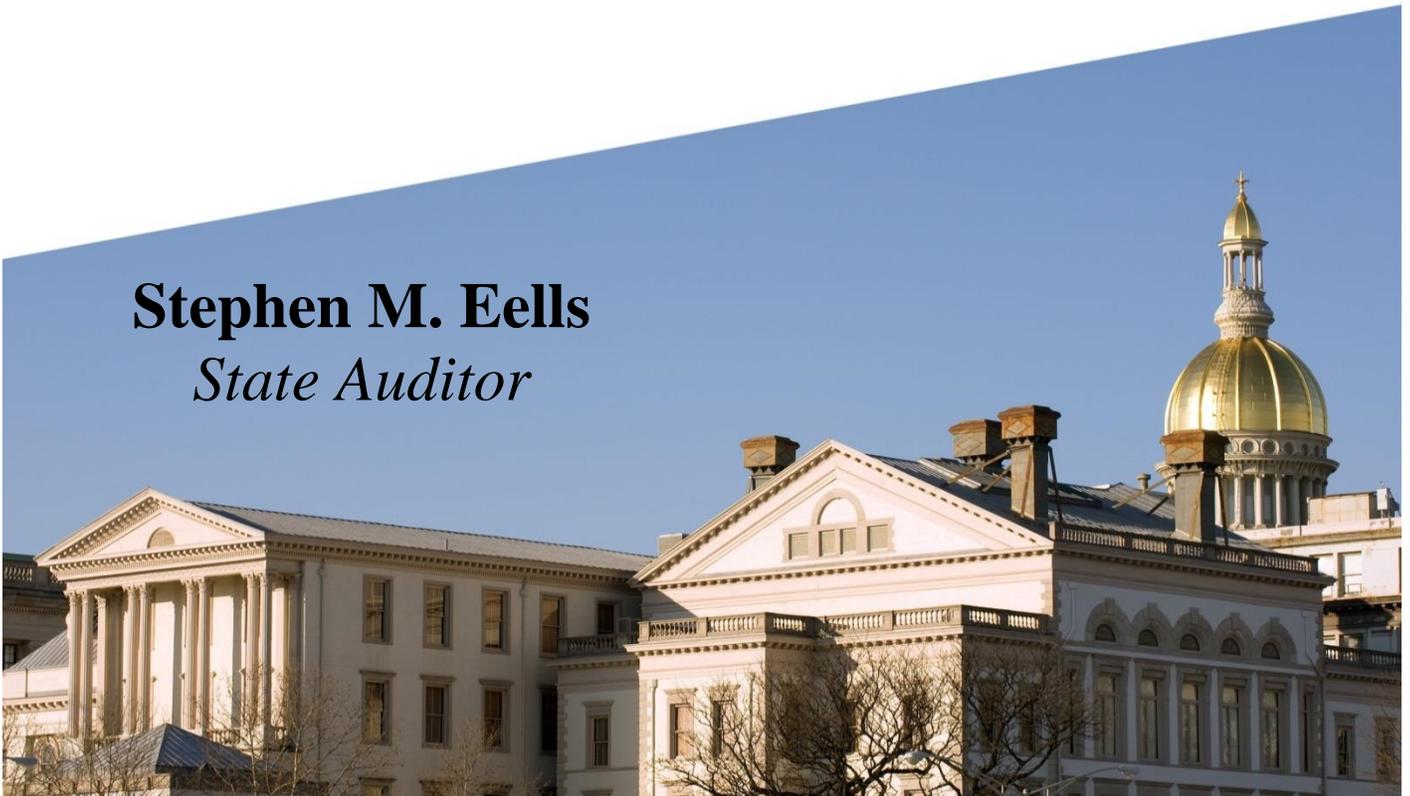


New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

2019 Annual Report

*Improving the accountability of public funds
and strengthening the operations of government*

Stephen M. Eells
State Auditor



Message from the State Auditor

The Honorable Members of the Senate and General Assembly

Ms. Peri A. Horowitz
Executive Director
Office of Legislative Services

I am pleased to present to you the *Annual Report of the New Jersey Office of Legislative Services, Office of the State Auditor* for calendar year 2019. In conformance with our responsibilities to perform financial, performance, and compliance audits, all state agencies are audited periodically using a risk-based approach. We issued 22 reports during 2019 which identified \$36.2 million in potential cost savings, improper payments, and revenue enhancements. In addition, the state continues to save substantial dollars as a result of the resolution of issues previously reported by the Office of the State Auditor. If you or members of your staff would like additional information or a personal briefing, please contact me.

Our mission is to improve the accountability of public funds and to improve the operations of government. We serve the public interest by providing members of the Legislature and other policymakers with unbiased, accurate information and objective recommendations on how to better use public resources. In addition to fulfilling our audit mission, we have focused on maximizing the quality of our services and maintaining communication with the Legislature and the agencies we audit. We are committed to providing high quality audit reports. You may be assured we will continue our efforts to improve state government accountability to the Legislature through an effective and constructive audit process.



Stephen M. Eells
State Auditor
May 6, 2020

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INTRODUCTION

BACKGROUND

The Office of the State Auditor, which is in the legislative branch of government, was originally established in 1934 pursuant to P.L. 1933, c.295. A number of statutory amendments dealing with the powers and duties of the State Auditor were enacted in the ensuing years. The Office of the State Auditor is within the Office of Legislative Services under the provisions of the Legislative Services Act.

The State Auditor is a constitutional officer appointed by the Legislature for a term of five years and until a successor shall be appointed and qualified. On February 11, 2010, Stephen M. Eells, CPA, was confirmed by a joint session of the Legislature as the State Auditor.

The organization of the office within the legislative branch permits the State Auditor to be independent of the executive and judicial branches of government. This independence is critical in terms of meeting professional standards and in providing fair and objective reviews and audits of governmental operations.

Under the provisions of Article VII, Section I, Paragraph 6 of the State Constitution and N.J.S.A. 52:24-1 et seq., the Office of the State Auditor is required to conduct post-audits of all transactions and accounts kept by or for all departments, offices, and agencies of state government. Reports are submitted to the Governor, the Legislature, and the Executive Director of the Office of Legislative Services.

The Public Laws of 2006, Chapter 82 authorized the State Auditor to conduct a performance review of any program of any accounting agency, any independent authority, or any public entity or grantee that receives state funds. The law also requires the State Auditor to conduct a follow-up review to determine agency compliance with our audit recommendations. In addition, at the request of the legislative leadership or the Legislative Services Commission, the State Auditor conducts studies on the operations of state and state-supported agencies with respect to their efficiency, internal management control, and compliance with applicable laws and regulations.

INTRODUCTION

MISSION STATEMENT

The State Auditor provides independent, unbiased, timely, and relevant information to the Legislature, agency management, and the citizens of New Jersey that can be used to improve the operations and accountability of public entities. In addition, the State Auditor provides assurances on the state's financial statements annually.

VISION STATEMENT

The State Auditor and his staff will approach all work in an independent, unbiased, and open-minded manner.

The State Auditor will provide timely reporting to the Legislature, agency management, and the citizens of New Jersey.

Reporting will be in clear and concise language so it is understood by all users of the report.

Reporting will include recommendations on how to improve the workings of government and how to strengthen agency internal controls.

Reporting will include assurances on the financial operations of the state.

The State Auditor and his staff will perform all work in a professional manner utilizing appropriate standards.

ACCOMPLISHMENTS

During calendar year 2019, we identified \$36.2 million in new cost savings, improper payments, and revenue enhancements. A schedule of cost savings, improper payments, and revenue enhancements is presented on page 4. The office provided training in various topics at no charge. Our compliance review on findings related to audit reports issued during the fiscal year ended June 30, 2018 disclosed that 71 percent of our recommendations have been complied with, or management has taken steps to achieve compliance. Over a two-year period, the rate of compliance for fiscal year 2017 recommendations rose to 84 percent.

The office performs the annual financial audit of the state's Comprehensive Annual Financial Report (CAFR). The CAFR engagement includes the audit of 205 funds and component units having a total asset value of \$221 billion at June 30, 2019.

INTRODUCTION

PROFESSIONAL STANDARDS

The Office of the State Auditor's audits are performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that our operations be reviewed every three years. In 2017, the National State Auditors Association conducted a review of our system of quality control which resulted in a Peer Review Rating of Pass, the highest rating attainable. The report received from this review is presented on page 5.

OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
SCHEDULE OF COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS
REPORTS ISSUED DURING CALENDAR YEAR 2019
 (Expressed in Thousands)

<u>REPORT</u>	<u>COST SAVINGS, IMPROPER PAYMENTS, AND/OR REVENUE ENHANCEMENTS</u>
Asbury Park School District	\$ 251.6
City of Camden School District	13,449.2
Department of Children and Families	
Division of Child Protection and Permanency	
Grants-in-Aid	27.9
Department of Community Affairs	
Division of Housing and Community Resources	
Low Income Home Energy Assistance Program	
Eligibility	12.3
Department of Corrections	
Northern State Prison	100.4
Department Human Services	
Division of Mental Health and Addiction Services	
Addiction Services	22,172.0
Department of Law and Public Safety	
Juvenile Justice Commission	
New Jersey Training School for Boys	<u>147.6</u>
<i>Total Cost Savings, Improper Payments, and Revenue Enhancements</i>	<u><u>\$ 36,161.0</u></u>



National State
Auditors Association
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PEER REVIEW REPORT
June 9, 2017

Honorable Stephen M. Eells
New Jersey State Auditor
125 South Warren Street
Trenton, NJ 08625

Dear Mr. Eells:

We have reviewed the system of quality control of the New Jersey Office of the State Auditor (the office) in effect for the period May 1, 2016 through April 30, 2017. A system of quality control encompasses the office's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The design of the system and compliance with it are the responsibility of the office. Our responsibility is to express an opinion on the design of the system and the office's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external peer reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the office's system of quality control for engagements conducted in accordance with professional standards. In addition, we tested compliance with the office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the office's policies and procedures on selected engagements. The engagements selected represented a reasonable cross-section of the office's engagements conducted in accordance with professional standards. We believe that the procedures we performed provide a reasonable basis for our opinion.

Our review was based on selective tests; therefore it would not necessarily disclose all design matters in the system of quality control or all compliance matters with the system. Also, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of the New Jersey Office of the State Auditor in effect for the period May 1, 2016 through April 30, 2017 has been suitably designed and was complied with during the period to provide the audit organization with reasonable assurance of performing and reporting in conformity with *Government Auditing Standards* in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. **The New Jersey Office of the State Auditor has received a peer review rating of *pass*.**

Craig Murray, CPA, CIA
Concurring Reviewer
External Peer Review Team
National State Auditors Association

Norman Bratton, CPA, CIA, CFE, CGFM
Team Leader
External Peer Review Team
National State Auditors Association

AUDIT REPORTS

TYPES OF AUDITS PERFORMED

Financial Audits

Financial audits are designed to provide reasonable assurance about whether the financial statements of an audited entity are fairly presented in conformity with generally accepted accounting principles. The primary annual financial audit conducted by the office is the state's Comprehensive Annual Financial Report (CAFR) which is published by the Department of the Treasury. In addition, we also publish the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* which is an integral part of the CAFR opinion audit. We have also issued a special report related to fund balances as of June 30, 2018 in accordance with statutory requirements. Three other financial audits were issued in calendar year 2019.

Performance Audits

The objectives of this type of audit are to determine whether financial transactions are related to an agency's programs, are reasonable, and are recorded properly in the accounting systems. This type of audit may also focus on specific performance issues. Where appropriate, these engagements may also provide economy and efficiency comments. Audits are selected using a risk-based approach. Larger departments are audited on a divisional, agency, or program basis rather than on a department-wide basis because of their size and complexity. We completed 12 performance audits in calendar year 2019. These audits encompassed \$16.2 billion and \$33.2 million of expenditures and revenues, respectively.

Information Technology (IT) Audits

The objectives of this type of audit are to determine whether the data maintained by a particular computer system is reliable, valid, safeguarded, and recorded properly; whether agency networks are properly managed to provide for business continuity and the prevention of system abuse; and whether system development and maintenance is performed in accordance with guidelines and best practices. During calendar year 2019, we reported on the Department of the Treasury, Division of Revenue and Enterprise Services, Information Technology Systems and the Office of Information Technology, Enterprise Data Warehouse.

The office has trained all audit staff on the basics of integrated auditing, where non-IT field auditors learn how to review IT controls while performing other audits. If the system they are reviewing has more complex controls, an IT auditor can be consulted or the system itself can be assigned to the IT unit as a separate audit. This effort will allow for review of a greater number of IT controls.

AUDIT REPORTS

TYPES OF AUDITS PERFORMED (continued)

School District Audits

N.J.S.A. 18A:7F-6d authorizes the Office of the State Auditor to audit the accounts and financial transactions of any school district in which the state aid equals 80 percent or more of its net budget for the year. In addition, in accordance with N.J.S.A. 18A:7A-57, the State Auditor is authorized to perform a forensic audit of school districts with a general fund deficit and meeting additional specific criteria as stated in the statute. We audited two school districts in calendar year 2019.

Legislative Requests

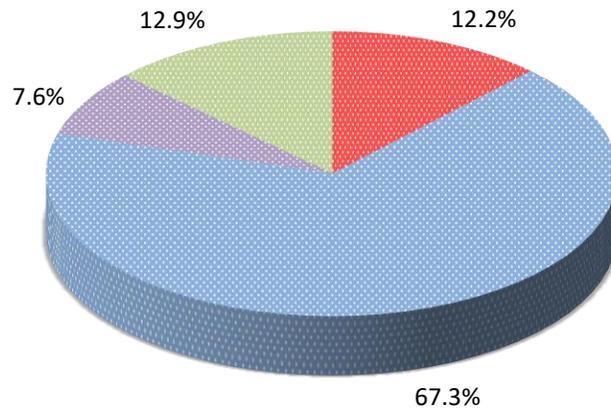
From time to time the Legislative Services Commission and Legislative leadership request the State Auditor to conduct special projects of the fiscal practices and procedures of the state and state-supported agencies, and to report findings to the Commission.

AUDIT REPORTS

DISTRIBUTION OF AUDIT HOURS

The distribution of audit hours used in performing audits during calendar year 2019 is depicted on the following chart.

DISTRIBUTION OF AUDIT HOURS



- Financial Audits - 12.2%
- Performance Audits - 67.3%
- Information Technology (IT) Audits and Support - 7.6%
- School District Audits - 12.9%

AUDIT REPORTS

HOW AND TO WHOM AUDIT REPORTS ARE ISSUED

Findings and recommendations developed as a result of our independent audits are intended to provide accountability and improvement of government operations. All reports are discussed with agency officials prior to finalization and modifications are made where warranted. Management comments to the final report are incorporated within the document. All issued reports of the Office of the State Auditor are public documents and are available on the New Jersey Legislature's web site at www.njleg.state.nj.us/legislativepub/auditreports.asp.

Reports are statutorily required to be sent to the:

- Governor
- President of the Senate
- Speaker of the General Assembly
- Executive Director of the Office of Legislative Services

In addition, copies of reports are routinely sent to the:

- Legislature (all members)
- Executive Directors of partisan staff
- Management of the audited entity
- State Treasurer
- State Comptroller
- State Library

Items Reported Under Separate Cover

Our audits sometimes disclose reportable conditions deemed confidential in nature. These conditions are communicated in a confidential management letter provided to agency management only. The findings and recommendations contained in the management letters are subject to the Office of the State Auditor's compliance process as required by N.J.S.A. 52:24-4.

ORGANIZATION

HUMAN RESOURCES

The Office of the State Auditor is one of eight units within the Office of Legislative Services. The State Auditor's office is comprised of 92 professional and 4 support staff positions. All auditors must have a bachelor's degree in accounting or a related field and a minimum of 24 credit hours in accounting. As of December 31, 2019, fifty-one staff members, 62 percent of the 88 filled professional positions, possess professional certifications or advanced degrees. Working for the office qualifies for the one-year intensive and diversified experience needed to become a Certified Public Accountant in the State of New Jersey.

The office provides a minimum of 80 continuing professional education credits biennially and diversified work experience to enhance each individual's professional development. The audit staff attends professional development programs encompassing a myriad of accounting and auditing topics. In addition, staff members actively participate as officers, board members, and committee members of local, state, and national accounting and auditing organizations, including the Association of Government Accountants, Institute of Internal Auditors, National State Auditors Association, and New York/New Jersey Intergovernmental Audit Forum. The office also participates in the national peer review program administered by the National State Auditors Association.

The office continues to provide training in New Jersey Law and Ethics for CPAs to its staff as well as to other state employees requiring the course. Staff also provided various governmental auditing presentations to university students and international professionals seeking to learn about the operations of the Office of the State Auditor.

AUDIT STAFF

The audit staff is the primary operating group in the office. They plan, conduct, and control the audit engagements and prepare and edit the reports. The audit teams report the results of their work to the auditee on an ongoing basis and at the conclusion of the engagement by means of a written report. In an effort to develop expertise, field managers are assigned specific departments. This practice enhances the quality and efficiency of our audits and ensures all programs are audited within a reasonable cycle. Information technology support is also provided by our IT staff.

