

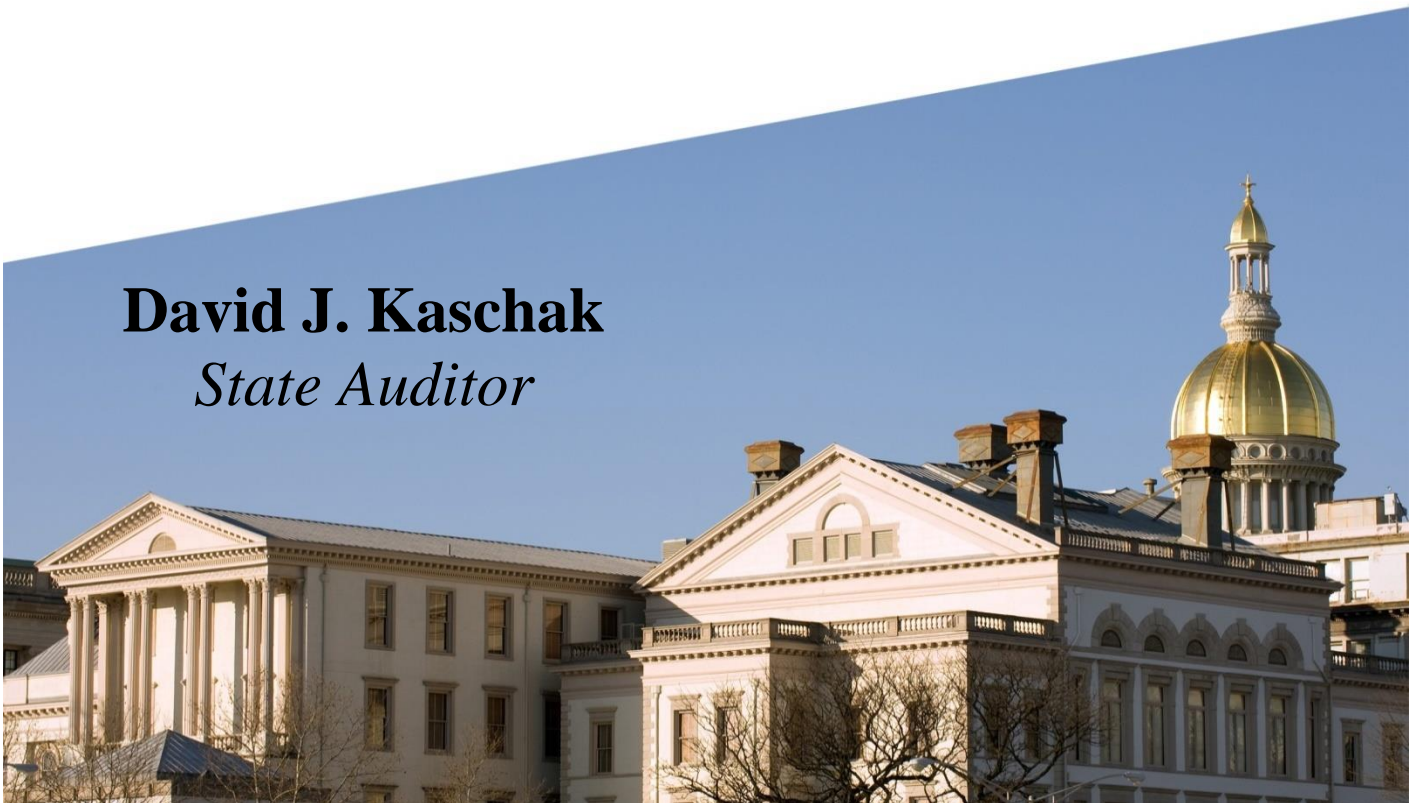


New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

Compliance Review

July 1, 2020 to June 30, 2021

David J. Kaschak
State Auditor



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The Honorable Craig J. Coughlin
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Pursuant to the State Auditor's responsibilities set forth in N.J.S.A. 52:24-4, we have completed a review of compliance with recommendations made in our audit reports issued during the period July 1, 2020 through June 30, 2021. This review encompassed 12 audit reports containing 153 recommendations. We also reviewed the status of 66 unresolved recommendations from the audit reports included in last year's compliance review for fiscal year 2020 for which we had determined that the agencies had not achieved full compliance. This review did not include those reports completed on an annual basis, which includes the Department of Community Affairs – Section 8 Housing Program Financial Data Schedules, Schedules of Benefit Claim Payments and Expenses for the State of New Jersey, and the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the state's Annual Comprehensive Financial Report. Additionally, we performed a review of our audit observations from our reports issued during the period July 1, 2020 through June 30, 2021. Our reports included nine observations, which provide stakeholders with information on various topics without having specific recommendations. Observations, where the condition still existed at the time of our review, were restated in the separate informational section of this report.

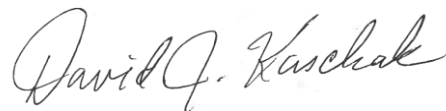
We found that 74.3 percent of the recommendations presented in our audit reports have been complied with or management has taken steps to achieve compliance during our review period. There are instances where insufficient time has elapsed to make a final assessment of the effectiveness of management's changes. Over a two-year period, the rate of compliance for fiscal year 2020 recommendations decreased slightly from 91.0 percent to 90.4 percent.

We have characterized issues as items of continuing concern because of noncompliance with our recommendations. All issues of noncompliance have been communicated to the auditees. Unresolved issues relating to our fiscal year 2021 audit reports are presented on pages 4 to 34. Unresolved issues relating to our fiscal year 2020 audit reports are presented on pages 38 to 49. The informational section of this report containing restated observations is presented on pages 51 to 58. Auditee responses to our follow-up review results, if received, begin on page 59.

The Department of Law and Public Safety, Division of Law and the Department of Community Affairs, Division of Housing and Community Resources, Low Income Housing Energy Assistance Program Eligibility audit reports were issued in fiscal year 2019; however, because of issues related to the COVID-19 pandemic the agencies were unable to respond and provide us with adequate evidence of compliance during our normal review period. For compliance review purposes, we included these reports and their 14 reportable conditions with reports that were issued in fiscal year 2020. Compliance review was conducted for the remaining unresolved reportable conditions from these reports during this period.

The original audit reports containing full details on the unresolved issues can be found on our website: <https://www.njleg.state.nj.us/audit-reports>

If you would like a personal briefing, please call me at (609) 847-3470.



David J. Kaschak
State Auditor
July 5, 2022

- c Elizabeth Maher Muoio, State Treasurer
Lynn M. Azarchi, Acting Director, Office of Management and Budget

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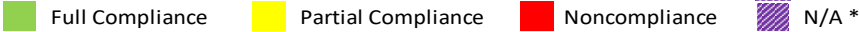
*The New Jersey Transit Corporation and Pemberton Township School District chose not to respond.

Fiscal Year 2021 - Audit Recommendations Compliance Dashboard

Report Date	Audit
7/1/2020	Department of Human Services Division of Medical Assistance and Health Services, New Jersey FamilyCare, Medicaid Pharmacy Program  9 Recommendations
7/16/2020 Page 4	Rowan University  27 Recommendations
7/30/2020 Page 7	Department of Health Division of Behavioral Health Services, Ann Klein Forensic Center  12 Recommendations
8/20/2020 Page 9	New Jersey Board of Public Utilities  15 Recommendations
9/23/2020 Page 12	Department of the Treasury Division of Purchase and Property, Procurement of Information Technology Contracts  9 Recommendations
1/6/2021 Page 14	Department of Human Services Division of Medical Assistance and Health Services, New Jersey FamilyCare, Medicaid Managed Care Rate Setting and Managed Care Organization Administrative Costs  4 Recommendations
2/3/2021	Department of Law and Public Safety New Jersey Racing Commission, Selected Programs  10 Recommendations
3/10/2021	Department of Law and Public Safety Juvenile Justice Commission, Juvenile Medium Security Center  8 Recommendations
3/24/2021	Department of the Treasury Division of Taxation, Taxpayer Unremitted Liability Inventory Plotting System (TULIPS) and the Generic Tax System (GENTS)  8 Recommendations
5/26/2021	New Jersey Economic Development Authority Selected COVID-19 Emergency Assistance Programs  2 Recommendations

■ Full Compliance
 ■ Partial Compliance
 ■ Noncompliance
 ■ N/A *

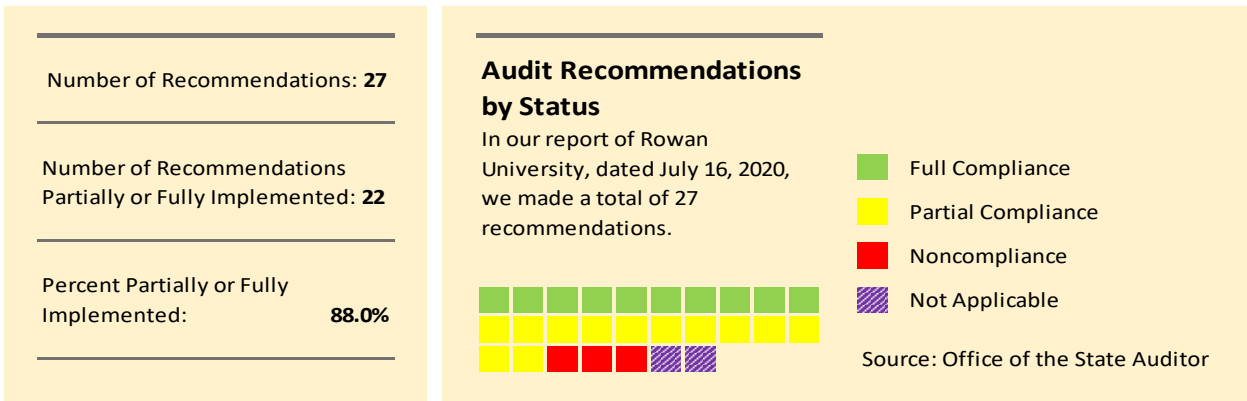
Fiscal Year 2021 - Audit Recommendations Compliance Dashboard (continued)

Report Date	Audit
5/27/2021	Department of the Treasury Division of Purchase and Property, New Jersey State of The Art Requisition Technology (NJSTART) Information Technology Application Page 19  24 Recommendations
6/10/2021	Department of Human Services Division of Developmental Disabilities, Woodbine Developmental Center Page 29  25 Recommendations
	

* There were a variety of circumstances why a recommendation was deemed not applicable (N/A). As an example, a program in a school district was discontinued as a result of the COVID-19 pandemic; therefore, no specific testing could be performed. Additionally, all recommendations deemed N/A are not included in compliance percentage calculations.

Unresolved Issues from Fiscal Year 2021 Audit Reports

Rowan University



Employee Health and Dental Benefits

Background

Full-time employees of the university are eligible to participate in the state’s Division of Pensions and Benefits, State Health Benefits Program (SHBP) for health and dental benefits, provided they make required contributions toward the cost of coverage.

Summary

The university failed to fully recover required contributions toward SHBP coverage from employees during unpaid leaves of absence.

Report Recommendation

We recommended the university seek recovery of employee contributions from individuals who were enrolled but did not make required contributions.

Management Corrective Action Response

The university human resources office has developed written procedures for the collection of employee contributions for unpaid leaves of absence. The office currently reviews and reconciles payments made by employees on leaves of absence to ensure payments were accurately made on an annual basis. Going forward, the review and reconciliation will be performed as soon as an employee returns from a leave of absence.

Rowan University (continued)

Follow-Up Review Results

Our follow-up review found university management decided not to seek recovery of unpaid employee contributions identified during the audit because they were deemed immaterial or difficult to collect due to timing issues. Some of these unpaid contributions were for individuals no longer employed by the university.

Internal Controls – Purchase Cards

Background

The university issues purchase cards (cards) to be used by employees for business purchases as an alternative method of procurement and uses a web-based card management system (system) to monitor and track card spending. Cardholder profiles are established with monthly spending and single-transaction limits based on the varying needs of the cardholders. The university relies on the system's automated controls over card transactions to ensure purchases do not exceed these limits.

Summary

The card program administrator changed card spending profiles, either temporarily or indefinitely, to allow transactions to go through that would have exceeded the cardholders' previous transaction limits. The use of card profile changes to circumvent automated spending limits reduces the effectiveness of the spending limit controls and could result in cardholder spending limits remaining disabled erroneously.

Report Recommendation

We recommended the university refrain from changing card profiles to circumvent spending limits.

Management Corrective Action Response

The university adjusts card spending limits on an as-needed basis.

Rowan University (continued)

Follow-Up Review Results

Our follow-up review found the university continues to change card spending profiles to allow transactions that exceed card spending limits to be processed. We reviewed support documentation for three card profile changes during fiscal year 2022 and found one profile, which should have been changed only temporarily, was left with an increased spending limit for several months until our inquiry.

Athletic Team Meal Money

Background

As permitted by NCAA regulations, the university athletics department provides either meals or a cash per diem for meals to student athletes and athletic team staff during summer training camps and while teams are traveling for competition. Pursuant to university policy, athletes and staff are required to sign off that either a meal or cash was received. Additionally, the coaching staff must turn in any unspent cash and receipts for team meals to the athletics department.

Summary

We noted instances where team meal transactions were not in compliance with university policies and procedures. This included the purchase of non-food items, inadequate support documentation, untimely return of unspent cash, and questionable signature sheets.

Report Recommendation

We recommended the university strengthen its review process of team meal purchases to ensure transactions are adequately supported, that only proper items are purchased, and that support documentation is uploaded in a timely manner.

Management Corrective Action Response

Coaches are now required to submit all support documentation within two days of travel to athletics administration.

Follow-Up Review Results

Our follow-up review found an error in the approval workflow of athletics purchases, which removed the purchasing department from the review process. Additionally, our review of selected team meal purchases noted continued instances where transactions were not adequately supported and support documentation was not uploaded in a timely manner.

