

NJ OFFICE OF THE STATE AUDITOR

A tall, white, cylindrical lighthouse with a red lantern room and gallery, situated on a grassy hill. The lighthouse is the central focus of the image. The sky is a deep blue with scattered white clouds. In the foreground, there are tall, golden-brown grasses and green foliage. The overall scene is bright and clear.

**New Jersey State Auditor
Update 2023**

ABOUT THE OFFICE



- The State Auditor is a constitutional position appointed and confirmed by a joint session of the Legislature.
- Located within the Office of Legislative Services (OLS), a nonpartisan office established to assist the Legislature.
- The office consists of approximately 90 professionals and four administrative staff.
- Reports are addressed to the Governor, Senate President, Speaker of the Assembly, and the Executive Director of OLS.
- All audit reports are on the web.

ABOUT THE OFFICE



- Established as the Legislative watchdog over the other branches of Government.
- Critical to independence as compared to other audit organizations in the state.
- All of our reporting is in compliance with *Government Auditing Standards (Yellow Book)*.

MISSION

- To provide independent, unbiased, timely, and relevant information to the Legislature, agency management, and the citizens of New Jersey which can be used to improve the operations and accountability of public entities.
- Reporting includes recommendations on how to improve the workings of government and how to strengthen agency internal controls.



TYPES OF AUDITS PERFORMED

- **Financial statement opinion audits (will soon require plain language, user-friendly summary of ACFR)**
- **Performance Audits**
 - **Internal control effectiveness**
 - **Program effectiveness, economy, and efficiency**
 - **Program compliance**
 - **IT audits (additional standards followed)**
- **School districts (forensic, 80/20)**

OBSERVATIONS

- **We use observations to report upon issues that don't exactly rise up to the level of a report finding.**
- **Strictly a means to publicly disclose an issue that has come to our attention, and we feel an open discussion is warranted.**

NJ TRANSIT

Performance and safety issues:

- On-time performance goals not met
- Bridge inspections and repairs backlog
- Positive Train Control
 - “Debatable” timeframe for implementation deadline
 - Fines possible from federal government
 - Liquidated damages not assessed
- NJT audit now required every 5 years



DEPARTMENT OF TRANSPORTATION BUREAU OF TRANSPORTATION DATA & SUPPORT CRASH RECORDS UNIT

Objective: To determine whether controls existed to ensure that all required crash reports were submitted timely to DOT and ensure the integrity and completeness of the Accident Records Database (ARD).

What we found:

- Controls did not ensure all required crash reports were submitted in a timely manner to the department
- Determined the integrity and completeness of the data contained in the ARD could be improved
- May affect public safety
- Legislation passed

NEW JERSEY MOTOR VEHICLE COMMISSION CUSTOMER SERVICE

Objective: To assess the efficiency of MVC customer service operations.

What we found:

- Agency Compliance Officers were not performing their reviews on a consistent basis
- Mobile units were not being used efficiently
- Complaint resolution process needed improvement
- Staffing of agencies was not commensurate with workload
- Drivers' license renewal dates were at the end of the month

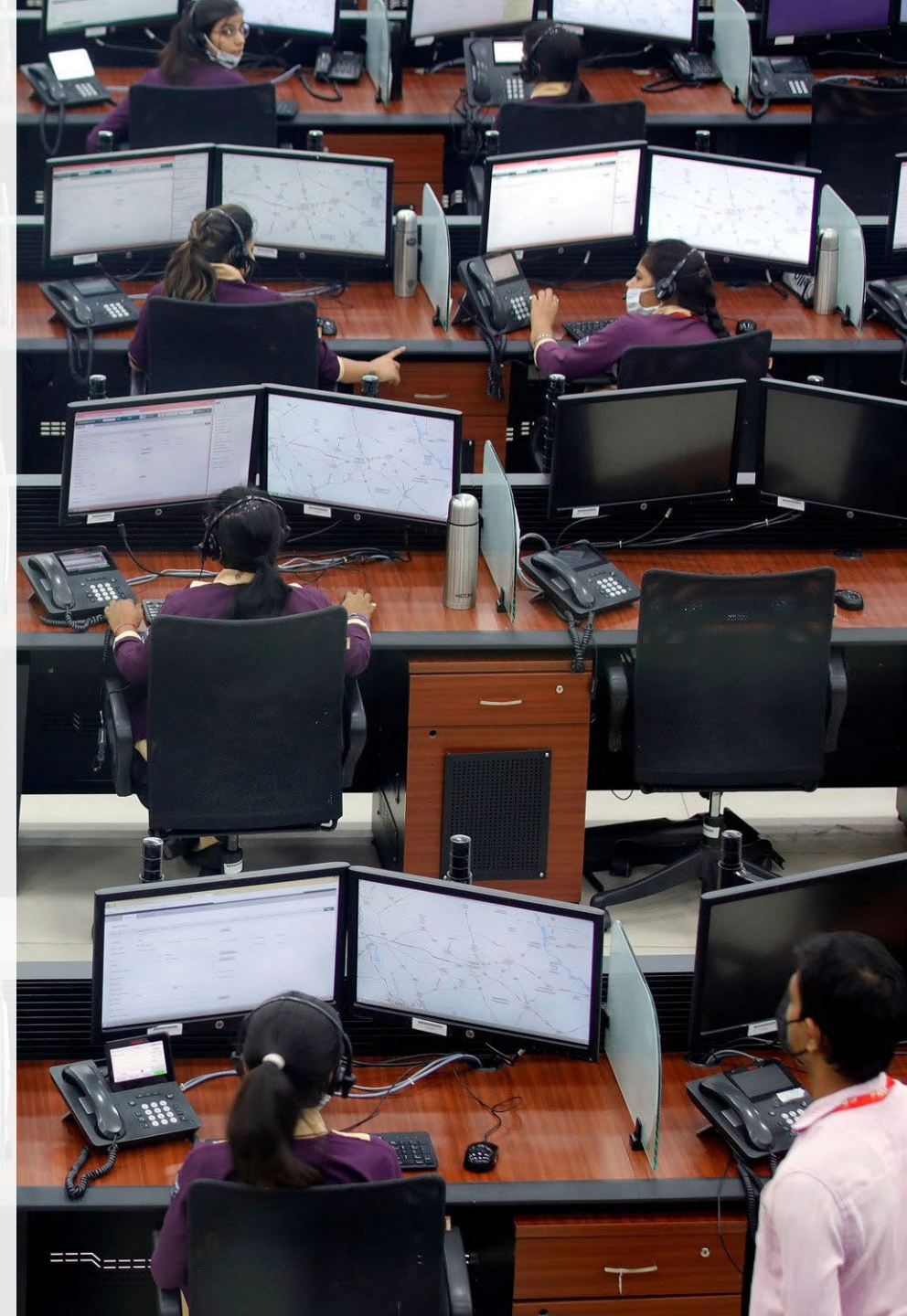


DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT DIVISION OF UNEMPLOYMENT INSURANCE

Objective: To determine whether controls over the review and processing were adequate to ensure proper and accurate payment.

