Although the checklist was present in each folder sampled, it was not always complete. A letter was sent in November 2008 to one of the separated employees requesting confirmation of non-possession of the OHSP identification badge; the red alert card was not addressed. This individual confirmed non-possession of the identification badge. As a result of our audit work, letters were sent to two additional separated individuals requesting the return of their identification badges and red alert cards. One of the individuals signed and returned the letter stating they were not in possession of the identification badge or red alert card, and the other individual responded and returned them by mail. Subsequently, one of the two missing identification badges and red alert cards was located by OHSP personnel. The identification badge, which is separate from an OHSP building access card, may allow an individual to gain inappropriate access to buildings, information, and individuals. The red alert card in conjunction with the identification badge will permit an individual access to a roadway in a red threat level declaration. Access cards to the OHSP buildings were electronically terminated within 14 days of separation. Identification badges and red alert cards need to be returned and destroyed.

In addition, OHSP employees are assigned computers. Our review of data security noted their computers are password protected. A higher level of protection such as encryption software is not utilized by the OHSP. There is an unwritten...
policy that all information must be saved to the shared network drive. Any information saved to a hard drive would be vulnerable when the computer is unattended, lost, or stolen. In the past, laptop computers have been stolen and all the information stored on the hard drive was lost. Encryption software would provide needed security over the sensitive information handled and retained by the OHSP.

**Recommendation**

We recommend the OHSP obtain all identification badges and red alert cards upon employee separation. Building access cards should also be electronically terminated upon separation. Additionally, the OHSP should obtain encryption software to provide security for all information stored on computers. This will help ensure the safety of employees, information, and contacts maintained by the OHSP.

### Vehicles

The New Jersey Office of Homeland Security and Preparedness (OHSP) currently maintains a fleet of 43 vehicles. There are 32 individually assigned and 11 pool vehicles. The Department of the Treasury Circular Letter 08-16-ADM requires a monthly average of 1,250 business miles be driven for assigned vehicles and 750 business miles for pool vehicles. In addition, OHSP requires a monthly log be maintained including the time and mileage for all stops, the number of one-way commutes, and beginning and ending odometer readings. We sampled ten vehicles for miles driven during calendar year 2008. Eight vehicles were individually assigned and two were pool vehicles. Seven of the eight individually assigned vehicles and one of the two pool vehicles did not meet the average monthly business mileage criteria. Sixty-one percent of the miles for these seven individually assigned vehicles were reported as commutation miles.
We also noted that each vehicle is assigned an E-ZPass transponder for official business use only. We reviewed three months of E-ZPass statements for the transponders assigned to the eight individually assigned sampled vehicles. Three of the eight transponders reviewed recorded entries during times of commutation. OHSP does not pay E-ZPass tolls for usage on the New Jersey Turnpike and Garden State Parkway. Therefore, Authority revenues are decreased by the non-payment of commutation tolls by these individuals. According to the OHSP Motor Vehicle Standard Operating Procedure and Vehicle Assignment Policy, using E-ZPass for commutation is strictly prohibited.

**Recommendation**

We recommend the OHSP conform to Department of the Treasury Circular Letter 08-16-ADM for the assignment and usage of vehicles. Underutilized vehicles, those not meeting the 1,250 average business miles per month, should be returned to Central Motor Pool (CMP). Reducing the number of vehicles will save monthly CMP leasing fees and possible future insurance risks. For vehicles that remain individually assigned, we recommend greater oversight on assignment use logs, monthly mileage, and E-ZPass statements.
Fixed Assets

Fixed assets are currently tracked by site on a manual listing. This listing contains purchase order numbers, item descriptions, and barcode numbers. The Department of the Treasury Circular Letter 91-32-OMB states that equipment with an original cost of $1,000 or greater and an expected useful life of three years or more must be maintained on a listing and a physical inventory must be performed annually. The listing should include a description of the equipment, the acquisition date, the cost, the inventory number, the location, the organization unit charged with custody, and the source of funds utilized to purchase the equipment. The listing at the New Jersey Office of Homeland Security and Preparedness (OHSP) does not meet circular letter requirements. The listing does not include the acquisition date, the cost, the location, the organization unit charged with custody, or the source of funds utilized to purchase the equipment. A physical inventory has never been performed at OHSP.