**Department of Health
Division of Behavioral Health Services
Ann Klein Forensic Center**



Off-line Funds - Patient Payroll Account

Background

The Department of the Treasury Circular No. 10-19-OMB establishes guidelines for off-line funds whose origin is not defined within the Annual Appropriations Act. The guidelines require agencies to maintain adequate internal controls for each fund, including proper accounting records and supporting documentation for all revenue and expenditure transactions. Ann Klein Forensic Center (AKFC) maintains several off-line funds, including the Patient Payroll Account. The Patient Payroll Account was created to disburse patient worker wages from the State Treasury to the contracted bank.

Summary

The Patient Payroll Account is being used for purposes other than intended. The fund is being used to reimburse patients for lost or stolen items.

Report Recommendation

We recommended all off-line funds are used for their intended purposes.

Management Corrective Action Response

All funds will be used for their intended purpose.

**Department of Health
Division of Behavioral Health Services
Ann Klein Forensic Center (continued)**

Follow-Up Review Results

Contrary to its purpose, the Patient Payroll Account continues to be used to pay for lost or stolen items. According to management, there is no other account they can use to reimburse patients for the cost of these items.

New Jersey Board of Public Utilities (Board)



On-Call Penalty Receivables

Background

The Board’s Division of Reliability & Security (DRS) enforces the provisions of the Underground Facility Protection Act, also known as the One-Call Program. Generally, One-Call penalties are assessed to excavators and utility companies for mark-out utility violations. Penalty revenues were \$1.874 million in Fiscal Year 2019. The penalty receivables as of July 15, 2019 totaled \$1.886 million representing 674 open cases. If penalty cases are in default, the Board may issue a Final Order of Penalty Assessment (FOPA) to each violator and subsequently transfer the delinquent penalty debt to the Department of the Treasury, Division of Revenue and Enterprise Services (DORES).

Summary

The Board’s fiscal unit does not maintain proper control over accounts receivable or follow-up with delinquent violators. During the audit we identified errors in open and closed penalty cases where payment and account status were not properly posted to the accounting system and appropriate collection efforts were not pursued.

Report Recommendation

We recommended the Board’s fiscal unit continue posting cash receipts and provide a monthly aging receivable report to Board management. We also recommended DRS correct errors for open and closed cases. We further recommended the Board issue FOPAs to delinquent violators and, when applicable, transfer the delinquent penalty debt to DORES.

New Jersey Board of Public Utilities (continued)

Management Corrective Action Response

The Board's fiscal unit will record all cash receipts for the prior month by the 5th of the following month. The DRS will provide board management with a monthly aging receivable memo and report by the 5th of the following month. The DRS has corrected many of the errors for open and closed cases. The DRS plans to issue the FOPAs to delinquent new violators and will transfer the delinquent penalty debt to DORES.

Follow-Up Review Results

Our follow-up review found the Board's fiscal unit did not continue posting cash receipts and provide a monthly aging receivable report to Board Management. The DRS did not make a substantial effort to correct the errors for open and closed cases identified in the audit. The Board did not issue FOPAs to delinquent violators, and, when applicable, transfer the delinquent penalty debt to DORES.

Federal Pipeline Safety Program

Background

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. In our review of the Federal Pipeline Program, we noted omitted revenue transaction entries relating to drawdown receipts. All transactions should be prepared and recorded in the state's accounting system timely.

Summary

The Board's fiscal unit does not maintain proper accounting of the Federal Pipeline Safety Program.

Report Recommendation

We recommended revenue transactions associated with cash drawdowns be prepared and recorded in the state's accounting system timely.

Management Corrective Action Response

The Board' fiscal unit will record all cash receipts for the prior month by the 5th of the following month.

New Jersey Board of Public Utilities (continued)

Follow-Up Review Results

Our follow-up review found revenue transactions associated with cash drawdowns are not prepared and recorded in the state's accounting system timely.

**Department of the Treasury
Division of Purchase and Property
Procurement of Information Technology Contracts**



Timely Procurement of Information Technology Contracts

Background

The division’s primary mission, established in the administrative code, is to procure, in a timely and effective manner, contracts for goods and services necessary for the daily operation of state government. However, the division has not established a clear definition of what it considers timely or established performance benchmarks regarding procurement timelines. According to division management, timelines vary with each procurement. In addition, processing benchmarks are not established for each individual contract or for contracts based on type or any other criterion.

Summary

The division can improve its monitoring of the procurement process by establishing benchmarks in order to achieve its primary mission.

Report Recommendation

We recommended the division determine what it considers timely by establishing benchmarks for procurement processing times. It should track each step in the process and use the established benchmarks to help determine the timeliness of each procurement, as well as the effectiveness of the overall procurement process. We also recommended that if management is going to continue to use the timeline report, it should ensure the report is complete, includes actual dates, and is updated timely.

Department of the Treasury
Division of Purchase and Property
Procurement of Information Technology Contracts (continued)

Management Corrective Action Response

The division currently tracks the procurement process. Each procurement is unique, so one standard benchmark for procurement processing times is not appropriate. The division reviews the procurement process on an ongoing basis and makes adjustments or changes as necessary. Timelines and reports are updated as information becomes available based on discussions between the division and using agencies as well as changes required by conflicting priorities.

Follow-Up Review Results

The division has not established benchmarks for procurement processing times. Additionally, the division continues to use its timeline report; however, it is still incomplete and it rarely included actual dates.

Department of Human Services
Division of Medical Assistance and Health Services
New Jersey FamilyCare
Medicaid Managed Care Rate Setting and Managed Care Organization (MCO)
Administrative Costs



MCO Underwriting Margins

Background

If an MCO makes an underwriting margin in excess of the explicit provision included in the capitation rates for any given fiscal year, the capitation rates for that year cannot be recalculated to recoup any of the excess underwriting margin. Similarly, if an MCO experiences an underwriting loss, the capitation rates cannot be increased. The underwriting gains were retained by the MCOs because the MCO contract lacks terms that would limit the excess percentage of underwriting gains an MCO can retain. In an effort to identify best practices, we contacted other states and noted the state of Texas legislatively enacted Texas Government Code 533.014, which requires the Texas Health and Human Services Commission to adopt rules to ensure MCOs share profits earned through the Medicaid managed care program.

Summary

Medicaid capitation rates were actuarially sound, but resulted in \$516.1 million in MCO underwriting gains.

Report Recommendation

We recommended the division include language in the MCO contract that limits MCO profits by requiring underwriting margins that exceed a defined percentage to be shared with the state.

Department of Human Services
Division of Medical Assistance and Health Services
New Jersey FamilyCare
Medicaid Managed Care Rate Setting and Managed Care Organization
Administrative Costs (continued)

Management Corrective Action Response

While the division agrees in principal with limiting excess profits, it disagrees with the method recommended by OSA for the reasons set forth in its initial response to the audit. However, the division has limited excess profits in other ways. It implemented a program-wide risk corridor early in the COVID-19 pandemic. Managed care capitation rates had been developed prior to the known impact of the public health emergency. The retroactive risk corridor enabled the State to recoup payments from MCOs based on pandemic-driven underutilization of discretionary health services in the second half of FY 2020. This resulted in an estimated \$400 million in total Medicaid savings (\$140 million state share). Further, the division continues to use the Medical Loss Ratio (MLR) requirement to protect against excessive profits. The New Jersey Medicaid minimum MLR is 85 percent of premiums paid in acute care groups and 90 percent of premiums paid for managed long-term services and supports premium groups.

Follow-Up Review Results

No action has been taken by the division on this matter. The division has not updated the MCO contract to include language that limits MCO profits by requiring underwriting margins that exceed a defined percentage to be shared with the state. The implemented program-wide risk corridor is only temporary for the period of the public health emergency related to the COVID-19 pandemic.

Pharmacy Benefit Manager

Background

The MCOs often contract with a third-party administrator known as a pharmacy benefit manager (PBM) to provide the prescription drug benefit. During fiscal year 2018, the division identified that three of the five MCOs were incorrectly reporting PBM administrative costs as a pharmacy medical expense and not as an administrative expense in their acute care annual financial reports for fiscal years 2015, 2016 and 2017. Since the base financial data used for setting capitation rates is from the fiscal year two years prior to the rate setting period, the financial expense misclassification would have only impacted fiscal year 2018 and prior acute care capitation rates. The fiscal year 2018 capitation rates were set without knowledge of the financial expense misclassification because of the timing of the capitation rate setting process (i.e., fiscal year 2016 base financial data was used for fiscal year 2018 capitation rates). Although it was determined that the financial expense misclassification did not have a measurable impact on the

Department of Human Services
Division of Medical Assistance and Health Services
New Jersey FamilyCare
Medicaid Managed Care Rate Setting and Managed Care Organization
Administrative Costs (continued)

overall capitation rates, the division and its contracted actuary identified that one of the MCO's MLR would have been impacted. The division and the contracted actuary also identified that the same MCO's reported PBM administrative costs decreased from fiscal year 2017 to fiscal year 2018. With fiscal year 2017 annual financial statements and reports serving as the base data for the fiscal year 2019 capitation rates, the contracted actuary made a downward adjustment to the PBM administrative costs built into the capitation rates.

Summary

The division and the contracted actuary did not retrospectively review the MCO's reported PBM administrative costs for fiscal years 2015 and 2016 to determine if the MCO reported PBM administrative costs were considered reasonable and appropriate, and if the MCO's MLR would have been impacted. The division did not ensure the MCO was in compliance with the MLR regulations or determine if the MCO would be required to submit an MLR remittance.

Report Recommendation

We recommended the division and the contracted actuary retrospectively analyze and calculate the actual financial impact of the MCO's PBM financial expense related to the MLR. We also recommended the division and the contracted actuary retrospectively analyze and determine if the MCO's PBM administrative costs for fiscal years 2015 and 2016 were reasonable and appropriate and if the MCO's MLR would have been impacted.

Management Corrective Action Response

The division has updated the MCO contract to provide clear direction on reporting expenses paid to the pharmacy by the PBMs. Additionally, all affected MCO's have resubmitted financials and, in the normal course of the MLR process, continue to submit a three-year lookback of financials to true-up with additional runout as per their contract. This lookback true-up was implemented to capture any prior-year reclassifications that may impact the MCO's MLR.

Follow-Up Review Results

No action has been taken by the division on this matter. The division added additional language to the MCO contract; however, it does not have an impact on our recommendation. The division did not provide documentation of a retrospective analysis or calculation of the actual financial impact of the MCO's PBM financial expense related to the MLR. Additionally, the division did

Department of Human Services
Division of Medical Assistance and Health Services
New Jersey FamilyCare
Medicaid Managed Care Rate Setting and Managed Care Organization
Administrative Costs (continued)

not provide documentation of a retrospective analysis or determination if the MCO's PBM administrative costs for fiscal years 2015 and 2016 were reasonable and appropriate and if the MCO's MLR would have been impacted. The MCO three-year lookback of financials to true-up with additional runout was implemented during our audit, but the standard lookback would not include fiscal years 2015 or 2016.

MCO Financial Reporting

Background

Federal regulation 42 CFR 438.3(m) requires MCOs to submit audited annual financial reports specific to the Medicaid contract, while the MCO contract requires MCOs to submit both audited annual financial reports and statements specific to the Medicaid contract. The MCOs submit audited annual financial statements to the New Jersey Department of Banking and Insurance; however, these audited financials are of the MCOs' comprehensive business entity and not explicitly on the financial reporting of Medicaid revenues and expenses. The MCO contract also states MCOs must submit quarterly financial reports for Medicaid rate cell grouping costs. A rate cell is a set of mutually exclusive categories of beneficiaries that is defined by one or more characteristics for the purpose of determining the capitation rate, which must be reviewed annually by an independent public accountant in accordance with agreed upon procedures (AUPs). In general, AUPs are more focused than financial audits; however, AUPs do not provide the comprehensive assurance of audit opinions.

Summary

The division is not in compliance with federal regulations or the MCO contract requiring audited financial statements and reports of the MCOs when setting capitation rates.

Report Recommendation

We recommended the division comply with federal regulations and the MCO contract requiring audited annual MCO financial statements and reports specific to Medicaid revenues and expenses when setting capitation rates.

Department of Human Services
Division of Medical Assistance and Health Services
New Jersey FamilyCare
Medicaid Managed Care Rate Setting and Managed Care Organization
Administrative Costs (continued)

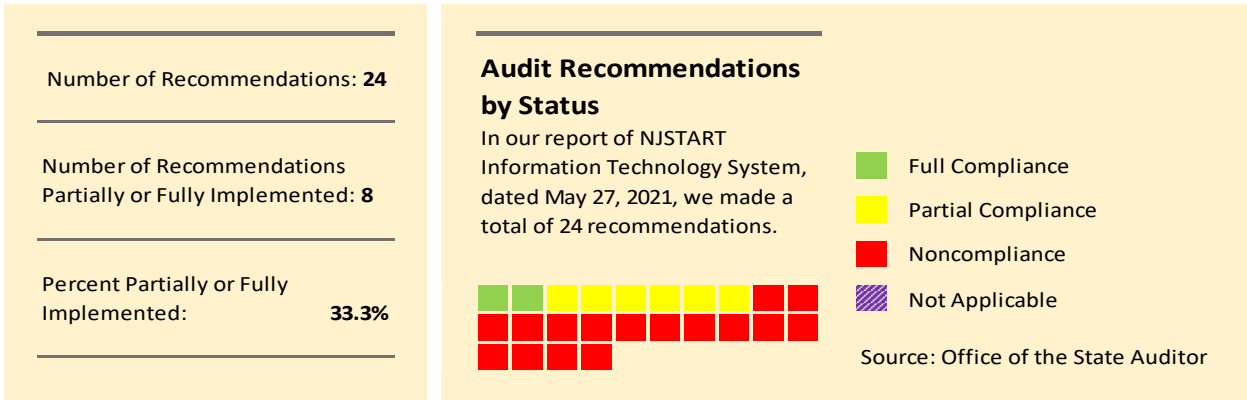
Management Corrective Action Response

As stated in its initial response to the audit, the division believes that the Consolidated Level “Audited” Financials that are submitted by the MCOs to the Department of Banking and Insurance, in conjunction with the MCO’s AUP submissions, satisfy the requirements of both the federal regulations and the MCO contract. The MCO contract, inclusive of the AUP requirements, is approved by the federal Centers for Medicare and Medicaid Service every year. The department believes that the AUP, a third-party independent review of the MCO’s individual rate cells, is an extremely reliable approach. The division and its actuary update this process annually to maintain the integrity and strict standards of the AUP process. Lastly, the AUP requires MCOs to submit a valid corrective action plan addressing any anomalies.

