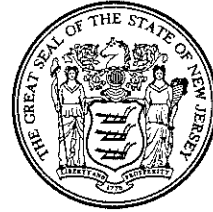


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**New Jersey State Legislature  
Office of Legislative Services  
Office of the State Auditor**



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**Department of Human Services  
Division of Developmental Disabilities  
Hunterdon Developmental Center**

July 1, 2008 to December 2, 2010

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**Stephen M. Eells  
State Auditor**

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Mr. Albert Porroni  
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Office of Legislative Services

Enclosed is our report on the audit of the Department of Human Services, Division of Developmental Disabilities, Hunterdon Developmental Center for the period of July 1, 2008 to December 2, 2010. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
State Auditor  
May 25, 2011

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## *Scope*

We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, Hunterdon Developmental Center for the period July 1, 2008 to December 2, 2010. Our audit included financial activities accounted for in the state's General Fund and the financial transactions of the Clients Trust Accounts and the Client Welfare Fund. The audit also included a review of internal controls for allowable costs under the American Recovery and Reinvestment Act (ARRA) – Federal Medical Assistance Percentage (FMAP) that fund the Intermediate Care Facility – Mental Retardation (ICF/MR) program at the center.

We did not audit transactions or balances of the Canteen, Petty Cash, or Workbench/Sheltered Workshop Fund. These funds were recently audited by the Department of Human Services' internal audit unit.

The center provides behavioral, psychiatric, and developmental services to 542 male and female adult residents. Total appropriated expenditures of the center were \$88 million for fiscal year 2010 and \$95.6 million for fiscal year 2009. Annual General Fund revenues credited to the center's accounts were \$4.2 million for fiscal year 2010 and \$4.9 million for fiscal year 2009. These revenues are derived primarily from billings for client care and Medicare Part B. In addition, ICF/MR billings were \$114 million for fiscal year 2010 and \$131 million for fiscal year 2009, of which 50 percent is paid by the federal government. These federal receipts are credited to a central account at the department. Additional ARRA-FMAP recoveries totaled \$13.2 million in fiscal year 2010 and \$10.2 million in fiscal year 2009.

## *Objectives*

The objectives of our audit were to determine whether financial transactions were related to the center's programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of the significant conditions noted in our prior report dated January 26, 2004.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

## *Methodology*

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the Department of the Treasury, and policies of the center. Provisions that we considered significant were documented and compliance with those requirements was verified by interviews, observation, and through our samples of financial transactions. We also read the budget messages, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Sample transactions were randomly and judgmentally selected for testing.

To ascertain the status of findings included in our prior report, we identified corrective action taken by the agency and performed tests to determine if the corrective action was effective.

### *Conclusions*

We found that the financial transactions included in our testing were related to the center's programs, were reasonable, and were recorded properly in the accounting systems. In making these determinations, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management's attention. We also found that the center has resolved the significant issues noted in our prior report, except for the issues relating to the center's overtime and compliance with purchasing regulations, which have been restated in this report.

## Direct Care Overtime

### **Direct care scheduling should be improved to reduce overtime.**

During calendar year 2009, Hunterdon Developmental Center paid \$10.5 million in overtime, 15 percent of the total payroll expenditures of \$72 million. This was the highest overtime expense of the seven developmental centers. There were 336 employees who earned overtime payments amounting to more than 25 percent of their annual salary. Thirty-six employees more than doubled and one employee more than tripled their annual salary. Sixty-five percent of the overtime was earned by employees in direct care titles. Cottage Training Technicians (CTT) and Human Service Assistants (HSA) worked over 250,000 hours of overtime. The direct care overtime exceeded 450 hours per client, the second highest among the seven centers, and was equivalent to 120 full-time positions. Although the center had the lowest direct care to client ratio of one to one and has many medically challenged clients, Woodbine Developmental Center, which is comparable in size and has a similar direct care to client ratio, incurred half of Hunterdon's overtime hours, 193 hours less per client.