The office maintains six active committees staffed by individuals in various titles to provide guidance in the areas of information technology (hardware/software and information), personnel, planning, policy, statistical sampling, and training. An intranet site is also maintained that contains staff information, state budget and appropriation information, and commonly used accounting and auditing research and reference internet sites that the audit staff can access through their computers.

ORGANIZATION

QUALITY ASSURANCE

The quality assurance staff is responsible for technical compliance and quality control, oversight of staff training, and research of technical issues. Quality assurance is achieved through reviews of working papers and reports to ensure accuracy and adherence to professional standards. The quality assurance staff, through its research of accounting and auditing issues, also responds to surveys, questionnaires, and exposure drafts relating to proposed accounting and auditing standards.

ADMINISTRATIVE STAFF

The administrative staff processes, files, and distributes all reports. This group is responsible for the office library, purchasing and maintaining office supplies, and other general administrative functions.

**OFFICE OF THE STATE AUDITOR
STAFF ROSTER
As of December 31, 2019**

STATE AUDITOR

Stephen M. Eells, CPA
Robyn Boyer, Administrative Assistant

ASSISTANT STATE AUDITOR

David J. Kaschak, CPA, CGFM

ASSISTANT STATE AUDITOR

Thomas Troutman, CPA, CIA, CGFM

Jill Bodnar, Secretary

AUDIT MANAGERS

Daniel Altobelli, CPA, CISA, CEH
Timothy D. Bush, CPA
Robert F. Gatti, CPA

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Brian Klingele, MS, CIA, CGAP
Kenneth Kramli, CPA

Linda Maher, CGFM
Kristen Menegus, CGAP
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Stephanie A. Collins, MBA
John J. Coyle, CPA
George Derbaly, MS, CPA
Luz Dow, CPA
Sean F. Duffy
Nikki Farrell, CICA
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Eric Fonseca
Rene Gervasoni

Kathleen Gorman
Vishal P. Jhaveri, MBA, CPA
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Anna Lorenc
Joshua Mastro, CFE
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Smaragda Ng, MBA
Stacey O'Brien, MBA, CPA
John R. Pullen
Michelle Quinones
Robert Rizzo, CPA

Nicole Sansone, CFE, CGAP
Donna M. Shemansky
Brian K. Sherfese
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Christopher D. Soleau, CGAP
Michael A. Tantum, MBA
Irene Torunoglu, MAccy, CPA
Kurt T. Zadworney, CICA

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Arashdip Singh
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Meghan Stillwell
Justin Toldt, MS, CPA
Shrushti Trivedi

ADMINISTRATIVE STAFF

Megan Osorio, Support Services Assistant
Barkley Sury, Support Services Assistant

IT SUPPORT STAFF

John L. Garrett, Data Analyst

Certification Legend:

CEH – Certified Ethical Hacker
CFE – Certified Fraud Examiner
CGAP – Certified Government Auditing Professional
CGFM – Certified Government Financial Manager
CIA – Certified Internal Auditor
CICA – Certified Internal Controls Auditor
CISA – Certified Information Systems Auditor
CPA – Certified Public Accountant
MAccy – Master of Accountancy
MBA – Master of Business Administration
MS – Master of Science

ACCOMPLISHMENTS AND RESULTS

SUMMARY

This section highlights five audits issued during the past year that contained cost savings, improper payments, and revenue enhancements totaling \$36.1 million. Information on these reports is presented on pages 14 through 40. Other reports of interest that contain significant findings and observations from seven additional audits are on pages 41 through 69. In addition, our reports contain non-monetary findings addressing areas of noncompliance with laws or regulations, weaknesses in internal controls, and economies and efficiencies to improve operations.

All reports issued in calendar year 2019 are identified on a schedule on pages 70 through 71 and are available for review on our website.

**ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS**

ASBURY PARK SCHOOL DISTRICT

Observation

Per Student Costs, State Aid, and Declining Enrollment

Exploring alternative grade configurations and maximizing the use of Asbury Park School District (district) school buildings may result in cost saving and a reduction of cost per pupil.

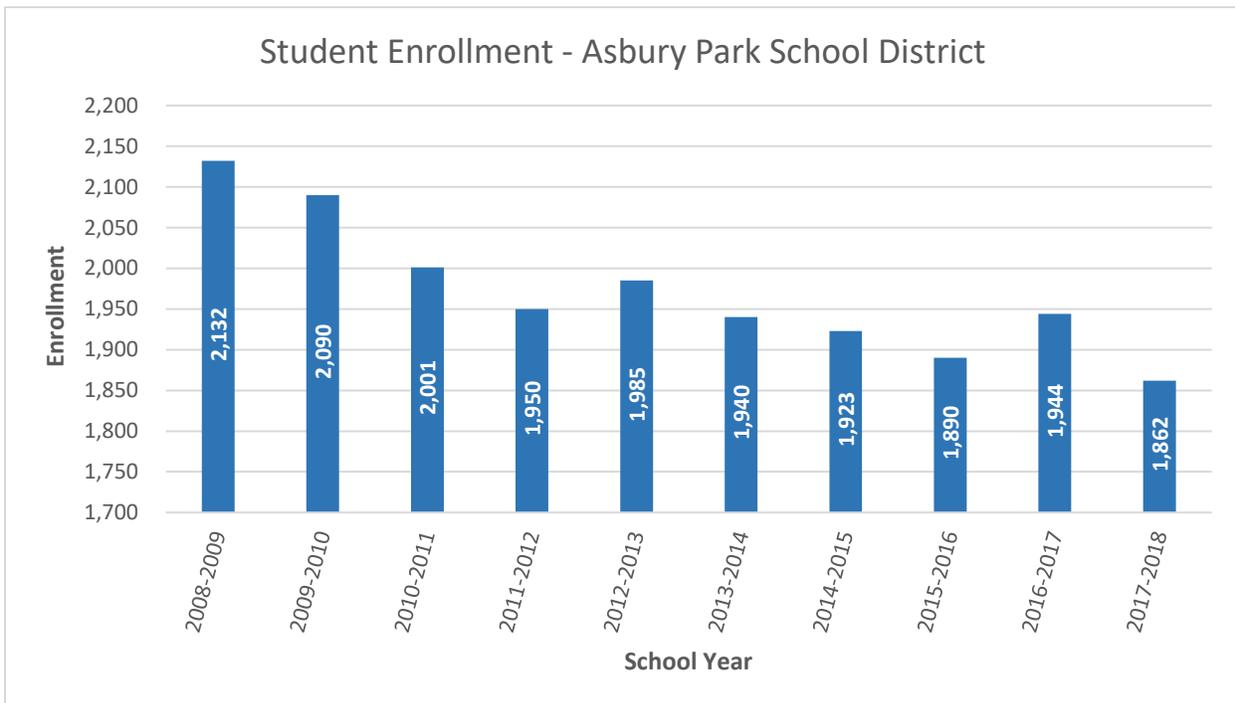
The Department of Education, using information supplied by the school districts, issues the annual *Taxpayers' Guide to Education Spending* (guide), which provides the public the opportunity to view and compare all dollars spent on students enrolled in the public school system. According to the 2018 guide, the district has the highest cost per pupil in its enrollment group (1,801 – 3,500 students) and operating type (K-12). The district also has the lowest student-to-teacher (8.9) and student-to-administrative personnel (77.8) ratios in its enrollment group. The statewide K-12 averages for these two ratios were 12.0 and 159.2, respectively. The district is funded primarily through the various state aid categories. Recent legislation modified the current school funding law, and among other modifications, eliminates adjustment aid provided to the district. Adjustment aid for fiscal year 2019 was \$21.6 million, reduced from \$23.4 million in fiscal year 2018, and it is anticipated that it will be phased out completely through fiscal year 2025. The Department of Education's fiscal year 2019 equalization aid summary from March 2018 calculates the district's local fair share as approximately \$17.4 million, while the user friendly budget for fiscal year 2019 estimates receipts of \$7.4 million from the local levy. With mounting state aid cuts on the horizon, the district will need to make certain budgetary decisions to reduce costs over the next several years. As part of our audit, we observed a continued decline in enrollment, excess capacity across schools, and the potential for improving staffing efficiencies through scheduling enhancements.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

ASBURY PARK SCHOOL DISTRICT (continued)

Declining Enrollment

We analyzed district enrollment trends from the 2008-2009 school year through the 2017-2018 school year. Total district enrollment was 1,862 at the end of 2017-2018 school year and has steadily decreased by approximately 14.5 percent over this ten-year period. There has also been a significant enrollment decline over the last two decades. Enrollment in the 2000-2001 school year was more than 3,000 students.



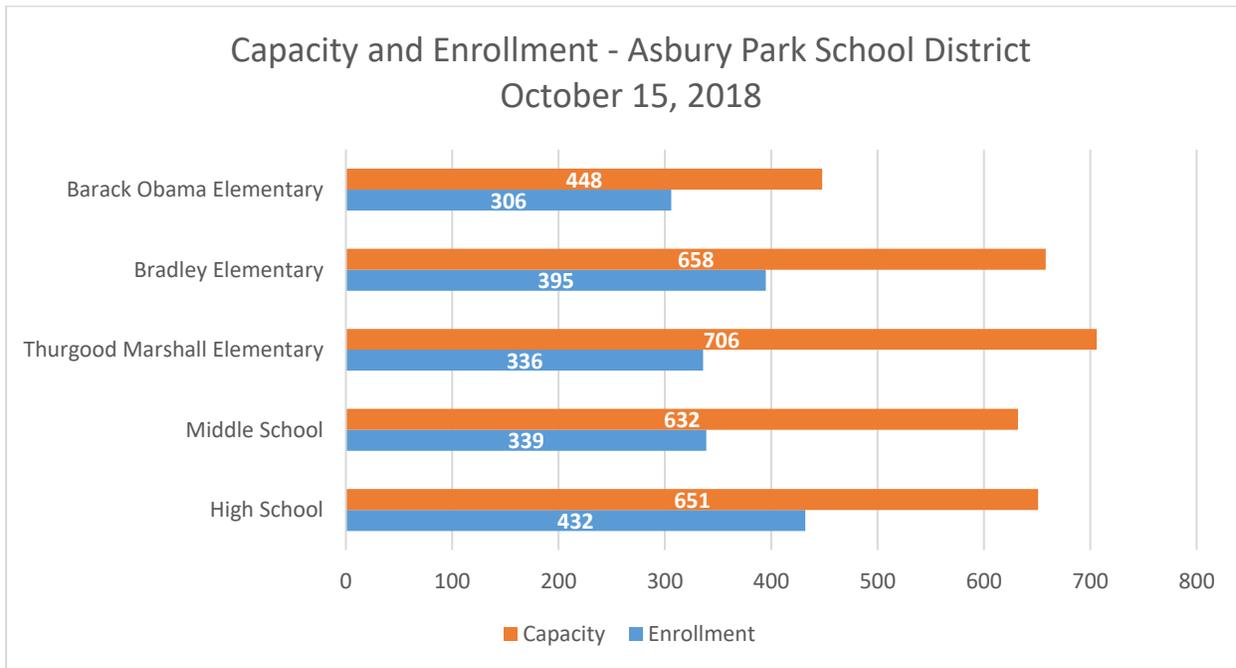
Source: Asbury Park School District, CAFR, Fiscal Year 2018, Exhibit J-18

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

ASBURY PARK SCHOOL DISTRICT (continued)

Excess Capacity

According to the district’s Comprehensive Annual Financial Report (CAFR), total capacity of the five schools is 3,095 students. The district had an enrollment of 1,862 students and operated at 60 percent capacity, as of the end of the 2017-2018 school year. The district may need to determine if the continued operation of all school buildings remains efficient. Currently, the district operates three elementary schools. One was closed for three school years between September 2011 and September 2014, and the district was able to house the student population. Additionally, the district leases a building for central office administration at a cost of approximately \$17,700 per month or \$212,400 per year. The following chart illustrates the excess capacity of each of the five schools.



Source: Asbury Park School District, CAFR, Fiscal Year 2018, Exhibit J-18; Student Information System, District Enrollment Report #1095

Class Size

Since staff salaries and benefits are normally a significant portion of a school district’s annual budget, we reviewed teacher schedules in the district’s student information system to determine if scheduling was efficient. According to New Jersey Administrative Code (N.J.A.C.) 6A:13-3.1, the class size shall not exceed 21 students in grades kindergarten through three, 23 in grades four and five, and 24 students in grades six through 12.

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

ASBURY PARK SCHOOL DISTRICT (continued)

We analyzed student enrollments at the end of the 2017-2018 school year, by grade and homeroom, for the three elementary schools, excluding self-contained special education homerooms. Our analysis revealed small class sizes in several kindergarten through fifth grade homerooms. The smallest was a fifth grade homeroom with nine students. We noted as many as eight homerooms that could have been consolidated in the various grades while allowing the district to continue to maintain class sizes below the maximum allowed by the administrative code. In some of these instances, combining homerooms would have to occur across all three elementary schools. Housing an entire grade of students in one school or educating a larger pool of students by grade level in a school building could enhance the district's ability to realize staffing efficiencies and increase flexibility to create class sizes closer to those outlined by the administrative code. This alternative may also eliminate occurrences of staff not having a full schedule which is noted in a scheduling finding also presented in the report.

Exploring school reconfiguration possibilities may result in cost savings opportunities while providing a thorough and efficient education to its students. Ultimately, any efficiencies that are achieved could help offset the anticipated reduction of adjustment aid, reduce cost per pupil, and move key ratios from the guide closer to statewide averages. Additionally, housing central office administration in a district-owned building would avoid annual lease costs.

Findings

Casual Payments

Controls should be improved to ensure the propriety of casual payments.

Casual payments are approved at Board of Education (board) meetings for various reasons including sports stipends, retroactive payroll payments, extracurricular activities, and home instruction. These payments totaled \$2.8 and \$3.0 million for fiscal years 2017 and 2018, respectively. Once the work assignment is completed, the employee fills out one of the district's supplemental payment forms. This form serves as documentation that the work performed was completed and requires approval from the employee's supervisor and central office. Once the supplemental payment form is approved, it is submitted to the payroll unit for payment. We judgmentally selected 50 casual payments totaling \$210,000 during fiscal years 2017 and 2018 and identified the following issues.

- We noted mathematical errors for 7 of the 50 payments. These exceptions ranged from payments in excess of board approval to errors in the calculation of total hours worked. In one example, an approved voucher for an employee was paid for 90 hours when only 30 hours were worked, resulting in an overpayment of \$5,760. This was brought to management's attention and an agreement was entered to recoup the overpayment.
- Eight of 43 vouchers tested did not contain required approvals. For example, a voucher for food services overtime did not contain the required supervisory approval.

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

ASBURY PARK SCHOOL DISTRICT (continued)

- The board approved employees that were members of the Curriculum Design Team to develop curriculum for various subjects at a rate of \$360 per completed and approved unit. Each subject and grade had four units and a total cost of \$1,440. We sampled three payments for curriculum writing to three separate employees, the highest payment of \$21,600 was made to one employee for writing 60 units. Two of the sampled employees submitted lump sum payment vouchers, one of which was at the end of the calendar year, and the other at the end of the fiscal year. The other employee submitted a voucher that appeared to be completed based on when the unit was written. Based on this voucher, up to four units were completed daily. If the employee worked 24 hours on four units, the hourly rate would be \$60, which was nearly double the hourly rate for certificated staff during that time period. Assuming the employee spent 8 hours on four units, or an hourly rate of \$180, he or she was paid more than five times the hourly rate for certificated staff. We found other districts that either provide professional development hours to employees who write curriculum or pay an hourly rate and cap the number of hours for each subject.
- Detailed written justification is not required for significant overtime. Completing this justification, including it with payment documentation, and requiring approval by the business administrator would ensure overtime is necessary. We sampled six maintenance and custodial overtime payments totaling approximately \$25,800 to four employees. These payments included 14 days where overtime was 10 or more hours. In one instance, an employee worked overtime of 17 hours, 24 hours, and 24 hours three consecutive days over a holiday weekend. According to the management, overtime was necessary because the fire panel was not functioning and the building could not be left empty without working fire alarms. The description for these instances of overtime was vague and did not include a detailed justification. In another instance, an employee worked 18 hours of overtime while charging vacation for the entire day (8 hours). Additionally, only two of the six had signed approvals from the business office on the supplemental payroll form.

Procurement

Controls over procurement need to be strengthened, and the district should comply with procurement policies and regulations.

Per N.J.A.C. 6A:23A, management is responsible for establishing specific internal control policies and procedures designed to provide reasonable assurance that the district's goals and objectives will be achieved. Internal controls shall promote operational efficiency and effectiveness, provide reliable financial information, safeguard assets and records, encourage adherence to prescribed policies, and comply with laws and regulations. We judgmentally sampled and tested 65 expenditure transactions totaling \$1,492,901 for fiscal years 2017 and 2018 and noted the following weaknesses.