What we found:

- The department was significantly impacted by the pandemic because of the unprecedented surge of initial UI claims
- Contracted call center did not achieve performance goals
- State could have participated in federal reimbursable program and saved itself \$20 million



SCHOOL DISTRICT FORENSIC AUDITS



We generally do two to three forensic school district audits per calendar year.



The goal is to find as many contributing factors as possible.



The main issue is usually a lack of appropriate budgeting skills on behalf of school district management.



As part of the audit, we perform significant performance audit work at the district to maximize our resources.

SCHOOL DISTRICT FORENSIC AUDITS (CONT.)



Many times, spending controls are placed into the hands of staff who are not trained in finance (i.e. – teachers, administrative support staff) – thus controls go by the wayside.



Budgeting Errors – determining whether they were intentional or oversight. Usually appears as if management is trying to hide needed increases so property tax increases aren't needed. Program cuts will never make you popular.

SCHOOL DISTRICT FORENSIC AUDITS (CONT.)



Most of the referrals we make to the NJ Division of Criminal Justice for possible fraud come from our school district audits.



The lack of controls create the “opportunity” piece from the fraud triangle and is always present in these types of audits.



Business Administrator turnover.

BIEMMESCHOOLDISTRICT

Objective: To determine the factors that contributed to the fiscal year-end General Fund budgetary deficit of \$3,712,400 as reported in the district's annual financial report.

What we found:

- Turnover of Business Administrators
- More than 90 line-items were overspent
- Property sold for \$1 that eventually fetched \$1 million
- Never used leased parking lots for school busses
- Purchased 20,000 flash drives that were never used
- Related party transactions



BAYONNE SCHOOL DISTRICT

Objective: To determine the primary factors that contributed to the General Fund budgetary deficit of \$2,003,625 as reported in the district's annual financial report.

What we found:

- Salaries exceeded budget by \$5 million due to transfers covering deficits in other accounts
- Health benefits and tuition accounts were under-budgeted
- Ineligible health benefit program participants
- Improper encumbering of future years' expenses



LAKEWOOD PUBLIC SCHOOLS

Objective: To determine the factors that contributed to the fiscal year-end unassigned general fund budgetary deficit of \$3,100,041 as reported in the district's annual financial report.

What we found:

- Tone at the top - No Business Administrator
- Proportion of Non-public vs Public enrollment
- Significant and escalating expenditures
 - Mandated transportation for approximately 30,000 students
 - Mandated tuition for special education students
 - \$83 million spent on those two line item accounts (FY21)