The primary need for direct care overtime is to maintain an adequate staffing level. The Code of Federal Regulations-Title 42: Public Health, §483.430(d)(3) requires minimum ratios of direct care staff to clients of one direct care staff for each eight individuals on the first and second shift, and one direct care staff for each 16 individuals on the third shift. These ratios are for residential living units serving clients with the most severe and profound mental, behavioral, or physical disabilities. The minimum direct care safety staffing requirements established by the center is 336 employees per day. The minimum includes an adjustment for one to one coverage and provides a ratio of one direct care staff for each four clients on the first two shifts (7:00 AM to 11:00 PM), and one direct care staff for each eight clients on the third shift. We reviewed January 31 through February 27, 2010 CTT's and HSA's timesheets and noted that there was an average of 370 CTTs and HSAs working daily, including 108 (29 percent) working overtime. During this period, there was only one instance where the center did not meet its safety minimums when there was only 317 CTTs and HSAs working. This occurred on a holiday. The staffing levels for 20 of the 28 reviewed days exceeded 360 CTTs and HSAs, and on two occasions they reached 403 and 408 employees.

When scheduling CTTs and HSAs, the center utilized the shift relief factor of 1.8 that indicates how many persons it takes to fill a single job position for a single shift, taking into account leave time, holidays, and training days. Based on the center's enhanced safety minimums and the shift relief factor, direct care staffing needs are 607 employees. The center has an adequate direct care workforce to satisfy even their own safety minimums; however, it only counts CTTs and HSAs in determining compliance instead of incorporating other titles involved in providing direct care.

Paragraph 483.430(d)(2) of the federal code defines direct care as "the present on-duty staff calculated over all shifts in a 24-hour period for each defined residential living unit." This staff could include professionals such as registered nurses and social workers, or other support staff, as long as their primary assigned daily shift function is to provide management, supervision,

and direct care of an individual's daily needs (e.g. dressing, feeding, reinforcement of active treatment objectives) in their living units. The center's titles with job specifications that fit the federal description of a direct care employee include not only the 523 CTTs and HSAs, but also the 125 nurses and 84 Therapy Program Assistants. This staffing would allow the scheduling of 405 direct care employees daily.

### **Recommendation**

We recommend the center more accurately schedule its direct care needs. The center should include nurses and Therapy Program Assistants in satisfying their direct care requirements.



## **Cottage Training Supervisors Overtime**

### **Overtime paid to cottage training supervisors could be reduced with improved scheduling.**

Hunterdon Developmental Center paid \$1.1 million in overtime to an average of 99 Cottage Training Supervisors (CTS) during calendar year 2009. The center's CTSs worked over 32,000 hours of overtime, the highest of the seven developmental centers. The overtime exceeded 59 hours per client, the second highest of the centers, and was equivalent to 15 full-time positions.

We examined four weeks of CTS schedules and time sheets from January 31 through February 27, 2010 and noted that the CTS coverage was not scheduled evenly. The center adopted a practice of scheduling CTS's regular days off between Friday and Monday. Based on the time sheets, there was an average of 56 CTSs working between Friday and Monday compared to an average of 72 working between Tuesday and Thursday. The center established minimum safety staffing requirement for CTS coverage is one supervisor per shift per cottage, for a daily total of 54 CTSs. We noted that while midweek staffing levels exceeded minimum requirements by an average of 18 CTSs, Saturday and Sunday coverage fell short of the required minimum by an average of two CTSs. We also noted that on average, 31 percent of Friday to Monday staffing needs were satisfied by overtime compared to 10 percent during the midweek. Thirty-nine percent of CTSs worked overtime between Tuesday and Thursday even though the minimum safety requirements for each shift had been met. Review of the center's overtime database showed, that between January 2009 and July 2010, CTSs earned 46,000 hours of overtime from Friday to Monday compared to 10,700 hours on Tuesday to Thursday.

The center has an adequate number of CTSs to allow coverage levels that would satisfy established minimums. The center could reduce overtime hours by balancing the schedule and reassigning staff from the weekdays to the weekends.

## **Recommendation**

We recommend the center revise its scheduling practices and balance staffing levels throughout the week.



## **Emergency Medical Technicians**

**The center should evaluate its need for Emergency Medical Services Technicians.**

The center employed 15 Emergency Medical Services Technicians (EMT) whose salaries totaled \$700,000 during calendar year 2010. The primary responsibilities of the EMTs is driving clients to medical appointments and hospitals or assisting clients during emergency trips. We reviewed March 2010 trip logs and determined that, out of 184 regular working hours, each EMT spent between 7 to 61 hours of their time performing these duties. In contrast, clients at North Jersey Developmental Center, which does not employ EMTs, are driven to medical appointments or hospitals by either employees designated as transportation agents (direct care employees, motor vehicle operators, etc.) or local ambulance services.

