The Honorable Donald T. DiFrancesco
Acting 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 Personnel for the period July 1, 1998 to December 31, 2000.

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

February 26, 2001
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Department of Personnel

Scope

We have completed an audit of the Department of Personnel for the period July 1, 1998 to December 31, 2000. Our audit included financial activities accounted for in the state’s General Fund.

Total annual expenditures of the agency were $33 million. The prime responsibility of the Department of Personnel is ensuring that the public employment system operates effectively for the benefit of government and employees. Annual revenues of the agency totaled $5 million and the major components of revenue were training courses and examination fees.

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, observation, and test 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 systematically and judgmentally selected.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the agency 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. We also found that the agency has resolved the significant issues noted in our prior report except for revenue deposits. This issue has been updated and restated in our current report.
Checks received should be deposited within 24 hours of receipt.

Revenue Deposits

Department procedures provide for the depositing of all examination fees subsequent to the administering of the test to limit the processing of refunds. Because of this, the fiscal section is not depositing receipts on the day received as required by Treasury Circular Letter 94-24. Noncompliance with this circular letter places the undeposited revenue at greater risk of loss.

Our walk-through of revenue procedures on August 22, 2000 included a cash count of the application processing fees which revealed the following:

- Checks and money orders totaling $58,000 had not yet been deposited.
- These items included receipt dates as far back as December 1999.
- Checks and money orders totaling $33,000 had not been restrictively endorsed.

Recommendation

In accordance with Department of the Treasury Circular Letter No. 94-24, the fiscal section should ensure that all moneys received are deposited on a timely basis. At a minimum, checks should be restrictively endorsed immediately upon receipt.

Auditee’s Response

The Department of Personnel concurs with the findings of the Office of the State Auditor for the period July 1, 1998 through December 31, 2000, that financial transactions related to agency programs were reasonable and were recorded properly. The Department has resolved the significant issues noted in the prior audit report except for the timeliness of revenue deposits.

While steps already have been taken to ensure that all checks and money orders will be restrictively endorsed, we continue to explore alternatives to our work processes in order to expedite deposits and
further reduce the risk of loss. The issue centers on the practice where various Merit System appointing authority agencies act as agents for the Department of Personnel in collecting exam application fees. These fees are held for a period of time during and after the active candidate filing period which begins from an announced issue date and lasts through the specified closing date for each particular job title. After an initial review for eligibility, packages of applications are bundled by exam announcement symbol and forwarded to the Department of Personnel for further processing which includes restrictive endorsement, payment deposit and other application review activities required to complete processing. This delay is inherent in our current practice and we are working to modify our processes.

We remain committed to an improved approach that can be implemented while preserving the internal controls that protect the integrity of the Merit System examination process. We have already contracted with a vendor to expedite application processing for high volume law enforcement and fire fighter exams, and we are discussing servicing arrangements with the Division of Revenue to provide for timely payment deposits.