



State of New Jersey

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KEVIN D. WALSH
Acting State Comptroller

September 15, 2022

Hon. Shawn M. LaTourette, Commissioner
Department of Environmental Protection
401 East State Street
7th Floor, East Wing
PO Box 402
Trenton, NJ 08625

Hon. Sarah Adelman, Commissioner
Department of Human Services
222 South Warren Street
PO Box 700
Trenton, NJ 08625

Hon. Victoria L. Kuhn, Commissioner
Department of Corrections
Central Office
Whittlesey Road
PO Box 863
Trenton, NJ 08625

Re: Follow-Up Report – A Performance Audit of P-Card Practices

Dear Commissioners LaTourette, Adelman, and Kuhn:

On July 23, 2020, we issued an audit report, *A Performance Audit of P-Card Practices (2020 Audit)*,¹ in which we made recommendations to address various identified weaknesses in the three agencies' P-card controls. Pursuant to *N.J.S.A. 52:15C-1 et seq.*, we have conducted a review of the audited entities' corrective action plans to assess the implementation of the recommendations contained in our 2020 Audit. Our findings and conclusions are set forth below.

¹ Available at: https://www.nj.gov/comptroller/news/docs/pcard_audit_report.pdf

Background, Scope, and Objective

In our 2020 Audit, we examined compliance by three state agencies with Purchasing Card (P-Card) Program circulars adopted by the Department of Treasury (Treasury). That program was established in 1998 to provide state agencies with a convenient method to purchase goods and services. A P-Card, which functions like a charge card, enables agency staff to quickly and easily initiate transactions in person, by telephone, by mail, or on the internet, and which also allows prompt delivery of goods and services.

Our 2020 Audit found the Department of Human Services (Human Services) and the Department of Corrections (Corrections) failed to comply with Treasury circulars related to the procurement of goods and services, maintenance of supporting documentation, and required internal controls. Additionally, our audit found that the Department of Environmental Protection (Environmental Protection) failed to comply with regulations requiring the maintenance of documentation.

The objective of our follow-up review was to determine if the departments have implemented the three recommendations contained in our 2020 audit report.

Summary Conclusion

We found that all three agencies have made significant progress in implementing the recommendations set forth in our 2020 Audit. Of the three recommendations applicable to Human Services, all three were fully implemented. Of the three recommendations applicable to Corrections, all three were partially implemented. The one recommendation applicable to Environmental Protection was implemented.

Status of Initial Audit Recommendations

Recommendation 1

Human Services should develop internal policies and procedures and Corrections should revise its policies and procedures to ensure that all P-Card transactions adhere to the requirements in the applicable DPA [Delegated Purchasing Authority] circulars regarding quotations and verification of sole source vendors.

Status: Implemented - Human Services

Our 2020 Audit found that Human Services failed to follow the requirements in Treasury Circulars related to obtaining quotations and obtaining verification of sole source vendors during the procurement process. Human Services advised in its corrective action plan that it would develop internal policies and procedures to ensure that it follows Treasury requirements for soliciting quotations for supplies and services and verifying sole source vendors and issue these policies to all Department employees who use a P-Card.

During our review, we found that Human Services has developed internal policies and procedures to address the requirements in the applicable “Delegated Purchasing Authority” circular issued by Treasury. The policies specify the requirements for obtaining quotations and verification of sole source vendors. We found Human Services is complying with these requirements.

Status: Partially Implemented - Corrections

Our 2020 Audit found that Corrections failed to follow the requirements in Treasury circulars related to obtaining quotations and obtaining verification of sole source vendors during the procurement process. Corrections advised in its corrective action plan that it would update internal management procedures for the P-card program to reflect the recommendations and distribute the procedures to business managers and P-card users.

Our review noted that Corrections has revised its policies and procedures related to procurement. The policies provided included the requirements for obtaining quotations, but did not contain sufficient detail concerning the verification of sole source vendors. Corrections, however, did provide a copy of a training document that did discuss sole source requirements. We found that the policy is being followed. We urge Corrections to include the requirements for sole source verification within its internal procurement policy as well.

Recommendation 2

Human Services, Corrections, and Environmental Protection should monitor the P-Card transactions and ensure that all cardholders maintain a transaction log with the appropriate signatures and all supporting documentation for P-Card purchases in compliance with the applicable P-Card circular.

Status: Implemented - Human Services

Our 2020 Audit found that Human Services cardholders failed to maintain transaction logs and supporting documentation required by Treasury's circulars for P-card transactions. Human Services advised in its corrective action plan that it would develop internal policies and procedures to ensure that cardholders maintain a transaction log with supporting documentation for all purchases as required by the P-Card circular.

Our review of transaction logs and supporting documentation indicates that Human Service has made significant improvements in this area. We judgmentally sampled transactions from August 2021 for five P-card holders and verified that Human Services maintained transaction logs and supporting documentation. Our procedures noted minor instances of non-compliance, which we determined to be insignificant. We have communicated those issues to management.