ACCOMPLISHMENTS AND RESULTS

COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

ASBURY PARK SCHOOL DISTRICT (continued)

- Confirming orders, in which purchase orders were created and approved after the date of service, are strongly discouraged as per district policy. We noted confirming orders were used for 7 of the 65 orders for invoices totaling \$26,288. This procurement practice can result in the business office not having full knowledge of the obligations of the district which could result in overspending the budget.
- The district purchased a new 2018 cargo van from a state contract vendor. The invoice price for the vehicle was \$1,150 lower than the amount of the purchase order because the spray-in floor liner option was removed. Payment was made based on the purchase order amount rather than the invoiced amount resulting in an overpayment. The district was later refunded the difference. Additionally, we noted certain optional equipment added to the vehicle by the district may not have been necessary. For example, built-in navigation, rain sensing wipers, heated exterior mirrors, and running boards, are questionable options. The total cost of this optional equipment was \$2,354.
- Our test of the sampled wireless device transaction revealed devices that were underutilized and unutilized. We expanded our test and summarized wireless activity for a six-month period and found ten devices were not used at all, and five devices that were used minimally. We considered devices that used less than 100 minutes over the six-month period to be used minimally. The average monthly cost for each device is approximately \$50 which equates to approximately \$6,000 annually for unutilized devices, and \$3,000 annually for minimally used devices. We scanned additional periods of wireless bills and found international charges totaling \$2,461, related to an approved trip to Ghana. Switching to an international plan for the four devices used on the trip would have resulted in savings of \$2,181.
- Purchases totaling \$17,200 for electrical supplies were placed with a vendor against an expired state contract. The purchase order was created in July 2016 and the contract had expired in June 2012. Purchasing requirements include the use of current state contracts or competitive pricing for purchases exceeding \$6,000.
- The district's purchasing manual specifies that employee's may not have a direct interest in any contract or agreement for the sale of goods and services to the Board of Education. Additionally, the purchasing manual discourages school officials from recommending purchases from members of their families. We noted a payment of \$7,000 was made to a related party for a workshop and team-building yoga sessions during the summer of 2017. The owner of this business is also an employee of the district. This confirming purchase order was created in March 2018, almost eight months after the workshop was provided. Additionally, the board minutes did not include details regarding the vendor and total payment. The costs were all combined and did not identify the vendor. We identified payments totaling \$5,160 in each fiscal year 2017 and 2018 to another related party for computer equipment maintenance services provided by a family member of a district employee.

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

ASBURY PARK SCHOOL DISTRICT (continued)

- Three transactions did not have quotes for the purchase of goods or services that exceeded the threshold. Pursuant to the Public School Contracts Law and the district's Purchasing Manual, goods or services that are \$6,000 or more, but less than \$40,000 for the entire year, require at least two competitive quotes.

Health Benefits – Waiver Incentive

The district should improve controls for health benefit waiver incentive payments.

The Asbury Park School District participates in the School Employees' Health Benefits Program (SEHBP). In accordance with P.L. 2007, c.92 and P.L. 2010, c.2, the district provides an incentive payment for employees who waive coverage. The payments are made each year in June and may not exceed 25 percent of the amount saved by the employer or \$5,000, whichever is less. Total waiver incentive payments were approximately \$220,000 during fiscal years 2017 and 2018. Employees are only entitled to receive this payment when their other health coverage is not the State Health Benefits Program (SHBP) or SEHBP. Those waiving coverage are required to complete a form indicating that they have agreed to waive coverage and provide proof of other coverage. This form is signed and dated by the employee. The employer is then required to calculate the amount and frequency of the incentive payment, and mail the completed application to the New Jersey Division of Pension and Benefits. We reviewed the waiver incentive payment calculations for fiscal years 2017 and 2018 for accuracy and to determine if completed waiver forms and proof of other coverage were on file. Our review of the waiver incentive payment calculations revealed the following.

- One employee, whose other health coverage was SHBP, received a waiver incentive payment totaling \$5,000 in each fiscal year. His or her completed waiver form indicated that the incentive payment would be zero. Additionally, proof of other insurance was not on file for this employee and four additional employees at the time of our test.
- Prorated payment calculations for three employees in fiscal year 2017 and three employees in 2018 were not consistent for individuals who waived coverage for a partial year. Based on our calculation, this resulted in two overpayments totaling \$1,215 and four underpayments totaling \$2,775.
- The employee contribution percentage used to calculate the district cost to provide benefits was incorrect for two employees in fiscal year 2017, resulting in an overpayment of \$275. The employee contribution percentage in fiscal year 2018 was incorrect for all employees as it did not calculate savings based on new employee contribution percentages from the negotiated agreement. There was no effect on the majority of the payments as eligible savings still exceeded \$5,000; however, three employees were underpaid \$1,400 as a result.

There are no written policies or procedures regarding waiver incentive eligibility requirements or payment calculations.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

CITY OF CAMDEN SCHOOL DISTRICT

Renaissance School Reimbursements

The City of Camden School District (district) failed to monitor for reimbursement and fully recover costs under agreements with renaissance school operators.

Cost Reimbursements

The district provided shared custodial and security services and leased facilities and facility space to renaissance school operators. We noted that agreements did not always require utilities to be transferred to the renaissance school operators' names nor did they include reimbursement schedules. We also noted payment schedules were not always followed. We reviewed \$2.5 million in reimbursements received during our audit period and noted the following.

- Reimbursement of \$39,561 for electric bills from fiscal year 2015 was not recovered by the district until July 2017.
- Reimbursement of \$1,039,127 for shared custodial services provided between August 2015 and June 2016 was not recovered until December 2016.
- Reimbursement of \$939,148 for shared custodial services provided between August 2016 and June 2017 was billed in September 2017 and received in October 2017.
- Reimbursement for utility bills totaling \$310,635 was recovered in June 2017 for services between July 2015 and June 2016.
- Reimbursement of \$104,796 for utilities at a district building with shared space was billed in May 2017 and received in July 2017 for costs incurred between August 2015 and March 2017.
- Reimbursement of \$69,134 for shared security services between August 2016 and June 2017 was billed in September 2017 and received in October 2017.

The district's failure to promptly request reimbursement for expenses incurred under these agreements effectively provided the operators of the schools with interest free loans.

Shared Custodial Services

The district provided custodial services for renaissance schools through shared service agreements. District custodians were assigned to work at several renaissance school locations. Agreements state that the renaissance school shall pay the district the full cost of the custodial services; however, these costs were capped at estimated amounts of \$1,007,812 and \$1,023,441 in fiscal years 2016 and 2017, respectively.

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

CITY OF CAMDEN SCHOOL DISTRICT (continued)

We estimate the district's full payroll cost related to custodial employees assigned to renaissance schools exceeded reimbursed amounts for fiscal years 2016 and 2017 by \$245,000 and \$217,000, respectively. These unreimbursed costs were the result of several errors and omissions in the district's calculation for the cost of these services. The district used an incorrect payroll tax rate and failed to include overtime, shift coverage for call-outs, or the employer share of the pension contribution in the calculation. Also, the calculation did not include all custodians who were assigned to the renaissance schools per a list provided to us by the custodial manager.

Potential cost recoveries are limited due to the capped payment amounts in the shared services agreements. As a result, the district may only be able to recover \$300 and \$108,000 of its unreimbursed costs for fiscal years 2016 and 2017, respectively. The district's failure to fully recover the cost of custodial services had the effect of subsidizing this operating cost for the renaissance schools.

Early Childhood Program

The Early Childhood Program procedures and controls over review and approval of contract and special request payments need improvement.

The district offers full-day preschool programs to all resident 3- and 4-year-old children at no cost. Preschool programs are also offered by private providers who receive funding from the district. Total expenditures of the preschool program for the 2016–17 school year were approximately \$31.2 million including payments to 11 private providers totaling \$14.9 million. Our review of payments to private providers noted the following issues.

Contract Payments

According to the compensation clause in the private provider contract, "From October through June, in the event the average daily enrollment for the month is less than fourteen-fifteenths (14/15) of the number of contract slots, the amount due the following month under the contract shall equal the monthly amount multiplied by the average daily enrollment for the month, divided by the number of contract slots." Our review disclosed the district did not make the required payment adjustments to three providers in accordance with the terms of their contract. Total overpayments for the contract period from September 2016 through June 2017 were \$281,921.

Special Requests

While performing our review of adjustments to providers, we observed payments to some providers for "special requests" to cover costs associated with such items as infrastructure improvements, which were in addition to the monthly contractual payments that the providers received for the preschool program. Monthly contractual payments cover costs related to facilities; however, the district will approve special requests if they are a matter of health and safety, and if funding is available.

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

CITY OF CAMDEN SCHOOL DISTRICT (continued)

According to the Department of Education (DOE), district personnel should work with providers to develop a one-year budget to reflect projected costs to deliver a preschool program meeting all state standards. Special requests may be made by providers to pay for costs associated with unbudgeted items. Since the DOE no longer approves special requests, the districts should create their own process and may utilize the old DOE guidelines in forming their policies and procedures. However, the district does not maintain formal written procedures for special requests by their providers.

We selected a payment of \$74,713 for a detailed review since this transaction was the largest payment to a provider for special requests during the 2016–17 school year. The requests included the replacement of hot water heaters, the replacement of two roofs, installation of security cameras at three locations, and the installation of a kitchen hood and fire suppression system. Our review of these special requests disclosed many issues presented below that warrant attention.

Provider Documentation

The special requests for this payment were submitted to the district’s Early Childhood office over a nine-month period. The requests were vague with insufficient detail regarding why these items were necessary for the health and safety of students. The requests also lacked the proper number of bid quotes and supporting documentation required for this type of expenditure.

District Approval

In a letter to the provider, the district approved the costs for the hot water heaters, roofs, and the kitchen hood and fire system but not the security cameras. Our review of this letter found it appeared to have been altered and that the approval was never formally granted since the provider was paid for the security cameras even though it was not included on the letter. The payment for these cameras; however, was subsequently refunded to the district. Our review of supporting documentation for the roof replacement showed no justification as to why a different and higher bidder was selected to complete the job. After we notified the program’s accountant (accountant) of our concerns, she informed us the district was recovering the funds, and the provider had agreed to the repayment. In addition, the hot water heater proposal included more items than just the hot water heater; it also included repair for several water leaks, a gas leak, and troubleshooting for a fryer. We noted that the provider’s facility was used for a culinary program in addition to the preschool. The district should not pay the full cost for these types of expenses when the facility is used by other programs.

Payment Process

Invoices from providers are sent to the accountant in the district’s Early Childhood office via email. Invoices are reviewed for accuracy by the accountant who then forwards them to accounts payable. The accounts payable office does not scrutinize the invoices, but relies on the previous review of

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

CITY OF CAMDEN SCHOOL DISTRICT (continued)

the accountant. Once checks are printed, the accountant distributes them to the providers who must sign for the checks.

The special requests were paid using excess funds on the approved purchase order for the preschool program budget, which would not include special request items. This allowed the accountant to circumvent the district's procurement procedures. Special requests should go through regular procurement procedures. We found no evidence that any district staff members, including the Early Childhood Director and the Business Administrator, reviewed these special requests before payment. Excess funds were only available on the purchase order because the provider had lower enrollment than their contracted capacity.

The accountant is involved in the approval of special requests, adjustment of invoices, payment approval, as well as the distribution of checks. The Director is not involved in any part of the process. This lack of checks and balances and segregation of duties represents a weakness in accounting procedures and increases the risk of inappropriate transactions.

Internal Controls

Controls over expenditures need to be strengthened.

Per N.J.A.C. 6A:23A, management is responsible for establishing specific internal control policies and procedures designed to provide management with reasonable assurance that the district's goals and objectives will be achieved. Internal controls shall promote operational efficiency and effectiveness, provide reliable financial information, safeguard assets and records, encourage adherence to prescribed policies, and comply with laws and regulations.

The district's business office has been negatively impacted by frequent turnover within managerial positions. The lack of employee continuity has disrupted the internal control system in place. During our 32-month audit period, the School Business Administrator position was held by three different individuals. Also, the Assistant Business Administrator, Comptroller, Payables Manager, and Senior Payroll Manager positions have been abolished. Additionally, 23 upper-management employees separated from employment with the district. The average length of time these employees worked for the district was three years. This turnover has contributed to the erosion of internal controls.

We judgmentally tested 30 expenditure transactions totaling \$4,985,192 for fiscal years 2016 and 2017 and noted the following weaknesses.

Confirming orders, in which purchase orders were approved and created after the date of service, should only be allowed in an emergency situation as per district policy. We noted confirming orders were used for 7 of the 30 expenditure transactions tested totaling \$2,138,643. Included in these transactions were three payments against recurring contracts that the district should have

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

CITY OF CAMDEN SCHOOL DISTRICT (continued)

been aware of and should have established purchase orders to promptly commit the necessary funds. The first of these transactions was for a teacher professional development contract for \$540,716. In October 2015, the district awarded a contract to the vendor for 2015–16 school year services for an amount not to exceed \$648,300; however, it did not obligate funds for these services until May 2016, when payment was being processed. The second transaction was for substitute teaching services for \$965,588. The district authorized a contract to pay for these services in July 2016. Services began in September 2016; however, the district did not establish a purchase order to pay for these services until December 2016. The third transaction was for a payment of \$537,853 on an annual tuition contract approved in September 2016 for an amount not to exceed \$2,698,266. The district did not commit funds for the 2016–17 school year until October 2016 for services which began in September 2016.

Our test also disclosed several questionable transactions. In one transaction, an accounting firm was paid \$39,999 for reconciliation and audit preparation services which was just below the required bid threshold of \$40,000. The district selected the highest bid for these services. Part of the payment was for an estimated travel expense of \$5,000 because the vendor was traveling from the Boston area. The final agreement for the total cost of services was for \$35,000; however, a \$4,999 increase was approved prior to the work being started. This amount was not included in the original agreement but was added to cover additional accounting expenses, of which there was no documentation. The district could not provide details because the approvals were made by the former interim School Business Administrator and the former Budget Director who no longer work for the district. Also, of the 11 items in the scope of work for which the accounting firm was hired, only 1 was fully completed and only 2 were partially completed. The remaining 8 items were not completed at all.

In a second transaction, the Hi-Nella School District was paid \$187,500 for services acquired under a shared service agreement which allowed proper bidding procedures to be circumvented (see Hi-Nella School District Shared Service Agreement on Page 27). Additional sample transactions tested also did not have adequate documentation to support compliance with bidding procedures, including four instances where copies of the request for proposal were not maintained and six instances lacking proper bid quotes.

Along with the transactions in our test, we identified an additional \$812,877 in prior year expenses recorded in fiscal year 2017. Due to this irregularity, we expanded our review and noted several items on the September 26, 2017 Advisory Board Agenda Report during fiscal year 2018 that were expenditures from fiscal year 2017. Six contracts were amended by a total of \$268,129 for services performed during the 2016–17 school year. These services were not authorized until three months after the end of fiscal year 2017.

The use of confirming orders as a common practice leaves management with unreliable financial information for decision making and for controlling spending. The failure to record all obligations promptly could result in unrecorded liabilities and cause the district to overspend budgeted funds.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

CITY OF CAMDEN SCHOOL DISTRICT (continued)

Alternative School Programs

Accurate enrollment estimates and improved performance monitoring could reduce program costs and enhance student achievement.

We reviewed the Education Service Agreement entered into by the district with a vendor to operate the district's alternative school. The alternative school includes two programs. The Accelerated Program permits over-age or under-credited high school students to earn credits at an accelerated pace so they can graduate on time. The Transitional Program provides schooling for students in grades 7–12 with behavioral or disciplinary problems. The fiscal year 2017 contract with this vendor was for a flat yearly fee of \$1,638,104 for up to a maximum capacity of 300 students.

The programs are run in district facilities and utilize district staff including teachers, custodians, nurses, and security guards. Total salary costs approximate \$2.3 million. The district also provides supplies, textbooks, computers, as well as facilities, transportation, and food services. The vendor provides the program, administrators and behavioral specialists, and training for district teachers working in the alternative school.

Our audit disclosed that for the 2016–17 school year, the vendor was approved to enroll up to 200 students in the Accelerated Program, however, only 150 students were enrolled. The vendor was also approved to enroll 100 students in the Transitional Education Program, however, only 52 students were enrolled. The district could have reduced its costs if the contract had included provisions to adjust fees based on actual enrollment.

The district failed to adequately monitor its alternative education program vendor payments. Our review disclosed an overpayment of \$151,300.93 in fiscal year 2017. The payment was for services provided under a prior contract which had already been paid-in-full.

The district's contract with the vendor defines metrics by which performance is to be measured as well as deliverables to be provided. During our survey, we requested from the district, documentation of these metrics as well as the required deliverables. The district was unable to provide us evidence of monitoring of the vendor's performance. We obtained monthly reports from the vendor which highlighted program statistics such as enrollment and student improvement. We compared performance metrics to reported amounts for the 2016–17 school year and found metrics such as improved attendance and graduation rates were not achieved. We noted the vendor did not meet all performance metrics specified in the contract. In all, four of the seven metrics tested were not achieved for the Accelerated Program and five of the seven metrics tested were not achieved for the Transitional Program.