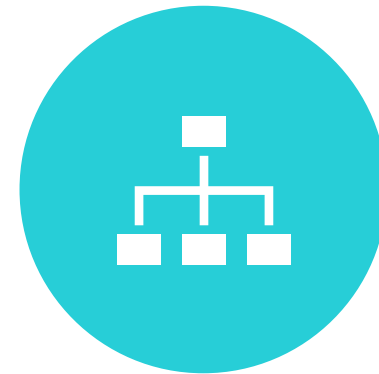
GENERIC METHODS



**BUDGET –
ACTUAL**



**TREND
ANALYSIS**



RATIOS

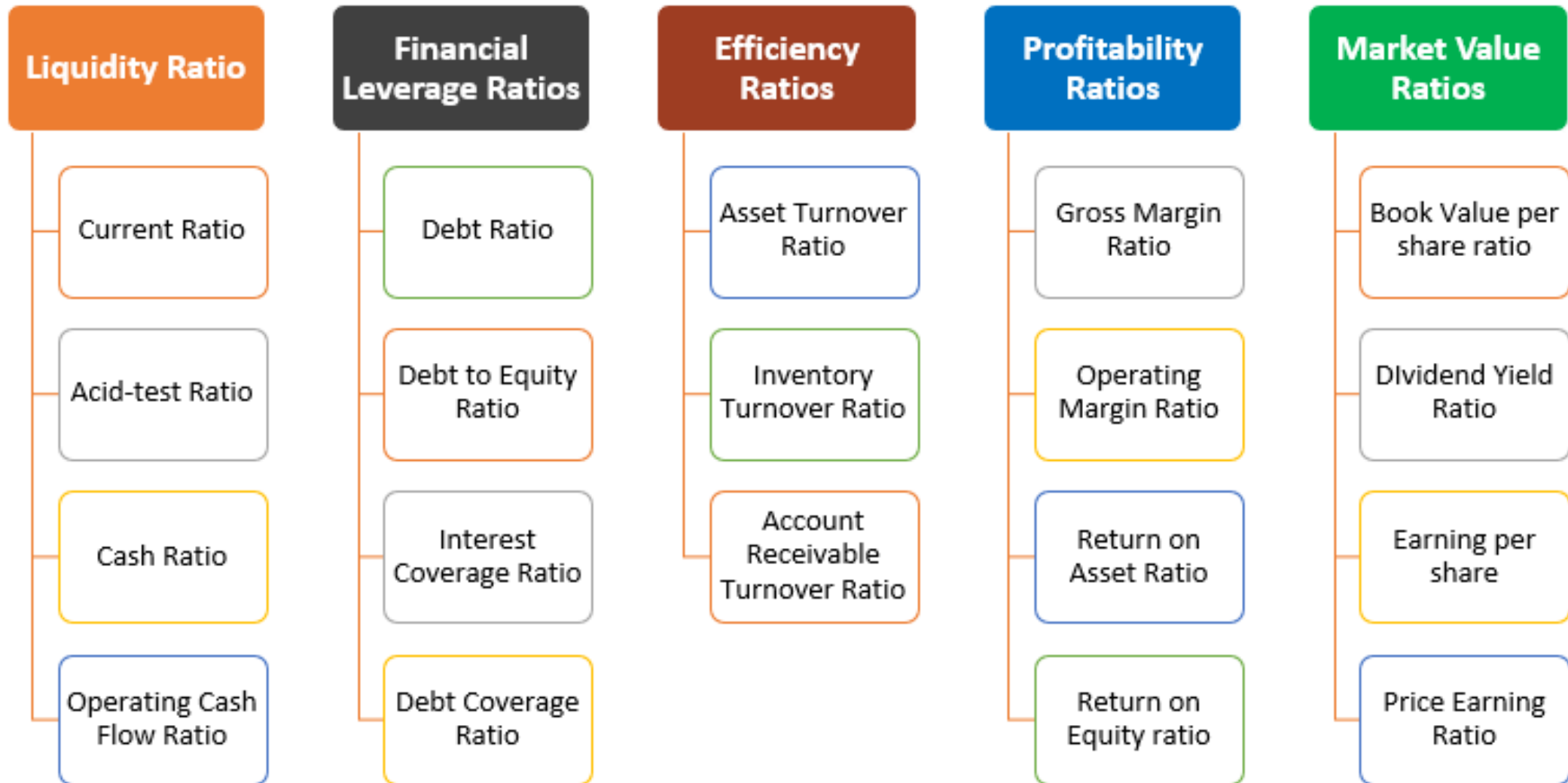
BUDGET- ACTUAL

Fiscal Year	ACFR Exp Line Item Account	Final Budget	Actual	Variance (\$)	Unfavorable Variances		
					FY	Count	Sum
14	Tuition PSSDs	\$ 17,860,500	\$ 21,453,352	\$ (3,592,852)			
14	Prof Serv	\$ 238,100	\$ 1,272,569	\$ (1,034,469)	14	69	\$ (11,009,756)
14	Grades 6 - 8	\$ 3,189,713	\$ 3,858,316	\$ (668,603)	15	1	\$ (8,577)
14	Health Benefits	\$ 6,866,378	\$ 7,394,588	\$ (528,210)	16	10	\$ (7,656,307)
14	Textbooks	\$ 187,052	\$ 694,000	\$ (506,948)	17	1	\$ (396,399)
14	SS Cont	\$ 725,000	\$ 1,177,548	\$ (452,548)	18	0	\$ -
14	Salaries	\$ 274,150	\$ 615,869	\$ (341,719)	19	0	\$ -
14	NP Transport	\$ 413,000	\$ 750,894	\$ (337,894)	20	1	\$ (1)
14	Edu Serv	\$ 545,000	\$ 881,438	\$ (336,438)	Total	81	\$ (19,071,040)

TREND ANALYSIS

ACFR GF Exp	Actual Expenditures						Five Year Trend
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Average	
	\$ 120,407,030	\$ 123,299,894	\$ 135,914,789	\$ 147,056,328	\$ 154,212,273	\$ 136,178,063	
Tuition							
LEA Regular	\$ 115,142	\$ 131,208	\$ 172,113	\$ 323,368	\$ 436,323	\$ 235,631	
LEA Special	\$ 355,857	\$ 151,304	\$ 85,186	\$ 3,861	\$ 14,207	\$ 122,083	
CVSD Reg	\$ 8,000	\$ 6,000	\$ 46,500	\$ 88,660	\$ 66,723	\$ 43,177	
CVSD Special	\$ 117,399	\$ 19,380	\$ 39,860	\$ 15,840	\$ -	\$ 38,496	
CSSD Reg Day	\$ 779,445	\$ 1,010,452	\$ 876,631	\$ 812,850	\$ 561,281	\$ 808,132	
PSSDs In State	\$ 21,453,352	\$ 21,056,687	\$ 25,083,549	\$ 27,891,730	\$ 29,305,180	\$ 24,958,100	
PSSDs Out State	\$ 14,476	\$ 65,450	\$ 125,476	\$ 281,215	\$ 593,975	\$ 216,118	
State Facilities	\$ 56,934	\$ 226,398	\$ 55,974	\$ 106,272	\$ 157,515	\$ 120,619	
Other	\$ 89,052	\$ 4,162,319	\$ 1,652,026	\$ 981,683	\$ 2,178,736	\$ 1,812,763	
Total Tuition	\$ 22,989,657	\$ 26,829,198	\$ 28,137,315	\$ 30,505,479	\$ 33,313,940	\$ 28,355,118	

RATIO ANALYSES



STATISTICAL METHODS

Data
Profile

Descriptive
Statistics

Data
Histogram

Periodic
Graph

Benford's
Law

Number
Duplication
Test

Duplications
Within
Subsets

DATA PROFILE

DATA PROFILE - 2022 CHECK REGISTER					
<u>Details</u>	<u>Strata</u>	<u>Count</u>	<u>% Total</u>	<u>\$</u>	<u>% Total</u>
Amounts	X >= 500	17,555	71.0%	\$ 368,556,451	99.7%
Amounts	0.01 < X < 499.99	7,129	28.8%	\$ 1,274,025	0.3%
Amounts	0	0	0.0%	\$ -	0.0%
Amounts	-0.01 < X < -499.99	25	0.1%	\$ (4,063)	0.0%
Amounts	X <= (500)	10	0.0%	\$ (127,087)	0.0%
		-----	-----	-----	-----
		24,719	100.0%	\$ 369,699,325	100.0%
		=====	=====	=====	=====
LV Amounts	x > 0 and <= 50	1,739	7.0%	\$ 39,108	0.0%
		=====	=====	=====	=====
HV Amounts	50,000 and higher	1,084	4.4%	\$ 261,221,415	70.7%
		=====	=====	=====	=====