Follow-Up Review Results

No action has been taken by the division on this matter.

**Department of the Treasury
Division of Purchase and Property (DPP or division)
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application**



Logical Access – Authentication Transferred Employees

Background

The *New Jersey Statewide Information Security Manual (SISM)* requires state agencies to immediately remove access for employees who no longer work for the agency because of transfer. Without adequate access controls, unauthorized individuals can read and copy sensitive data and make changes or deletions that could go undetected.

Summary

The original audit identified users who transferred to other agencies and retained access to their previous agency in the NJSTART application.

Report Recommendation

We recommended the division monitor the agencies' compliance regarding transferred users through periodic reviews.

Management Corrective Action Response

A review process will be completed every six months, which will include distribution to the agencies with attendant reminders.

Department of the Treasury
Division of Purchase and Property
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application (continued)

Follow-Up Review Results

Our follow-up review found the listing of users that the DPP sent out to agency administrators did not contain the proper information to identify all transferred users. There was also insufficient evidence that the DPP followed up with the agencies or performed any procedures to monitor compliance.

Logical Access – Authentication
Accounts That Have Never Been Accessed

Background

The SISIM requires state agencies to disable access for any account that is created and not accessed within 30 days of creation.

Summary

The original audit identified 1,145 user accounts that were never used and not disabled after 30 days.

Report Recommendation

We recommended the division perform a review of all users in the NJSTART application and work with the agencies to identify and delete accounts that have never been accessed. In addition, the division should communicate the requirements and procedures for removing accounts that are created and not used within 30 days to the agency organization administrators (OAs) and monitor the agencies' compliance through periodic reviews.

Management Corrective Action Response

This issue was addressed by the biannual review of all active login IDs by department. Agencies were reminded of this requirement and will be reminded every six months with each review process. The division will complete a semi-annual review to monitor compliance.

Follow-Up Review Results

Our follow-up review found the report sent to agency OAs for review did not include accounts that had never been accessed. Our retesting of the 1,145 users from the original audit found 66

Department of the Treasury
Division of Purchase and Property
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application (continued)

percent of them were still active and had not logged in. In addition, there was no evidence the DPP reminded the agency OAs about this requirement, and without an initial review that addressed these user accounts, the ability to monitor compliance could not have taken place.

Logical Access – Authentication
Inactive Accounts

Background

During the audit period, the SISIM required that user accounts should be disabled after 60 days of non-use. In addition, once an account has been disabled, it should be removed from the application after 90 days in the disabled status. The SISIM was subsequently revised to increase the timeframe to disable inactive accounts from 60 to 90 days, and the requirement to remove user accounts after 90 days in the disabled status has been eliminated.

Summary

The original audit identified 1,476 active user accounts who had not logged into NJSTART in 60 days.

Report Recommendation

We recommended the division perform a review of all users in the NJSTART application and work with the agencies to identify and disable user accounts with a last login date older than 60 days, as well as identify and remove accounts that have been (or should have been) disabled for more than 90 days. In addition, the division should communicate the requirements and procedures for disabling and removing user accounts reaching these thresholds to the agency OAs and monitor the agencies' compliance through periodic reviews.

Management Corrective Action Response

As part of the report and review process, the last logon date is included. Agencies have been advised that login dates older than 60 days will be deleted by the division unless otherwise directed by the agency. These requirements will continue to be communicated to the agencies with each review. The reviews will occur every six months.

Department of the Treasury
Division of Purchase and Property
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application (continued)

Follow-Up Review Results

The report the DPP provided to the agency OAs included all users who had not logged into NJSTART in the previous 60 days; however, it only requested that agencies address users who had left the agency, not disable users who had not logged into NJSTART in 60 days. The DPP did not notify the agencies that accounts over 60 days would be disabled directly by the DPP until March 2022. We analyzed the 1,476 user IDs identified in the original audit and found that 520 (35%) were still active and had not logged in since the date documented in the original audit. There were also 574 users that had logged in since the audit, but 269 of these were still active and past the 90-day requirement of the SISIM since their last login date.

Logical Access – Authentication
Duplicate User IDs

Background

The SISIM requires agencies to identify and address redundant or duplicate IDs during their required periodic access reviews. Duplicate accounts could allow users to have unnecessary access to application resources that may circumvent application controls.

Summary

The original audit identified 39 duplicate accounts belonging to 33 different individuals.

Report Recommendation

We recommended that, because only the DPP has the ability to view users across all organizations, it should include identifying duplicate accounts statewide during its periodic reviews.

Management Corrective Action Response

As part of our biannual review, DPP will conduct a purge of these types of accounts. This issue will continue to be addressed through the semi-annual report and review process.

Department of the Treasury
Division of Purchase and Property
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application (continued)

Follow-Up Review Results

Our follow-up review found the DPP had not analyzed or addressed duplicate accounts with the agencies. We analyzed the 33 users from the original audit and found 17 users still had two of more user IDs, 12 of which had multiple IDs in the same department, which should have been found by the agency OAs if they had been asked to look for this condition. In addition, we found 12 new users with duplicate IDs, 6 of which had duplicate IDs in the same department.

Logical Access – Authentication
Periodic Reviews

Background

The SISIM requires agencies to document and implement a formal process to periodically review users' access rights to maintain effective controls over user access to information assets. To maintain these controls, agencies are required to review user access to resources at least every six months.

Summary

The account management issues we found in the areas of separated and transferred users with active access, as well as active user accounts that should be disabled or removed, indicate that periodic reviews of user access to NJSTART are not being performed by the using agencies.

Report Recommendation

We recommended the division communicate the requirements and procedures for performing periodic reviews to the OAs of the agencies and monitor the agencies' compliance through periodic verification.

Management Corrective Action Response

Communication will occur with each semi-annual review. Each review will provide an opportunity to compare to prior reports, providing an indication of agency compliance.

Department of the Treasury
Division of Purchase and Property
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application (continued)

Follow-Up Review Results

Our follow-up review found no documentation to demonstrate that the DPP communicated the requirements and procedures for performing periodic reviews to the agency OAs. Additionally, based on the preceding noncompliant recommendations, DPP is not monitoring agency compliance through periodic verification.

Logical Access – Authentication
Internal Periodic Reviews – DPP

Background

The SISM requires agencies to document and implement a formal process to periodically review users' access rights to maintain effective controls over user access to information assets. To maintain these controls, agencies are required to review user access to resources at least every six months.

Summary

Internal reviews of DPP user access to NJSTART are not being performed.

Report Recommendation

We recommended the division document and maintain evidence of the reviews of its own employees.

Management Corrective Action Response

Division user reviews will occur with each semi-annual review.

Follow-Up Review Results

Our follow-up review found no evidence of the last review of the DPP's own users, and, based on our review, the DPP had not addressed previous issues with their own users.

Department of the Treasury
Division of Purchase and Property
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application (continued)

Logical Access – Authorization
Organization Administrator Rights

Background

The SISIM requires agencies to adhere to the principle of segregation of duties when assigning functions, tasks, and responsibilities for critical business processes, system maintenance, day-to-day computer operations, and security/system administration. Specifically, it states that “individuals assigned to an information security role are not also assigned to an information systems role”. Based on that requirement, users with the OA role should not be assigned functional roles within the application as well.

Summary

In the original audit, we identified 147 active users having the OA role, of which 133 had at least one role in addition to OA and inquiry only. Of these, 106 had access to the accounts payable function, with 17 having the ability to generate invoices, and 89 with the ability to approve invoices (it should be noted the application is configured such that a user can be either an invoice creator or approver, but not both).

Report Recommendation

We recommended the division perform a review of all users with the OA role and work with the agencies to remove other privileges from these users or assign the OA role to a different person in the agency if the current OA needs to maintain their other functionality. Since the division already expressed to agencies the need to segregate this role in its agency reference guide, we also recommended that they perform periodic reviews for the reoccurrence of this issue, address the results with the appropriate agency, and document and maintain evidence of these reviews.

Management Corrective Action Response

As noted in the audit response, agencies are informed this arrangement does not conform to best practices. However, some agencies are quite small and have no alternative. Agencies will continue to be reminded about this issue with each review. This matter will be addressed with each agency as necessary.

Department of the Treasury
Division of Purchase and Property
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application (continued)

Follow-Up Review Results

Our follow-up review found no documentation indicating that the division reviewed users with the OA role or worked with the agencies to remove or reassign these roles. We also analyzed the users with the agency OA role from the original audit and found no significant change to the separation of duties issues for these users. Additionally, new agency OAs were added to NJSTART with the same issues.

Logical Access – Authorization
Proxy Rights

Background

The NJSTART application has the ability for a user to assign their application authorization rights to another user via proxy. The user being assigned the proxy rights can receive system messages for, and perform any functions of, the person assigning the rights. This includes approvals if the assigning user is on the approval path for a transaction. Proxy rights assignment is a temporary status change and is meant for limited use. Users who assign proxy rights should also be cognizant of allowing privileges that may inadvertently circumvent controls, such as segregation of duties.

Summary

Proxy rights are not being properly controlled. The original audit found 42 users who assigned proxy rights to other users. When this same analysis was re-performed thirteen months later, we found that 17 proxies had remained in place for the entire thirteen-month period.

Report Recommendation

We recommended the division perform a review of all users with proxy rights assigned by or to them, and work with the agencies to remove these proxy rights if they are no longer required. We also recommended the division perform periodic reviews for the reoccurrence of this issue, address the results with the appropriate agency, and document and maintain evidence of these reviews.

Department of the Treasury
Division of Purchase and Property
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application (continued)

Management Corrective Action Response

DPP agrees that proxy rights should not be, in essence, permanent. Ideally, those proxies who retain those rights for several months, if not years, at a time should simply be given those responsibilities on a permanent basis within the organization. Agencies will be advised of this issue with each review.

Follow-Up Review Results

Our follow-up review found that the DPP did not address this issue with agencies. We tested the proxy configurations from the previous audit and found 60 percent were still in place 18 months after the initial analysis. At the conclusion of our compliance review, the DPP notified agency OAs that proxies are not intended to be permanent. The impact of this reminder will be assessed during next year's review.

Contingency Planning

Background

Contingency planning consists of technical and operational aspects. The operational aspects are the processes and procedures that will be used to put the agencies' employees and customers in a position to resume normal operations. The SISM requires agencies to develop, implement, test, and maintain contingency plans to ensure continuity of operations for all information systems that deliver or support essential or critical business functions of the state.

Summary

The operational aspect of contingency planning for the NJSTART application, also known as business continuity planning, is the responsibility of the DPP. The division does not have a documented business continuity plan.

Report Recommendation

We recommended the division develop, document, and implement a business continuity plan that details the procedures needed to maintain a level of service acceptable to employees and customers if a business interruption occurs.

Department of the Treasury
Division of Purchase and Property
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application (continued)

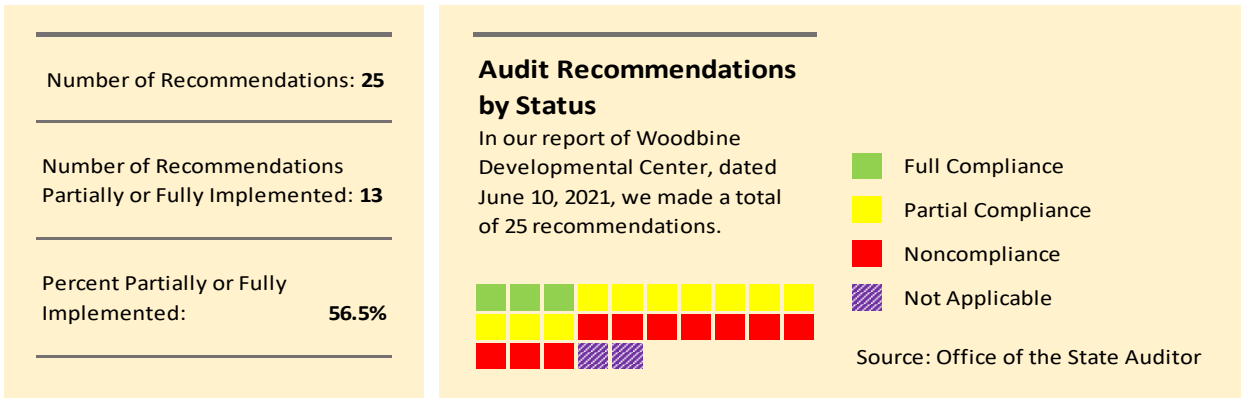
Management Corrective Action Response

The current global pandemic has put DPP's business continuity planning capabilities into action. As virtually all employees continue to work remotely, we have seen that systems access, communications, and production have remained steady while statewide procurement activities have remained robust through NJSTART. DPP will use this experience to document business continuity plans and produce a written document accordingly, to be incorporated into the departmental plan, which is currently being revised, as well as a state plan.

Follow-Up Review Results

The DPP responded that their intent has been to actively participate in the development of a Treasury department-wide effort for the full documentation of a business continuity and disaster recovery plan. To date, that effort has not yet been completed.

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



Declining Client Population

Background

The Woodbine Developmental Center (WDC or center) uses 14 cottages to house clients. Each cottage has its own staff, comprised of direct care, supervisors, and food service employees. The center’s client population decreased from 479 to 247 between September 2008 to September 2019 with no corresponding reduction in the number of cottages used by the center. The center’s objectives could continue to be achieved with fewer cottages and an overall reduction in regular payroll and overtime costs. Additionally, the center does not maximize the use of employees meeting the definition of direct care staff by scheduling assignments to achieve operational and fiscal efficiencies.