The district added a provision to the 2016–17 school year contract requiring the vendor to have an independent third-party evaluation report prepared for the program. No such report was received by the district during our audit.

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

CITY OF CAMDEN SCHOOL DISTRICT (continued)

It should be noted the district has taken over the management and daily operations of the alternative school programs beginning in the 2018–19 school year. The operating budget for the instructional alternative education program is \$280,000.

Camden County Technical Schools Tuition

Improved contract monitoring is needed to ensure proper inclusion of tuition adjustments.

The district has an annual tuition contract with Camden County Technical Schools (CCTS) to provide vocational and technical education to its high school students. Average annual tuition payments were \$2.7 million in the 2015–16 and 2016–17 school years. Monthly payments are made throughout the year based on an estimated number of students at an estimated tuition rate. At the end of the school year, CCTS is required to calculate an adjustment based on the variance between estimated and actual enrollment. If the actual enrollment is less than the estimated enrollment, the district is due a refund. When the Department of Education (DOE) releases the certified tuition rates, CCTS is required to calculate a second adjustment based on the variance between estimated tuition rate paid by the district and the certified tuition rate. If the certified tuition rate is less than the estimated tuition rate, the district is also due a refund.

Our review disclosed that the district received a \$1.1 million tuition credit for the rate difference during the 2015–16 school year which was applied against the 2017–18 school year contract. The district is still owed a refund from CCTS of \$4,220,328 for the 2013–14 through 2016–17 school years. It did not receive adjustments for the variance between the actual average daily enrollment and the estimated number of students enrolled for the 2015–16 and 2016–17 school years. Also, from the 2013–14 through 2015–16 school years, the estimated tuition rate was significantly higher than the certified tuition rate. As confirmed by DOE, it is the responsibility of CCTS to issue a refund to the district when the estimated rate is greater than the certified tuition rate.

Management was unaware that the district should receive any refund resulting from the enrollment and tuition rate variances and acknowledged that this program was not being adequately monitored. Additionally, as of January 2018 the district had not made any payments to CCTS for the 2017–18 school year and had not issued a purchase order, even though the services began in September of 2017.

Hi-Nella School District Shared Service Agreement

Goods and services acquired under a shared service agreement included additional cost to the district and allowed bidding procedures to be circumvented.

The district began utilizing a shared service agreement (agreement) in May 2014 with the Hi-Nella School District for procuring goods and services. We noted that the district obtained goods and

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

CITY OF CAMDEN SCHOOL DISTRICT (continued)

services through this agreement totaling \$3.0 million during the period May 2014 through June 2016. This amount included 15 purchases totaling \$2.6 million which exceeded the \$40,000 bidding threshold and would have required competitive bidding by the district had it not been for the agreement. The Hi-Nella School District, through the agreement, subcontracted work to vendors already directly doing business with the district. We questioned this arrangement in a separate audit of the Hi-Nella School District issued on June 21, 2016, which found the Hi-Nella School District did not always follow the required competitive bidding process and had a related party concern with the district.

The district did not perform its due diligence to ensure that the Hi-Nella School District followed competitive bidding procedures, and agreements contained appropriate contact terms. The Hi-Nella School District applied an average 10 percent markup to district-related projects. The estimated markup amount paid by the district for acquiring services through the agreement was \$275,242 from fiscal year 2014 through fiscal year 2016. The agreement did not include specific terms regarding the cost of goods and services and failed to disclose any fees or markups applied by the Hi-Nella School District; however, the district should have been aware of these issues as its former Assistant Business Administrator and Purchasing Agent was concurrently employed as the Hi-Nella Business Administrator on a part-time basis from July 2014 to June 2016. Since the Hi-Nella School District did not always follow the required competitive bidding process, the district effectively circumvented proper bidding procedures through its use of the agreement.

Non-Public School Grant Expenditures

The district's administration of services provided to non-public schools does not comply with grant regulations.

The district administers federal grants in which non-public schools may participate in the services available to the district. Federal regulations require the district to retain control of the funds. Services are to be provided by either a district employee or through a contract with an individual, association, agency, or organization independent of the private school and any religious organization. The employment or contract must be under the control and supervision of the district.

Our review of supporting documentation for all 2016 and 2017 fiscal year purchase orders disclosed payments were made without adequate support, purchase orders were created after services were rendered and procurements lacked proper bids or quotes. In addition, three vendors contracted to provide services to the non-public schools appear to be related parties and not independent of the non-public schools.

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

CITY OF CAMDEN SCHOOL DISTRICT (continued)

Procurement

During fiscal year 2017, the district paid a vendor \$23,525 for English Language Learners (ELL) program services even though hours worked by the staff were not properly supported and the number of days each program operated per the supporting documentation did not match the number of days per the vendor's bill. The ELL program services consisted of afterschool and parent outreach programs that were supposed to operate for 90 days and translation services for parent conferences and meetings. Support documentation for the afterschool program was only provided for 39 of the 90 days and for the parent outreach program for only 15 of the 90 days. No support was provided to us for 220 hours of translation services during parent conferences and meetings. In addition, only one quote was obtained for these services when, based on the dollar amount for this transaction, the district should have obtained at least two quotes.

During fiscal year 2017, the district paid \$55,000 for teacher mentoring and coaching services. The vendor billed the district at rates of \$150 or \$200 per hour; however, support documentation did not indicate the number of hours worked. Support documentation provided only included teacher sign-in sheets. In some cases, these sheets appeared to be altered as information was inconsistent from one sheet to the next. We requested supporting documentation for a payment of \$85,000 to this vendor for services provided in fiscal year 2016; however, the district was unable to locate these documents. We also noted that the district's fiscal years 2016 and 2017 contracts with the vendor for the teacher mentoring and coaching services were for \$150 or \$200 per hour, while the fiscal year 2018 proposal for the same services from the same vendor was reduced to \$50 per hour. This brings into question the reasonableness of the previously contracted hourly rates.

During fiscal year 2016, the district paid another vendor \$79,000 to provide guidance counseling services at approximately \$80 per hour for 988 hours of services. Services were supposed to begin in September 2015, but the contract was not signed by the district School Business Administrator until February 18, 2016. This vendor was the only bidder to submit a proposal for these services. During fiscal year 2017, the district made five payments to the same vendor totaling \$109,000 for these services. The vendor was once again the only bidder and charged an hourly rate of \$90. We compared the hourly rates charged by the vendor to the hourly rates charged by other vendors for comparable services. The \$90 hourly rate appears to be excessive when compared to two other vendors who charged \$35 to \$36 per hour and provided similar guidance counseling services for district students at other non-public schools.

Related Parties

Our analysis of expenditures for non-public schools during fiscal years 2016 and 2017 disclosed that three vendors identified as potential related parties accounted for 51 percent of total non-public school expenditures.

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

CITY OF CAMDEN SCHOOL DISTRICT (continued)

The first vendor (Vendor A) is a nonprofit organization created in 2008 to centralize financial and academic management of certain non-public elementary schools in Camden. The district paid Vendor A \$13,340 in fiscal year 2016 and \$13,625 in fiscal year 2017 for professional development services at these elementary schools. Since Vendor A is responsible for the management of these elementary schools, it would not be considered independent as required by the grant and therefore ineligible to provide these services.

The second vendor (Vendor B) is a nonprofit organization providing academic enrichment and support programs for K-12 students and professional development. The district paid Vendor B \$85,000 in fiscal year 2016 and \$ 78,525 in fiscal year 2017 for services. The individuals holding the positions of President and Treasurer of Vendor B are also the Executive Director and Chief Financial Officer for Vendor A. We attempted to obtain wage reporting data for employees of Vendor B to identify who might have performed these services, and found no wage data reported for any employees. It is not clear if these services were provided by employees of the schools, volunteers, another vendor, or even provided at all. Additionally, the 2015 and 2016 Internal Revenue Service Form 990s showed that Vendor B did not have any employees during those years and paid no compensation.

The last vendor (Vendor C) is a nonprofit organization under an ecclesiastical district that provides various social services for needy individuals throughout the six southern New Jersey counties. Vendor C provides guidance counseling services at three of the non-public schools in Camden which are operated by Vendor A. The district paid Vendor C \$79,000 in fiscal year 2016 and \$109,000 in fiscal year 2017 for these services. Vendor C, through its association with the ecclesiastical district, is a related party to Vendor A. As disclosed in a note to Vendor A's financial statements, the ecclesiastical district provides Vendor A with rent-free usage of facilities (valued at \$365,900 per year) as well as subsidies of \$300 per student.

Observation

Vacant District Property

The district owns seven vacant properties, with the average length of vacancy being seven years. The buildings on these properties are generally in poor condition and cannot be used without significant repairs. Our audit disclosed the district incurred costs totaling \$162,223 for utilities and maintenance at these properties from July 1, 2015 through February 28, 2018. During 2016, one of these properties, located outside the City of Camden became subject to local taxes because it is no longer utilized as a public school. These property taxes totaled \$37,234.

The district told us that it tries to sell the properties if there are any interested business parties. Two of the properties were appraised in 2017 at \$1.2 million by an independent professional. According to a fixed asset accounting ledger, the remaining five properties had a book value of

ACCOMPLISHMENTS AND RESULTS COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

CITY OF CAMDEN SCHOOL DISTRICT (continued)

approximately \$2.1 million in 2016 (\$1.9 million for the buildings and \$255,000 for the land); however, a proper real estate appraisal has not been performed for these five properties, therefore their approximate market value remains unknown.

The vacant properties serve no purpose to the district, as the buildings on these properties are in such disrepair that they cannot be safely utilized by the district as either temporary or emergency locations. As a result, the district is forced to lease facilities when such space is needed.

The district is currently building a new high school which is expected to open for the school year starting in fall of 2021. It currently leases two facilities to compensate for the loss of the high school building, with one facility housing the students and the other facility housing furniture and equipment. The annual costs of these facilities are \$200,000 and \$116,418, respectively. The rental rate for the student facility is to be fully reimbursed by the New Jersey Schools Development Authority.

In January 2018, pipes at one of the district's schools burst, leading to significant flood damages to the building and rendering it unusable for students and staff. Since the vacant properties could not be used, the district entered into a lease agreement for temporary space from January 1, 2018 through June 30, 2018. The district became responsible for lease payments totaling \$220,000 and estimated utility costs totaling \$40,000.

In the 2012–13 school year the district school enrollment was 12,608. As of the 2016–17 school year, district school enrollment declined by 3,720 students (30 percent). This is primarily due to an enrollment shift towards the charter and renaissance schools. If district school enrollment continues to decline, it is possible that more properties will become vacant.

ACCOMPLISHMENTS AND RESULTS

COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF CORRECTIONS NORTHERN STATE PRISON

Employee Overdrawn Leave Balances

Procedures for tracking employee overdrawn leave balances need to be strengthened.

The Time and Leave Recording System (TALRS) credits employees with a full-year leave allotment at the beginning of the calendar year under the assumption that they are going to work the entire year. However, some employees at the Department of Corrections (department), Northern State Prison (prison) overdraw their leave balances when they do not work enough days during the year to earn the time credited. This creates a debt that the employee owes to the state for the dollar amount of overdrawn leave that must be recouped in accordance with N.J.A.C. 4A:6-1.5. If the employee is still employed by the state, the debt is either satisfied through a scheduled payroll deduction or full reimbursement from the employee. The assigned payroll clerk at the prison's regional personnel unit calculates the amount due from each employee and initiates the collection process. If the state employment has terminated and after 90 days of non-repayment, the debt should be submitted to the Department of the Treasury, Division of Revenue and Enterprise Services (DORES) for further collection efforts as per Department of the Treasury Circular No. 13-11-OMB. From a population of 70 employee accounts with negative sick leave balances totaling \$69,000 that carried forward into 2017, we judgmentally selected a sample of 20 overdrawn leave balances totaling \$41,300 for testing. The results of our testing and review of the internal controls disclosed the following.

- Two separated employees still had original overdrawn balances older than 90 days and the debt had not been submitted to DORES for collection. One employee retired July 2018, and the other employee resigned September 2017. The last time the prison submitted its employee-related overdrawn leave balances to DORES was in August 2014. Of the remaining 18 employees, five employee payments (28 percent) did not agree with the TALRS recoupment (overdrawn leave time adjustments) entries, resulting in employee underpayments of \$1,800.
- The assigned payroll clerk prepares employee debt calculations, collects the overpayment from the employee, and enters the recoupment to the leave records (TALRS). Proper internal controls require these duties be segregated to decrease the risk of undetected errors.
- There were no supervisory approvals for employee debt calculations, cash collections, and TALRS recoupment entries.
- The payroll clerk's calculation of individual employee debt is calculated manually and is at risk to errors in comparison to the utilization of an electronic worksheet template. We found three employee debts were manually calculated in error. In December 2018, the department was in the process of providing an electronic worksheet template to the prison's regional personnel unit.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF CORRECTIONS
NORTHERN STATE PRISON (continued)

Internal Controls

Internal controls over procurement need improving.

Management is responsible for establishing and maintaining internal controls that safeguard assets from loss and unauthorized use. Proper segregation of duties and maintenance of accurate and complete documentation are necessary to assure the proper use of resources. We identified the following internal control weaknesses over procurement.

- In our random sample of 34 expenditure transactions, we found 10 (29 percent) had the same person both requesting the items and/or services and directly receiving them. Adherence to proper segregation over procurement is cited in the department's internal management procedure.
- There are only two credit card (P-card) users. One is issued to the Business Manager who makes both P-card purchases and processes the payments. There are no supervisory approvals over these transactions. The Department of the Treasury Circular No. 17-07-DPP stipulates that duties over credit card transactions should be separated.
- The prison was charged an average \$90,000 per month, or \$1.1 million in fiscal year 2018, for water and sewage utilities. We found the prison's maintenance department does not analyze or approve the monthly bills prior to their payment or determine if water consumption was reasonable based on monthly meter readings. Any unusual water meter readings caused by water leaks, faulty water meters, and/or excessive water usage may not be detected timely since the maintenance department does not review the monthly water bills. In addition, we noted five instances in which the business office did not pay the bills timely, resulting in \$6,000 in late fees for fiscal years 2016 to 2018. Per the Department of the Treasury Circular No. 11-23-OMB, superseded by No. 19-07-OMB, the prison is exempt from paying late fees to government entities or public utilities.
- The prison utilizes a postage meter machine that is periodically replenished electronically. Anticipated postal charges should be accurately reflected on the Treasury Account Billing System (TABS) which is monitored by the department's fiscal management. We found postal charges totaling \$98,600 for fiscal years 2013 to 2018 were incorrectly charged to another state department and not detected by the Department of Corrections' fiscal management.

ACCOMPLISHMENTS AND RESULTS

COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF HUMAN SERVICES

DIVISION OF MENTAL HEALTH AND ADDICTION SERVICES

ADDICTION SERVICES

Background

According to the U.S. Department of Health and Human Services' Substance Abuse and Mental Health Services Administration, an estimated 30.5 million people ages 12 and older nationwide, or 11.2 percent of the population, were considered current users of illicit drugs in 2017. Additionally, 11.4 million people abused opioids, the vast majority of whom abused prescription pain relievers. While the number of people receiving treatment for substance abuse has increased, an estimated 16.7 million people needed treatment, but did not receive it. According to the Centers for Disease Control and Prevention estimates, more than 72,000 overdose deaths occurred in 2017, a 38 percent increase since 2015.

As New Jersey's Office of the Attorney General reports, almost 8,600 people died from a drug overdose from January 2015 through August 2018, with 2018 projected to see more than 3,000 deaths. According to the Department of Human Services, Division of Mental Health and Addiction Services (division), almost 38,000 New Jersey residents who needed treatment for substance abuse in 2017 did not receive it.

Monitoring of Mobile Medication Units

The division should improve its monitoring of mobile medication unit providers and re-assess the use of these units.

The division paid \$4.3 million per year to five providers to operate mobile medication units (MMU) as part of its Medication-Assisted Treatment Initiative (MATI). The MATI funds medication-assisted and other treatment services for indigent New Jersey residents with an opiate addiction. The goal is to provide medication-assisted treatment in the form of methadone and buprenorphine dispensed to individuals in areas with limited or no access to medication-assisted treatment, as well as to individuals referred through the Syringe Access Program administered by the Department of Health. An individual receiving medication through an MMU is required to receive counseling and other services either at the MMU or at the provider's office-based facility.

Levels of Service

The providers are contractually required to serve at least 200 clients daily and must go out into the community six days each week. For a provider to receive full contract funding it must maintain a utilization rate of 95 percent. Failure to meet that level of service may result in the recoupment of funds by the division. Each provider submits signed monthly rosters to the division listing all clients receiving services from the MMUs. However, that information is not communicated to the division's contract administrators who monitor the MMU contracts. Our review of the 2017 monthly rosters disclosed that two of the providers failed to meet the level of

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF HUMAN SERVICES
DIVISION OF MENTAL HEALTH AND ADDICTION SERVICES
ADDICTION SERVICES (continued)

service requirement. When we brought this to the attention of the contract administrators, they were unaware of the level of service requirement. In addition, the MMUs are required to go out into the community 312 days per year, but none did so in 2017. In fact, the five MMUs went into the community an average of only 60 percent of the number of days required, with only two exceeding 90 percent, as shown below.