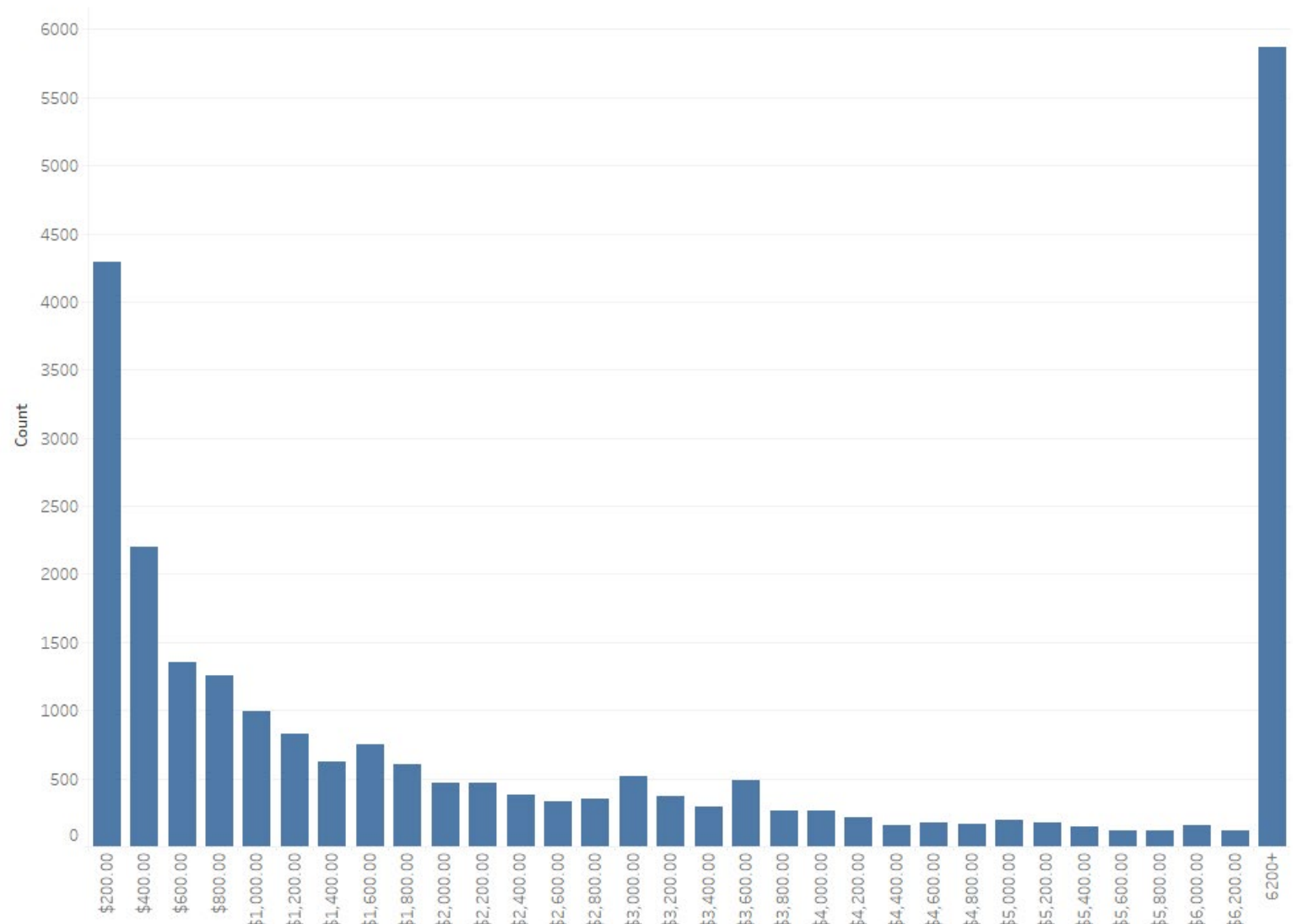
DESCRIPTIVE STATISTICS

Descriptive Statistics

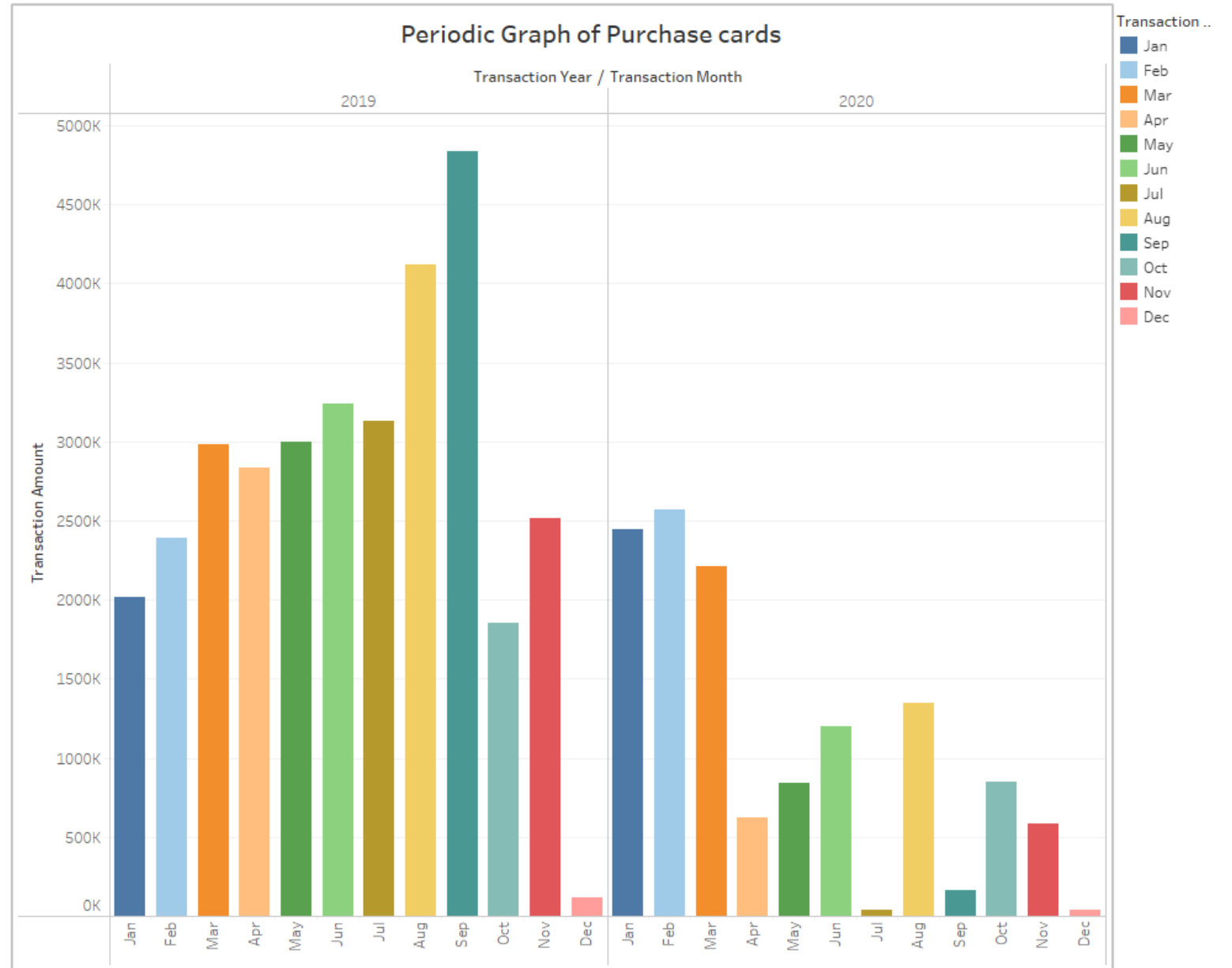
Mean	14,956.07933
Standard Error	583.3708598
Median	1,618
Mode	3,500
Standard Deviation	91,719.18362
Sample Variance	8,412,408,644
Kurtosis	379.5777243
Skewness	16.97798113
Range	3,651,199.87
Minimum	-99,983.03
Maximum	3,551,216.84
Sum	369,699,324.9
Count	24,719