Summary

The number of cottages used to house clients could be reduced, and employee schedules and assignments should be prepared at the center’s department level to achieve operational and fiscal efficiencies with a potential annual cost savings of \$7.3 million.

Report Recommendation

We recommended the center develop and implement a plan to reduce the number of cottages in use to efficiently utilize space and employee resources. We also recommended the Residential Services, Vocational Services and Nursing departments work in conjunction to ensure a properly- sized staff for the population and number of cottages in use. We further recommended the center develop employee schedules and assignments that best uses employee resources while minimizing downtime and maintaining staff-to-client ratios.

**Department of Human Services
Division of Developmental Disabilities
Woodbine Developmental Center (continued)**

Management Corrective Action Response

The Department disagrees with OSA's recommendation to reduce the number of cottages and employees at WDC. It continues to be WDC's experience that smaller, quieter environments with less stimulation are optimal for the population served. Data from the past five years demonstrates that the use of psychotropic medications, behavior interventions, number of injuries and behavior support plan levels have reduced for our residents as the census in cottages has decreased.

During the COVID-19 pandemic, the current smaller cottage environment allows for more social distancing in common areas and fewer individuals sharing bedrooms. A higher cottage census increases the risk of greater client infection rates and more serious outcomes for WDC's residents.

The Resident Living, Vocational Services, and Nursing departments continue to review employee schedules to ensure that staff are being used in the most efficient manner possible while prioritizing client care.

Follow-Up Review Results

The client population has continued to decline since our audit, and the center has not developed and implemented a plan to reduce the number of cottages in use. Additionally, the center did not provide documentation to support any changes to the process to ensure a properly-sized staff for the population and number of cottages in use. Finally, documentation was not provided to support any changes to the employee scheduling and assignment process to best utilize employee resources while minimizing downtime and maintaining staff-to-client ratios.

Procurement – Delegated Purchasing Authority Purchases

Background

It is the responsibility of the agency to establish internal control procedures for the acceptance, security, review, and evaluation of quotes for competitive purchases.

Summary

The center did not always comply with applicable purchasing policies and regulations.

**Department of Human Services
Division of Developmental Disabilities
Woodbine Developmental Center (continued)**

Report Recommendation

We recommended the center establish documented internal control procedures for the acceptance, security, review, and evaluation of quotes for competitive purchases.

Management Corrective Action Response

The Business Office distributed and trained staff on an updated policy and guidelines on its internal purchasing that comports with state procurement circulars. The guidelines include review and retention of supporting documentation prior to authorizing payment, review of transactions to ensure lowest cost to the center, and other internal controls.

Follow-Up Review Results

The center updated its Purchasing, Receiving, and Payments Administrative Procedure; however, it did not include internal control procedures for the acceptance, security, review, and evaluation of quotes for competitive purchases.

Purchasing – Laundry Services**Background**

WDC uses Ancora Psychiatric Hospital (Ancora) for laundry services. We identified that New Lisbon Developmental Center (NLDC) uses a state contract for laundry rental services, which covers the rental and laundering of linens instead of purchasing linens and laundering them under a separate contract. In fiscal year 2019, WDC paid approximately \$223,000 (61 percent) more in total and \$1,100 (92 percent) more per client than NLDC for laundry services and linens.

Summary

The Business Office does not evaluate the laundry services contract for efficient use of funds.

Report Recommendation

We recommended the center evaluate potential cost savings in the current laundry services contract.

**Department of Human Services
Division of Developmental Disabilities
Woodbine Developmental Center (continued)**

Management Corrective Action Response

After thorough review, it has been determined that Ancora continues to be the most appropriate provider for WDC's laundry services.

Follow-Up Review Results

The center did not provide an evaluation to substantiate its determination that Ancora continues to be the most appropriate provider of laundry services.

Galley Operation

Background

The center operates "The Galley," a cafeteria-style deli with a seating area and televisions, where clients and employees of the center can purchase and consume prepared and packaged goods. The Galley is accounted for through the center's non-appropriated funds. Employee salary and fringe benefit costs of approximately \$340,000 for each of fiscal years 2018 and 2019 were paid from appropriated funds and not included in the net income (loss) from operation. If the employee salary and fringe benefits costs are included in the net income calculation, The Galley operated at an approximate net loss of \$330,000 each fiscal year.

Summary

Galley operations should be evaluated and modified to ensure revenues cover expenditures since it is primarily used by employees.

Report Recommendation

We recommended the center consider reducing the number of prepared food items offered and determine if these items can be prepared in the main food service building instead of having a dedicated food service staff in The Galley. We also recommended the center evaluate the potential of using an outside vendor to operate The Galley.

Management Corrective Action Response

The center reviewed its current menu and has reduced the number of menu items offered. WDC has reduced staffing in The Galley and reassigned staff to the Main Kitchen. Additionally, The

**Department of Human Services
Division of Developmental Disabilities
Woodbine Developmental Center (continued)**

Galley is also closed on weekends, which decreases staff hours. The center does not agree that using an outside vendor to operate The Galley would be beneficial.

Follow-Up Review Results

The center did not reduce the number of prepared food items offered. After review of The Galley menu, we noted the number of prepared food items offered increased by four. The center continues to utilize staff, assigned primarily to the Galley, to prepare food items in The Galley instead of the main food service building. The center does not agree that using an outside vendor to operate The Galley would be beneficial, but it did not perform an evaluation.

Inventory

Background

Our review of the operations and inventory control process for the Clothing Center and physical inventory control counts of Central Supply, Housekeeping, Mailroom, and Storeroom disclosed internal control weaknesses. We noted a breakdown in segregation of duties in the inventory process, repeated variances between on-hand and system counts, missing inventory counts, and lack of documented policies and procedures related to inventory control.

Summary

Controls over inventory should be strengthened.

Report Recommendation

We recommended physical inventory counts be completed at least annually. We also recommended variances be investigated and documented, and a transaction should be entered to account for any adjustments. The on-hand balance should not be changed.

Management Corrective Action Response

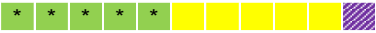





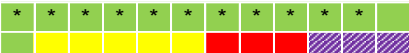




Under the new Inventory Control policy, physical inventory counts will be completed annually by the designated employee. The WDC has implemented changes to Master Inventory System that allow overages/shortages to be recorded with a comment area for the explanation of the adjustment. As recommended, the on-hand balance will not be changed.

**Department of Human Services
Division of Developmental Disabilities
Woodbine Developmental Center (continued)**

Follow-Up Review Results

The new Inventory Control policy states that physical inventory counts should be completed annually. However, the center did not provide the annual inventory counts. Since inventory counts were not provided, we are unable to determine if variances are investigated and documented and if on-hand balances changed.

Fiscal Year 2020 - Audit Recommendations Compliance Dashboard

Report Date	Audit
9/20/2018**	Department of Law and Public Safety Division of Law  11 Recommendations
3/26/2019**	Department of Community Affairs Division of Housing and Community Resources, Low Income Home Energy Assistance Program Eligibility  3 Recommendations
8/27/2019	Department of Children and Families Division of Child Protection and Permanency, Grants-in-Aid Page 38  12 Recommendations
9/5/2019	Department of Law and Public Safety Juvenile Justice Commission, New Jersey Training School for Boys  8 Recommendations
10/1/2019	New Jersey Motor Vehicle Commission Customer Service  6 Recommendations
11/13/2019	Asbury Park School District Page 40  26 Recommendations
1/21/2020	Pemberton Township School District Page 42  24 Recommendations
1/29/2020	New Jersey Transit Corporation Rail Operations Page 44  3 Recommendations
2/12/2020	Ridgefield Park School District Page 46  17 Recommendations
3/11/2020	Department of Labor and Workforce Development Temporary Disability Insurance Page 48  4 Recommendations
6/11/2020	Department of Environmental Protection Division of Fish and Wildlife  8 Recommendations

Full Compliance
 Partial Compliance
 Noncompliance
 N/A ***

Fiscal Year 2020 - Audit Recommendations Compliance Dashboard (continued)

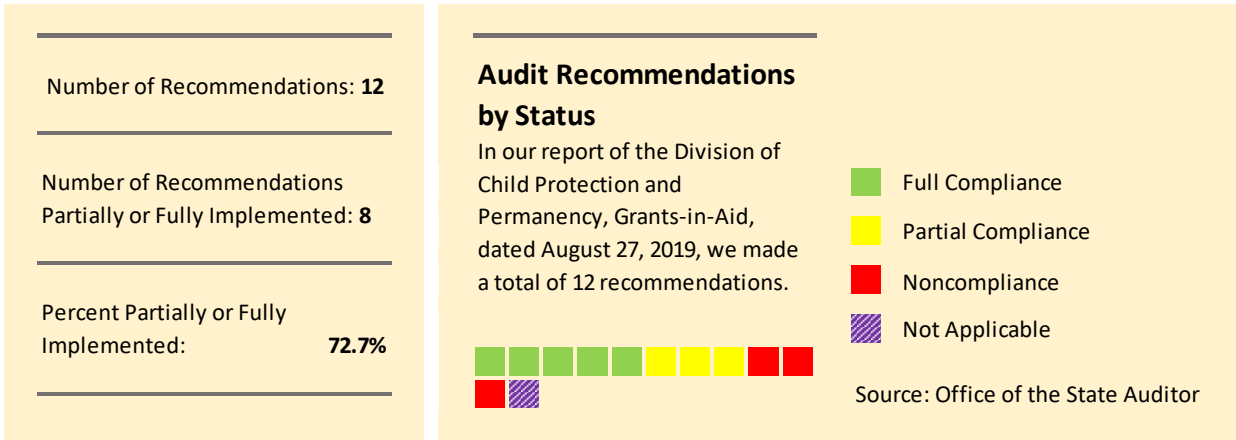
- * These recommendations were deemed full compliance during our fiscal year 2020 compliance review; no specific compliance testing was completed for these recommendations during our current review. Prior-year recommendations deemed full compliance are included to show the compliance status over the two-year period and are included in the two-year compliance rate calculations.

- ** The Division of Law and Low Income Home Energy Assistance Program Eligibility reports were issued in fiscal year 2019, but the compliance reviews were postponed because of issues related to the COVID-19 pandemic and are included this year with reports issued during fiscal year 2020.

- *** There were a variety of circumstances why a recommendation was deemed not applicable (N/A). As an example, a program in a school district was discontinued as a result of the COVID-19 pandemic and, therefore, no specific testing could be performed. Additionally, all recommendations deemed N/A are not included in compliance percentage calculations.

Unresolved Issues from Fiscal Year 2020 Audit Reports

**Department of Children and Families
Division of Child Protection and Permanency
Grants-in-Aid**



Background Checks

Background

Pursuant to N.J.S.A. 9:3A-2, the Department of Children and Families (DCF or department) was created on July 1, 2006 to focus exclusively on protecting children and strengthening families. Previously, these functions were handled by the Department of Human Services (DHS), Division of Youth and Family Services. Since DCF’s creation, there has been a memorandum of understanding with the DHS Central Fingerprint Unit for the collection, review, interpretation, and dissemination of criminal history background check data.

Summary

Obtaining payroll registers or W-2 listings, access to wage reporting data, and requiring social security numbers on background check forms may enhance monitoring of individuals working in licensed facilities.

Report Recommendation

We recommended the department consider obtaining payroll registers or W-2 listings from regulated centers periodically to verify that all staff members have properly completed the required background checks. We also recommended the department seek on-line access to wage reporting and/or request databases to periodically monitor whether individuals identified as pending or disqualified are working for a licensee without clearance. We further recommended the department require social security numbers on the background check forms. Legislative changes may be needed to require such information.

Department of Children and Families
Division of Child Protection and Permanency
Grants-in-Aid (continued)

Management Corrective Action Response

The DCF's work regarding obtaining payroll registers or W-2 listings and obtaining on-line access to wage reporting and/or requesting databases continues to be delayed due to its need to prioritize work related to the pandemic. The department needs to investigate the legality and feasibility of obtaining wage reporting access.

The department continues to believe it is feasible to require social security numbers on the background check forms. However, the utility of such a requirement may be negated as the child abuse and criminal records searched often lack this information. In addition, the department has no means of verifying a provided social security number. The benefits of this additional information may not outweigh the privacy and record keeping burdens created.

Follow-Up Review Results

No action has been taken by the department regarding obtaining payroll registers or W-2 listings from regulated centers or requiring social security numbers on background check forms. As for obtaining on-line access to wage reporting and/or requesting databases from the Department of Labor and Workforce Development, the department only recently made inquiries on this matter. Access to this information has not yet been provided and, therefore, no matches have been performed.

Asbury Park School District



Health Benefits – Waiver Incentive

Background

The Asbury Park School District participates in the School Employees’ Health Benefits Program (SEHBP). In accordance with P.L. 2007, c.92 and P.L. 2010, c.2, the district provides an incentive payment for employees who waive coverage. The payments are made each year in June and may not exceed 25 percent of the amount saved by the employer or \$5,000, whichever is less. Employees are only entitled to receive this payment when their other health coverage is not the State Health Benefits Program (SHBP) or SEHBP.

Summary

The district may achieve cost savings by reducing incentive payment amounts.

Report Recommendation

Our recommendation noted that, while state regulations allow for a payment to an employee opting out of health benefits, they do not require a district to pay the maximum rate.

Management Corrective Action Response

The district continues to adhere to the guidelines outlined in N.J.S.A. 52:14-17.31a, which allows them to pay the maximum rate up to \$5,000 to an employee for waiving benefits. Board counsel has advised since a “past practice” has been created, the district would need to negotiate a change in the collective bargaining agreement. This topic was not discussed during recent negotiations, but the district agreed to continue discussions on how to pursue changes to the incentive payment with their attorney.

Asbury Park School District (continued)

Follow-Up Review Results

Our follow-up review found waiver incentive payments were not discussed during negotiations with the union. No changes to incentive payments have been made.

Pemberton Township School District



Criminal History Review

Background

Pursuant to N.J.S.A. 18A:6-7.1, all prospective employees of a school district, under the supervision of the Department of Education, whose job duties include regular contact with pupils, must undergo a criminal history background check as a condition of employment. Results of the criminal background check are returned to and maintained by the district human resources office. Additionally, ensuring the district is listed as the employer increases the likelihood that the employer will be properly notified if a disqualifying offense occurs.