	Days In Community	Percentage In Community
Provider A	294	94%
Provider B	203	65%
Provider C	120	38%
Provider D	25	8%
Provider E	292	94%
Average		60%

When an MMU does not go into the community, the provider notifies the division, but the division does not track the days MMUs are not in operation. When we asked the division for the number of days the MMUs were not in operation, it contacted the providers for that information. In addition, no efforts were made by the division to recoup any contract costs from the providers not achieving the required levels of service.

We sent questionnaires to the five providers and visited two of them. Three of the five stated the MMU program was inefficient and that the money would be better spent on other programs or methods of treatment delivery. The reasons given included:

- Too expensive for them to operate and maintain;
- Community resistance;
- Limited space on the unit; and
- Makes services too fragmented for clients.

In addition, three of the MMUs travel less than two miles away from the provider's fixed site when they go into the community. Some of the providers noted it would be easier and more efficient to pick clients up in company vans and transport them to and from the fixed site for their medication. One provider utilizes the MMU at the county jail. Other providers stated they would also be interested in using a mobile unit for that purpose.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF HUMAN SERVICES
DIVISION OF MENTAL HEALTH AND ADDICTION SERVICES
ADDICTION SERVICES (continued)

Contract Monitoring

It is the division's responsibility to scrutinize MMU provider budgets and expenditures and to implement controls that allow for the equitable reimbursement for services delivered under each provider's contract. The division's contract administrators monitor the expenditures submitted by providers, who are paid in equal monthly installments based on approved budgets.

We reviewed the contracts and expenditures for four providers with approved budgets totaling \$3.5 million and found the following weaknesses.

- Certain costs may be allocated between a provider's MMU and a provider's other programs. One provider stated it allocated 23 percent of its expenses to the MMU for most budget categories, but could not explain how the allocation figure was determined. This provider allocated 23 percent of its medication expenses to the MMU. We expected medication to be charged as an actual expense, as medication is directly related to the program.
- The same provider's 2016-2017 audited financial report noted concern for the lack of adequate supporting documentation with respect to its MATI grant. The financial auditor also expressed concern regarding the provider's methodology used for allocating costs as direct or indirect because it was not adequately defined and documented.
- One provider stated it owed the division about \$1.2 million for the 2016 and 2017 contract years, but the division had not asked for payment because a contract closeout had not been performed. The provider indicated that it intended to pay, but had not received any requests from the division. After we notified the division, a preliminary and final closeout was completed, and the \$1.2 million was collected. The same provider was also overpaid more than \$28,000 for the 2010 grant year, but the division failed to seek recovery.
- This same provider also paid \$44,000 for the construction of a parking lot without going through a bidding process. When we asked the contract administrator if bidding was needed in this instance, she said she was not familiar with the issue.
- The division does not request supporting documentation, such as receipts or payroll information to verify the expenditures reported by the providers.

Provider expenditures are reported quarterly and at the end of the contract year. For each quarter of the contract year and during the preliminary contract closeouts, contract administrators evaluate expenditure levels to make sure they are within approved budgeted amounts, but they generally do not ask for any documentation supporting the reported expenditures until final closeouts are done, if at all.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF HUMAN SERVICES
DIVISION OF MENTAL HEALTH AND ADDICTION SERVICES
ADDICTION SERVICES (continued)

Contract Closeouts

The division needs to improve its monitoring of all contracts by completing preliminary and final closeouts annually.

The division contracts annually with providers to render services to individuals seeking addiction treatment and determines, through a required closeout process, any overpayments or underpayments in order to make financial settlement. This process requires a preliminary and final closeout, or in some cases only a final closeout. However, the division has not even completed a preliminary closeout for more than half of its contracts since 2012. According to the division, the reason these closeouts have not been performed is insufficient staffing and allocation of resources.

For contract years 2012 through 2017, the division had 813 contracts with addiction treatment providers with an aggregate value of approximately \$535 million. The division has completed a preliminary contract closeout on 389 of these contracts, with a total contract value of \$302 million. Furthermore, as of August 10, 2018, the division completed only 30 final closeouts and began completing them earlier this year. The 30 final closeouts have identified possible recoveries of over \$2.1 million. If the division performs closeouts on the remaining contracts and identifies possible recoveries at the same level, we estimate the division could recover an additional \$18.4 million from providers.

In addition, the recovery and outstanding receivable information was not kept up to date by the division, and it was unable to provide us the actual recovery amounts or the outstanding receivable balances. Based on the records the division did keep for preliminary closeouts prior to June 30, 2016, and then after December 2017, we estimate the total outstanding receivable is \$1.9 million dating back to contract year 2012.

The division has decided that final closeouts will not be performed for the 127 contracts from contract year 2011 because they are too old, illustrating the need for timely closeouts prospectively. The following are two additional examples.

- In September 2017, a provider was experiencing financial and operating issues that resulted in it forming an affiliation with another company. The division had not performed any closeouts on nine of the provider's contracts dating back to 2006. As a condition of approving the affiliation, the division performed the final closeouts on the contracts and identified a recovery amount more than \$1.2 million. To prevent the provider from closing, the division agreed to accept \$300,000 to satisfy the recovery. While the decision to accept less than the full recovery amount was reasonable given the circumstances, the division recovered \$900,000 less than it could have if closeouts had been completed timely.

**ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS**

**DEPARTMENT OF HUMAN SERVICES
DIVISION OF MENTAL HEALTH AND ADDICTION SERVICES
ADDICTION SERVICES (continued)**

- A provider had a preliminary closeout performed showing an outstanding receivable of \$700,000. This provider has not contracted with the division since 2015, making any recovery less likely.

By not performing preliminary and final closeouts timely, the division could be forgoing money owed to it.

ACCOMPLISHMENTS AND RESULTS

COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF LAW AND PUBLIC SAFETY

JUVENILE JUSTICE COMMISSION

NEW JERSEY TRAINING SCHOOL FOR BOYS

Background

The Department of Law and Public Safety, Juvenile Justice Commission (JJC), New Jersey Training School for Boys (school), located in Monroe Township of Middlesex County, provides programs for youths committed by the juvenile courts, stressing a decentralized approach to the treatment of the residents. Group living, community work training, preliminary vocational training, counseling services, and formal schooling constitute the program core. The school is a secure facility with a perimeter fence including a 24-hour roving patrol.

In 1992 the Annie E. Casey Foundation started the Juvenile Detention Alternatives Initiative (JDAI) to address an increasing national trend in the use of secure detention for juveniles. Nationally, in established JDAI sites, the reduction in the number of youth held in detention has led to a reduction in the number of youth committed to a state's custody, and in 2004, New Jersey implemented the JDAI. Across the 19 active New Jersey JDAI sites, commitments to the JJC have decreased with 866 fewer youth committed to state custody in 2017, as compared to each site's pre-JDAI year. Since 2004, the school's resident population has decreased from 297 to 163 in July 2015 and further to 106 as of October 2018. While school expenditures showed a decrease from \$42.2 million in fiscal year 2016 to \$38.2 million in fiscal year 2018, the average annual cost of commitment at the school during our audit period approximated \$283,000 per resident.

Correctional Police Officer Posts

Enhanced periodic reviews of correctional police officer posts at the school could result in an estimated annual savings of \$145,000.

Correctional police officers earned over 90,000 hours of overtime during both fiscal years 2016 and 2017, amounting to \$6.0 and \$5.8 million, respectively. Although school management asserts that the custody unit is short-staffed, the number of correctional police officers increased from 211 as of the third quarter of 2012 to 226 as of the second quarter of 2018. The number of civilian employees at the school decreased from 191 to 150 during the same period. The average number of occupied beds at the school decreased from 213 in fiscal year 2013 to 134 in fiscal year 2018 and continues to decrease.

Salary costs for correctional police officers averaged \$143,000 per occupied resident bed at the school during our audit period. In comparison, the highest average total cost per occupied bed in a juvenile correctional facility operated by the New Jersey Department of Corrections, was \$70,000 for fiscal year 2017 at Albert C. Wagner Youth Correctional Facility.

ACCOMPLISHMENTS AND RESULTS
COST SAVINGS, IMPROPER PAYMENTS, AND REVENUE ENHANCEMENTS

DEPARTMENT OF LAW AND PUBLIC SAFETY
JUVENILE JUSTICE COMMISSION
NEW JERSEY TRAINING SCHOOL FOR BOYS (continued)

According to management, the number of approved correctional police officer posts at the school has not decreased since 2007-2008. The Custody Posts and FTE Report is approved annually for correctional police officer posts. This report facilitates the assessment of staffing levels necessary to fill already approved correctional police officer posts.

The Facility Detail post is scheduled for the first shift seven days a week and is designated for supervision of working residents performing janitorial functions. Working residents at the school are often supervised by civilian employees including those performing grounds-keeping duties. Our conversation with management concluded that this post could be eliminated. Freeing up correctional police officers from this post could result in estimated annual savings of \$145,000.

Custody Scheduling Application

The Custody Scheduling Application (CSA) system could be enhanced to improve correctional police officer scheduling.

The Custody Scheduling Application is used as a time and attendance management system for the correctional police officers working in JJC secure care facilities. The application is used by the school custody unit to ensure that all necessary correctional police officer posts are filled for each daily shift. In addition, the CSA interfaces with the state's Time and Attendance Leave Reporting System (TALRS) to transfer correctional police officer time records.

We reviewed the system data and noted 61 occurrences that appeared to be potential overpayments. A further review of these occurrences resulted in the following.

- There were seven instances when correctional police officers were paid for working two shifts during the same eight-hour work shift due to manual input errors. Total overpayments were \$2,550. Management recouped the overpayments after being notified by us.
- There were 54 instances when the correctional police officer had worked 2 shifts but was incorrectly recorded as if working 2 posts simultaneously on the same shift. Thus there was no actual overpayment.

Extra-sergeant posts are utilized when there is more than the minimum necessary number of sergeants on duty. These posts should not result in overtime. A review of overtime posts during fiscal years 2016 and 2017 revealed eight occasions when extra-sergeant posts were utilized for overtime.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

DEPARTMENT OF EDUCATION FISCAL ACCOUNTABILITY – STATE MONITORING AND OVERSIGHT

Background

The Department of Education (department) maintains several offices whose functions relate to fiscal accountability. Our survey of these offices disclosed, in general, the functions performed are reactive and not proactive.

County Offices of Education

The department identified the work done by the County Offices of Education as performing a proactive function. The executive county superintendents and business administrators are involved in the annual review and approval of district budgets. In our separate audit of these offices released on June 6, 2018, <https://www.njleg.state.nj.us/legislativepub/auditor/340717.pdf> we noted several conditions limiting the effective and efficient operation of these offices.

Office of School Finance

The Office of School Finance aids in the review of a district's budget by collecting financial data compiled from the district's annual comprehensive financial report through the Audit Summary Application (AudSum); a required annual submission of budgetary basis revenue, expense, and fund balance by every school district, charter school, and renaissance school project by their independent school auditors. This office maintains five-year analyses of actual data for these budgetary categories, by district, to identify averages and trends for use in the evaluation of a district's proposed budget.

Office of State Monitors

The Office of State Monitors is another department function of fiscal accountability and monitoring. The School District Fiscal Accountability Act established state monitors in 2006. The office is responsible for the placement and supervision of state monitors in districts identified as having specific fiscal characteristics established under N.J.S.A. 18A:7A-55. A questionnaire within AudSum provides a summary of qualifications or issues related to criteria established in the statute that were found during a district's annual audit process and is used by this office to determine the need for placement of a state monitor. In addition to the districts having state monitors in place, the office identifies districts at risk of financial crisis and provides technical support through the use of budget managers in an effort to avoid placement of state monitors. Budget managers review school district budgets and analyze school district business operations to ensure compliance with state laws and regulations and to provide input on increasing efficiency and identifying cost-saving opportunities. Since this function is currently being done on a limited basis, this office's primary function is not to prevent fiscal distress; rather its resulting function is to resolve those conditions contributing to fiscal distress.

**ACCOMPLISHMENTS AND RESULTS
OTHER REPORTS OF INTEREST**

**DEPARTMENT OF EDUCATION
FISCAL ACCOUNTABILITY – STATE MONITORING AND OVERSIGHT (continued)**

State Monitors

Improvements are needed in the oversight of state monitors by the department.

State monitors are appointed to school districts by the Commissioner of Education (commissioner) to provide direct oversight of a board of education’s business operations and personnel matters. Appointment of a state monitor is made when a school district receives an adverse opinion or a disclaimer of opinion from its independent auditors or if circumstances specified by legislation apply. The specific circumstances include: deficit balance, qualified opinion, audit findings identified as material weaknesses in internal controls, failure to develop an acceptable corrective action plan, or failure to implement a plan resulting in repeat findings. Our audit disclosed that there was a lack of oversight and guidance by the department, to ensure compliance with statute and professional service contracts, which impacts the effectiveness and efficiency of state monitors.

Although not statutorily mandated, when a district receives advance state aid payments (loan), the state monitor will remain in the district for the life of the loan which shall not exceed ten years. The department has also placed a state monitor in one district receiving Commercial Valuation Stabilization Aid (CVSA). The following table summarizes the state monitor appointments since 2006.

District	Appointment Term	Reason for appointment	Reason for withdrawal
Willingboro	2006 - 2010	Loan	Loan repaid
Camden	2006 - 2013	Statute criteria	Became state operated
Irvington	2007 - 2010	Statute criteria	Issues resolved
Beverly City	2007 - 2011	Loan	Loan repaid
Asbury Park	2007 - present	Statute criteria	N/A
Pleasantville	2007 - present	Statute criteria	N/A
Trenton	2010 - present	Statute criteria	N/A
Garfield	2011 - 2015	Statute criteria	Issues resolved
Elmer	2012 - 2017	Loan	Consolidated
Elmwood Park	2013 - present	Statute criteria/Loan	N/A
Belleville	2014 - present	Statute criteria/Loan	N/A
Lakewood	2014 - present	Statute criteria/Loan	N/A
Woodbine	2014 - present	Statute criteria/Loan	N/A
Atlantic City	2015 - present	CVSA	N/A
Hi-Nella	2015 - present	Statute criteria/Loan	N/A
Ridgefield Park	2016 - present	Statute criteria/Loan	N/A
Lyndhurst	2018 - present	Possible deficit	N/A

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

DEPARTMENT OF EDUCATION FISCAL ACCOUNTABILITY – STATE MONITORING AND OVERSIGHT (continued)

Responsibilities

A state monitor is statutorily responsible for overseeing the fiscal management and expenditures of district funds, including, but not limited to, budget reallocations and reductions, approval of purchase orders, budget transfers, and payment of bills and claims. Additional responsibilities include overseeing a district's staffing, including the ability to hire, promote, and terminate employees, and overseeing the operation and fiscal management of district facilities. A state monitor is to ensure development and implementation of an acceptable corrective action plan to address the circumstances that led to a state monitor appointment. The plan shall include benchmarks and specific activities to address the deficiencies of the district. A state monitor has the authority to override a chief school administrator's action and any vote by a board of education.

We reviewed compliance with the responsibilities established in the statutes for ten state monitors assigned as of June 2018. Our review of statutory responsibilities found noncompliance with the following areas.

- State monitors have not developed and implemented corrective action plans which include measurable benchmarks and specific activities necessary to address the deficiencies of the assigned school district as required. In addition, we noted one plan has not changed since 2014, and another was created upon our request. The department has not provided guidance or established a format for these plans to ensure compliance with legislation.
- State monitor attendance at board meetings per available board meeting minutes during the period January 2017 through June 2018 disclosed that one monitor did not attend the majority of the district's meetings, and we could not determine if another did because attendance was not documented. In addition, the minutes disclosed required monthly reports to the board of education and members of the public were identified in the minutes as being provided in only three districts. Our review relied upon identification of monthly reports as required by N.J.S.A. 18A:7A-55 et seq. as a subject considered by the board in the minutes of meetings of public bodies in compliance with the Open Public Meetings Act.
- Required state monitor weekly reporting to the department is accomplished through telephone conversations with the office supervisor. Written reports or documentation of reporting were not provided.

We used the department's 2017 annual evaluation of district financial information for conditions requiring the assignment of a state monitor to determine their effectiveness. Our review of districts with assigned state monitors found that four districts had repeat audit findings noted in their Comprehensive Annual Financial Report and five had repeat findings in their Auditor's Management Report. In addition, we noted two districts had deficits in their General Fund unreserved, undesignated fund balance, and one district was required to return federal funds because the district's expenditures were not in compliance with the grant requirements.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

DEPARTMENT OF EDUCATION FISCAL ACCOUNTABILITY – STATE MONITORING AND OVERSIGHT (continued)

Oversight

The state monitors are hired through professional service contracts with the department. The contract establishes the state monitor's certification requirement, duties, compensation, reasonable expenses, termination, and saving clause. All state monitors are paid by their district on an hourly basis, with the exception of one being paid an annual salary. For the period July 1, 2015 to June 30, 2018 salaries for ten state monitors totaled \$2.8 million at an average annual cost of \$92,000 to their district. The state monitors report directly to the commissioner or designee on a weekly basis and shall be assigned at the district until the commissioner determines otherwise.