DATA HISTOGRAM

Histogram of Check Register



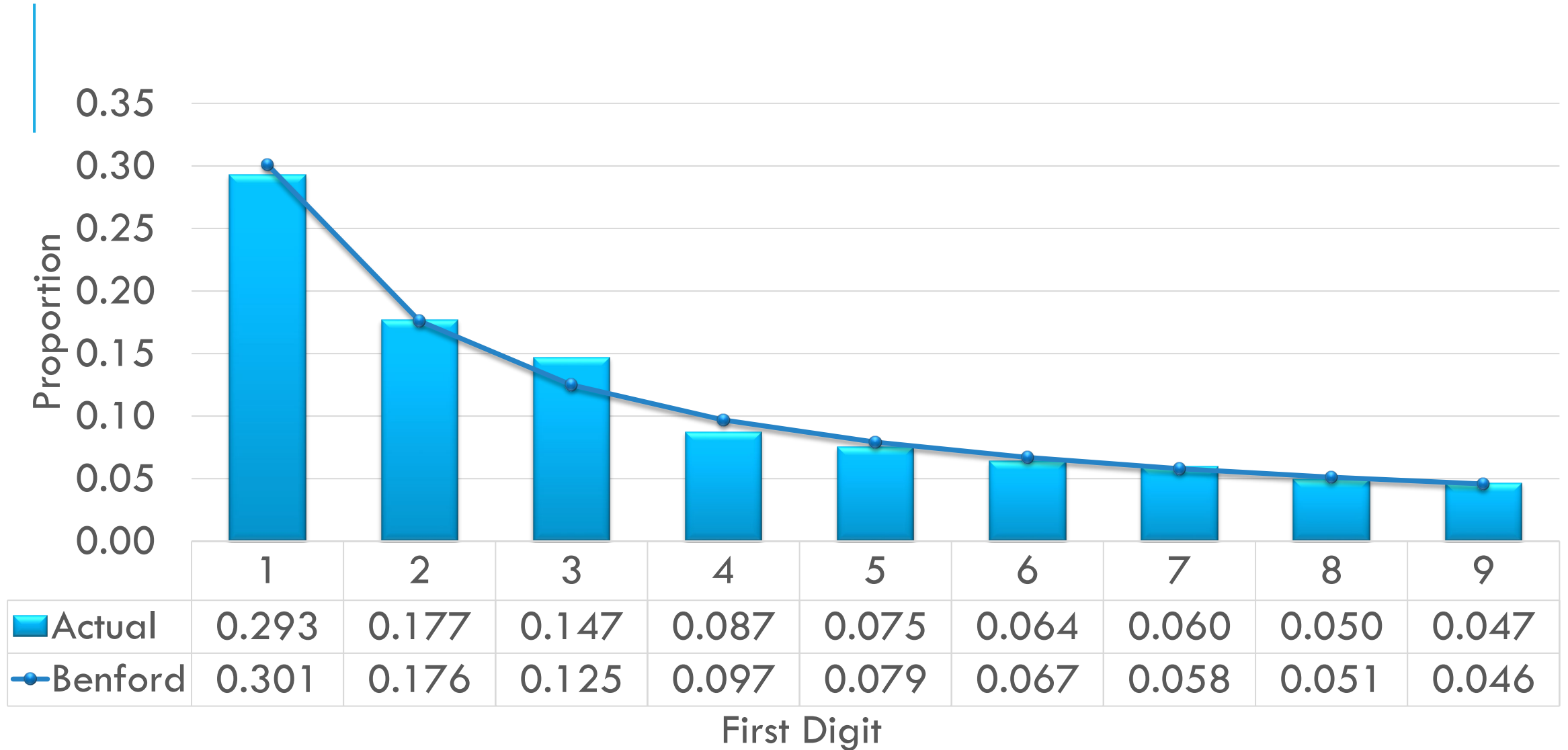
PERIODIC GRAPH



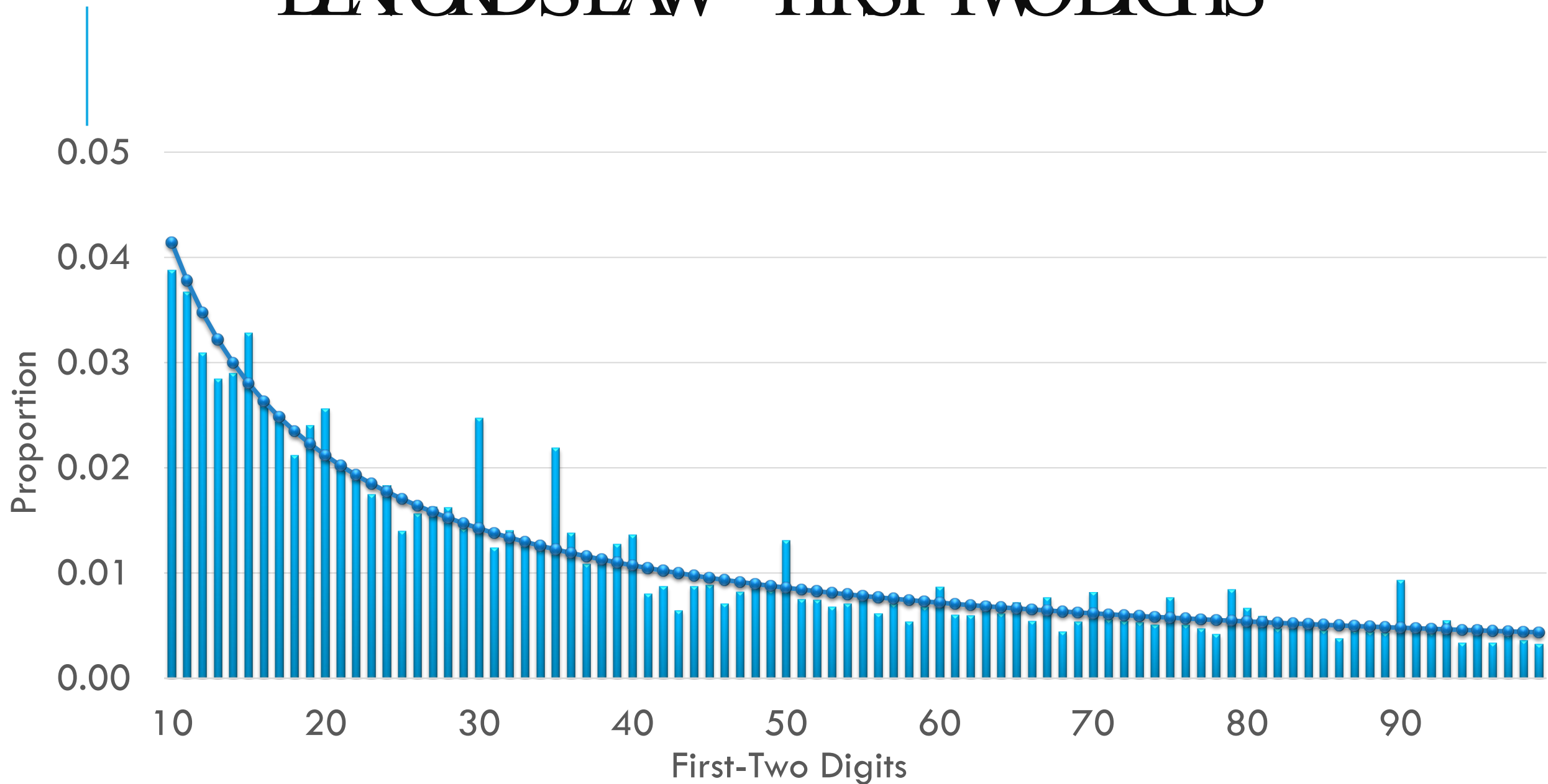
BENFORD'S LAW

FIRST AND SECOND DIGITS							FIRST-TWO DIGITS TEST							SUMMATION TEST					
First	Count	Actual	Benford	Difference	AbsDiff	Z-stat	FT Digit	Count	Actual	Benford	Difference	AbsDiff	Z-stat	FT Digit	SumOfAmount	Actual	Benford	Difference	AbsDiff
1	7101	0.293	0.301	-0.008	0.008	2.700	10	940	0.039	0.041	-0.003	0.003	2.015	10	\$11,722,181.61	0.032	0.011	0.021	0.021
2	4294	0.177	0.176	0.001	0.001	0.450	11	890	0.037	0.038	-0.001	0.001	0.847	11	\$17,724,550.35	0.048	0.011	0.037	0.037
3	3566	0.147	0.125	0.022	0.022	10.454	12	749	0.031	0.035	-0.004	0.004	3.255	12	\$7,611,168.57	0.021	0.011	0.009	0.009
4	2117	0.087	0.097	-0.010	0.010	5.010	13	689	0.028	0.032	-0.004	0.004	3.289	13	\$6,044,243.03	0.016	0.011	0.005	0.005
5	1823	0.075	0.079	-0.004	0.004	2.263	14	702	0.029	0.030	-0.001	0.001	0.887	14	\$17,460,428.93	0.047	0.011	0.036	0.036
6	1552	0.064	0.067	-0.003	0.003	1.793	15	795	0.033	0.028	0.005	0.005	4.489	15	\$23,778,954.71	0.064	0.011	0.053	0.053
7	1446	0.060	0.058	0.002	0.002	1.109	16	644	0.027	0.026	0.000	0.000	0.222	16	\$15,449,706.73	0.042	0.011	0.031	0.031
8	1202	0.050	0.051	-0.002	0.002	1.076	17	597	0.025	0.025	0.000	0.000	0.165	17	\$15,928,193.55	0.043	0.011	0.032	0.032
9	1130	0.047	0.046	0.001	0.001	0.636	18	513	0.021	0.023	-0.002	0.002	2.353	18	\$8,595,261.83	0.023	0.011	0.012	0.012
				MAD =	0.00576		19	582	0.024	0.022	0.002	0.002	1.816	19	\$5,474,092.71	0.015	0.011	0.004	0.004
							20	621	0.026	0.021	0.004	0.004	4.776	20	\$4,922,868.51	0.013	0.011	0.002	0.002
Second	Count	Actual	Benford	Difference	AbsDiff	Z-stat	21	487	0.020	0.020	0.000	0.000	0.094	21	\$6,209,341.89	0.017	0.011	0.006	0.006
0	3603	0.149	0.120	0.029	0.029	13.904	22	468	0.019	0.019	0.000	0.000	0.010	22	\$5,871,045.40	0.016	0.011	0.005	0.005
1	2589	0.107	0.114	-0.007	0.007	3.441	23	423	0.017	0.018	-0.001	0.001	1.162	23	\$12,847,761.31	0.035	0.011	0.024	0.024
