Department of the Treasury
Division of Purchase and Property
Special Programs

January 1, 2001 to May 31, 2002
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 the Treasury, Division of Purchase and Property Special Programs for the period January 1, 2001 to May 31, 2002. If you would like a personal briefing, please call me at (609) 292-3700.

James Patterson  
Assistant State Auditor  
December 24, 2002
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Department of the Treasury  
Division of Purchase and Property Special Programs

Scope

We have completed an audit of the Department of the Treasury, Division of Purchase and Property-Special Programs for the period January 1, 2001 to May 31, 2002. Our audit was limited to activities involving the division’s Purchase Card, the Cooperative Purchasing Extension and Line of Credit Programs.

The division has oversight responsibilities for the Purchase Card Program which is utilized by the various state departments and agencies. In calendar year 2001, 500 purchase cards were used charging a total of $27 million. The number of cards and dollar activity is expected to grow. The Cooperative Purchasing Extension Program allows municipalities and political subdivisions to access state contracts for their own use. Currently 800 entities are enrolled in the program. The Line of Credit Program allows for agencies to make large dollar equipment purchases and spread the costs over several years. The funds are borrowed from a fiduciary institution as selected through the competitive bid process. Currently, the state has $100 million of credit.

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. In addition, for the Cooperative Purchasing Extension Program our objective was to determine if the program was operating as intended and whether users were satisfied.

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. In addition, we performed surveys of current and past participants in the Cooperative Purchasing Extension Program and other non-participating entities to determine how the program could be improved.

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 system. We also found that the Cooperative Purchasing Extension Program was operating as intended and the users were satisfied.

Our review of the three programs found that they are beneficial to the operations of state government. Since the programs were effective, we have made the following comments to describe the programs and make suggestions to update and expand the utilization of the programs.
Purchase Card Program

Circular Letter 99-11-OMB/DPP states that the purchasing card program “was established to provide a more convenient and efficient payment system for goods and services.” Our review of 155 judgmentally selected purchase card transactions at various state agencies found that the transactions were proper and allowable and that the cards were used for anything from emergency purchases to normal bill paying. In addition, we found that when agencies did not strictly adhere to the Circular Letter requirements they had implemented compensating controls to assure the purchases were proper. We feel that the division could revisit the Purchase Card Program to (1) better define transactions for which a Purchase Card could be used and (2) determine whether circular letter requirements can be reduced without compromising existing controls, to effectuate a more efficient payment system.

Cooperative Purchasing Extension Program

The program allows municipalities and other political subdivisions to take advantage of contract prices and terms for goods and services already negotiated for by the state. Our review and survey of the program showed that it is a cost and time saving to the entities that are enrolled in the program. Our review also disclosed an overall enrollee satisfaction with the state’s administration of the program. We did note however that less than one third of those eligible are enrolled in the program, which requires an annual fee between $50 and $500 depending on the number of hard copies of contracts the enrollee plans to obtain. Certain benefits of the program may be obtained without being enrolled since most of the contract information is available on the internet, and smaller entities, such as fire districts, may obtain information from their local municipalities. Because
of this, the exact number of municipalities and political subdivisions using the program is difficult to determine. Our surveys of those not enrolled did disclose that many were not aware of the program or its benefits. Since our surveys clearly showed that cost savings can be obtained by local governments, which in turn could create property tax relief to its constituents, we feel it would be beneficial for all municipalities and political subdivisions to use the program. We suggest that the division improve its outreach program by expanding its relationship with the Department of Community Affairs (DCA), Local Government Services unit to include notifying and informing local governments through the DCA internet postings of the benefits and availability of the program.