



**New Jersey State Legislature  
Office of Legislative Services  
Office of the State Auditor**

---

---

**EXECUTIVE SUMMARY**

**DEPARTMENT OF BANKING AND INSURANCE  
ADMINISTRATION**

**July 1, 2014 to September 30, 2017**

We found that the financial transactions included in our testing were related to the department's programs, were reasonable, and were recorded properly in the accounting systems. We found criminal history background checks should be required for department employees, cost savings could be achieved by reducing the vehicle fleet, and office space dedicated to the department was being underutilized. We also found that proper training on the use of and correction of calculation inconsistencies within the department's timekeeping system are needed to prevent time recording errors.

**AUDIT HIGHLIGHTS**

- The department regulates the banking, insurance, and real estate industries in the State of New Jersey. This includes issuing licenses to qualified individuals and companies. Licensees are required to complete both Federal Bureau of Investigation and New Jersey state criminal history background checks. Department employees directly responsible for regulating these industries, however, are not subject to the same requirement. In the normal course of their work, department employees have access to highly sensitive personal, financial, and proprietary information which could be misused, negatively impacting an individual's or business's financial condition and the department's reputation.
- The department maintained a fleet of 94 state-owned vehicles at an average annual cost of \$371,000 during our audit period. A review of the department-provided vehicle database disclosed that all vehicles, although classified as pool vehicles, were actually individually assigned. This review also disclosed business use of these vehicles was insufficient to justify the need to maintain all these vehicles. We estimated the department could have saved at least \$169,000 from July 1, 2014 to March 31, 2017 if employees were reimbursed for the use of their personal vehicles versus using state-owned vehicles for business purposes.
- After the first year of employment, employees receive their current year's full allowance of benefit leave time at the beginning of the calendar year in anticipation of their continued employment. Since these allowances are not yet earned, employees who terminate from state service or go on a leave of absence without pay before the end of the calendar year are liable for any unearned time they used. Per the administrative code, when an unpaid leave occurs, the employee's benefit leave time needs to be reduced to account for leave time not earned. Our review found multiple instances where benefit leave balances following an unpaid leave of absence were not properly adjusted resulting in overpayments to employees.

**AUDITEE RESPONSE**

The department generally concurs with our findings and recommendations.

For the complete audit report, click [here](#).