Also, the State ensures necessary transportation to medical services for all qualified Medicaid recipients. Non-emergency medical transportation is coordinated statewide through a designated transportation broker who receives a monthly, per beneficiary transportation capitation fee paid by Medicaid. We determined that between July 1, 2009 and December 13, 2010, Medicaid was charged nearly \$1 million in transportation capitation fees for clients residing at the seven developmental centers. That amount included \$197,000 in the transportation capitation fees for Hunterdon Developmental Center clients for services not being utilized.

## **Recommendation**

We recommend that the Hunterdon Developmental Center evaluate its need for EMTs and consider using other staff and local emergency services, or the state's Medicaid transportation broker to satisfy the center's medical transportation needs.



## **Purchasing**

**The center should comply with state regulations in procuring goods and services.**

Treasury Circular Letter 96-12-GSA delegated authority to agencies for negotiating and awarding small construction projects without advertising. The aggregate project cost for the erection, construction, alteration or repair could not exceed the amount established under N.J.S.A. 52:34-7.1. The fiscal year 2009 limit was \$48,000. During fiscal year 2009, the center paid one vendor \$111,000 for steam leak and shower drain repairs. This vendor has also been contracted by the Division of Property Management and Construction (DPMC) for emergency

repairs to underground utilities and high temperature heat water systems at the Department of Corrections (DOC) facilities. The contract negotiated for DOC was utilized by the center as a guide for acceptable terms and conditions. The contract expired on November 1, 2008. All but one repair was completed between August and December 2008. We reviewed supporting documentation for all payments and found no evidence that job estimates were obtained from the vendor before the start of the repair work. We obtained a copy of the contract from the DPMC and noted that the contract called for a written approval of any overtime work performed by the vendor. The Hunterdon invoices included charges for 128 hours of overtime, but we found no approvals. We also compared hourly labor rates charged by the vendor to the contract rates. We noted that the vendor charged the higher northern region rate and therefore overcharged the center \$14,000.

Treasury circular letters provide agencies with delegated purchase authorization (DPA) for items not available under one of the state's four primary contracting methods. These purchases should represent nonrecurring needs. Additionally, if the anticipated fiscal year 2009 and 2010 volume for qualifying items exceeded \$29,000, the agency should have requested a state contract from the State Purchase Bureau. Pursuant to N.J.S.A. 52:25-23(a), purchases or contracts exceeding the DPA threshold should not be divided to circumvent the dollar limit. During fiscal year 2009 the center purchased fire alarm protective services from a non-state vendor. Twenty-six purchase orders totaling \$77,000 were issued to the vendor. The center should have consulted with the Division of Purchase and Property (DPP) to contract for this service. A state contract for fire alarm services at Hunterdon Developmental Center was awarded by the DPP in September 2010.

### **Recommendation**

We recommend that the center comply with the requirements established by the Treasury circular letters when procuring goods and services. We also recommend that the center seek reimbursement from the vendor for the overpayments.



## **Welfare Fund**

### **The Welfare Fund balance is excessive.**

The purpose of the Welfare Fund is to provide funding for items or events that benefit the center's entire population. The Department of Human Services' Welfare Fund Accounts Manual requires that the fund not maintain a large surplus. The center's Welfare Fund balance fluctuated from \$290,000 to \$380,000 between fiscal years 2004 and 2008, with average annual revenues and expenses of \$160,000 and \$135,000 respectively. During fiscal year 2009, the center received a legacy donation of \$125,000 that increased the fund balance to \$470,000. That balance was maintained during fiscal year 2010 with \$420,000 invested in the state's cash management fund. The center receives a state appropriation to pay for consumer recreation and rehabilitation related expenses. These expenses were \$62,000 in fiscal year 2009 and \$27,000 in

fiscal year 2010. A review of 2009 purchases charged to the appropriation account, such as pony rides, toys, electronics, arts and crafts, aromatherapy and party supplies, noted a majority of these items could have been paid from the welfare fund since these items benefit the general population.

### **Recommendation**

We recommend that the center utilize the Welfare Fund to pay for all purchases that benefit the entire population, rather than using state appropriation.



## **Incidental Overtime**

**The center should evaluate its need for incidental overtime.**

We analyzed the center's overtime database and noted that between January 2009 and July 2010, Head Cottage Training Supervisors, Cottage Training Supervisors, Cottage Training Technicians, and Human Service Assistants worked overtime of two hours or less beyond the eight-hour shift nearly 16,000 times. This overtime amounted to 12,000 hours and cost the center \$369,000.