The professional service contracts require the state monitors to report, biweekly to the department, the days and hours (not to exceed 30 hours per week) the monitor performed services in the district, as well as all expenses for which reimbursement was received from the district. Required information is provided to the department primarily through emails from the state monitors. A time tracking sheet was created by the department from these emails upon our request. Our review of the department's monitoring of contract requirements disclosed the following issues.

- We used the time tracking sheet to compare hours reported to the department to hours derived from wages reported for state monitors as employees of the district as per the Department of Labor and Workforce Development (LWD) wage reporting system. During the ten quarters starting from January 2016 to June 2018, there were 5,264 more hours per LWD system reported wages than hours identified on the department's time tracking sheet with an additional wage value of \$505,344. This included 2,065 hours (\$198,240) for one state monitor who had not reported any hours to the department since October 2016.
- The state contract requires state monitors to be reimbursed for out-of-pocket, transportation, and cell phone expenses incurred while fulfilling their duties. However, no invoices were reported as received from any state monitors by the department. Since no invoices were received, the department could not determine total expense reimbursements received by the state monitors from the districts.
- In addition, we noted noncompliance with the New Jersey Labor Law (N.J.S.A. 34:11-4.2) which requires every employer in the state to pay the full amount of wages due to employees at least twice during each calendar month on regular paydays designated in advance by the employer. One state monitor deferred wage payments of \$15,072 and \$14,112 for the final 45 days of 2016 and 2017, respectively, until January of the subsequent year.

The lack of oversight and guidance by the department, combined with the noncompliance with statutes and professional service contract by the state monitors, impacts the effectiveness and efficiency of state monitors in providing fiscal accountability and resolving and preventing further fiscal distress.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

DEPARTMENT OF EDUCATION RENAISSANCE SCHOOLS

Background

The Urban Hope Act (Act) was enacted in 2012 to allow a small number of school districts with high concentrations of at-risk students to, on a limited pilot program basis, partner with one or more nonprofit entities, on renaissance school projects, to create renaissance schools. These districts, defined as failing districts according to statewide assessment reports, qualified to become renaissance school districts. The City of Camden School District was the only qualifying district that elected to partner with nonprofit entities and create renaissance schools.

The Act defined a renaissance school project as a newly-constructed school or group of schools in a common campus setting. The renaissance school projects would be operated and managed by nonprofit entities and primarily enroll students residing in an established attendance area. The nonprofit entities for these schools were to be paid by the renaissance school district an amount per pupil equal to 95 percent of the district's per pupil expenditure, which was defined as the sum of the budget year equalization aid per pupil, budget year adjustment aid per pupil, and pre-budget year tax levy per pupil inflated by the most recent Consumer Price Index (CPI).

Several amendments have been made to the Act since it was first enacted. In 2013, the definition of renaissance school project was revised to allow schools to be located in an urban campus area rather than a common campus setting. This allowed renaissance schools to be located within a one-and-a-half-mile radius of their initial facility, except that a high school could be located within a two-mile radius. In 2014, the Act was amended to allow renaissance school projects to utilize existing facilities that have undergone substantial reconstruction in addition to newly-constructed facilities. Another provision was added to the Act to allow for a renaissance school to be located in a temporary facility pending completion of a newly-constructed or substantially-reconstructed facility. Temporary facilities can be used for a maximum of three years and shall be funded at the New Jersey charter school rate, which is 90 percent of the sum of the budget year equalization aid per pupil and the pre-budget year general fund tax levy per pupil inflated by the most recent CPI.

In 2018, revisions to the administrative code for renaissance schools clarified the definition of a renaissance school project, such that a school, or group of schools, shall be deemed newly-constructed or substantially-reconstructed if it was constructed or underwent substantial reconstruction within five years immediately prior to the renaissance school project taking control of the facilities. The revised administrative code also defined substantial reconstruction as renovations that reflect a total development budget equal to at least 50 percent of the appraised fair market value of the property.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

DEPARTMENT OF EDUCATION RENAISSANCE SCHOOLS (continued)

Renaissance Schools Oversight

The Department of Education (department) has not provided adequate oversight to ensure renaissance schools complied with applicable state laws and regulations.

In accordance with the Act, renaissance school projects are authorized for a period of ten years from the date of opening. Every ten years, the Commissioner of Education (commissioner) shall conduct a comprehensive review of a renaissance school project prior to granting a renewal. The commissioner shall periodically assess whether each renaissance school project is meeting its goals and improving student achievement and shall have ongoing access to the records and facilities of the renaissance school project to ensure compliance with state laws and regulations. Since the comprehensive review is conducted only once every ten years, it is imperative that the department, in the interim, provide adequate oversight to ensure renaissance school projects are operating as intended, meeting their goals, and complying with state laws and regulations.

The department's current oversight process provides limited assurances that renaissance school projects are meeting their goals and are complying with state laws and regulations. During the spring of 2016, the department conducted half-day, preannounced site visits to one location for each of the three renaissance school projects to satisfy an administrative code requirement that it conduct a periodic review once every two years. At that time, one renaissance school project had multiple locations, and currently all three have more than one location. Revisions to the administrative code relaxed this requirement in 2018, leaving the required timeframe for periodic review undefined. The department currently relies on self-reported, unverified information in the renaissance school projects' annual reports to guide its periodic review and has not conducted site visits since 2016.

We reviewed renaissance school projects for compliance with selected statutory and regulatory requirements and identified noncompliance in the following areas.

Criminal History Background Checks

The department did not ensure renaissance schools complied with statutory requirements for criminal history background checks. According to N.J.S.A. 18A:6-7.1, all employees of a school or school system under the department's supervision, whose job duties include regular contact with pupils, must pass a criminal history background check as a condition of employment.

We obtained, from the department, lists of individuals cleared to work for the renaissance schools as of May 2018. We compared these lists to all renaissance school employees with wages between July 1, 2015 and December 31, 2017 per Department of Labor and Workforce Development (LWD) records, and found that the renaissance schools failed to ensure the proper background check process was completed for 244 of 798 individuals prior to employment. Our review of these 244 individuals noted the following.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

DEPARTMENT OF EDUCATION RENAISSANCE SCHOOLS (continued)

- 108 were approved to work at other school districts; however, the renaissance school would not have been notified if they were subsequently charged with a disqualifying offense.
- 102 were not approved to work in the renaissance schools until after their employment began.
- 28 did not have a background check performed at all for any school district in New Jersey.
- 5 were disqualified and should not have been employed by any school. These individuals were employed at renaissance schools for periods of time ranging from 15 to 184 days before separation.
- An individual needed to be fingerprinted again to complete the process.

Our review also included members of the renaissance schools' boards of trustees. Per N.J.S.A. 18A:36A-11.1(b), members of a board of trustees shall undergo a criminal history background check within 30 days of appointment to that board. We found that 9 of 20 board members during our audit period did not undergo criminal history background checks for the renaissance school at which they served.

The renaissance schools' failure to complete proper criminal history background checks and the department's failure to identify this noncompliance can put children at risk and result in potential liability for renaissance schools and the state. The renaissance schools and the department have been notified of all instances we found so that corrective action can be initiated, as warranted.

Employee Certification

We reviewed LWD wage information, department records, and renaissance school staff rosters from the 2017-18 school year to determine if employees held the appropriate New Jersey certification for their job title in accordance with N.J.A.C. 6A:9B. A provisional or standard certificate is required in order to be employed in a school. A Certificate of Eligibility (CE) or Certificate of Eligibility with Advanced Standing (CEAS) only authorizes an individual to seek and accept employment. Once hired, it is the responsibility of the employing school to register the individual in a provisional program.

We identified 342 employees in positions requiring certification and found 89 did not hold the appropriate New Jersey certificate for their position. This included 74 teachers, 4 substitute teachers, 3 principals, 3 social workers, and 5 in other job titles requiring certification. A total of 65 of these individuals did not hold a New Jersey certificate; 23 only held either a CE, CEAS, or expired provisional certificate; and an individual employed as a principal only held a standard elementary school teaching certificate. All instances were shared with the renaissance schools so that corrective action can be taken.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

DEPARTMENT OF EDUCATION RENAISSANCE SCHOOLS (continued)

Enrollment Process

Per the Act, renaissance schools built on land owned by the renaissance school district or the New Jersey Schools Development Authority shall automatically enroll all students residing in the established attendance area for that property. All renaissance school projects participated in a centralized enrollment system which was initially implemented by the City of Camden School District, and later transferred to a nonprofit organization in August 2017. In our separate audit report of the City of Camden School District issued on January 15, 2019, we found that the centralized enrollment system did not comply with the provision of the Act regarding automatic enrollment of students residing in the attendance area. The failure to comply with this provision had the effect of limiting the participation of neighborhood students at their renaissance school.

Board of Trustee Meetings

N.J.A.C. 6A:31-7.3(b) requires the board of trustees (board) of a renaissance school project to post a copy of all meeting notices and meeting minutes on the renaissance school project's website. This requirement became effective in January 2018. In July 2018, we reviewed the renaissance school projects' websites for this information and found that two of three did not post their upcoming meetings, and two of three did not post copies of meeting minutes. After notifying the department that this information was missing from the website, we reviewed the websites again in October 2018, and one renaissance school project still did not have this information available on its website. We further noted that this renaissance school project regularly holds its board meetings on a weekday during normal business hours. Attendance at these meetings should be encouraged as they provide a forum for members of the public to become informed and to voice concerns before the board.

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OTHER REPORTS OF INTEREST**

**DEPARTMENT OF LAW AND PUBLIC SAFETY
OFFICE OF THE ATTORNEY GENERAL
SEXUAL ASSAULT EXAMINATION PROCESS**

Background

When a sexual assault is reported and a victim consents, a Sexual Assault Response Team (SART) is activated. This consists of a forensic nurse examiner who will collect any evidence in a Sexual Assault Forensic Examination (SAFE) Kit. As part of the examination, the nurse tests for any possible sexually transmitted diseases, provides any necessary contraception, and addresses any possible physical trauma which may need attention. At that time, the victim makes the decision whether to involve law enforcement and press charges. If the victim chooses to contact law enforcement, an investigator will conduct an investigation and discuss facts with the County Prosecutor. A decision is then made as to whether a crime has been committed and whether processing the SAFE Kit is beneficial to the case. The SAFE Kit is then either processed at one of the state's two forensic labs or stored by the County Prosecutor's Office or the investigating law enforcement agency.

If the prosecutor decides to process the kit, it is sent to one of the labs. The New Jersey State Police Central Regional Laboratory handles the processing for the state with the exception of Union County which is handled by the Union County Forensics Laboratory.

If a victim chooses to not involve law enforcement, the SART Coordinator becomes the custodian of the kit. On July 10, 2014, the Office of the Attorney General issued a directive to the County Prosecutors requiring these SAFE Kits to be held for a minimum of five years. These SAFE Kits are referred to as Five-Year Hold Kits and maintain the anonymity of the victims. Victims then have five years to decide if they want to involve law enforcement and press charges. The five-year holding period that began on July 10, 2014 will begin to expire on July 10, 2019.

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**DEPARTMENT OF LAW AND PUBLIC SAFETY
OFFICE OF THE ATTORNEY GENERAL
SEXUAL ASSAULT EXAMINATION PROCESS (continued)**

Observation

Unsubmitted Sexual Assault Forensic Examination Kits

A significant number of unsubmitted Sexual Assault Forensic Examination (SAFE) Kits are held by law enforcement agencies for various reasons.

A significant portion (52 percent) of the 5,931 total SAFE Kits were submitted to a forensic lab for processing. Federal regulations require a crime to be committed prior to uploading a suspect’s DNA profile into the Federal Bureau of Investigation’s (FBI) Combined DNA Index System (CODIS). Therefore, not all SAFE Kits should be processed by a forensic lab. The following table summarizes the law enforcement agencies’ (LEAs) reported reasons SAFE Kits were not submitted to the forensic labs. These multiple reasons were subjectively consolidated to best represent the LEAs’ responses. Included are Five-Year Hold Kits (19 percent of total SAFE Kits) which are not to be processed because the victims did not give consent to involve law enforcement.

Reason	Count
Five-Year Hold Kits	1,122
Victim declined to file a complaint/No cooperation	677
Estimated counts because municipalities did not submit surveys	178
Victim informed police the crime did not occur	98
Unknown	90
Insufficient evidence for prosecution	82
Investigation revealed crime never occurred	73
Investigator suspected the act was consensual	71
Legal review deemed processing not necessary	69
DNA evidence was not needed for prosecution	66
No charges approved by county prosecutor	50
No response provided by agency	50
Law enforcement did not pick up kit	44
DNA not expected due to facts of case	31
The kit is scheduled to be sent	28
Suspect admitted to sex and said it was consensual	23
Active case	21
History of unfounded allegations/Mental illness	18
Investigator had no suspects	15
Case concluded at grand jury	14
Taken as part of a homicide investigation	7
Victim filed complaint against partner	7
Total	2,834

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OFFICE OF THE ATTORNEY GENERAL
SEXUAL ASSAULT EXAMINATION PROCESS (continued)**

The most common reason SAFE Kits were not tested was because the victims did not consent to reporting the offense to an LEA and are therefore considered Five-Year Hold Kits. The remaining unsubmitted SAFE Kits are categorized either by the reasons they were not tested or were estimated because the information was not provided by the LEAs. We estimated the number of unsubmitted kits, in possession of the LEAs that did not complete the survey, by comparing the best information available from other surveyed LEAs with the SAFE Kit testing data retrieved from the state’s Laboratory Information Management System.

Using this information, we prepared an aging report to summarize the SAFE Kits that were collected statewide from July 10, 2014 to August 31, 2018 and were not submitted for processing by a state forensic lab:

Aging Report	# of Kits
90 days or less	113
91 to 180 days	97
181 days to 1 year	178
1 to 2 years	351
2 to 3 years	334
3 to 4 years	336
More than 4 years	51
TOTAL	1,460
Five-Year Hold Kits & Unknown dates	1,374
Total including Five-Year Holds & Unknown dates	2,834

Note: The aging report total does not include the 1,122 Five-Year Hold Kits and 252 SAFE Kits that were either estimated or did not have a collection date provided.

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**DEPARTMENT OF LAW AND PUBLIC SAFETY
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SEXUAL ASSAULT EXAMINATION PROCESS (continued)**

As of January 1, 2019, the Union County Forensics Laboratory began testing all SAFE Kits with collection dates from July 10, 2014, where a criminal complaint was filed, to generate suspects' DNA profiles on a case-by-case basis. The case-by-case determination by the Union County lab does not exclude reported SAFE Kits from testing for reasons that include, but are not limited to, perceived weaknesses in the case, previous adjudication of the case, or prior partial forensic testing. The New Jersey State Police Central Regional Laboratory has no such plans because of the potential effect this may impose on its operations and available resources.

The National Institute of Justice (NIJ) and the FBI Laboratory have formed a partnership to address the issue of the significant number of untested kits throughout the United States. Each month, the FBI lab processes and tests a limited number of previously untested SAFE Kits while scientists at NIJ collect and analyze data from the kits. Any law enforcement agency or public forensic laboratory is eligible to apply for the initiative to aid investigations, solve more crimes, and hold more criminals accountable by uploading eligible profiles into CODIS.

**ACCOMPLISHMENTS AND RESULTS
OTHER REPORTS OF INTEREST**

**DEPARTMENT OF LAW AND PUBLIC SAFETY
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SEXUAL ASSAULT EXAMINATION PROCESS (continued)**

Findings

Policies and Procedures

Policies and procedures for the handling of Sexual Assault Forensic Examination (SAFE) Kits are inconsistent throughout the state.

The DNA evidence contained in a SAFE Kit can be crucial to the identification of unknown suspects, including serial offenders, and can strengthen the prosecution of those who commit these criminal acts. Written policies and procedures for the handling of SAFE Kits should be in place and followed by all law enforcement agencies (LEAs) throughout the state to ensure a consistent response by law enforcement to all sexual assaults. In an effort to develop an understanding of the statewide environment, a survey was distributed to the New Jersey State Police and all County Prosecutors’ Offices who then distributed the survey to all applicable local LEAs. The LEAs were surveyed on the following policies and procedures:

Question	Written Procedures	%	Informal Procedures	%	No Procedures	%	Total Responses	No Response*
1. Specific criteria for submitting SAFE Kits for forensic testing.	85	34%	56	22%	109	44%	250	2
2. Timelines within which an agency should send SAFE Kits for forensic testing.	67	27%	54	22%	129	51%	250	2
3. Victim notification when a SAFE Kit is submitted for forensic testing, and if it is not submitted for testing.	30	13%	31	14%	167	73%	228	24
4. Logging, tracking and storing SAFE Kits.	136	55%	50	20%	62	25%	248	4
Question			Yes	%	No	%	Total Responses	No Response*
5. Destruction of both tested and untested SAFE Kits.			150	60%	100	40%	250	2

*-“No Response” indicates incomplete surveys submitted by the LEAs.