We sampled 49 fixed asset items from the listing as of January 16, 2009 for verification of physical existence. We located 37 of the assets. Ten of the twelve assets that could not be located were discarded or returned per OHSP personnel. Adequate documentation was not available to support disposition. The remaining two assets could not be located by OHSP personnel. We also selected 31 assets from site visits for tracing back to the fixed asset listing. One asset was not recorded in the listing. Additionally, five items were sampled from current expenditures for physical verification and recording. All items were physically verified; however, two items were not recorded on the listing.

OHSP purchased a new fixed asset tracking system, called Track-It, in July 2007 at a cost including initial maintenance and training of $22,000 and with future annual maintenance cost of $2,800. This system includes all the required
fields to comply with the circular letter. The fixed assets currently recorded on the manual listings are slowly being entered into the new system. As of April 23, 2009, 530 assets (15.9 percent) had been recorded of the 3,330 assets on the manual listing. Our examination of the items recorded in the system noted that information required by the circular letter, such as cost, location of the equipment, organization unit charged with custody, and source of the funds used to purchase said equipment is not being entered.

**Recommendation**

We recommend the OHSP comply with the Department of the Treasury Circular Letter 91-32-OMB. A physical inventory needs to be performed. Equipment that can not be located during the physical inventory needs to be investigated before being removed from the listing. Disposal of equipment should be documented. The OHSP should also utilize the Track-It system to its full potential.
Stephen M. Eells, Assistant State Auditor  
Office of Legislative Services  
Office of the State Auditor  
125 S. Warren Street, PO Box 067  
Trenton, NJ 08625-0067

August 14, 2009

Dear Mr. Eells:

Attached please find the corrective action plan for the audit report of the Office of Homeland Security & Preparedness.

Please include this document with your release of the audit to the Governor and the Legislature.

Sincerely,

Anita Bogdan  
Chief Administrative Officer

Attachment

Cc: Richard L. Cañas, Director  
Scoti L. Kisch, Chief of Staff
State of New Jersey
Office of Homeland Security & Preparedness

Audit Findings & Corrective Action Plan
July 1, 2007 – February 28, 2009

Office of Legislative Services
Office of the State Auditor

August 14, 2009
SECURITY

Finding:
Our review of human resources noted two of seven employees sampled did not return their identification badges and red alert cards upon separation. The New Jersey Office of Homeland Security & Preparedness (OHSP) has a checklist that instructs individuals conducting an exit interview as to what items need to be obtained from a departing employee such as identification badges and office assigned equipment. Although the checklist was present in each folder sampled, it was not always complete. A letter was sent in November 2008 to one of the separated employees requesting confirmation of non-possession of the OHSP identification badge; the red alert card was not addressed. This individual confirmed non-possession of the identification badge. As a result of our audit work, letters were sent to two additional separated individuals requesting the return of their identification badges and red alert cards. One of the individuals signed and returned the letter stating they were not in possession of the identification badge or red alert card, and the other individual responded and returned them by mail. Subsequently, one of the two missing identification badges and red alert cards was located by OHSP personnel. The identification badge, which is separate from an OHSP building access card, may allow an individual to gain inappropriate access to buildings, information, and individuals. The red alert card in conjunction with the identification badge will permit an individual access to a roadway in a red alert threat level declaration. Access cards to the OHSP buildings were electronically terminated within 14 days of separation. Identification badges and red alert cards need to be returned and destroyed.