Incidental overtime may result from habitual behavior rather than necessity.

### **Recommendation**

The center should evaluate the causes of incidental overtime and curtail its unnecessary use.



## **Gasoline Usage**

**Internal controls over gasoline usage need to be improved.**

Hunterdon Developmental Center has a regular and diesel fuel gas pump located on the grounds that are used for the center's purposes. To monitor the gas usage, the center requires that an individual pumping gas sign a log sheet documenting the vehicle's license plate number, volume and type of fuel pumped, vehicle's odometer reading, and the individual's place of work. Time of the fuel pumping is not recorded in the log. The pumps are activated by turning on one of the switches that are located inside a locked box. The center assigned an employee to unlock the switch box for those who need gas during regular hours, Monday through Friday from 6:45 AM to 3:15 PM. However there are 12 keys to the switch box distributed to various units and two of the keys could not be located.

We reviewed the June 2009 through March 2010 gas pump meter readings and compared them to the log sheet records. There was a 1,568 gallon shortage between the log and pump meter reading for regular gas and 523 gallon excess for diesel fuel. We also reviewed gas usage for the center's vehicles during March 2010 and noted low fuel economy for 10 of 46 vehicles. Records indicate the vehicles were filled with gas multiple times during the month and averaged 3 to 7 miles per gallon. We were informed that fuel for gas powered equipment is logged under license plates of the center's vehicles. March 2010 records indicate however, that gas was logged under the equipment name. Also noted was a license plate logged that was not included on the inventory list of center's vehicles.

### **Recommendation**

We recommend that the center strengthen internal controls over record keeping of gasoline usage, monitor per vehicle gas usage, replace the lock to the switch box, and limit the number of keys.





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May 17, 2011

Mr. John Termyna  
Assistant State Auditor  
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Trenton, NJ 08625

Dear Mr. Termyna:

I am writing in response to your April 27, 2011 correspondence in which you enclosed the audit report of the Department of Human Services, Division of Developmental Disabilities, Hunterdon Developmental Center (HDC).

Below are the comments in response to the findings listed in the draft audit report.

**Direct Care Overtime – Direct care scheduling should be improved to reduce overtime.**

Recommendation:

We recommend the center more accurately schedule its direct care needs. The center should include nurses and Therapy Program Assistants in satisfying their direct care requirements.

Response:

We concur with the findings. Minimum staffing levels have been adjusted to reflect staffing needs as populations in the cottages change. In terms of the recommendation to include nurses, Senior Therapy Program Assistants (STPA) and Therapy Assistants (TA) in the direct care staff count, we offer the following comments:

- The primary responsibility of the STPA and TA staff is programming the majority of which occurs outside the consumer's home (cottage). HDC agrees to include the STPA and TA titles in the direct care staff count if there are no recreational activities planned and the STPAs and TAs are available to provide assistance provided this is in accordance with Union contract.

- Nurses cannot be included in the daily direct care staff count because they are responsible for dispensing medications and treatments on a routine schedule in addition to their other duties. Nurses may be responsible for a secondary assignment and are required to respond to all 911 emergencies.

**Cottage Training Supervisors Overtime – Overtime paid to cottage training supervisors could be reduced with improved scheduling.**

Recommendation:

We recommend the center revise its scheduling practices and balance staffing levels throughout the week.

Response:

Cottage Training Supervisors (CTS) scheduled days off are between Friday and Monday. The CTS is the front line supervisor for cottages on all shifts in the Professional Residential Services Department. The schedule is used as a recruitment incentive for employees compensated at a range 14 level. Past recruitments efforts lagged when the schedule did not include one weekend day off. Therefore, we do not concur with this recommendation.

HDC will however examine all CTS shift levels, in our attempt to drive down overtime. That includes reducing the number of CTS overtime shifts and using employees compensated at a lower level on a rotational basis in accordance with Union contracts.

There will always be crisis and occasions that requires overtime hours. We will continue to adhere to a rotational schedule for overtime to reduce the reliance on more costly overtime due to the range of compensation.

**Emergency Medical Technicians – The center should evaluate its needs for Emergency Medical Services Technicians.**

Recommendation:

We recommend that the Hunterdon Developmental Center evaluate its need for EMTs and consider using other staff and local emergency services, or the state's Medicaid transportation broker to satisfy the center's medical transportation needs.