Summary

Criminal history background documents did not list the district as the employer, which increases the likelihood they would not be notified if a disqualifying offense occurs.

Report Recommendation

We recommended the employer listed on the background check be accurately reflected to ensure the employer is notified if an offense occurs with an employee or vendor.

Management Corrective Action Response

The district continues to monitor and track the staff members of contracted vendors to verify the accurate reporting information. The district has worked closely with all new hires to verify that employment does not begin until the proper fingerprinting paperwork is submitted.

Pemberton Township School District (continued)

Follow-Up Review Results

Our follow-up review found the district is not accurately listed on background check documentation for vendor employees.

Revenue

Background

The district educates students from other districts in certain circumstances. Per N.J.S.A. 18A:38-19, whenever the pupils of any school district are attending public school in another district, within or outside the state, the board of education of the receiving district shall determine a tuition rate to be paid by the board of education of the sending district for an amount not in excess of the actual cost per pupil. The district bills student tuition to the other districts monthly.

Summary

Tuition was not billed for out-of-district students, resulting in lost revenue of approximately \$45,000.

Report Recommendation

We recommended supervisors review all bills created by the district. Additionally, we recommended the district correct all billing errors.

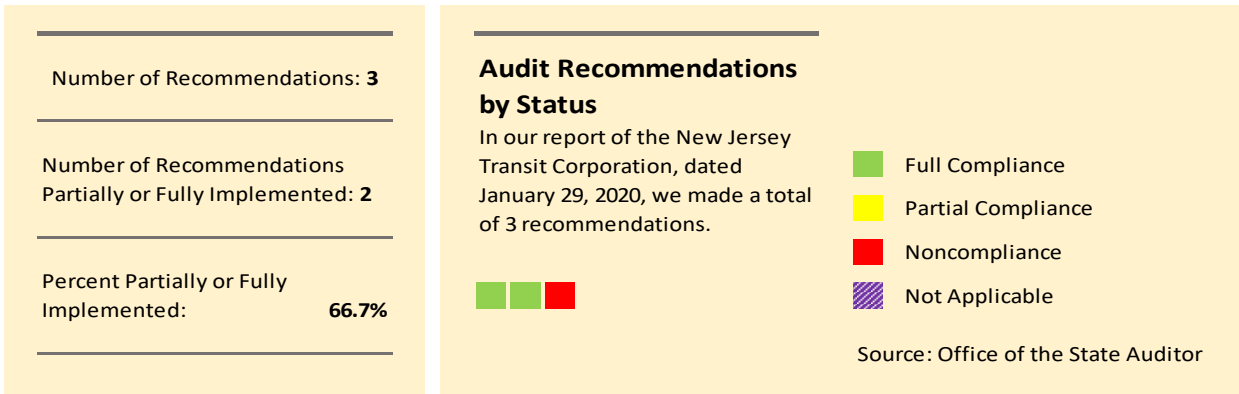
Management Corrective Action Response

The district is currently developing an improved and detailed billing procedure because of recent turnover in staff. The district attempts to collect all funds that are due to the school district. The district did not provide a specific response regarding the billing errors.

Follow-Up Review Results

Our follow-up review found the district did not bill tuition for out-of-district students, indicating a lack of review. We also found the district did not correct and collect all billing errors.

New Jersey Transit Corporation Rail Operations



Positive Train Control System

Background

New Jersey Transit (NJT) awarded two contracts - a consultant and a main contractor - to implement the Positive Train Control (PTC) System. Per contract change order No. 6, NJT could assess liquidated damages on the PTC contractor of \$25,000 per calendar day for the failure to meet certain project milestones, with the liquidated damages capped at \$25 million. As of September 2019, assessed liquidated damages totaled \$9.1 million.

Summary

NJT has not collected contractually allowable liquidated damages.

Report Recommendation

We recommended NJT improve its monitoring of its PTC vendors and hold its consultants and contractor accountable for the failure to meet agreed-upon project milestones as per the contracts and collect contractually allowable liquidated damages.

Management Corrective Action Response

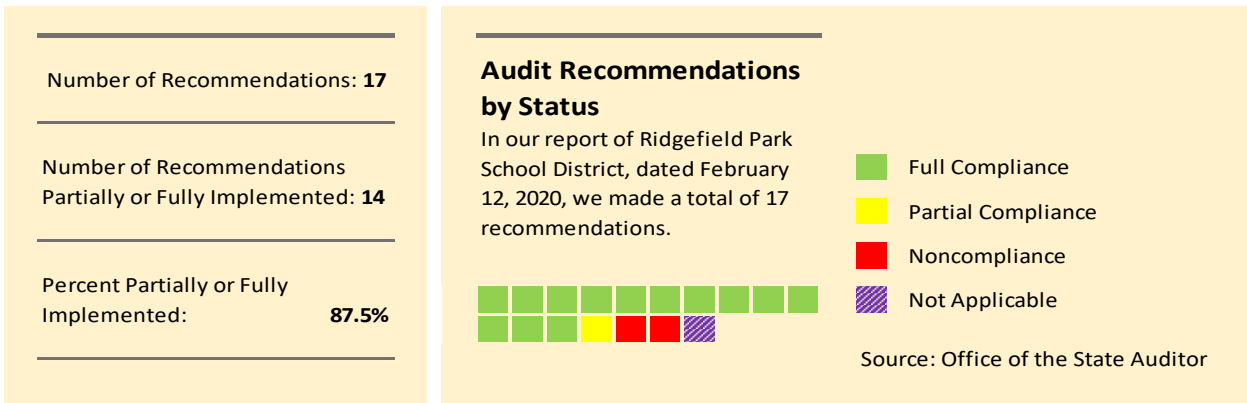
NJT has not yet collected liquidated damages from the PTC contractor. NJT previously notified the contractor that it was assessing, but not collecting, liquidated damages in accordance with contract change order No. 6. The contractor has disputed NJ Transit's right to assess and collect those liquidated damages. NJT, however, is exercising its business judgment and continues to evaluate whether (and, if so, when) to collect any of the assessed liquidated damages based on the evolving facts and circumstances of the PTC project.

**New Jersey Transit Corporation
Rail Operations (continued)**

Follow-Up Review Results

Our follow-up review found that NJT has not collected contractually allowable liquidated damages. According to NJT, estimated liquidated damages have reached the cap of \$25 million.

Ridgefield Park School District



Payroll and Personnel

Background

The Ridgefield Park Education Association (association) employment agreement does not include a provision regarding the payment of unused vacation days to retired secretarial employees. According to the Ridgefield Park School District, the interpretation has been “use it or lose it” and any individual who retires with unused vacation days shall not receive payment for those days. The association filed a grievance claiming secretaries accumulated vacation time in their first year of employment but were not permitted to use it. The district has no documentation supporting or refuting the association’s claims.

Summary

A retired employee was paid a total of \$16,884 for unused vacation leave the employee was not entitled to receive. The district attempted to recover the payment after we brought it to management’s attention. During our fiscal year 2020 compliance review, we noted the district recovered the \$16,884.

Report Recommendation

We recommended all employee payments be properly supported and approved.

Management Corrective Action Response

The district strengthened internal controls to have a clear segregation of duties between the Human Resources and Payroll Departments. All payouts of vacation or unused sick days go through a multi-level approval process to ensure that payments are issued in accordance with NJ Statute, Code, and Board Policy.

Ridgefield Park School District (continued)

Follow-Up Review Results

Our follow-up review found the district paid two additional retired employees \$9,681 for unused vacation days that were not supported by their leave balance records.

School Board Conflicts of Interest

Background

According to the School Ethics Act (N.J.S.A. 18A:12-21), board members and administrators must avoid conduct that is in violation of their public trust or creates justifiable impression among the public that such trust is being violated (N.J.S.A. 18A:12-22(a)). In addition, the board members are prohibited from attempting to use their position to secure unwarranted privileges, advantages, or employment for themselves, members of their immediate family, or others (N.J.S.A. 18A:12-24(b)).

Summary

We noted instances of board members voting on personnel and financial issues concerning relatives or employees when they should have recused themselves.

Report Recommendation

We recommended board members adhere to the School Ethics Act when performing their duties.

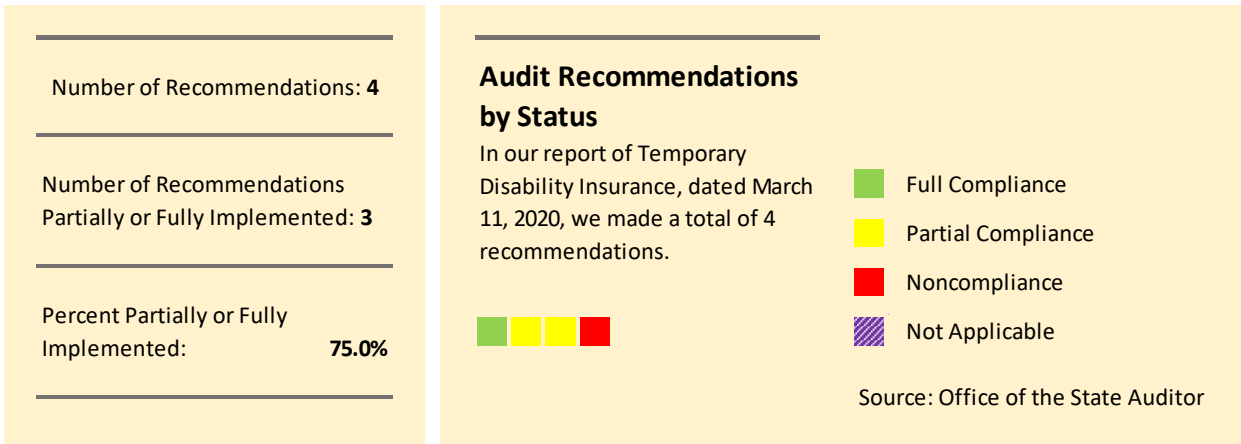
Management Corrective Action Response

Board members are periodically reminded of their responsibilities in connection with the School Ethics Act.

Follow-Up Review Results

Our follow-up review found two additional instances of a board member voting on personnel issues when they should have recused themselves.

Department of Labor and Workforce Development (DOLWD) Temporary Disability Insurance



Workers' Compensation Claims Reimbursement

Background

Temporary Disability Insurance (TDI) benefit payments are accounted for in the State Disability Benefit Fund (fund), administered by the Division of Temporary Disability and Family Leave Insurance (division). Per N.J.S.A. 43:21-30(b), an individual is prohibited from collecting both TDI and Workers' Compensation (WC) benefits for the same injury over the same time period. However, an individual who is involved in a contested WC claim may receive TDI benefits from the division while awaiting settlement of their WC claim, provided the individual has filed a viable claim petition with the DOLWD's Workers' Compensation Division and has signed an agreement to reimburse the fund for any TDI benefits received. The division relies solely on individuals to disclose the existence of contested WC cases that are related to TDI claims.

Summary

The division does not have adequate controls in place to detect the existence of TDI claims that are potentially a duplication with WC benefits. Failure to properly identify claims with the potential for duplicating benefits could lead to a violation of the TDI law and lost reimbursement to the fund.

Report Recommendation

We recommended the division improve coordination with the DOLWD's Workers' Compensation Division to perform comparisons of all individuals who file TDI claims and WC claims within short time periods of each other. The comparisons will provide a more comprehensive detection process of claims that carry a duplication of benefits risk.

Department of Labor and Workforce Development
Temporary Disability Insurance (continued)

Management Corrective Action Response

During 2021, the division has worked to make necessary changes to its claims processing system through the modernization initiative. Although it is still incumbent on the claimant to indicate the condition is work-related, within the modernized system the division intends to incorporate an interface with NJ Courts online that will review a claim petition alleging a work-related disability.

Follow-Up Review Results

The comparison between the TDI and WC databases has not yet been implemented. The division hopes to accomplish the comparison through its modernization initiative by establishing an interface with NJ Courts online. For this portion of the modernization initiative, a vendor has not yet been selected, and until such time, establishing an interface is not feasible.

Informational Section
Audit Observations from Fiscal Year 2021 Audit Reports

Observations

Our compliance review also included a status update of audit observations from our reports that were issued during the period July 1, 2020 through June 30, 2021. Our reports included nine observations, which are designed to provide stakeholders with information on various topics without having specific recommendations. Because observations do not have specific recommendations, a compliance assessment is not given. Observations, where the condition still existed at the time of our review, were restated and included in this report for informational purposes.

**Department of Health
Division of Behavioral Health Services
Ann Klein Forensic Center**

Potential Overtime Abuse

Original Observation

Ann Klein Forensic Center (AKFC) management allows employees to use leave time (i.e., sick, vacation, personal leave) for their regular shift and then work another shift at an overtime rate on the same day. While there may be instances where this would be a needed solution to a difficult staffing coverage scenario, it could be a sign of overtime abuse. We requested any union agreement that allows overtime pay on the same day that leave time is taken; however, AKFC could not provide one. We performed a review of leave time for 366 Medical Security Officers (MSOs) employed during calendar year 2018. Our review identified 350 instances in which an MSO used a full day of leave time (8 hours) and on the same day worked an overtime shift. These 350 instances were attributed to 124 of the 366 MSOs. The financial advantage of this practice from the employee's perspective is that the employee is paid for the leave time shift at the usual rate for that day and is also paid for the overtime shift at 1.5 times the usual rate of pay on the same day. The financial effect on the state, however, is that the state not only pays the employee at the overtime rate for the shift worked in addition to the regular rate for the leave time taken, but the state must also pay another employee overtime to cover the shift for which the leave time was used. Preventing employees from working overtime on the same day that a full day of leave is used may reduce overtime costs.

Status Update

According to management, employees continue to be permitted to use leave time for their regular shift and then work another shift at an overtime rate on the same day. In an effort to avoid this situation, management has hired a consultant to review scheduling practices with the goal of reducing overtime. Additionally, the facility has increased staff since our audit and is awaiting approval for additional positions.