As displayed above, a significant number of LEAs operate without written policies and procedures for either some or all aspects of our survey. Organizations, such as LEAs, should develop policies that establish desired goals and document procedures to accomplish those goals. Written policies and procedures are pertinent to the uniform handling of sexual assaults within each LEA and across multiple LEAs. The *Attorney General Standards for Providing Services to Victims of Sexual Assault* issued by the Department of Law and Public Safety (department) states that the standards are to “serve as a foundation for establishing county policies and procedures specific to the needs

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

DEPARTMENT OF LAW AND PUBLIC SAFETY OFFICE OF THE ATTORNEY GENERAL SEXUAL ASSAULT EXAMINATION PROCESS (continued)

of each county's population and local resources.”

The lack of policies and procedures, or the reliance on informal policies and procedures, can lead to inconsistent sexual assault investigations among various LEAs. This potentially impacts a prosecutor's ability to evaluate all case evidence. This type of evidence has repeatedly been shown to be a powerful tool in the identification, prosecution, and exoneration of suspected perpetrators of sexual assault crimes.

Tracking of Sexual Assault Forensic Examination Kits

The department should improve the tracking and reporting of all Sexual Assault Forensic Examination (SAFE) Kits.

In an effort to identify the number of unprocessed SAFE Kits in New Jersey, we asked each County Prosecutor's Office and the New Jersey State Police (NJSP) to report the total number of kits, Five-Year Hold Kits, and other unprocessed kits from July 10, 2014 to August 31, 2018. The New Jersey State Police Central Regional Laboratory and the Union County Forensics Laboratory were asked to provide the total number of processed kits for the same time period. The counties and the NJSP reported that 5,931 total kits were collected during this period, of which 1,122 Five-Year Hold Kits and an additional 1,712 kits were not submitted to either of the state's forensic labs. These labs reported that a total of 2,955 kits were processed. Based on the information reported, a reconciliation of SAFE Kits could not be achieved because of timing issues, inter-county transfers of kits, paper-only kits and the fact that the data was reported from several different sources.

The information reported was not readily available and was labor-intensive for the majority of counties and the NJSP because New Jersey does not have a statewide sexual assault kit tracking system in place which would ensure the accountability of all SAFE Kits, improve statewide data collection and reporting, and enable information to be readily available. It would also allow the counties and the NJSP to more easily comply with the Attorney General Law Enforcement Directive No. 2018-5 which is intended to improve the collection of statewide data involving sexual assaults.

The State of Idaho implemented a statewide sexual assault kit tracking system and offers the software program free of charge to any public entity in an effort to encourage other states and agencies to also implement sexual assault kit tracking.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

DEPARTMENT OF THE TREASURY DIVISION OF PURCHASE AND PROPERTY PROCUREMENT OF PROFESSIONAL SERVICE CONTRACTS

State Contract Managers

State agencies were not in compliance with Department of the Treasury's circular (circular).

Pursuant to N.J.S.A. 52:34-10.7, "the state agency using the contract shall designate the State Contract Manager for that contract and inform the Director of the Division of Purchase and Property of its designation, except that the director may designate the State Contract Manager when the director deems necessary." Additionally, Department of the Treasury Circular 14-08-DPP outlines the State Contract Manager responsibilities. The circular states that all State Contract Managers must pass an online test offered through the State Learning Management System (LMS) training module. The circular also states, "the State Contract Manager must file a biannual report to the Division of Purchase and Property identifying overall project status, schedule adherence or slippage, budget adherence or overage, and any other contract performance or fulfillment issues" where the contract's estimated value exceeds \$1.0 million. The first report is to be filed with the Division of Purchase and Property's Contract Compliance and Audit Unit (CCA) six months after the contract start date, and an updated report is due every six months thereafter for the duration of the contract.

We sampled seven professional services contracts and seven contracts procured with waivers of advertising totaling \$326.5 million and \$26.2 million in expenditures, respectively. The expenditures were for the period of July 1, 2016 to June 13, 2018.

We interviewed State Contract Managers for 14 professional services contracts and found 7 were not trained or did not complete the online LMS test. Of those seven who were not trained or did not take the online LMS test, three were the original designated State Contract Managers. We also found 4 of 5 designated State Contract Managers, who were subsequently replaced, were not trained or did not complete the online LMS test. Four of the 14 State Contract Managers we sampled were unfamiliar with the circular, and in one instance the State Contract Manager was not aware he was designated as the State Contract Manager. Untrained or improperly trained State Contract Managers could lead to the mismanagement or ineffectiveness of contracts. We also found in 9 of 11 contracts requiring the submission of a biannual report, the agency did not file one with the division. Biannual reports not filed timely could inhibit the division from effectively monitoring the contracts, and the state could be at increased risk of improper payments and deliverables not being met. Without proper knowledge of and regard for the circular, State Contract Managers will have difficulty complying with its requirements.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

DEPARTMENT OF THE TREASURY DIVISION OF REVENUE AND ENTERPRISE SERVICES INFORMATION TECHNOLOGY SYSTEMS

Background

The Department of the Treasury, Division of Revenue and Enterprise Services (DORES) reviews, data captures, and electronically scans and stores documents and remittances totaling 11 million mail receipts for numerous agencies. It also maintains 4 billion electronic images on file which are available for direct automated retrieval through the division's Document Remittance Enterprise Activity Management System (DREAMS). During the course of our audit DORES also took ownership of the Set-Off of Individual Liability (SOIL) program.

Active Directory Access

Unnecessary access to Active Directory should be removed in a timely manner.

Active Directory is a Microsoft technology used to manage computers and other devices on a network. It is a primary feature of Windows Server, an operating system that runs both local and Internet-based servers.

Active Directory allows network administrators to create and manage domains, users, and objects within a network. For example, an administrator can create a group of users and give them specific access privileges to certain directories on a server. As a network grows, Active Directory provides a way to organize a large number of users into logical groups and subgroups while providing access control at each level.

During our review of Active Directory access, we found 225 of the 608 (37 percent) unique accounts within Active Directory for DORES have not logged into the accounts. We also found that 126 of the 608 (21 percent) accounts have non-expiring passwords.

Our review of individuals with Active Directory access to DREAMS found that 27 percent of the employees with the vendor, which handles scanning responsibilities for DREAMS, have not logged into the system in more than 60 days, with one user not logging in for more than 180 days.

There is no documented policy or procedure for the regular review of employee and vendor access to the Active Directory platform. The Federal Information System Controls Audit Manual 2.17 states that "critical control points are those system control points that, if compromised, could allow an individual to gain unauthorized access to or perform unauthorized or inappropriate activities on entity systems or data." DORES personnel stated they reach out to the vendor every six months for an updated list of those who still have or need access to Active Directory. Currently, no separation policy exists detailing the steps the vendor must take to properly update DORES as to who still needs access and when they should be removed.

**ACCOMPLISHMENTS AND RESULTS
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**DEPARTMENT OF THE TREASURY
DIVISION OF REVENUE AND ENTERPRISE SERVICES
INFORMATION TECHNOLOGY SYSTEMS (continued)**

Set-Off of Individual Liability (SOIL)

Insufficient input controls exist for debtor's information in the SOIL system.

The SOIL program was established in 1981 by P.L. 1981, c.239. This program assists other state, county, and local agencies and the Internal Revenue Service in their collection efforts by applying the New Jersey Gross Income Tax refunds and Homestead Rebates of taxpayers, who are indebted to participating agencies, against the debts owed to those agencies. It also administers the set-off program that permits the state to withhold payments to state vendors who owe taxes without needing to file a Certificate of Debt.

During our review we noted that the SOIL master file contains invalid social security numbers (SSNs) that have been submitted by the claimant agency. The SOIL system relies heavily on the debtor's SSN to identify New Jersey income tax refunds and property tax credits and apply them against debts owed to the division.

The current procedures for submitting a debtor to the SOIL system only verify that there are nine characters in the SSN field and the characters are numeric. The system will therefore allow all SSN entries including known invalid number combinations.

The Social Security Administration has guidelines in place stating the following SSNs are invalid:

- The first three digits (former area number) as 000 or 666,
- The second group of two digits (former group number) as 00, or
- The third group of four digits (former serial number) as 0000.

Due to insufficient input controls with the SOIL system, the system allows invalid entries into the SSN field. The SOIL system currently does not identify when an agency sends SSN entries that contain the invalid numbers listed above. The potential set-off of refunds will not occur if the master file does not have accurate SSNs.

**ACCOMPLISHMENTS AND RESULTS
OTHER REPORTS OF INTEREST**

**DEPARTMENT OF THE TREASURY
DIVISION OF REVENUE AND ENTERPRISE SERVICES
INFORMATION TECHNOLOGY SYSTEMS (continued)**

Automating SOIL Processing

The current manual paper card system should be automated.

Currently, the SOIL system utilizes a paper card system to correspond with the agencies. The DORES makes continual comparisons between the consolidated debtor file and the refund and rebate files. When a complete match is identified, the SOIL system prints out the cards at the data center. These cards are sent directly to the division where they are separated and mailed to the claimant agencies. These agencies then manually certify and write on the card that the debt is still current and accurate. The claimant agency then mails the card back to DORES. One DORES employee receives all the cards from the agencies and batches them together and then sends them to its data capture revenue processing group. On average, this employee receives and sorts 200 to 400 cards per week and as many as 1,000 per week during tax season. Automating this archaic card system would reduce the workload significantly and save the time and money required for printing and delivering these cards.

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NEW JERSEY MOTOR VEHICLE COMMISSION CUSTOMER SERVICE

Agency Compliance Unit

The New Jersey Motor Vehicle Commission (MVC) Agency Compliance Unit is not being used in an efficient and effective manner.

The Agency Compliance Unit (ACU) is responsible for monitoring the overall operations of the 39 MVC agencies. As described by MVC personnel, this includes maintaining a regular presence and observing the business workflow at each agency. The ACU staff consisted of 15 compliance officers in fiscal years 2017 and 2018 and 11 officers in fiscal year 2019. The average salary per compliance officer was approximately \$72,500 during this period. Each officer is assigned two to four agencies and agency assignments are rotated to maintain the integrity of the ACU. The officers determine and prepare their own weekly schedules which are submitted for approval one week in advance. All assigned agencies are expected to be visited at least once per week. Each officer is assigned a state vehicle and is required to fill out a monthly vehicle use log. Specific details, including destination and mileage, are recorded for each trip and the officer must sign the log certifying that all information is true and correct.

Our review found that the MVC has not established standard operating procedures for the ACU and does not adequately monitor or utilize the work performed by the unit to potentially improve agency operations. As a result, the overall effectiveness of the ACU should be evaluated. Specifically, officers are required to complete a daily field report which provides a summary, in checklist form, of the specific compliance functions the officer reviewed that day. The report, which identifies over 20 compliance functions, is emailed by the officers to their immediate supervisor for review. However, there is no evidence (signature or initials) of supervisory approval on the reports. Since formal procedures or work instructions have not been established, the compliance officers determine which functions to review. Our review of the fiscal year 2017 daily field reports noted the following:

- There were significant inconsistencies with the work completed by compliance officers who were employed the entire fiscal year. For example, one officer reviewed lien releases eight times during the year while another officer reviewed lien releases 93 times. In another example, one officer did not review ID documents at all during the year while another officer reviewed them 132 times. Examples similar to this were noted with 12 other compliance functions.
- The daily field report also includes a detailed notes section for officers to add specific comments about their workday. This is important since this is the only area on the daily field report where test results can be discussed. Our review found that the content provided in this section varied significantly from officer to officer. Some officers provided specific and detailed comments about their work while others provided minimal detail on what they accomplished for the day. One officer added the following generic statement to every completed report, “assigned agency was moderately busy but had good work flow.”

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

NEW JERSEY MOTOR VEHICLE COMMISSION CUSTOMER SERVICE (continued)

As previously noted, compliance officers email completed reports to their supervisor. Our request for the 2017 daily reports was fulfilled with daily field reports organized by compliance officer thus indicating some level of review. However, when we requested 2018 reports, the MVC could only provide a collection of over 1,000 emails complete with attachments containing several reports. There was no evidence of any supervisory review or approval.

Furthermore, the MVC has no procedures in place to verify that each officer was actually present at his or her assigned agency on the required days in accordance with their weekly schedules. Specifically, our comparison of the December 2017 vehicle use logs with the December 2017 daily field reports noted the following:

- Inconsistencies between daily field reports and vehicle use logs for agencies visited by compliance officers on the same day. We found officers who completed a daily field report for an assigned agency, but the vehicle use log showed them reporting to a different unassigned agency on the same day. The unassigned agency was usually a lot closer to their home. In total, we noted 17 instances out of 87 (20%) days reviewed where the location(s) stated on the daily field report did not agree with the location(s) stated on the vehicle use log for the same day.
- Officers who reported to unassigned agencies that were in close proximity to their residence. This typically happened on Fridays.
- Officers who visited assigned agencies in close proximity to their residence multiple times during the week but failed to complete the required weekly visit to other assigned agencies that involved a greater commute or were located in urban areas.
- Officers performing three or more hours of travel during the day which appeared to be unnecessary. The justification for the excessive travel was not documented on the daily field reports.
- 90 out of 194 (46%) December 2017 daily field reports could not be provided for our review.

The ACU is intended to be a tool for the MVC to monitor and improve customer service at the agencies. However, for the unit to operate successfully, standard operating procedures and work instructions must be developed and implemented to provide clear measurable work objectives for the officers. As with any operation, control procedures must be clearly communicated and monitored to ensure objectives are completed.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

NEW JERSEY MOTOR VEHICLE COMMISSION CUSTOMER SERVICE (continued)

Mobile Units

Standard Operating Procedures are needed to ensure the efficient use of the mobile units.

Between November 2016 and March 2017, the MVC purchased two state-of-the-art mobile units (M1 and M2) and two transport vehicles for a total of \$938,544. As stated in the MVC 2017 Annual Report, the primary purpose of the mobile units is to “increase customer convenience by bringing essential MVC services directly to motorists all around the state.” The report further states that on a scheduled basis, the mobile units can be used to process transactions at senior centers, universities, office campuses, government centers, and to meet the needs of underserved communities and locations impacted by natural disasters. The mobile units can also serve customers at existing MVC agencies during peak transaction periods. The services offered by the mobile units include, but are not limited to, driver’s license renewal and duplicates, non-driver IDs, vehicle registration renewals, and disabled placards. M1 began operations on a limited basis in September 2017, and both units became fully operational in December 2017. Each mobile unit is staffed with eight full-time employees. Salary costs for the mobile unit employees approximate \$1.0 million annually. M1 and M2 processed a daily average of 99 and 132 transactions, respectively, through October 31, 2018.

Proper planning is essential for determining the steps that are needed to achieve an organization’s goals and objectives and to ensure the efficient use of resources. The MVC could not provide a strategic plan or standard operating procedures for their mobile units operation prior to deployment, and neither has been developed to date. As a result, the mobile units have not been efficiently utilized for their primary intended purpose of bringing essential MVC services directly to motorists statewide. Since their original deployment, the mobile units have reported on a regular basis to the Edison (M1) and Rahway (M2) agencies to alleviate increases in customer volume resulting from the closing of the South Plainfield agency from May 13, 2017 through May 21, 2018. However, since the re-opening of the South Plainfield agency, the mobile units have continued to predominantly report to the Edison and Rahway agencies and have only conducted four scheduled events collectively as of February 26, 2019. One of these events was a publicity event held at the State House where only seven license and registration transactions were processed by M1. The MVC previously operated a single mobile unit as recently as 2007. This unit visited nearly 100 locations to issue driver’s licenses. The MVC could have drawn on this prior experience to assist them in developing an implementation plan for its current mobile unit operation that included outreach and event scheduling procedures.

From December 14, 2017 through October 31, 2018, each mobile unit could have operated 266 days. Of the possible 266 days, M1 and M2 were not deployed at all for 66 (25%) and 62 (23%) days, respectively. Our review found inefficiencies with the mobile units’ staff on the days the mobile units were not deployed during this period. For example, if a mobile unit was not placed in service for a particular day because of inclement weather or vehicle repair, the staff was required to report to an agency. However, the staff did not have the capability to process

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

NEW JERSEY MOTOR VEHICLE COMMISSION CUSTOMER SERVICE (continued)

transactions at the agencies due to system limitations. Therefore, the mobile units' staff could only perform basic reception and customer support functions at an agency which may not have needed them. According to MVC management, mobile units' staff began processing transactions at agencies starting in November 2018.

Complaints

The customer complaint resolution process needs improvement.

New Jersey Motor Vehicle Commission (MVC) customers can submit complaints through the MVC website or by mail. All complaints are initially received by the Customer Information and Advocacy section. This section responds to the complainant to acknowledge receipt and forwards it to the appropriate MVC section for investigation and resolution. Complaints concerning services provided at the 39 agencies are forwarded to the Agency Services section which oversees the agencies. Agency Services received 594 customer complaints between July 1, 2016 and August 30, 2018.