Status: Partially Implemented - Corrections

Our 2020 Audit found that Corrections cardholders failed to maintain transaction logs and supporting documentation required by Treasury's circulars for P-card transactions. Corrections advised in its corrective action plan that it would hold a training session with all business managers and P-card

holders to reiterate the requirements to maintain a monthly transaction log and supporting documentation for all transactions.

We verified that Corrections conducted a training session in December 2021 for relevant staff and reiterated P-card requirements. Corrections also conducted its own internal review of P-card usage for Central Office and all Correctional facilities and found P-card procedures are in place and generally followed, but noted the lack of supporting documentation in some instances. Corrections' Office of Financial Management was informed of the results in a letter dated December 2021. In addition, our review of transaction logs and supporting documentation indicates that Corrections has made improvements in this area. We judgmentally sampled transactions from August 2021 for five P-card holders to determine if Corrections maintained transaction logs and supporting documentation. We found that Corrections maintained transactions logs for 3 out of the 5 employees sampled and maintained supporting documentation for approximately 77% of transactions sampled.

We encourage Corrections to continue its employee training, internal reviews, and oversight to ensure compliance with applicable Treasury circulars. The transaction logs allow Corrections to monitor P-card activity to ensure accountability and reduce the risk of waste, fraud, and abuse.

Status: Implemented - Environmental Protection

Our 2020 Audit found that Environmental Protection cardholders failed to maintain transaction logs and supporting documentation required by Treasury's circulars for P-card transactions. Environmental Protection advised in its corrective action plan that it would require each P-card holder to comply with purchasing program policies and procedures, including the use of a transaction log with supporting documentation for all purchases.

Our review of transaction logs and supporting documentation indicates that Environmental Protection has made significant improvements in this area. We judgmentally sampled transactions from August 2021 for five P-card holders and verified that Environmental Protection maintained transaction logs and supporting documentation. Our procedures noted minor instances of non-compliance, which were determined to be insignificant. We have communicated those issues to management.

Recommendation 3

Human Services and Corrections should implement adequate internal controls to ensure that the cardholder who makes the purchase cannot enter the transaction into the P-Card system or approve the payment, as required by the applicable P-Card circulars.

Status: Implemented - Human Services

Our 2020 Audit found that Human Services did not have adequate controls in place to ensure the segregation of duties required by Treasury's P-card circulars. Human Services advised in its corrective action plan that it would develop internal policies and procedures to ensure the proper segregation of duties relating to P-card transactions.

Our review found that Human Services developed policies to ensure proper segregation of duties. We selected a sample of P-card transactions to review the internal control process and found that Human Services required secondary approvals and received them in all instances, which indicates proper segregation of duties.

Status: Partially Implemented - Corrections

Our 2020 Audit found that Corrections did not have adequate controls in place to ensure the segregation of duties required by Treasury's P-card circulars. Corrections advised in its corrective action plan that it would provide training to all relevant staff reminding them of the importance of maintaining proper internal controls, including segregation of duties within the P-card system.

Our review found that Corrections made progress in ensuring proper segregation of duties, but work remains to be done. We selected a sample of P-card transactions to review the internal control process and found that Corrections obtained secondary approvals in approximately 84 percent of transactions. However, we did find several transactions for which secondary approvals were not obtained or documentation could not be provided.

We encourage Corrections to continue strengthening its controls over segregation of duties and ensure that all purchases receive a second level of review to reduce the risk of fraud and abuse.

Reporting Requirements


We provided a draft copy of this report to Human Services, Corrections, Environmental Protection, and Treasury for their review and comment. The response from Corrections was considered in preparing our final report and is attached as Appendix A.

By statute, we are required to monitor the implementation of our recommendations. To enable us to meet this requirement, within 90 days, Corrections shall report to our office regarding the actions that have been or will be taken to address the unresolved issue in this report. We will continue to monitor those steps.

We thank the management and staff of all three agencies for the courtesies and cooperation extended to our auditors during this review.

Sincerely,

KEVIN D. WALSH
ACTING STATE COMPTROLLER

By: 

Christopher Jensen, CPA
Director, Audit Division

Attachment

c: Sean Moriarty, Deputy Commissioner, Department of Environmental Protection
Jane Rosenblatt, Chief of Staff, Department of Environmental Protection
Adrienne E. Kreipke, Assistant Commissioner, Department of Environmental Protection
Stephen Matis, Director, Budget and Finance Operations, Department of Environmental Protection
Tracey Shimonis-Kaminski, Deputy Commissioner, Department of Corrections