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

Welfare Fund

Original Observation

The purpose of the Welfare Fund is to provide funding for items or events that benefit the center's entire population. The fund receives money from interest earned from the investment of the fund's balance, donations, and fundraising. Additionally, amounts designated as "profit" from The Galley are increases to the fund's ending balance. The Department of Human Services Welfare Fund Accounts Manual requires that the fund not maintain a large surplus. The ending balance has averaged \$442,000 between fiscal year 2018 and fiscal year 2020 as of January 31, 2020 and remains high, as identified in our prior audit where the balance remained between \$400,000 and \$420,000 through fiscal years 2008 and 2009. We noted that the only significant purchases during fiscal years 2018, 2019, and 2020 were an ice cream machine for \$29,000 and furniture for \$23,000, all for The Galley.

Status Update

The center is researching opportunities for purchases benefiting the entire population, but no significant purchases have been made. The Welfare Fund ending balance was \$433,000 for fiscal year 2021.

Department of Human Services
Division of Medical Assistance and Health Services
New Jersey FamilyCare
Medicaid Pharmacy Program

Expanding Access to the New Jersey Prescription Monitoring Program (NJPMP)

Original Observation

Pursuant to N.J.S.A. 45:1-45, the NJPMP is a statewide database maintained by the Department of Law and Public Safety, Division of Consumer Affairs (DCA) that collects prescription data on Controlled Dangerous Substances (CDS) dispensed in outpatient settings in New Jersey and by out-of-state pharmacies dispensing into New Jersey. Pharmacies are required to report this data to the NJPMP on a daily basis. Prescriptions must be reported to the database no more than one business day after the date the prescription is dispensed. The information contained in the database can help prescribers and pharmacists provide better care and identify signs that individuals may be abusing or diverting prescription medications for profit. In addition, fifteen other states share data with the NJPMP.

In accordance with DCA regulations, access to the NJPMP is granted to only prescribers, delegates, and pharmacists who are licensed by the state of New Jersey and whose licenses are in good standing with their respective licensing boards and who are directly providing healthcare to the recipients. Before issuing a prescription or dispensing a prescribed drug, qualified prescribers and pharmacists who have registered to use the NJPMP are able to access the NJPMP website and request the CDS prescription history of a patient.

Under current DCA regulations, prescribers, delegates, and pharmacists who are authorized to access the NJPMP must certify before each search that they are seeking data solely for the purpose of providing healthcare to new or current patients. Any prescribers or pharmacists who access or disclose NJPMP information for any purpose other than providing healthcare to a current patient or verifying the NJPMP's record of prescriptions issued by the prescriber, or who allow any other individuals to access the NJPMP using the prescriber's or pharmacist's own access codes, is subject to civil penalties and disciplinary action by the prescriber's or pharmacist's professional licensing board. Therefore, the staff of the state's Medicaid program, the third-party fiscal agent, and the MCOs who administer the states pharmacy program are not authorized to access NJPMP because they do not directly deliver healthcare to the recipients. Access to the NJPMP could be most useful when beneficiaries use cash to purchase prescriptions and bypass the healthcare plans. When cash is used, the drug utilization of beneficiaries cannot be monitored because these pharmacy claims are not processed through the Medicaid program. Therefore, statutory changes that would allow access to the NJPMP by licensed pharmacy staff of the fee-for-service and managed care pharmacy programs could increase the ability of the division to monitor controlled substance utilization by beneficiaries. The data in the NJPMP is

Department of Human Services
Division of Medical Assistance and Health Services
New Jersey FamilyCare
Medicaid Pharmacy Program (continued)

also valuable for avoiding therapeutic duplication and drug conflicts for Medicaid beneficiaries, which cannot be determined if the beneficiary pays cash.

Based on the website for the Office of New Jersey Coordinator for Addiction Responses and Enforcement Strategies, there have been 3,021 suspected overdose deaths and 3,990,809 opioid prescriptions dispensed during the period of January 1, 2019 through December 31, 2019. The NJPMP is an essential tool that could be used by the division to identify possible fraud and help mitigate the abuse and diversion of prescription drugs for profit within the Medicaid program.

Status Update

The division still does not have access to the NJPMP.

Department of the Treasury
Division of Purchase and Property (division)
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application

Meeting the Purchasing Needs of All Agencies

Original Observation

Contract Deliverables (DPA and Waiver Transactions)

NJSTART is intended to replace the legacy Management Acquisition and Control System enhanced (MACSe) that state agencies use for the procurement of most goods and services. During the audit, more than six years after the contract was signed, we found that NJSTART is still not handling all types of purchasing transactions. Specifically, the MACSe is still handling Delegated Purchase Authority (DPA) and Waiver of Advertising (WOA) transactions for all agencies. At the start of the audit period, the division stated that these transaction types were to be rolled out to agencies in 2019; however, as of the end of our fieldwork they still had not been. The division provided us no convincing explanation as to why DPA and WOA transactions were not moved to NJSTART during the projected time period.

Contract Deliverables (MACSe and FMIS Interface)

Part of the functionality of the MACSe system includes job cost allocation for capital projects that is used by at least one state department to track construction projects and to submit appropriate expenses to the federal government for reimbursement through the Financial Management Information System (FMIS). NJSTART does not have this functionality, and any departments using this function of the MACSe must continue to use the MACSe for purchasing. Therefore, the MACSe cannot be truly replaced until either a job cost allocation system is a part of NJSTART or a new cost allocation system is obtained and interfaced with NJSTART, the state's accounting system, and the FMIS.

The original Request for Proposal to purchase NJSTART specifically states that the vendor solution should assist the state in 1) ensuring that all disbursement transactions made in the state's accounting system are reflected in the new system, 2) combining all procurement functions into a single integrated solution, and 3) improving IT economies of scale by eliminating in-house mainframe costs and IT maintenance by consolidating all procurement functions into a single system. Until DPA and WOA transactions use NJSTART and a solution to the FMIS interface is developed and implemented, the state must continue to use two purchasing systems for different types of transactions, thereby incurring the additional cost of maintaining the MACSe. In addition, all procurement functions are neither in a single integrated solution nor are all disbursement transactions in the state's accounting system reflected in the new system.

Department of the Treasury
Division of Purchase and Property
New Jersey State of The Art Requisition Technology (NJSTART)
Information Technology Application (continued)

Status Update

The division has implemented the processing of DPA and WOA transactions after the final enhancements were made to allow them to work in NJSTART. Agencies are now migrating into the NJSTART environment for these transactions. Regarding the job cost allocation interface to enable NJSTART purchasing information to interface with the FMIS, in December 2021 the vendor submitted a statement of work to the agency still using MACSe. The division maintains that NJSTART will, in fact, meet the needs of this agency while only requiring a slight shift in operational management. Discussions of the requirements of the interface are ongoing. Although progress has been made in addressing the enhancements necessary to achieve this interface, there was no indication that the vendor will be able to meet the necessary requirements, only that the discussion has begun. MASCe continues to be maintained for the one remaining agency not using NJSTART for all transactions.

Department of the Treasury
Division of Purchase and Property (division)
Procurement of Information Technology Contracts

Blanket Contract for Computer Equipment, Peripherals, and Related Services

Original Observation

The division takes part in a national cooperative purchasing between the Western States Contract Alliance, the National Association of State Procurement Officials, the State of Minnesota, and 33 other participating states. Computer equipment, peripherals, and related services purchased under this contract may include desktops, laptops, tablets, servers, storage, and rugged devices. As part of this contract, vendors are required to submit quarterly sales reports identifying all products sold. For calendar year 2019, we reviewed quarterly sales reports submitted by four vendors in our population and noted approximately \$148.9 million in total sales.

According to Section 2 of the cooperative agreement, vendors shall pay an administrative fee equal to one-tenth of one percent following the end of each calendar quarter, based on the sales of products and services. The agreement allows states to require an additional fee be paid directly to the state based on purchases made by entities within the state. The requirement for this fee would be documented in the participating addendums (PA) for each state. A PA is a written statement of agreement signed by vendors and each participating state that clarifies the operation of the contract and may add other state specific language or other requirements. According to the model PA included in the cooperative agreement, the first item to consider for inclusion in a PA is a state administrative fee.

We reviewed PAs for seven states, including New Jersey. While four states require the vendors to submit an additional one percent administrative fee based on total sales during each quarter, the PA for New Jersey did not require an additional administrative fee to be paid to the state. However, New Jersey's PA does allow the director of the division to amend the contract if it is determined by the director to be in the best interest of the state.

N.J.A.C. 17:12-1.5 requires the division's director to make an assessment from each contract proposal in order to maintain the state's procurement system at a level to meet common industry standards of efficiency. According to the division, user agencies of state contracts pay an assessment of 0.25 percent of total purchases, including users of the aforementioned blanket contract. Based on the \$148.9 million in total sales noted above, user agencies should have paid \$372,250 in assessments for purchases made under the blanket contract during calendar year 2019. However, during that same period, an administrative fee of one percent would have enhanced revenue by \$1.48 million, assuming sales had remained unchanged.

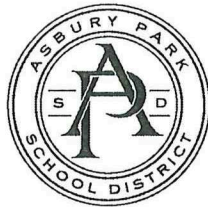
We recognize the division may not want to use both methods for the same contract, and charging an administrative fee to vendors may negatively impact pricing structures and other competitive

Department of the Treasury
Division of Purchase and Property
Procurement of Information Technology Contracts (continued)

measures negotiated within the contract. However, using an administrative fee charged to vendors may be beneficial in certain instances.

Status Update

The division did not have anything to add beyond its initial response to the audit in which the division had historically determined that the assessment rather than a vendor fee structure was the most applicable way to offset procurement expenses. The division continues to explore both methodologies for their potential use. In this specific contract, the division did not want to use both methods for the same contract, and charging an additional fee, beyond the cooperative fee to vendors, seemed excessive and unnecessary, and would ultimately be passed along to the state.



Asbury Park Board of Education

910 4th Avenue

Asbury Park, New Jersey 07712

(732) 776-2606 Ext. 2423

Dr. RaShawn M. Adams, Superintendent

Geoffrey Hastings, Business Administrator/Board Secretary

May 24, 2022

Mr. David J. Kaschak
Assistant State Auditor
Office of the State Auditor
125 South Warren Street
PO Box 067
Trenton, NJ 08625-0067

Dear Mr. Kaschak:

We are in receipt of your follow-up audit report of the Asbury Park School District covering the period July 1, 2016 to December 31, 2018. We appreciate the time and effort your team spent assisting the district in resolving any open items. Below is the only non-compliant item identified in the audit as well as our responses.

Health Benefits – Waiver Incentive

Background

The Asbury Park School District participates in the School Employees' Health Benefits Program (SEHBP). In accordance with P.L. 2007, c.92 and P.L. 2010, c.2, the district provides an incentive payment for employees who waive coverage. The payments are made each year in June and may not exceed 25 percent of the amount saved by the employer or \$5,000, whichever is less. Employees are only entitled to receive this payment when their other health coverage is not the State Health Benefits Program (SHBP).

Summary

The district may achieve cost savings by reducing incentive payment amounts.

Report Recommendation

We recommended, while state regulations allow for a payment to an employee opting out of health benefits, they do not require a district to pay the maximum rate. Cost savings may be achieved by reducing incentive amounts.

Management Corrective Action Response

The district continues to adhere to the guidelines outlined in N.J.S.A. 52:14-17.31a, which allows them to pay the maximum rate up to \$5,000 to an employee for waiving benefits. Board counsel has advised since a “past practice” has been created, the district would need to negotiate a change in the collective bargaining agreement. This topic was not discussed during recent negotiations, but the district agreed to continue discussions on how to pursue changes to the incentive payment with their attorney.

Follow-Up Review Results

Our follow-up review found waiver incentive payments were not discussed during negotiations with the union. No changes to incentive payments have been made.

District Response

The district has discussed the item with our board attorney, board finance committee and board negotiations committee. As noted above, the board attorney has determined the waiver payment is a past practice and any change to that payment must be negotiated with the Asbury Park Education Association and Asbury Park Administrators and Supervisors Association. The board negotiations committee will address this item during its next round of collective bargaining with each association.

We’d like to thank the audit team for their high level of professionalism and cooperation in working with district staff. We appreciate the time and effort spent in reviewing compliance and the opportunity provided to improve district practices and procedures.

Best regards,



Dr. RaShawn M. Adams
Superintendent



State of New Jersey

DEPARTMENT OF CHILDREN AND FAMILIES

PHIL MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

CHRISTINE NORBUT BEYER, MSW
Commissioner

April 26, 2022

Thomas Troutman, Assistant State Auditor
New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
PO Box 067
Trenton, New Jersey 08625-0067

Dear Mr. Troutman:

This letter is in response to your April 13, 2022, communication regarding the compliance review of selected Grants-In-Aid programs within the Department of Children and Families' (DCF) Division of Child Protection and Permanency (CP&P), initiated on October 4, 2021.

The original audit report, dated August 27, 2019, contained eleven audit recommendations and four observations. The auditor determined three items, which were summarized into one recommendation pertaining to background checks, to be non-compliant.

The Department of Children and Families responses are provided below:

Finding - Background Checks:

Report Recommendation

We recommended the department consider obtaining payroll registers or W-2 listings from regulated centers periodically to verify that all staff members have properly completed the required background checks. We also recommended the department seek on-line access to wage reporting and/or request databases to periodically monitor whether individuals identified as pending or disqualified are working for a licensee without clearance. We further recommended; the department require social security numbers on the background check forms. Legislative changes may be needed to require such information.

Response: DCF disputes this finding of non-compliance because action has been taken.

DCF continues to work towards obtaining access to payroll registers and/or W-2 listings from regulated centers to verify that all staff members have properly completed the required background checks. The Assistant Commissioner, Office of Policy, Oversight & Regulatory Affairs, has been in regular and close contact with the Department of Labor (DOL), regarding the viability of access to the on-line wage reporting database.