In addition, OHSP employees are assigned computers. Our review of data security noted their computers are password protected. A higher level of protection such as encryption software is not utilized by the OHSP. There is an unwritten policy that all information must be saved to the shared network drive. Any information saved to a hard drive would be vulnerable when the computer is unattended, lost or stolen. In the past, laptop computers have been stolen and all the information stored on the hard drive was lost. Encryption software would provide needed security over the sensitive information handled and retained by the OHSP.

OLS Recommendation:
We recommend the OHSP obtain all identification and red alert cards upon employee separation. Building access cards should be electronically terminated upon employee separation. Additionally the OHSP should obtain encryption software to provide security for all information stored on computers. This will ensure the safety of employees, information, and contacts maintained by the OHSP.

OHSP Corrective Action:
We agree with the recommendation that we obtain all identification badges and red alert cards upon employee separation. To date, all those OHSP separated employees audited have returned their identification cards (badges were not issued). One red alert card was not returned but is valid only when used in conjunction with an OHSP identification card. Red Alert cards are issued by state agencies which exempt employees from travel restrictions during a Red Threat Level declaration. Security has not been compromised. All building access cards are electronically terminated upon employee separation. We will also be developing a Standard Operating Procedure which will encompass an employee signed Acknowledgement of Receipt of identification and red alert cards as well as an annual inventory of OHSP employee credentials, identification cards, and red alert cards, with potential disciplinary action for employees who cannot present them at the time of inventory.

Three office wide policies (January 2009 Computer Network Policy and User Manual, OHSP Standard Operating Procedure (SOP) #2007-01 - Network and Internet Usage Policy, and OHSP SOP #2008-07 - Electronic Mail Usage Policy) all address the aspect of physical and electronic security of data by office staff. The January 2009 Computer Network Policy and User Manual has been modified to direct that information be saved to the network, and not to the hard, drives. Encryption software for laptops has been researched and explored in conjunction with recent Office of Information Technology (OIT) Circular Letters and multi-agency working group recommendations. A purchase request has been submitted for approval to OIT and the Office of Management and Budget to purchase encryption software which will further protect portable equipment, and encrypted USB keys were purchased and distributed to office staff as well. In clarification, all OHSP laptops have been accounted for - information on hard drives has been lost in the past due to hardware malfunction; therefore, OHSP instituted a policy that all information be backed up onto a secure network drive.

Implementation Date: 9/09
VEHICLES

Finding:
The New Jersey Office of Homeland Security & Preparedness (OHSP) currently maintains a fleet of 43 vehicles. There are 32 individually assigned and 11 pool vehicles. The Department of Treasury Circular Letter 08-16-ADM requires a monthly average of 1,250 business miles be driven for assigned vehicles and 750 miles for pool vehicles. In addition OHSP requires a monthly log be maintained including time and mileage for all stops, the number of one-way commutes, and beginning and ending odometer readings. We sampled ten vehicles driven during calendar year 2008. Eight vehicles were individually assigned and two were pool vehicles. Seven of the eight individually assigned vehicles and one of the two pool vehicles did not meet the average monthly business mileage criteria. Sixty-one percent of the miles for these seven individually assigned vehicles were reported as commutation miles.

We also noted that each vehicle is assigned an EZ Pass transponder for official business use only. We reviewed three months of EZ Pass statements for the transponders assigned to the eight individually assigned sampled vehicles. Three of the eight transponders reviewed recorded entries during times of commutation. OHSP does not pay EZ Pass tolls for usage on the New Jersey Turnpike or Garden State Parkway. Therefore, Authority revenues are decreased by the non-payment of commutation tolls by those individuals. According to the OHSP Motor Vehicle Standard Operating Procedures and Vehicle Assignment Policy, using EZ Pass for commutation is strictly prohibited.

OLS Recommendation:
We recommend the OHSP conform to Department of Treasury Circular Letter 08-16-ADM for the assignment and usage of vehicles. Underutilized vehicles, those not meeting the 1,250 average business miles per month, should be returned to Central Motor Pool (CMP). Reducing the number of vehicles will save monthly CMP leasing fees and possible future insurance risks. For vehicles that remain individually assigned, we recommend greater oversight on assignment use logs, monthly mileage, and EZ Pass statements.