2	2444	0.101	0.109	-0.008	0.008	3.967	24	444	0.018	0.018	0.001	0.001	0.677	24	\$4,926,268.92	0.013	0.011	0.002	0.002
3	2318	0.096	0.104	-0.009	0.009	4.403	25	339	0.014	0.017	-0.003	0.003	3.636	25	\$11,300,617.47	0.031	0.011	0.019	0.019
4	2314	0.095	0.100	-0.005	0.005	2.483	26	379	0.016	0.016	-0.001	0.001	0.893	26	\$10,503,527.10	0.028	0.011	0.017	0.017
5	2664	0.110	0.097	0.013	0.013	6.975	27	395	0.016	0.016	0.001	0.001	0.607	27	\$2,997,726.60	0.008	0.011	-0.003	0.003
6	2107	0.087	0.093	-0.006	0.006	3.421	28	393	0.016	0.015	0.001	0.001	1.218	28	\$4,690,974.78	0.013	0.011	0.002	0.002
7	2139	0.088	0.090	-0.002	0.002	1.115	29	345	0.014	0.015	0.000	0.000	0.601	29	\$3,853,425.28	0.010	0.011	-0.001	0.001
8	1931	0.080	0.088	-0.008	0.008	4.327	30	600	0.025	0.014	0.011	0.011	13.796	30	\$6,379,306.25	0.017	0.011	0.006	0.006
9	2122	0.088	0.085	0.003	0.003	1.425	31	300	0.012	0.014	-0.001	0.001	1.851	31	\$3,415,085.07	0.009	0.011	-0.002	0.002
				MAD =	0.00897		32	340	0.014	0.013	0.001	0.001	0.877	32	\$3,079,805.24	0.008	0.011	-0.003	0.003

BENFORD'S LAW - FIRST DIGIT



BENFORD'S LAW - FIRST-TWO DIGITS



NUMBER DUPLICATION TEST

Purchase Price	Frequency	Total Amount
\$ 3.62	4283	\$ 15,504.46
\$ 3.67	1620	\$ 5,945.40
\$ 3.74	913	\$ 3,414.62
\$ 3.80	827	\$ 3,142.60
\$ 4.37	378	\$ 1,651.86
\$ 3.85	271	\$ 1,043.35
\$ 999.99	50	\$ 49,999.50
\$ 75.00	242	\$ 18,150.00
\$ 150.00	219	\$ 32,850.00
\$ 19.95	209	\$ 4,169.55
\$ 50.00	208	\$ 10,400.00
\$ 43.56	143	\$ 6,229.08

SAMESAMESAMETEST

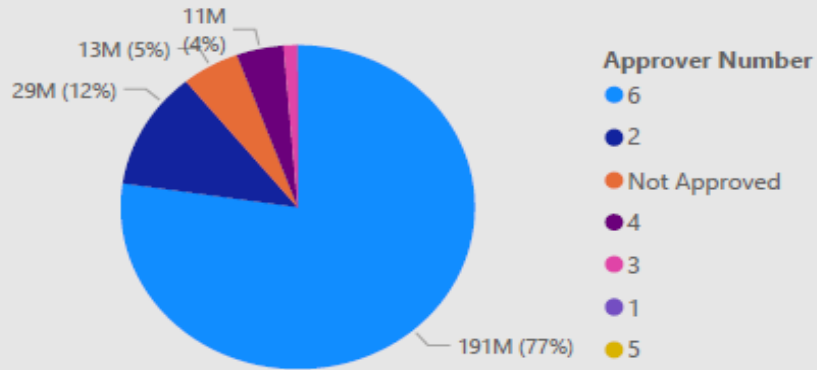
Count	Vendor Name	Date	Amount	Duplicate Count	Total Duplicate Amount	Possible Excess Payments
1	SCSC, INC	06/01/2022	\$ 1,519.70	9	\$ 13,677.30	\$ 12,157.60
2	XEROX CORP.	07/04/2022	\$ 632.91	7	\$ 4,430.37	\$ 3,797.46
3	SCSC, INC	08/14/2022	\$ 3,000.00	6	\$ 18,000.00	\$ 15,000.00
4	Barnes & Noble	05/16/2022	\$ 3,000.00	5	\$ 15,000.00	\$ 12,000.00
5	Genesis	02/06/2022	\$ 3,000.00	4	\$ 12,000.00	\$ 9,000.00