DCF is also reviewing the feasibility of collecting social security numbers as part of its background check process, but there are concerns related to the ability to verify the legitimacy of the social security numbers and the controls that may need to be in place before this can occur.

While this recommendation is not completed, DCF believes itself to be in partial compliance and requests a change to the auditor's non-compliant designation.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Christine Beyer".

Christine Norbut Beyer, MSW
Commissioner



State of New Jersey

DEPARTMENT OF HEALTH
DIVISION OF BEHAVIORAL HEALTH SERVICES
ANN KLEIN FORENSIC CENTER
PO BOX 7717
WEST TRENTON, NJ 08628

PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

JUDITH M. PERSICILLI, RN, BSN, MA
Commissioner

DEBORAH HARTEL
Deputy Commissioner

CHRISTOPHER J. MORRISON
Assistant Commissioner

DAVID A. KENSLER
Chief Executive Officer

June 13, 2022

Mr. Thomas Troutman, Assistant State Auditor
Office of the State Auditor
Office of Legislative Services
125 S. Warren Street
PO Box 067
Trenton, NJ 08625-0067

Dear Mr. Troutman,

Thank you for the opportunity to provide a response to our recent compliance review outcome prior to the release of the Annual Compliance Report. Please accept the following response to the compliance review's subsequent finding/observation revealed at the March 24, 2022 exit conference, as it pertains to the OLS audit conducted from July 1, 2020 through June 30, 2021.

Finding: Off-line Fund - Patient Payroll Account

Summary: The Patient Payroll Account is being used for purposes other than intended. The fund is being used to reimburse patients for lost or stolen items. Report Recommendation: We recommended all off-line funds are utilized for their intended purposes.

Compliance Follow-Up Review Results: Contrary to its purpose, the Patient Payroll Account continues to be used to pay for lost or stolen items. According to management, there is no other way to reimburse patients for the cost of these items.

Management Corrective Action Response 3/24/22: All funds shall be utilized for their intended purpose. Hospital policy 618, Reporting of Damaged, Lost, or Stolen Patient Items has been revised to include the corrected reimbursement process. Approved patient requests for reimbursements for lost/damaged/stolen property shall be reimbursed from the appropriate account.

Original Observation: Potential Overtime Abuse

Summary/Background: Ann Klein Forensic Center management allows employees to use leave time for their regular shift and then work another shift at an overtime rate on the same day. While there may be instances where this would be a needed solution to a difficult staffing coverage scenario, it could be a sign of overtime abuse.

Compliance Follow-Up Review Results:

According to management, employees continue to be permitted to use leave time for their regular shift and then work another shift at an overtime rate on the same day. In an effort to avoid this situation, management has hired a contract employee to review scheduling practices with the goal of reducing overtime. Additionally, the facility has increased staff since our audit, and is awaiting approval for additional positions.

Management Corrective Action Response 3/24/22: Providing safe operational standards within our 24/7 hospital facility remained a top priority as we managed staff coverage challenges over the past few years due to staff shortages, COVID, etc. Currently, the facility has been faced with either having to mandate staff on a regular basis or having to hire over 30 staff on 1st and 2nd shift on overtime to safely cover the building. Ann Klein is working to hire an additional 21 Medical Security Officer vacancies and will be working with the new Human Resources Manager, scheduled to begin on June 27, 2022, to create additional positions for the more than 70 Medical Security Officers on leave. Ann Klein Management anticipates that policy changes can be made in this area with discussions with the Unions after these positions are filled.

Thank you again for the opportunity to comment on the audit findings. It was a pleasure to work with the auditors assigned to our review.

Sincerely,



Christopher J. Morrison
Assistant Commissioner, DBHS

C: Deborah Hartel, Deputy Commissioner, IHS/DOH
David Kensler, CEO, AKFC
Karen Alloway, COO AKFC



State of New Jersey
Department of Human Services
Office of Legal and Regulatory Affairs

PHILIP D. MURPHY
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P.O. BOX 700
TRENTON, NJ 08625-0700

SARAH ADELMAN
Commissioner

SHEILA Y. OLIVER
Lt. Governor

GERARD HUGHES
Assistant Commissioner

June 14, 2022

Thomas Troutman, Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
P.O. Box 067
Trenton, NJ 08625-0067

SUBJECT: Department of Human Services' Response to OSA Compliance Review

Dear Mr. Troutman:

The Department of Human Services (the Department) is in receipt of the Office of the State Auditor's Compliance Review, conducted pursuant to the legislative requirement to perform follow-up reviews of all findings in OSA reports. Please accept the following responses to areas determined by OSA to be in non-compliance:

Division of Medical Assistance and Health Services (DMAHS), New Jersey FamilyCare, Medicaid Pharmacy Program

Observation: Access to the New Jersey Prescription Monitoring Program could provide the division with an additional monitoring tool for the division to identify potential instances of abuse. The information contained in the database can help prescribers and pharmacists provide better care and identify signs that individuals may be abusing or diverting prescription medications for profit. However, the staff of the state's Medicaid program, the third-party fiscal agent, and the MCOs who administer the states pharmacy program are not authorized access to NJPMP because they do not directly deliver healthcare to the recipients. The NJPMP is an essential tool that could be used by the division to identify possible fraud and help mitigate the abuse and diversion of prescription drugs for profit within the Medicaid program.

Response: The Department agrees with this observation. The Division of Consumer Affairs in the Office of the Attorney General controls access to the New Jersey Prescription Monitoring Program. DMAHS will continue to seek access to the PMP.

DMAHS, New Jersey FamilyCare, Medicaid Managed Care Rate Setting and Managed Care Organization Administrative Costs

Recommendation: The division should include language in the Managed Care Organization (MCO) contract that limits MCO profits by requiring underwriting margins that exceed a defined percentage to be shared with the state.

Response: While DMAHS agrees in principal with limiting excess profits, it disagrees with the method recommended by OSA for the reasons set forth in its initial response to the audit. However, DMAHS has limited excess profits in other ways. It implemented a program-wide risk corridor early in the COVID-19 pandemic. Managed care capitation rates had been developed prior to the known impact of the public health emergency. The retroactive risk corridor enabled the State to recoup payments from MCOs based on pandemic-driven underutilization of discretionary health services in the second half of FY 2020. This resulted in an estimated \$400 million in total Medicaid savings (\$140 million state share). Further, DMAHS continues to use the Medical Loss Ratio (MLR) requirement to protect against excessive profits. The New Jersey Medicaid minimum MLR is 85 percent of premiums paid in acute care groups, and 90 percent of premiums paid for managed long-term services and supports premium groups.

Recommendation: The division and the contracted actuary should retrospectively analyze and calculate the actual financial impact of the MCO's PBM financial expense related to the medical loss ratio (MLR). The division and the contracted actuary should retrospectively analyze and determine if the MCO's pharmacy benefit manager PBM administrative costs for fiscal years 2015 and 2016 were reasonable and appropriate, and if the MCO's MLR would have been impacted.

Response: DMAHS has updated the MCO contract to provide clear direction on reporting expenses paid to the pharmacy by the PBMs. Additionally, all affected MCO's have resubmitted financials and, in the normal course of the MLR process, continue to submit a three-year lookback of financials to true-up with additional runout as per their contract. This lookback true-up was implemented to capture any prior year re-classifications that may impact the MCO's MLR.

Recommendation: The division should comply with federal regulations and the MCO contract requiring audited annual MCO financial statements and reports specific to Medicaid revenues and expenses when setting capitation rates.

Response: As stated in its initial response to the audit, the Consolidated Level "Audited" Financials that are submitted by the MCOs to the Department of Banking and Insurance (DOBI), in conjunction with the MCO's Agreed Upon Procedure (AUP) submissions, satisfy the requirements of both the federal regulations and the MCO contract. The MCO contract, inclusive of the AUP requirements, is approved by the federal Centers for Medicare and Medicaid Service every year. DMAHS believes that the AUP, a third-party independent review of the MCO's

individual rate cells, is an extremely reliable approach. DMAHS and its actuary update this process annually to maintain the integrity and strict standards of the AUP process. Lastly, the AUP requires MCOs to submit a valid corrective action plan addressing any anomalies.

Division of Developmental Disabilities (DDD), Woodbine Developmental Center (WDC)

Recommendation: The center should develop and implement a plan to reduce the number of cottages in use to efficiently utilize space and employee resources. The Residential Services, Vocational Services and Nursing departments should work in conjunction to ensure a properly sized staff for the population and number of cottages in use. The center should develop employee schedules and assignments that best utilizes employee resources while minimizing downtime and maintaining staff-to-client ratios.

Response: The Division will consider feedback, but does so with the following context in mind:

- During the COVID-19 pandemic, the current smaller cottage environment allows for more social distancing in common areas and fewer individuals sharing bedrooms. A higher cottage census increases the risk of greater infection rates and more serious outcomes for WDC residents.
- Data analyzed continues to support that the use of psychotropic drugs, restraints, number of injuries and behavior support plan levels have reduced for center residents as the census in cottages has decreased. Smaller and quieter environments with less stimulation are optimal for the population served.
- In order to provide the best care for our residents, WDC is required to staff in accordance with ICF/IID guidelines of one staff person to every six residents during waking hours, and one staff person to every nine residents during overnight hours. Each building is reviewed for any required additional staff needs related to safety, which could include safety needs during toileting and bathing, and for proper body positioning of residents who spend the majority of their day in a wheelchair. Some residents receive enhanced support (1:1 ratio) which will also increase cottage staffing needs. These staffing numbers are frequently reviewed and adjusted as necessary.
- Cottage staff now accompany residents to out-of-cottage programming and engage them in active treatment while out-of-cottage staff work on individual objectives with the residents. Cottage staff also assist with toileting and other general care while residents are at programming.

Recommendation: The center should establish documented internal control procedures for the acceptance, security, review, and evaluation of quotes for competitive purchases.

Response: In May 2022, WDC developed and implemented new procedures for accepting, securing, reviewing, and evaluating quotes received for competitive purchases. The Business Office has distributed the policy and trained staff on the updated procedures and guidelines. The guidelines include review and retention of supporting documentation prior to authorizing payment, review of transactions to ensure the lowest cost to the center, and other controls.

Recommendation: The center should evaluate potential cost savings in the current laundry services contract.

Response: WDC conducted a price analysis which demonstrates that Ancora continues to be the most appropriate provider of laundry services. This price analysis is available for review. WDC's owning the linens allows the center to not have to rely on an outside entity to supply linens, which could be problematic in emergency situations.

Recommendation: The center should consider reducing the number of prepared food items offered. The center should determine if these prepared food items can be prepared in the main food service building instead of having a dedicated food service staff in The Galley. The center should also evaluate the potential of utilizing an outside vendor to operate The Galley.

Response: The Galley operates as a Community Transition Program. The main purpose is to offer residents a real-life experience of dining in a restaurant. Having prepared foods would diminish the residents' ability to select items from the menu and modify selections to their personal preferences. The goals of this program include socialization and money management skills development, as well as to provide vocational opportunities to the residents. Staff also use The Galley, which allows residents to interact with staff and other residents in a dining experience.

There are no Galley employees. Main Kitchen staff are assigned to The Galley by management daily. The only expenses for The Galley are for food and minor repairs. Additionally, the menu of food items was reduced in February 2022, and The Galley program has a return on investment.

Recommendation: Physical inventory counts should be completed at least annually. Variances should be investigated and documented, and a transaction should be entered to account for any adjustments. The on-hand balance should not be changed.

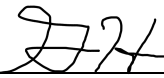
Response: After OSA's initial review, WDC established new procedures in October 2021. In April 2022, WDC hired staff to complete physical inventory counts. The 2022 annual physical inventory is scheduled for June 2022 and is currently underway.

Observation: 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 fund receives money from interest earned from the investment of the fund's balance, donations, and fundraising. Additionally, amounts designated as "profit" from The Galley are increases to the fund's ending balance. The Department of Human Services Welfare Fund Accounts Manual requires that the fund not maintain a large surplus. The ending balance has averaged \$442,000 between fiscal year 2018 and fiscal year 2020 as of January 31, 2020 and remains high, as identified in our prior audit where the balance remained between \$400,000 and \$420,000 through fiscal years 2008 and 2009. We noted that the only significant purchases during fiscal years 2018, 2019, and 2020 were an ice cream machine for \$29,000 and furniture for \$23,000, all for The Galley.

Response: WDC continues to utilize the welfare fund account to benefit all residents and is considering other areas for resident engagement. Due to the congregate nature of the facility, public health requirements at different points during the COVID-19 pandemic limited available options.

Thank you for the opportunity to respond to the compliance review. We appreciate OSA's review and recommendations, as well as the professionalism of your staff. If you have any questions, please do not hesitate to contact Allan Brophy at (609) 292-9752 or Allan.Brophy@dhs.nj.gov.

Sincerely,



Gerard Hughes
Assistant Commissioner
Office of Legal and Regulatory Affairs

cc: Linda Maher, OSA
Christopher Soleau, OSA
Kenneth Kramli, OSA
Stacey O'Brien, OSA
John Pullen, OSA
Nicole Sansone, OSA
Jennifer Langer Jacobs, DMAHS
Matthew Shaw, DMAHS
Alka Kohli, DMAHS
Zankhana Desai, DMAHS
Robert Durborow, DMAHS
Jonathan Seifried, DDD
Michael Kelly, DDD
Horace Picou, DDD
Daniel Prupis, DHS
Allan Brophy, DHS



PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lieutenant Governor

State of New Jersey

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
P.O. BOX 110, TRENTON, NEW JERSEY 08625-0110

ROBERT ASARO-ANGELO
Commissioner

March 4, 2021

Thomas Troutman, Assistant State Auditor
Office of the State Auditor
125 South Warren Street
PO Box 067
Trenton, New Jersey 08625-0067

Dear Mr. Troutman:

Thank you for providing the New Jersey Department of Labor and Workforce Development (NJDOL), Division of Temporary Disability Insurance (TDI) follow-up review. We are providing our response to the finding below.

Finding: The division does not independently verify potential Temporary Disability Insurance cases with Workers' Compensation court filings.