Donna M. Gies, Assistant Commissioner, Department of Corrections
Elizabeth Maher Muoio, Treasurer
Jo-Ann Povia, Chief of Staff, Department of the Treasury
Amy Davis, Acting Director, Department of the Treasury, Division of Purchase and Property
Gregg Olivera, Deputy Director, Department of the Treasury
David Rodriguez, Manager, Department of the Treasury, Division of Purchase and Property
Lisa Ames, P-Card Administrator, Department of the Treasury, Division of Purchase and Property
Brian Francz, Chief Financial Officer, Department of Human Services
Gerard Hughes, Assistant Commissioner, Department of Human Services
Daniel A. Prupis, Manager, Department of Human Services
Allan Brophy, Director, Office of Auditing, Department of Human Services



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Commissioner

August 30, 2022

Kevin D. Walsh
Acting State Comptroller
Office of the State Comptroller
P.O. Box 024
Trenton, New Jersey 08625-0024

Dear Mr. Walsh,

The New Jersey Department of Corrections (NJDOC) is in receipt of the Office of the State Comptroller's (OSC) Follow-Up Report – A Performance Audit of P-Card Practices. Thank you for the opportunity to respond and provide comments to your office prior to the release of this report.

The following is in response to the findings and recommendations outlined in the Follow-Up Report.

Recommendation 1

Corrections should revise its policies and procedures to ensure that all P-Card transactions adhere to the requirements in the applicable DPA circulars regarding quotations and verification of sole source vendors.

Status: Partially Implemented

The review noted that NJDOC has revised its policies and procedures related to procurement. The policies provided included the requirements for obtaining quotations, but did not contain sufficient detail concerning the verification of sole source vendors. NJDOC did, however, provide a copy of a training that discussed sole source requirements. The review found that the policy is being followed.

NJDOC should include the requirements for sole source verification within its internal procurement policy as well.

Management Response:

The intent of the NJDOC policy was to incorporate the information regarding “sole source” vendors. While the Department’s current policy does not include a specific reference pertaining to “Sole Source” vendors, it does reference the Treasury Circular Letter on DPA Purchasing which includes language on Sole Source vendors. To ensure full compliance, the Department’s policy will be updated within the next thirty (30) days to include a specific section on Sole Source vendors.

Recommendation 2

NJDOC should monitor the P-Card transactions and ensure that all cardholders maintain a transaction log with the appropriate signatures and all supporting documentation for P-Card purchases in compliance with the applicable P-Card circular.

Status: Partially Implemented

The review verified that NJDOC conducted a training in December 2021 as well as its own internal review of P-Card usage. OSC’s review of transaction logs and supporting documentation indicates the NJDOC has made improvement in this area, however, only three (3) of the five (5) employees sampled maintained transactions logs, and appropriate supporting documentation was provided for approximately 77% of transactions sampled.

OSC is encouraging NJDOC to continue its employee training, internal reviews, and oversight to ensure compliance with the Treasury requirements.

Management Response:

P-Card training is scheduled in September for Central Office and institutional business office staff to review the P-Card requirements as outlined in Treasury Circular 17-07-DPP. Additional trainings will be conducted for **all** P-Card holders in the Department, specific to the responsibilities of cardholders, and will stress the importance of maintaining transaction logs and supporting documentation for all purchases. Three (3) trainings will be scheduled; one for the North, South and Central and will occur in late September and early October. Internal reviews and oversight will continue to ensure compliance with the Treasury requirements. The Internal Reviews will be conducted during the second half of FY 2023.

Recommendation 3

NJDOC should implement adequate internal controls to ensure that the cardholder who makes the purchase cannot enter the transaction into the P-Card system or approve the payment, as required by the applicable P-Card circulars.

Status: Partially Implemented

OSC’s review found that NJDOC has made progress in ensuring proper segregation of duties, but work remains to be done. The selected sample of P-Card transactions found that secondary approvals were obtained in approximately 84% of the transactions.

Kevin D. Walsh
August 30, 2022
Page 3 of 3

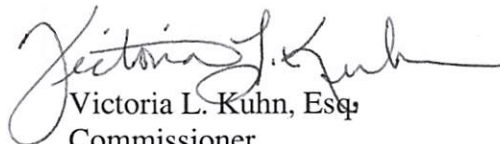
OSC encourages NJDOC to continue strengthening its controls over segregation of duties and ensure that all purchases receive a second level of review to reduce the risk of fraud and abuse.

Management Response:

During the aforementioned training, the importance of maintaining proper internal controls, including segregation of duties, will be emphasized. In addition, the OFM Internal Auditors will review P-Card documentation while engaged in routine audits at the institutions and Central Office.

In closing, I would like to thank your audit staff for their diligent work and professionalism exhibited during the audit.

Very truly yours,



Victoria L. Kuhn, Esq.
Commissioner
Office of the Commissioner

DMG:rw

c: Kristina E. Chubenko, Esq., Chief of Staff
Donna M. Gies, Assistant Commissioner, Administration
Willie Bonds, Assistant Commissioner, Division of Operations
Hema Sheth, Audit Supervisor