SAMESAMEDIFFERENTTEST

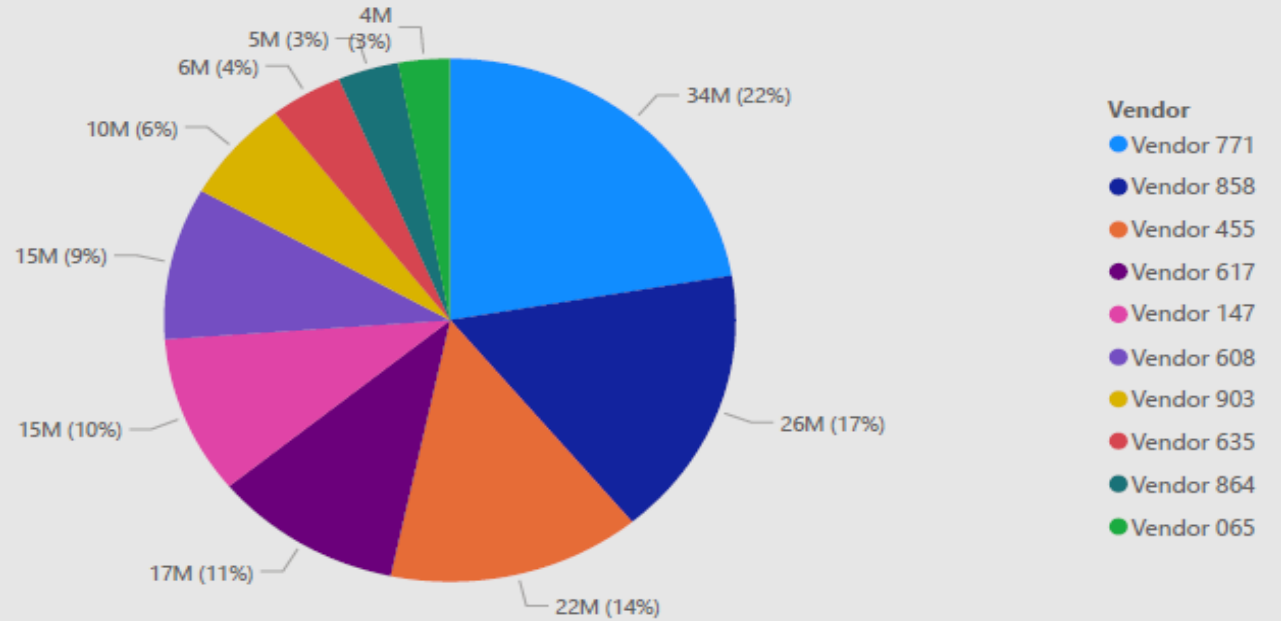
Amount	Date	Merchant Name	Card Number	ID
\$ 3,040.00	5/11/2010	Stork SWL Inc.	5142288601	88380
\$ 3,040.00	5/11/2010	Stork SWL Inc.	5145452308	36585
\$ 2,500.00	9/18/2010	Cavins	5142211180	54064
\$ 2,500.00	9/18/2010	Cavins	5143457389	52134
\$ 2,500.00	8/9/2010	Sans/Network Security	5142152700	24910
\$ 2,500.00	8/9/2010	Sans/Network Security	5148633456	23525
\$ 2,500.00	7/20/2010	Environmental Safety Prof	5142213087	32535
\$ 2,500.00	7/20/2010	Environmental Safety Prof	5143546547	32523
\$ 2,499.00	12/10/2010	Dell Marketing LP	5142150217	64755
\$ 2,499.00	12/10/2010	Dell Marketing LP	5140985749	75346

VISUALIZATIONS WITH POWER BI (DASHBOARD)

Summary of Approvers



Summary of Top 10 Vendors Paid by Transaction Amount



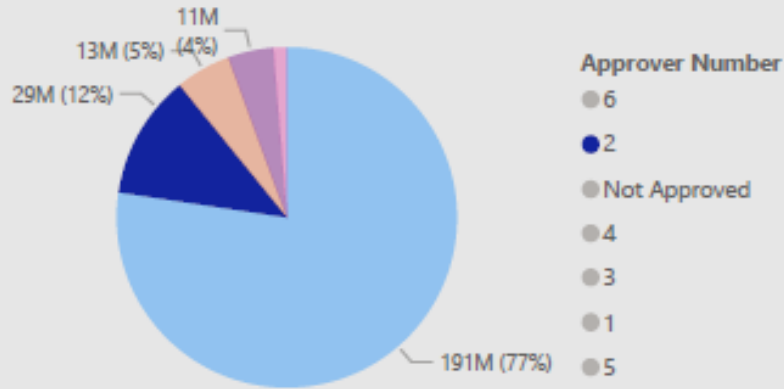
Payment Records

Approver Number	PO#	Vendor	Acct	Transaction Amount	Original PO Amount	Time Created
1	2203799	Vendor 806	Account 389	5,967.00	5,967.00	12/9/2021 3:14:18 PM
1	2203826	Vendor 857	Account 003	2,950.00	2,950.00	12/10/2021 11:15:30 AM
1	2203845	Vendor 086	Account 210	2,176.86	2,176.86	12/13/2021 8:01:50 AM
2	2005183	No Vendor	Account 618	0.00	10,159.00	6/19/2020 11:52:09 AM
2	2005436	No Vendor	Account 015	0.00	9,000.00	7/15/2020 3:26:22 PM
2	2005453	No Vendor	Account 447	0.00	28,242.00	7/27/2020 2:33:04 PM
2	2005455	No Vendor	Account 447	0.00	2,800.00	7/28/2020 9:40:31 AM
2	2100538	No Vendor	Account 100	0.00	118.76	7/9/2020 12:47:14 PM
2	2100540	No Vendor	Account 119	0.00	1,600.00	7/9/2020 12:57:08 PM
2	2100552	Vendor 601	Account 387	16,784.50	16,784.50	7/9/2020 1:48:45 PM
Total				246,916,208.47	317,992,565.15	

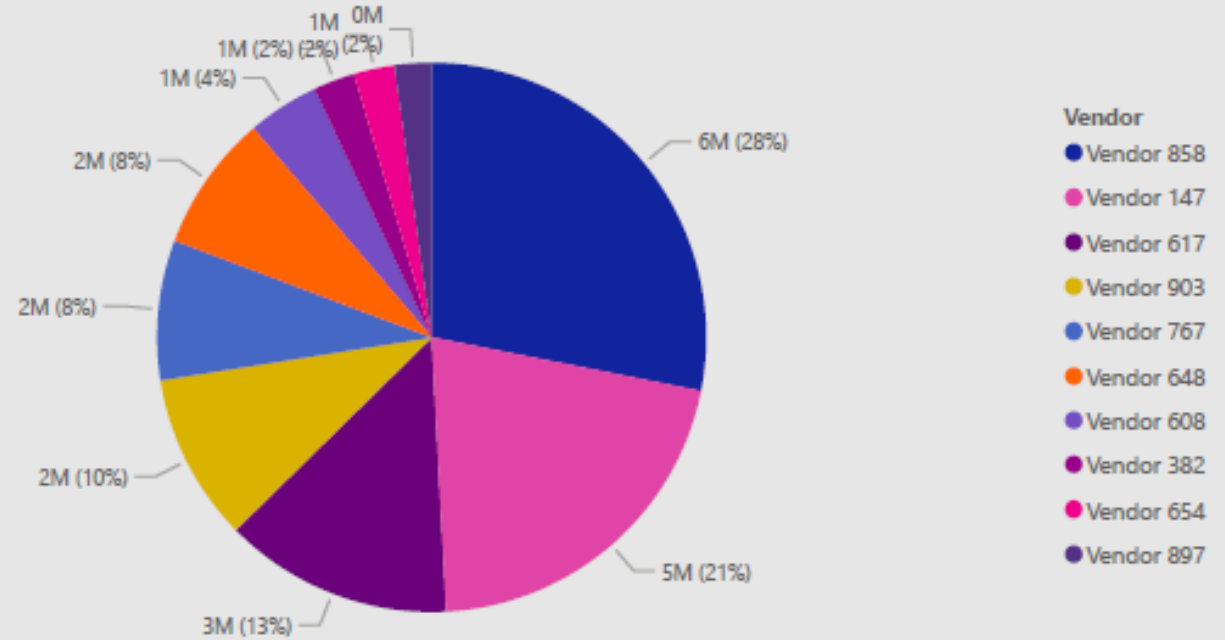
Top 4 Expenditures by Amount

Account 746	41,204,316.75
Account 044	22,286,930.33
Account 229	16,594,182.21
Account 453	14,339,369.00