NJDOL Response:

During 2021, we have worked to make necessary changes to our claims processing system through the modernization initiative. Although it is still incumbent on the claimant to indicate the condition is work-related, within the modernized system we intend to incorporate an interface with NJ Courts online that will review a claim petition alleging a work-related disability. A vendor will be procured to assist in the system modernization.

If you have any questions or concerns please contact Theresa Vallely, Director, Office of Internal Audit at Theresa.Vallely@dol.nj.gov.

Sincerely,

Robert Asaro-Angelo
Commissioner

- c: Paul Yuen
- Julie Diaz
- Gordon V. Horvath Jr.
- Kathleen Bencivengo
- Charyl Yarbrough
- Jeff Flatley
- Theresa Vallely





State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF PURCHASE AND PROPERTY
OFFICE OF THE DIRECTOR
33 WEST STATE STREET

P. O. BOX 039
TRENTON, NEW JERSEY 08625-0039

<https://www.njstart.gov>
Telephone (609) 292-4886 / Facsimile (609) 984-2575

PHILIP D. MURPHY
Governor

ELIZABETH MAHER MUOIO
State Treasurer

SHEILA Y. OLIVER
Lt. Governor

MAURICE A. GRIFFIN
Acting Director

April 18, 2022

To: Daniel Altobelli

Dear Mr. Altobelli:

Thank you for providing the Division of Purchase and Property (DPP) an opportunity to respond to your recent compliance review following the audit of the New Jersey State of The Art Requisition Technology (NJSTART) application. Below, please find our comments on your report.

Transferred Employees-

Any response to this issue will always rely heavily on agency participation. DPP has no visibility into user agency human resource transactions and cannot know when an employee with access to NJSTART transfers from one state agency to another. It is incumbent upon the sending agency to inform DPP that the employee no longer needs access to the system.

From a systemic perspective, we may presume that an employee who transfers will remain inactive at the prior agency and appear on an inactivity report. This process may allow DPP to flag the dormant account for deactivation within NJSTART.

Accounts That Have Never Been Accessed-

Inactive Accounts-

Duplicate User IDs-

Periodic Reviews-

Division of Purchase and Property Internal Reviews-

The above referenced sections of your compliance report have certain commonalities and it is the intent of DPP to take a global approach to mitigate these concerns.

As you may recall through the audit process, DPP indicated that it has been our view that account management is the responsibility of the using agency. DPP merely provided access and application support for those agencies. However, in response to issues articulated in the audit report, DPP indicated we would initiate a semi-annual review of active accounts for agencies.

This review would include a report of inactive accounts distributed to the agencies with an intent to have those agencies manage and, where necessary, scrub their application accesses. In short, DPP viewed this process as a means of facilitating the necessary access review on the part of the agencies.

As discussed, DPP will initiate a new procedure whereby the agencies will be advised, semi-annually, of their accounts that have been inactive for a minimum of 60 days and advise that those accounts will be deactivated within the system within a two-week period from the date of report distribution, unless otherwise directed by the agency.

It is our view that this approach will provide for removal of the dormant accounts and address concerns on these issues to the extent possible.

Organization Administrator Rights-

As discussed in DPP's response to the NJSTART audit, we recognize that Organization Administrators should not have numerous roles throughout the application. Clearly, it is not best practice for an employee who generates a purchase order to also approve that order, receive the purchase and approve payment. As you know, the agency user guide specifically addresses this subject. It is expected, however, that an Organization Administrator may also have another role, such as a Basic Purchaser role, within the system.

However, as previously documented, there are several very small agencies scattered throughout State government where there may not be sufficient staffing to adequately separate these roles. DPP will routinely remind agencies to avoid this type of role overlap and, if an agency feels it is necessary to allow this overlap, that agency must submit a written justification to DPP for this deviation from best practices.

Proxy Rights-

DPP has and will continue to advise using agencies to avoid the use of long-term proxy rights. As a reminder, the establishment of these rights is created at the user level.

Contingency Plan (Recommendation 24)-

DPP will continue to move forward with our articulated contingency plans as successfully deployed during the recent pandemic. DPP will also fully participate in the documentation effort led by the Office of the State Treasurer to establish a department-wide contingency plan for Treasury operations.

Meeting the Purchasing Needs of All Agencies-

DPP would like to reiterate that NJSTART, as currently constituted, may be used by all State agencies. The application requires no further enhancements nor configurations to be used by the one outstanding department. The FMIS integration cited in your compliance report can be completed manually, as it is currently being done by the department, with no additional work on

the NJSTART application. The outstanding department has requested an automated integration of this information and work on that request has begun. To be clear, MACSe does not currently provide that automated integration and never did. This request by the outstanding department, while helpful for that department's operations, is for functionality that does not yet exist. DPP maintains that there is no viable reason for that department to remain outside the NJSTART environment.

In conclusion, thank you again for the opportunity to respond to your compliance report. As always, I look forward to working with you in the future.

Kind regards,

A handwritten signature in blue ink, appearing to read 'Gregg Olivera', with a stylized flourish extending to the left.

Gregg Olivera
Deputy Director



State of New Jersey

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SHEILA Y. OLIVER
Lt. Governor

MAURICE A. GRIFFIN
Acting Director

April 14, 2022

Mr. Thomas Troutman
Assistant State Auditor

Dear Mr. Troutman:

Thank you for the opportunity to provide a response to your amended audit recommendation concerning the use of timeline reporting for Information Technology procurements.

Please be advised the Division is actively using timeline reporting data to manage these procurements and tracking compliance to updates to ensure that these timelines are up-to-date. Subsequently, once the Division has enough quality data, DPP will use it to provide a more scientific method of benchmarking project timelines and expectations. Reporting capabilities exist to track the data and standard reports are being built and will be customized on a regular and routine basis. In light of this information, DPP respectfully disagrees with this audit finding.

Again, thank you for the opportunity to respond to this audit. As always, we look forward to working with you in the future.

Sincerely,

Gregg Olivera
Deputy Director
Division of Purchase and Property



Philip D. Murphy
Governor

Sheila Y. Oliver
Lt. Governor

State of New Jersey

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Upendra Chivukula
Commissioner

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Commissioner

May 19, 2022

David J. Kaschak, State Auditor
Office of legislative Services
Office of the State Auditor
125 South Warren Street,
Trenton, NJ 08625

Dear Mr. Kaschak,

The Board of Public Utilities (BPU) has received and reviewed the Office of Legislative Services, Office of the State Auditor compliance review report covering the period of July 1, 2020, to June 30, 2021.

Although BPU has made significant efforts to address the audit findings, the follow-up review found the following deficiencies.

- The One-Call Receivables- the fiscal unit did not continue posting cash receipts and provided management with a monthly aging receivable report. The Division of Reliability and Security did not issue FOPAs to delinquent violators, make a substantial effort to correct errors for open and closed cases, and, when applicable, transfer the delinquent penalty debt to DORES.
- Pipeline Safety Program- revenue transactions associated with cash drawdowns are not prepared and recorded in the state's accounting system in a timely manner.

The Board acknowledges the Report's findings and the recommendations and will make all the necessary changes to meet or exceed these recommendations. It is BPU's commitment to improving operations and better management of resources.

Thank you and your audit staff for their continued diligent work and professionalism exhibited during the compliance review.

Sincerely,

Curtis Elvin

Curtis G. Elvin
Chief Financial Officer

RIDGEFIELD PARK BOARD OF EDUCATION
712 LINCOLN AVENUE
RIDGEFIELD PARK, NJ 07660

Mrs. Carrie Grapstein
School Business Administrator

Phone (201) 641-0800
Fax (201) 641-3363
Email: cgrapstein@rpschools.net

June 13, 2022

Thomas Troutman, Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
PO Box 067
Trenton, NJ 08625

Dear Mr. Troutman,

Please accept his letter as a response to the follow-up review of our of our 2016 NJ State Compliance Audit. Five compliance findings from the fiscal year 2020 required a follow-up compliance assessment. Below are a list of the findings at the end of the fiscal year 2020 and the results of the follow-up assessment that was completed in May of 2022:

➤ **2020 - Tuition Contracts with Little Ferry School District**

- The State Auditors advised that Ridgefield Park should negotiate tuition contracts with Little Ferry that provide for tuition adjustments to certified rates. The district received partial compliance for the finding at the end of the fiscal year 2020, but received an assessment of full compliance for contracts issued to Little Ferry in the 21-22 School year.
- The State Auditors advised that the district should adhere to Policy Bulletin 100-1 to calculate resource room rates. The district received partial compliance for both the 20-21 and 21-22 School years.

Corrective Action

The Corrective Action to bring the district into full compliance includes the following:

- I will request that Genesis (our student database management system) creates a custom report to include all of the data necessary to calculate actual student: teacher contact time for students receiving services in the Resource Room for the 22-23 school year. A custom report will enable us to calculate exact costs per student for all subjects, not just for ELA and Math. I will also determine if the Resource Room services are exclusively pull-out services or if we will be providing any push-in or co-teaching services that are billable.

➤ **Payroll and Personnel - 2 Areas of Non-Compliance**

- The State Auditors advised that all employee payments should be properly supported and approved. There was an erroneous payment in the amount of \$16,833.70 issued to a retired employee in 2018. The district has since recouped these funds.

Corrective Action

Our Corrective Action to bring the district into full compliance includes the following:

- The district will be implementing Frontline Absence Management for the 22-23 school year. This system will track absences electronically and all absences will require multi-level approvals. This will improve internal controls and ensure that all absences are properly recorded and tracked effectively. The system will eliminate any chance of overstating absence balances and in turn, payouts being incorrectly calculated.

The district will be transitioning the Payroll Processing System from ADP to Systems 3000, which is the same electronic system the district currently uses to track Personnel and HR data. The Modules will be fully integrated, which is another means of increasing internal controls. The information in the payroll system will routinely be cross-checked with the information in the Personnel Module of Systems 3000 and with the data in Frontline Absence Management. The data from Frontline Absence Management will be uploaded monthly into the payroll system after the data has been cross-checked and verified.

➤ **School Board Conflict of Interest**

- The State Auditors advised that Board Members should adhere to the School Ethics Act when performing their duties. The district received non-compliance per the SY 2021 Compliance Review Report.

Corrective Action

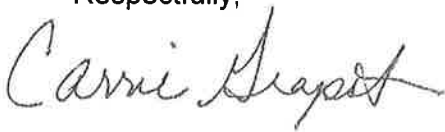
Our Corrective Action to bring the district into full compliance includes the following:

- The district will provide the Board with ongoing training to remind them of their responsibilities with regard to governing the school district in accordance with the School Ethics Act.

Please do not hesitate to contact my office if you have any questions or need additional information. I can be reached at 201-641-0800 x 2011 or via email at cgrapstein@rpschools.net.

Thank you.

Respectfully,



Mrs. Carrie Grapstein
School Business Administrator

Cc: Dr. Barry Haines, Acting Superintendent of Schools
Mr. Wayne Demikoff, NJ State Monitor
Ms. Luz Dow, Principal Auditor at NJ Office of the State Auditor
Mr. George Derbaly, Principal Auditor at NJ Office of the State Auditor
Mrs. Nancy Loiacono, Assistant School Business Administrator



March 29, 2022

VIA EMAIL (CSoleau@njleg.org) AND REGULAR U.S.P.S.

Mr. Thomas Troutman
Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
PO Box 067
Trenton, NJ 08625-0067

Re: Rowan University Compliance Review

Mr. Troutman:

Below are Rowan University's responses from the issues identified in the Compliance Review follow-up covering the period July 1, 2010 to June 30, 2021.

Employee Health and Dental Benefits

The university failed to fully recover required contributions toward SHBP coverage from employees during unpaid leaves of absence.

Follow-Up Review Results

Our follow-up review found university management decided not to seek recovery of unpaid employee contributions identified during the audit, because they were deemed immaterial or difficult to collect due to timing issues. Some of these unpaid contributions were for individuals no longer employed by the university.

University Response

Human Resources management will forego seeking recovery of unpaid contributions. Updated procedures now require a reconciliation to be performed as soon as an employee returns from leave of absence to ensure contributions were accurately made. The University reserves the right to use discretion when waiving or forego reimbursements if the amounts are deemed immaterial.

Internal Controls – Purchase Cards

The card program administrator changed card spending profiles, either temporarily or indefinitely, to allow transactions to go through which would have exceeded the cardholders' previous transaction limits.

Follow-Up Review Results

Our follow-up review found the university continues to change card spending profiles to allow transactions which exceed card spending limits to be processed. We reviewed support documentation for three card profile changes during fiscal year 2022 and found one profile, which should have been changed only temporarily, was left with an increased spending limit for several months until our inquiry.

University Response

Per University policy, management has the ability to adjust card spending limits on an as-needed basis. To ensure all temporary changes are properly and timely reverted back, the Office of Contracting & Procurement has developed a document to monitor all requests. The document will include the date the user profile is scheduled to revert back and a verification that the change was made.

Athletic Team Meal Money

We noted instances where team meal transactions were not in compliance with university policies and procedures. This included the purchase of non-food items, inadequate support documentation, untimely return of unspent cash, and questionable signature sheets.

Follow-Up Review Results

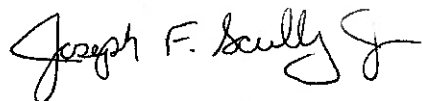
Our follow-up review found an error in the approval workflow of athletics purchases which removed the purchasing department from the review process. Additionally, our review of selected team meal purchases noted continued instances where transactions were not adequately supported and support documentation was not uploaded in a timely manner.

University Response

The purchasing department was inadvertently removed from the review process. The original approval levels have been restored and this issue has been fixed. Athletics management continues to communicate and stress the importance of complying with team meal money policies and procedures to all coaches. The team meal money process is being reviewed to evaluate potential changes that may help streamline the process.

We appreciate the opportunity to provide this update and look forward to the next steps.

Sincerely:



Joseph F. Scully, Jr.
Senior Vice President for Finance and
Chief Financial Officer



Ray Braeunig
Chief Audit, Compliance & Privacy Officer
Ethics Liaison Officer