

**New Jersey Office of Legislative Services
Office of the State Auditor
Audit Report**

**Department of Human Services
Division of Developmental Disabilities
North Jersey Developmental Center**

July 1, 1994 to June 30, 1996

**Richard L. Fair
State Auditor**

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The Honorable Christine Todd Whitman
Governor of New Jersey

The Honorable Donald T. DiFrancesco
President of the Senate

The Honorable Jack Collins
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, North Jersey Developmental Center for the period July 1, 1994 to June 30, 1996.

Our report is transmitted herewith.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Richard L. Fair
State Auditor
May 14, 1997

DEPARTMENT OF HUMAN SERVICES
DIVISION OF DEVELOPMENTAL DISABILITIES
NORTH JERSEY DEVELOPMENTAL CENTER

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**Department of Human Services
Division of Developmental Disabilities
North Jersey Developmental Center**

Scope

We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, North Jersey Developmental Center for the period July 1, 1994 to June 30, 1996. Our audit included financial activities accounted for in the state's General Fund.

The prime responsibility of the center is to provide residential services for approximately 445 mentally retarded men and women at all levels of capability on its main campus, as well as servicing the needs of multiply handicapped adolescents and young children in its nursery. Total expenditures during the two-year audit period were \$70.2 million. The Intermediate Care Facility-Mental Retardation (ICF-MR) federal medicaid billings for North Jersey clients generate \$20 million in revenue annually. In addition, client maintenance recoveries and other revenue during the audit period was \$2.6 million.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the center's programs, were reasonable and were recorded properly in the accounting systems.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

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

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the division. Provisions that we considered significant were documented and compliance with those requirements was verified by interview and observation and through our samples of

financial transactions. We also read the budget message, reviewed financial trends, and interviewed center personnel to obtain an understanding of the programs and the internal control structure.

A statistical and non-statistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were stratified and large dollar transactions were examined. Other transactions were randomly and judgmentally selected.

Conclusions

We found that the financial transactions included in our testing related to the objectives of the center, were reasonable, and were properly recorded in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management's attention. We also noted one area where we believe operating costs can be reduced. Details of our findings and recommendations follow.

Payroll-Overtime

On a regular basis, the nursing department schedules overtime and has contracts with outside temporary agency nurses due to work coverage shortages. During calendar year 1995, 46 staff nurses were paid approximately \$190,000 in overtime and the temporary agency nursing vendor was paid \$290,000. The nursing department does not schedule nursing coverage evenly. The work schedule disclosed a high level of vacant shift slots from Friday to Monday. For example, on one scheduled Sunday, there were 35 unfilled work slots out of 53 to be covered. The normal work week has an average of only 13 unfilled slots. According to the center's policy, the nursing staff is to be scheduled evenly to meet the medical needs of the clients. As a result of uneven scheduling, overtime and contracted nursing services are required to fill the vacancies.

The center does not attempt to recruit part-time nurses who could help alleviate overtime. The Department of Human

Services has approved the utilization of part-time nurses when it results in the reduction of overtime. A part-time licensed practical nurse is paid \$15 per hour as compared with a full-time nurse working overtime or an outside temporary nurse at \$22 per hour. A part-time registered nurse would be paid \$21 per hour as compared with a full-time nurse working overtime or an outside temporary nurse at \$31 and \$28 per hour, respectfully. If the center aggressively recruits part-time nurses to cover a quarter of scheduled overtime and the replacement of outside temporary agency nurses, the center can save approximately \$117,000 annually.

Recommendation

We recommend that the center and the Department of Human Services schedule nursing coverage more evenly on weekends. The center should also employ part-time nurses to cover scheduled overtime.

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**Payroll-Compensatory and
Vacation Leave Balances**

Eligible state employees may receive compensatory leave time, and/or cash for excess time worked. According to the Department of Human Services Personnel Circular 71-22, eligible employees are allowed to accrue compensatory time to a maximum limit of 60 hours. As of September 27, 1996, there were 788 employees that had compensatory leave balances, representing \$400,000. Out of these 788 employees, there were 104 employees with compensatory leave balances in excess of 60 hours. Excessive compensatory leave balances may affect the center's work force and productivity if the center does not control compensatory leave balances. The center did not provide any documentation of which supervisors are meeting with employees to schedule the compensatory leave time. Management states that they do not have the work force to schedule employees' compensatory time off; however, the center continues to allow eligible employees to receive compensatory leave time earned rather than paying cash overtime.

The elimination of compensatory time as a form of overtime compensation will decrease the amount of scheduled time off and allow the center to absorb additional unscheduled absences before staffing at overtime rates. When compensatory time is taken, the cost of replacement staff is one and one-half times the cost of paying for overtime in the form of cash. We estimate the savings at the center to be \$200,000 if overtime is paid in cash, rather than in compensatory time.

In addition, we noted the center's management authorization carry forward of vacation days for 23 employees in excess of the maximum entitlement under NJAC:4A:6-1.2. The total value of these days was approximately \$15,000.

Recommendation

The center should pay cash for overtime work and attempt to schedule existing compensatory time off with employees. If the center cannot reduce compensatory leave balances for those employees with excessive compensatory leave balances, the center should pay out compensatory balances to eligible employees via payroll disbursement. The center should also comply with NJAC: 4A:6-1.2 limiting the maximum vacation rollover.