Response:

We concur with the findings and recommendation. Hunterdon Developmental Center is in the process of evaluating its EMT program and the emergency and transport services it provides to the consumers who live here. We have contacted Medicaid and have asked them to review their transportation broker contract with us and provide recommendations. Since we are part of the greater local community we do not think it is feasible to rely solely on volunteer emergency services from the neighboring towns. The EMTs on grounds provide a life saving quick response to emergencies.

**Purchasing – The center should comply with state regulations in procuring goods and services.**

Recommendation:

We recommend that the center comply with the requirements established by the Treasury circular letters when procuring goods and services. We also recommend that the center seek reimbursement from the vendor for the overpayments.

Response:

We concur with the findings and have written a letter under the Business Manager's signature to the responsible vendor contracted to complete the emergency repair for the steam leak.

We have worked with the State of New Jersey Department of Treasury Division of Purchase and Property, Purchase Bureau to establish a term contract (September 1, 2010 – August 31, 2013) for the inspection, testing, maintenance and monitoring of fire alarm/signal systems. The contract number is 77389.

The Business Manager has provided training to the Engineering staff regarding compliance with the rules and regulations surrounding purchasing as outlined in the Treasury circular letters.

**Welfare Fund – The Welfare Fund balance is excessive.**

Recommendation:

We recommend that the center utilize the Welfare Fund to pay for all purchases that benefit the entire population, rather than using state appropriation.

Response:

All expenditures against the General Welfare Fund are appropriate and approved by the State Board. Activities involving the general population are funded from the General Welfare Fund. An example of some of the special events funded by the welfare fund that benefit the entire population includes:

- Holiday dances for holidays throughout the year
- Special Olympics
- Music – Fest
- Caribbean Day
- Holiday Gift Program
- Craft Day
- Winter Wonderland
- Haunted House
- Mardi Gras
- Lazer Light Show
- Fireworks
- Fall Fest

- Multi-Cultural Event

This year HDC added pony rides and the petting zoo to the list of activities funded by the welfare budget.

Monies donated to welfare but designated for a specific purpose or project such as the greenhouse or funds donated to cottages are earmarked for that use only. For example, there is a large sum of money from an estate designated by our Board for a greenhouse project. The project is estimated to cost \$500,000. Funds are being held in the welfare account until there are sufficient funds to complete the project.

**Incidental Overtime – The center should evaluate its need for incidental overtime.**

Recommendation:

The center should evaluate the causes of the incidental overtime and curtail its unnecessary use.

Response:

We concur with the findings and recommendation and have taken the necessary steps to curtail incidental overtime. Steps taken to control incidental overtime are as follows:

- An electronic report will be generated monthly for all overtime less than or equal to one hour. This report will be shared with the Chief Executive Officer of HDC to ensure oversight of all incidental overtime.
- As directed by the CEO, the Director of Professional and Residential Services (DPRS) will develop a plan on how to reduce incidental overtime deemed unnecessary.
- The DPRS will meet with all PRS supervisors to review rules governing overtime.

**Gasoline Usage – Internal controls over gasoline usage need to be improved.**

Recommendation:

We recommend that the center strengthen internal controls over record keeping of gasoline usage, monitor per vehicle gas usage, replace the lock to the switch box, and limit the number of keys.

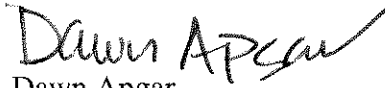
Response:

We concur with the findings and recommendation. Hunterdon Development Center has implemented the following internal controls:

- Hunterdon Developmental Center monitors the log daily and compares the amount of full dispensed to the Totalizer on the fuel tank.
- Hunterdon Developmental Center checks mileage against the fill for all vehicles to monitor gas mileage reasonableness.
- The lock to the switch box for the gas tanks has been changed and the number of keys limited to three.

Thank you for the opportunity to comment on the audit findings. We appreciate the recommendations noted by the auditors.

Sincerely,



Dawn Apgar  
Deputy Commissioner

- c. William Cutti, Director, Office of Auditing  
William Wall, Chief Executive Officer, Hunterdon Developmental Center  
Chris Baily, Chief Financial Officer, Department of Human Services  
Manny Fernandez, Chief Financial Officer, Division of Developmental Disabilities