Summary of Approvers



Summary of Top 10 Vendors Paid by Transaction Amount



Payment Records

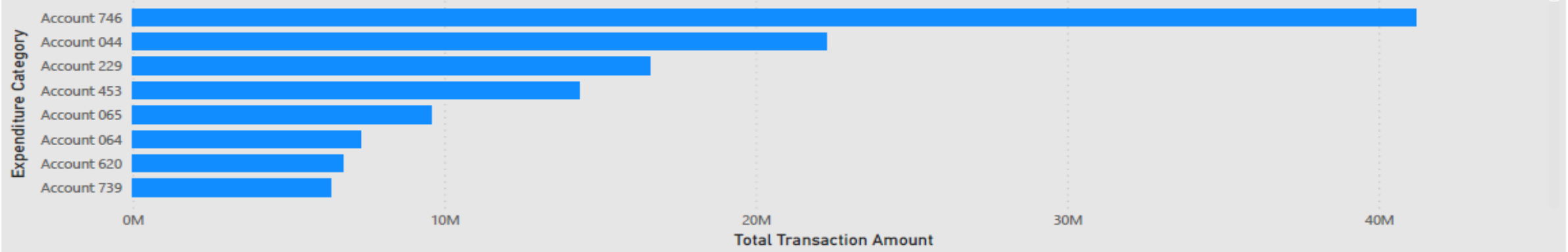
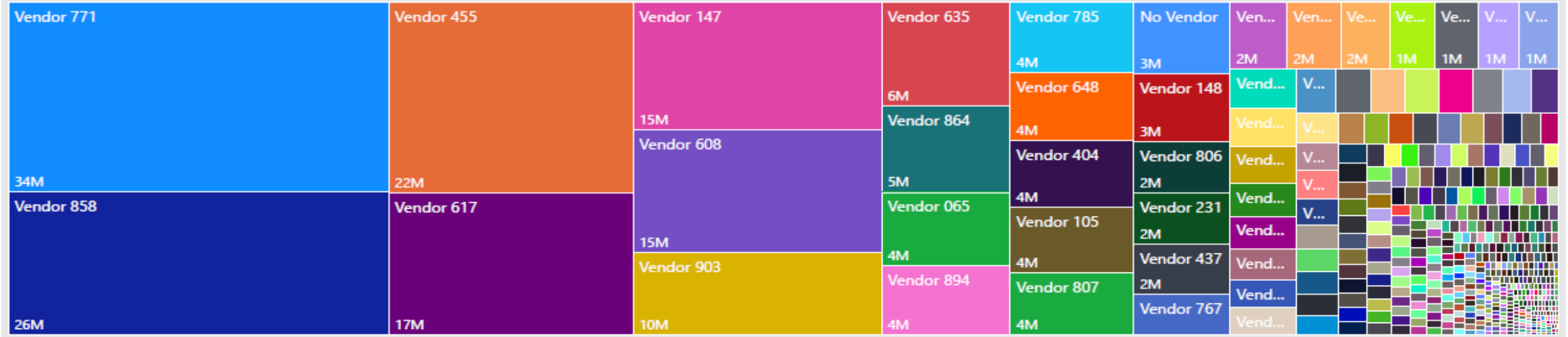
Approver Number	PO#	Vendor	Acct	Transaction Amount	Original PO Amount	Time Created
2	2005183	No Vendor	Account 618	0.00	10,159.00	6/19/2020 11:52:09 AM
2	2005436	No Vendor	Account 015	0.00	9,000.00	7/15/2020 3:26:22 PM
2	2005453	No Vendor	Account 447	0.00	28,242.00	7/27/2020 2:33:04 PM
2	2005455	No Vendor	Account 447	0.00	2,800.00	7/28/2020 9:40:31 AM
2	2100538	No Vendor	Account 100	0.00	118.76	7/9/2020 12:47:14 PM
2	2100540	No Vendor	Account 119	0.00	1,600.00	7/9/2020 12:57:08 PM
2	2100552	Vendor 601	Account 387	16,784.50	16,784.50	7/9/2020 1:48:45 PM
2	2100568	Vendor 654	Account 451	8,398.70	8,398.70	7/9/2020 2:39:03 PM
2	2100570	Vendor 724	Account 152	9,503.71	9,503.71	7/9/2020 2:44:07 PM
2	2100596	Vendor 094	Account 425	789.89	824.89	7/14/2020 1:07:18 PM
Total				29,090,398.63	35,979,117.86	

Top 4 Expenditures by Amount

- [Account 229](#)
3,093,942.81
- [Account 064](#)
1,950,470.88
- [Account 065](#)
1,759,628.91
- [Account 177](#)
1,740,095.77

VISUALIZATIONS WITH POWERBI (HEATMAP)

Vendor Heatmap by Transaction Amount



985

Count of Vendor Index Name

7422

Count of PO

40.55M

Open PO Amount

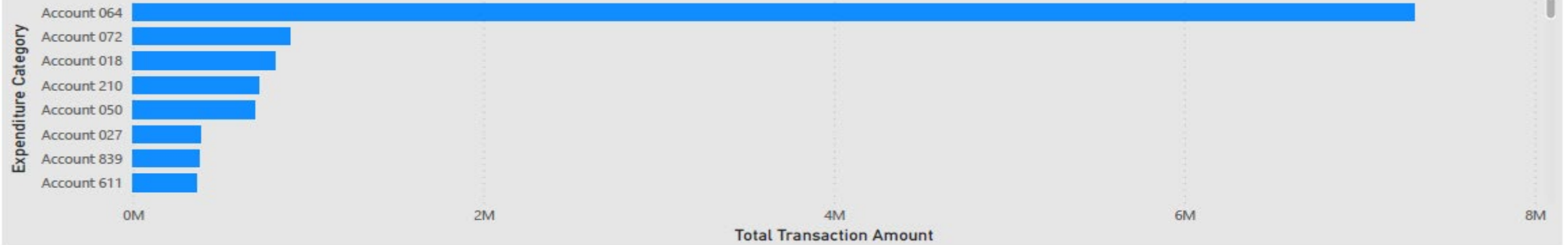
317.99M

Total Original PO Amount

25.43M

Largest PO

Vendor Heatmap by Transaction Amount



1

Count of Vendor Index Name

23

Count of PO

6.24M

Open PO Amount

21.74M

Total Original PO Amount

9.30M

Largest PO

QUESTIONS?

Contact Info:

David J. Kaschak, CPA

New Jersey State Auditor

609-847-3470

<https://www.njleg.state.nj.us/audit-reports>