OHSP Corrective Actions:
OHSP reduced its vehicle fleet by returning three vehicles to the Central Motor Pool in early 2009 as part of the overall State’s vehicle reduction initiative. Out of our current fleet of 40 vehicles:
- 18 are allotted to the Division of Criminal Justice’s sworn law enforcement officers assigned to OHSP,
- 11 are pool vehicles, and
- 11 are assigned to OHSP leadership who support and manage New Jersey’s homeland security and preparedness mission – 24 hours per day/7 days per week.

OHSP does comply with the former Department of Treasury Circular Letter (CL) 08-16-ADM and newly issued CL 10-05-ADM (State Vehicular Assignment and Use Policy) which authorizes the Director to assign vehicles when justified by extenuating circumstances, and with OHSP SOP #2007-02 Motor Vehicle & Vehicle Assignment Policy which deemed the above-referenced individual assignments as central and indispensable to the performance of one’s job function. In addition, OHSP does comply with Office of Management & Budget circular letter (Taxability of the Personal Use of State Provided Vehicles and Driver Services) which allows for tracking commutation costs and assessing back to the employee appropriately. Assignment use logs, monthly mileage, and EZ Pass statements are being monitored monthly.

Implementation Date: Ongoing
FIXED ASSETS

Finding:
Fixed assets are currently tracked by site on a manual listing. This listing contains purchase order numbers, item descriptions, and barcode numbers. The Department of Treasury Circular Letter 91-32-OMB states that equipment with an original cost of $1000 or greater and an expected useful life of three years or more must be maintained on a listing and a physical inventory must be performed annually. The listing should include a description of the equipment, the acquisition date, the cost, the inventory number, the location, the organization unit charged with custody, and the source of funds utilized to purchase the equipment. The listing at the New Jersey Office of Homeland Security and Preparedness (OHSP) does not meet circular letter requirements. The listing does not include the acquisition date, the cost, the location, the organization unit charged with custody or the source of funds utilized to purchase the equipment. A physical inventory has never been performed at OHSP.

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OHSP purchased a new fixed asset tracking system, called Track It, in July 2007, at a cost including initial maintenance and training of $22,000 and with future annual maintenance cost of $2,800. This system includes all the required fields to comply with the circular letter. The fixed assets currently recorded on the manual listings are slowly being entered into the new system. As of April 23, 2009, 530 assets (15.9 percent) had been recorded of the 3,330 assets on the manual listing. Our examination of the items recorded in the system noted that information required by the circular letter, such as cost, location of the equipment, organization unit charged with custody, and source of the funds used to purchase said equipment is not being entered.

OLS Recommendation:
We recommend that OHSP comply with the Department of Treasury Circular Letter 91-32-OMB. A physical inventory needs to be performed. Equipment that cannot be located during the physical inventory needs to be investigated before being removed from the listing. Disposal of equipment should be documented. The OHSP should also utilize the Track-It system to its full potential.

OHSP Corrective Action:
A physical inventory of all OHSP fixed assets meeting the requirements of Circular Letter 91-32-OMB, i.e., with an original cost of $1000 or greater and an expected useful life of three years or more, is 90% complete. An electronic spreadsheet has been developed and all ~750 assets which meet the criteria have been added into the database (approximately 750 of the 3,330 assets are required to be recorded as per Circular Letter) along w/ all required fields. In addition, the two assets noted above as missing were subsequently located and accounted for by OHSP personnel. A form was created to account for the disposal and/or transfer of all OHSP equipment. Track-It will continue to be the software package used to organize and manage Help Desk activity as well as service tag information for IT equipment maintenance and repair.

Implementation Date:
Ongoing; completion date estimated at 10/09