



EXECUTIVE SUMMARY

NEW JERSEY BOARD OF PUBLIC UTILITIES

July 1, 2017 to December 31, 2019

We found the financial transactions included in our testing were related to the Board's programs, were reasonable, and were recorded properly in the accounting systems except for One-Call penalty receivables and revenue and expenditures for the Federal Pipeline Safety Program. In making this determination, we noted deficiencies related to time reporting, management audits, System and Organization Controls (SOC) reports, and internal control weaknesses meriting management's attention.

AUDIT HIGHLIGHTS

- During calendar year 2018, the Board's payroll totaled \$18.5 million for approximately 221 employees. For proper internal controls, in order to substantiate employee earnings, all employee timesheets should be electronically submitted and approved. Our timesheet analysis of 13 consecutive bi-weekly pay periods disclosed, on average, 95 employees (44 percent) who collected a total of 218 paychecks did not submit completed timesheets timely.
- The Board's fiscal unit does not maintain proper control over accounts receivables or follow-up with delinquent violators. We found penalty receivables as of July 15, 2019 were not aged and totaled \$1.886 million representing 674 open cases.
- In accordance with N.J.S.A. 48:2-16.4, management audits of gas and electric utilities "shall be conducted at least once every 3 years, except where the Board finds that an audit is unnecessary". Based on our review of the division's cycle of scheduled necessary audits of the eight regulated gas and electric utilities, three did not have audits conducted within the maximum statutory time limit.
- The Board paid a contracted service organization to administer the Clean Energy Program rebates and clean energy projects averaging \$140 million. The Board did not enforce the contract provision requiring an independent auditor to provide an opinion on the contractor's internal controls placed into operation and tested for validation of operating effectiveness.
- The Board's fiscal unit does not comply with Treasury Circular No. 05-02-OMB related to the timeliness and accountability of federal funds transacted in the state's accounting system.
- The failure to maintain adequate internal controls may result in unauthorized transactions, improper recordkeeping, fraud, and/or misappropriation of funds. We identified internal control weaknesses over purchasing, bank deposits, and internal accounting policies.

AUDITEE RESPONSE

The Board generally concurs with our findings and recommendations.

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