We found that the MVC did not establish standard procedures over the complaint resolution process until November 2018. As a result, there was no process in place to adequately track complaints and monitor them for proper resolution prior to this time. We selected a sample of 58 website complaints and 12 mail complaints forwarded to Agency Services between July 1, 2016 and August 30, 2018 for review. Based on the nature of the complaint, we determined that 44 of the sampled website complaints and 7 of the sampled mail complaints merited a formal response. Our review noted that Agency Services only followed up on 1 of the 51 applicable complaints. An additional sample of 15 complaints submitted to Agency Services from November 2018 through January 2019 was selected to determine if the newly established procedures over the complaint resolution process were being followed. Although our review noted improvement, we found four complaints had no documentation of follow-up with appropriate personnel.

Implementation of an effective complaint resolution process is necessary to identify and correct organizational weaknesses, improve the overall effectiveness of customer service operations, and reduce the occurrence of repeat complaints. An effective process should also include follow-up surveys with complainants to determine if resolution procedures are adequate.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

OFFICE OF INFORMATION TECHNOLOGY ENTERPRISE DATA WAREHOUSE

Background

The Oracle Corporation defines a data warehouse as “a database designed to enable business intelligence activities: it exists to help users understand and enhance their organization’s performance.” To achieve this business intelligence, a data warehouse brings together data from disparate sources, normalizes it, and structures it in a way that it can be used for comprehensive analysis and reporting. To perform this function, the data must be of high quality. This depends on the usage of the data, as well as the data itself. The most common attributes of data quality are accuracy, timeliness, relevance, completeness, understandability, comparability, and reliability. The Office of Information Technology (OIT) Enterprise Data Warehouse (EDW) has the responsibility for those attributes only as they apply to the data which is contained within the warehouse. Issues with data quality in the source systems are the responsibility of those systems’ owners. The OIT EDW should reflect – completely, accurately, and timely – the data in the corresponding source system, and the OIT is responsible for the institution of adequate controls to ensure this, as well as ensure the data is protected from unauthorized or improper access, modification, or deletion.

To provide a basic understanding of the process used by the OIT to move data from a source system to data accessible for reporting and analysis in the EDW, an overview of the automated process is presented. First, data is extracted from the source system and sent to a secure file transfer server. It is then collected by DataStage, the extract, transform, and load (ETL) software utilized by the state. DataStage ETL jobs are grouped and ordered into sequences which start with the extracted source system file, transform and move the data through the staging area, and end with the data in the warehouse. This data is read-only and is not directly accessible by any end-user. These read-only views of the data are created and structured in ways that make it easier for end-users. End-users access the data through a Business Objects interface, which is business intelligence software that provides structure and context to the data so users can more easily understand and utilize it.

There are various controls necessary to ensure the integrity of the data during the process and protect it from unauthorized or improper access, modification, and deletion. In the ETL process, the OIT EDW staff asserted that the following controls are in place to ensure data integrity is maintained.

- A manual review of all DataStage sequences is performed daily to look for jobs and sequences that may not have run successfully, and to correct any issues.
- The DataStage sequences are programmed to send email notifications to appropriate staff when steps in the sequence succeed, fail, or run with warnings.
- DataStage contains a sequence that was developed by the OIT EDW staff and reports on all jobs that did not run or ran with warnings. This is run every Monday through Saturday and is sent to appropriate staff.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

OFFICE OF INFORMATION TECHNOLOGY ENTERPRISE DATA WAREHOUSE (continued)

- The ETL Load report is generated Monday through Friday and extracts data from an EDW table that records the last load date of data in various EDW tables.
- DataStage runs a series of data validation queries which extract the last load dates and calculate control totals from selected EDW tables. This information is either reconciled internally within the report, or compared to other data sources to verify integrity. Review of the results of the queries and the subsequent comparisons are manual processes performed by OIT EDW staff.
- For some data, reports are run by the OIT EDW staff against the source systems, and the information is reconciled to the aforementioned data validation reports to ensure source-to-target integrity. These reports require manual review by OIT EDW staff.
- Data owners are ultimately responsible for ensuring that the data in the final EDW target destination is an accurate, complete, and current representation of the source system. Data owners achieve this by performing reconciliations between the EDW data and the various source systems.

Data Integrity

Controls in the data integrity process designed to ensure accurate, complete, and current data in the Enterprise Data Warehouse need improvement.

Articles published by the Information Systems Audit and Control Association (ISACA) and the International Journal of Computer Science and Information Technology cite research that reinforces the critical role that data integrity plays in the creation and maintenance of a warehousing solution that is useful to an organization. If there is a lack of data integrity in the warehouse, decision makers receiving the reports and analysis cannot trust the results. For the warehouse to provide useful reporting and analysis, it must accurately and completely reflect the most recent data in the source system. In order to maintain data integrity throughout, each step of the extract, transfer, and load process should have data integrity checks in place to ensure that source system data is the same as the data in the final Enterprise Data Warehouse (EDW) destination.

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

OFFICE OF INFORMATION TECHNOLOGY ENTERPRISE DATA WAREHOUSE (continued)

We tested all of the data integrity controls discussed in the background section of this report, and found issues in multiple areas. Although our testing did not identify a specific instance where we determined that the data in the Office of Information Technology (OIT) EDW were not accurate, complete, and timely, the results of our testing indicate there is a risk that an error affecting the accuracy, completeness, and timeliness of the data would not be detected before impacting the data available to end-users. This conclusion is based on the following three areas of concern:

Lack of Regular and Complete Data Reconciliations

We tested 15 days of processing in the New Jersey Administrative Warehouse System (NJAWS) and the electronic Cost Accounting and Timekeeping System (eCATS) sequences, including manually reviewing sequence results, obtaining all relevant reports, and recreating data reconciliation procedures described to us by the OIT EDW staff. Based on this review, we identified 2,557 data integrity verifications (checks) that could have been performed during our review period. Of these, 1,265 (49 percent) are date matches between a combination of the last run date obtained from our manual review of DataStage sequence success, the ETL Load report last load date for EDW tables, the last load date from the applicable data validation report, and the report date from the applicable source system reports. These checks are designed to validate that the warehouse contains current data. Additional integrity checks include matching data totals between EDW data tables, as well as to data in the source systems. Our review found that 748 (29 percent) of all the possible data integrity checks either could not be performed because of a lack of necessary data, errors during the manual reconciliation process, or other reasons. The 748 affected data integrity checks are broken down as follows:

- 532 of the 748 affected integrity checks could not be performed because necessary information to complete the check was not available. This included 207 where the last load date of a table populated by a DataStage sequence could not be verified because the table was not listed on the ETL Load report; 121 where the last load date of a table populated by a DataStage sequence could not be compared to the ETL Load report because the ETL Load report was not run, either by design or failure; 194 where a date, count, or amount could not be reconciled because the required data validation report did not run when expected; and 10 where date, count, or amount checks could not be run because a required source system report did not run. Although discrepancies in the reconciliation of control totals were a minor issue in our testing, it should be noted that the total could be higher if the missing information that prevented the 532 checks from being run was available.
- 175 of the 748 affected integrity checks involved a discrepancy in the reconciliation between two pieces of information. This included 100 where the manual review last run date for the DataStage sequence and the ETL Load report last load date for the corresponding EDW table did not match; 59 where the ETL Load report last load date and data validation report last load date fields for a particular EDW table did not match; 14 where the manual review last run date

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

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did not match the data validation report last load date; and 2 where the ETL Load report last load date did not match the date of the source system report.

- The remaining 41 affected integrity checks included 3 where an internal reconciliation performed by a data validation query did not reconcile; 27 where the data validation report and the source system report control totals did not reconcile; and 11 where the DataStage sequence either did not run when scheduled (with no recovery), or the sequence ran when it was not scheduled to.

At least one of the data integrity check issues occurred in 13 of the 15 days tested. The only days with no affected checks were the two Sundays included in our testing period; however, it should be noted that only one DataStage sequence is scheduled to run on Sunday. The rest of the data integrity checks performed on Sunday only verify that the other DataStage sequences did not run.

Lack of Source System Reconciliations

Part of the data integrity process is a final reconciliation between the source system data and the corresponding data in its final destination in the EDW to ensure that the data warehouse completely and accurately reflects the current data in the source system. We reviewed the source system-to-EDW-final-destination reconciliation process for the NJAWS and eCATS data and found the following:

- For the New Jersey Comprehensive Financial System (NJCFIS) source system, there appears to be no source-to-final-destination reconciliation taking place. The OIT EDW staff runs reports against the NJAWS data daily and sends them to the Department of the Treasury, Office of Management and Budget (OMB), who are the data owners. However, these reports only compare one NJAWS table against another (usually general ledger to subsidiary ledger), and replace the previous version of the report daily. No report history is kept unless there is a discrepancy. The OMB runs system assurance reports within the NJCFIS to test data integrity within the source system, and monitors for the success or failure of the mainframe job which extracts and exports the initial raw data from the NJCFIS to the EDW for processing. There is no direct reconciliation between the NJCFIS source data and the NJAWS EDW destination data.
- For the Payroll source system, we identified four reports that are run by the OIT EDW staff against the Payroll source system, the results of which are manually compared to data validation reports produced by DataStage. As was discussed previously, there were days when one or more of these reports did not run, thereby preventing the reconciliation from being performed. The data owner does perform a weekly source-to-destination reconciliation on a single control total and communicates the results to the OIT EDW staff.

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- For the Personnel Management Information System (PMIS) source system, we identified two source system reports that are run by the OIT EDW staff and manually compared to EDW data validation reports. As with the other source system reports, there were days when one or both of these reports did not run, thereby preventing the reconciliation from being performed. Through discussions with the data owners, we learned that they do not reconcile source system data to EDW final destination data.
- For the electronic Cost Accounting and Timesheet System (eCATS) source system, we found from discussions with the eCATS staff that they perform all of their data validation checks on the live source system, which is also accessible through the EDW. The warehoused version of the data, which is used when the live source system is unavailable, is not validated against the live source system after the data load is completed. The only time the warehoused version would be addressed is when the data extract from the live source system used to populate the warehoused version is changed. At that point, the eCATS staff would look at the data extract file only to determine if the changes were successful. No reconciliation is done by the EDW staff on any eCATS data, live or warehoused.

It is the assertion of the OIT EDW staff that the responsibility for the source-to-final-destination reconciliation lies with the agency owning the data. However, OIT EDW staff are running reports and performing some source-to-final-destination reconciliations for the Payroll and PMIS systems.

Incorrect, Missing, or Undelivered DataStage Notifications

The OIT populates the EDW through the use of DataStage sequences that are programmed to notify relevant OIT EDW staff of processing results. In addition, DataStage is programmed to generate data validation and job status reports and send them to OIT EDW staff. We found the following issues with those notifications and reports:

- A sequence runs daily which checks if the previous day was a holiday. If so, it sets a trigger that other sequences may use to determine if source data will be present. Without source data to process, running the sequence will produce no change in the destination data. Our 15-day testing period included the day after a holiday, and we noted that 11 of the sequences that could utilize that trigger were not programmed to check for it. This should be mitigated by the fact that the source data file would not be received. Each of these sequences does have a notification programmed to let appropriate personnel know the source data file did not arrive; however, this notification was not received.

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- There were eight instances during our test period where the success or failure notice in a sequence was sent only to a non-existent recipient. Seven of these instances were notifications of the success or failure of a single step in a sequence, and one was the success notification for the entire sequence. Although our manual review verified that all of the sequences did successfully run, sending notification emails only to non-existent users negates the purpose of the integrity control.
- Six sequences contained a step that ran with warnings on all of the days it was scheduled to run, but no notification was sent because the sequence is not programmed to do so. This is a practice also used for other sequences. Our manual review, however, verified that the six sequences did run successfully.
- Three sequences did not run on any of the days they were scheduled to because the source data file was not received. Although there is no expectation that the file will be received on any particular day, there is no notification sent concerning whether the file is received.
- There were two sequences that run Monday through Friday, but are only expected to have source data to process once a week. There is no success notification at the end of the sequence, a practice used for other sequences.
- One sequence runs on Wednesdays and Thursdays because source data is only expected to be present one of those two days each week. The sequence does not send a notification if the data does not arrive on those days, nor does it have a notification if the data is received and processed successfully, though notifications for similar events are sent for other sequences.
- DataStage has a sequence which is designed to report daily all jobs that failed to run, ran with warnings, or were still running at the time the report was produced. This alerts OIT EDW staff to potential issues with sequence processing. We found that these reports had multiple issues which rendered them ineffective as a tool for sequence monitoring. The sequence that generates the reports failed to run for three consecutive days during our testing period without being corrected and reset. In addition, our analysis of the information contained in the reports for the nine days they were successfully generated disclosed that the data was identical for all days, and no report contained data with a load date later than “3/20/2017”, though we documented sequence failures and warnings during our testing period, which was after that date.

There seem to be multiple reasons why these issues exist. Although there are currently many individual components of data integrity checking being performed, there is no single comprehensive process for completing and documenting data integrity checking in the EDW. Some of the tools in place are not properly configured or utilized. The completion and results of the manual review of sequence success performed by the OIT EDW staff is not documented. The

ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

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ETL Load report, which is used to determine the last load date of data into the EDW, does not contain all of the tables that are populated by the NJAWS and eCATS sequences, and is not run on all days when processing takes place. When it was run during our testing period, we found instances where our manual review of the last sequence run date did not match the ETL Load report last load date. Lastly, data validation queries exist for many tables in the OIT EDW, but not for all tables populated by the sequences.

With regard to checking the original source data to the final EDW warehouse data, the OIT EDW has not required data owners to perform, and provide evidence of, successful reconciliations. In the past, there were additional source system reports developed by the OIT EDW staff for additional source-to-target reconciliations in the NJAWS universe. The OIT EDW staff stated that these reconciliations were taken over by the data owners; however, we found that this had not occurred. The data owners do reconcile the source system data internally within their system for integrity purposes, and some of the NJAWS warehouse data is reconciled internally as well, but the two data sets are not reconciled to each other. In the eCATS, the warehoused data is a straight migration from the live source system, without any data transformation. This may have created the false impression that reconciliation is unnecessary.

Finally, although success, warning, and failure notifications were built into many DataStage sequences, they do not exist for all sequences. Also, the lack of report generation and incorrect data we found in the report of jobs that did not run, or ran with warnings, shows that this is not an effective tool, and the OIT EDW staff stated that these reports are not used.

The lack of effective data integrity controls in the data warehouse could negate its primary goal of providing a complete, accurate, and current set of data to be used for analysis and reporting that improves the organization. The various issues we noted with the process could contribute to errors in the extract, transfer, and load process, including data values that do not accurately reflect the contents of the source system, data missing from the EDW that is contained in the source system, duplicate or extraneous data loaded into the EDW, or the existence of non-current data. Any of these situations would cause errors in the reporting and analysis generated by users of the EDW, thereby rendering them inaccurate.

**OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
SCHEDULE OF REPORTS ISSUED DURING CALENDAR YEAR 2019**

TYPES OF FINDINGS

<u>REPORT</u>	<u>COMPLIANCE</u>	<u>CONTROLS</u>	<u>ECONOMY/ EFFICIENCY</u>	<u>NONE</u>
Asbury Park School District	X	X	X	
City of Camden School District	X	X		
Department of Children and Families				
Division of Child Protection and Permanency				
Grant-in-Aid	X	X		
Department of Community Affairs				
Division of Housing and Community Resources				
Low Income Home Energy Assistance Program Eligibility		X		
Section 8 Housing Program				
Financial Data Schedules				X
Department of Corrections				
Northern State Prison	X	X		
Department of Education				
Fiscal Accountability – State Monitoring and Oversight	X		X	
Renaissance Schools	X			
Department of Human Services				
Division of Mental Health and Addiction Services				
Addiction Services		X	X	
Department of Law and Public Safety				
Juvenile Justice Commission				
New Jersey Training School for Boys	X	X	X	
Office of the Attorney General				
Sexual Assault Examination Process		X		
Department of Transportation				
Non-Payroll Expenditures	X			
Department of the Treasury				
Division of Purchase and Property				
Procurement of Professional Services Contracts	X	X		
Division of Revenue and Enterprise Services				
Information Technology Systems		X		
New Jersey Motor Vehicle Commission				
Customer Service			X	

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TYPES OF FINDINGS

<u>REPORT</u>	<u>COMPLIANCE</u>	<u>CONTROLS</u>	<u>ECONOMY/ EFFICIENCY</u>	<u>NONE</u>
Office of Information Technology				
Enterprise Data Warehouse		X		
State of New Jersey				
Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2018			Opinion Report	
Fund Balance Report as of June 30, 2018			Special Report	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>				X
State Health Benefit Program Fund – State Retired Report on a Specific Element of a Financial Statement Schedule of Benefit Claim Payments and Expenses				
For the Year Ended June 30, 2017			Opinion Report	
For the Year Ended June 30, 2018			Opinion Report	
Transportation Trust Fund Authority				X