Department of the Treasury
Division of Administration

July 1, 2002 to May 31, 2004
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 the Treasury, Division of Administration for the period July 1, 2002 to May 31, 2004. If you would like a personal briefing, please call me at (609) 292-3700.

September 10, 2004
# 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>2</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>Internal Controls - Payroll</td>
<td>3</td>
</tr>
<tr>
<td>Appendix</td>
<td>4</td>
</tr>
</tbody>
</table>
Department of the Treasury  
Division of Administration

Scope

We have completed an audit of the Department of the Treasury, Division of Administration for the period July 1, 2002 to May 31, 2004. Our audit was limited to activities involving the division’s cash receipts, expenditure, and payroll and personnel functions. A detailed description of activities excluded from our audit scope is presented in the appendix. Our audit included financial activities accounted for in the state’s General Fund and special revenue funds.

The prime responsibility of the Department of Treasury, Division of Administration is to provide department-wide support services. Total expenditures of the agency within our scope were $798.8 million during fiscal year 2003 and $854.2 million for fiscal year 2004 through May 31, 2004. Cash receipts in our scope approximated $116 million and $61 million for fiscal year 2003 and fiscal year 2004 through May 31, 2004, respectively. The major components of cash receipts were a one time refund of disbursement of $43.5 million occurring in fiscal year 2003 and various other revenues and refund of disbursements including revenues from the Economic Recovery Fund, the Governor’s Council on Alcoholism, and coin operated telephones.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the division’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 dated January 16, 1998.

The 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 division. 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.

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.

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 system. In making this determination, we noted an 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 should eliminate timekeepers’ posting of their own time.

Internal Controls - Payroll

Management is responsible for establishing and maintaining internal controls that will safeguard assets from loss or irregularity. The Department of the Treasury payroll unit is responsible for 4000 employees. Timekeeping is decentralized with over 150 primary timekeepers who input leave time and overtime into the Time and Leave Reporting System (TALRS). Our review of this process for 15 sampled timekeepers found two timekeepers who input their own time into TALRS while a third has accessibility to edit her own time. There are no system controls that prevent the timekeeper from entering their own time. Timekeepers posting their own time to the TALRS could lead to undetected discrepancies. Our analysis of the leave records for the three timekeepers disclosed no unusual activity.

Recommendation

We recommend that the division assign the timekeepers’ records to another TALRS reporting unit. This assignment would prohibit access to their own records within the TALRS.

Auditee Response

We concur with this recommendation and Human Resources will address this shortcoming immediately by reviewing the current list of timekeepers and re-assign any who are currently on their own timesheet. Human Resources will also review the access level to TALRS of all Treasury personnel to ensure that only primary and backup timekeepers have edit capability and only to the timesheets for which they are responsible. These changes will then be updated in the internal timekeeping list maintained by Treasury Administration, Human Resources.
The following financial transactions processed by units under the administration of the Department of the Treasury, Division of Administration were excluded from the scope of our audit. These activities are included in the scope of other audits performed by our office or by certified public accounting firms.

**Expenditure Accounts**

A. Debt Service Bond Redemptions (Object 5410) - All Treasury Organizations

B. Distribution Center Special Purpose/Purchases for Resale (Organization 2057 - Object 5810 and 2710)

C. State Subsidies and Services (Organization 2078 - Object 6XXX)

D. Lottery Award Payments and Interfund Transfers to the General Fund (Organization 2090 - Objects 5810 and 8910)

E. Higher Education Administration State Aid and Grants in Aid Payments (Organization 2155 - Objects 6010, 6040, 6060, 6070, 6099, 6140, 6150)

F. Central Motor Pool Vehicular Purchases (Organization 2052 - Object 7410)

G. Office of Management and Budget - Accounting and Financial Management (Organization 2040 - Objects 8310, 8750, 8910)

H. Interfund Transfers to funds other than the General Fund (All Treasury Organizations - Object 8920)

I. Grants in Aid (Organization 2058 - Objects 6140, 6150)

J. New Jersey Commission on Science and Technology excluding payroll expenditures (Organization 2042)
Revenue Accounts

A. All Organization 2000, Revenue Sources 5XXX, - Tax Revenue

B. All Organization 2080 - Tax and Revenue Administration

C. All Organization 2040 excluding Revenue Source 1166 - Recoveries for Services

D. All Organization 2081 - Shared and State Collect Local Tax

E. All Organization 2085 - Other Distributed Taxes

F. All Organization 2090 - Lottery excluding 1171 Communications Fee

G. All Organization 2034 - Office of Information Technology

H. Organization 2057 - Distribution Center, Revenue Source 3783, Purchasing and Inventory Management

I. All Organization 2078 - State Subsidies

J. All Organization 2105 - Division of Revenue excluding Revenue Source 4922 - Lockheed

K. Organization 2067 - Division of Property Management, Revenue Source 1194 - DEPE Properties