1/4/2

Consumable Supplies Inventories

Consumable supplies, by their very nature, require controls that will safeguard them from misuse and theft. These controls usually involve physical security to control access to supplies, and/or appropriate inventory records.

In the area of gasoline inventory control, we noted that not all fuel pumped is being recorded on the various fuel reports filed at the maintenance department, which has responsibility for gasoline distribution. During the month of June 1996, our test of fuel consumption indicated nearly 250 gallons pumped in excess of the quantities accounted for by the fuel reports for that month. We also noted that, although outside state agencies obtain gasoline for their vehicles at the center, a review of reimbursements to the center's fuel account during fiscal year 1996 revealed that

DEPARTMENT OF HUMAN SERVICES
DIVISION OF DEVELOPMENTAL DISABILITIES
NORTH JERSEY DEVELOPMENTAL CENTER

only the Division of State Police reimbursed the center for the fuel. A comprehensive review performed by the maintenance department after we brought this situation to their attention showed unreimbursed gasoline usage by outside state agencies during the audit period of approximately 16,000 gallons at a cost to the center of \$10,000.

When inventory records and physical security for consumable supplies are less than adequate, there is an increased risk of shortages as well as loss due to misuse or theft. In addition, the center's ability to track supplies usage and plan more efficient purchases in conformity with management objectives will be diminished.

Recommendation

We recommend that the center revise their procedures so that all gasoline used by external agencies is reimbursed timely.

1/4/2

Fixed Assets

An adequate fixed asset inventory system is necessary to establish both responsibility and accountability for individual assets, safeguard them from loss or theft, obtain optimum insurance coverage, support insurance claims, identify surplus property, and track items purchased with federal funds. The Department of the Treasury Circular Letter 91-32 sets forth the reporting requirements to record assets with an original cost of \$1,000 or more, and an expected useful life of three years or more. We noted that the center's fixed asset records were not adequately maintained. The center does not maintain a master inventory with the minimum description requirements required by the circular letter.

During our audit period, the center purchased equipment valued at \$369,000. We tested \$57,000 of these purchases for physical existence. We were able to locate all the items selected in our sample.

Recommendation

We recommend that the center comply with Treasury

DEPARTMENT OF HUMAN SERVICES
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NORTH JERSEY DEVELOPMENTAL CENTER

Circular Letter 91-32.

1/4/2

DEPARTMENT OF HUMAN SERVICES
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Richard L. Fair
State Auditor
Office of the State Auditor
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Trenton, New Jersey 08625

May 7, 1997

Dear Mr. Fair:

Thank you for the opportunity to respond to the Financial and Compliance Review of North Jersey Developmental Center for the period July 1, 1994 to June 30, 1996. I was pleased to note that your review disclosed the fiscal activities of North Jersey were reasonable, and were properly recorded in the accounting systems. Regarding the specific findings and recommendations, I offer the following clarifications and assurances:

Finding No. 1 - Payroll and Overtime

The finding addressed the center's uneven scheduling practice. North Jersey Developmental Center has already started to improve their scheduling practice, by implementing a more balanced scheduling system.

First, they adopted what we refer to as the SLIDING SHIFT schedule where two (2) nurses are scheduled to come on duty from 1:00 PM - 9:00 PM.

Second, the center adopted the "SISTER COTTAGE" coverage, where nurses must share their time to cover other cottages within their unit. Each of our four units contain three cottages.

Third, new nurses are now hired to work weekends and the balance of their forty (40) hours throughout the week.

The combination of these efforts will address the auditors' finding.

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Finding No.2 -Payroll - Compensatory and Vacation Leave Balances

Of the one hundred four (104) employees with excess compensatory time balances, the center has started paying some of these staff members cash overtime, until such time that their comp time balance is reduced to the maximum allowable level. Additionally North Jersey Developmental Center has in the past and will continue to

utilize regular part-time personnel in an effort to curb excess compensatory leave time.

North Jersey Developmental Center will work with the staff that have excess vacation leave balances to schedule vacation time so as not to exceed the maximum vacation rollover. The auditors finding identified twenty-three (23) employees whose total excess vacation leave is valued at \$15,000. It is important to note that one (1) employee accounted for 82% of the excess (102 days valued at \$12,258). That employee won an appeal of a personnel action and was reinstated and awarded back pay and benefits.

Finding No. 3 - Consumable Supplies Inventories

It has been past practice of the North Jersey Developmental Center to allow other state agencies to dispense gasoline. This practice has been in effect due to the temporary closure of the State Police Barracks and the Totowa DOT for renovations. The tanks were place out of service May 1, 1995 and reopened on January 9, 1997. Since the State Police used our gas pumps most frequently, we did bill them and have received proper compensation.

Agencies which frequent our facility for gasoline are listed below.

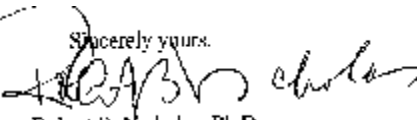
Public Defender Office	Bureau of licensing
DYFS	DHS Auditing
Insurance Fraud	Treasury
Department Human Services	Juvenile Justice Committee
Civil Rights	Department MHH
Law & Public Safety	Department of Personnel(HRDI)
Department of Transportation	

We have adopted the auditors recommendation and are billing the Departments for gasoline usage and will continue to bill on a cumulative basis. We also implemented a security system that secures our gas dispensing twenty-four (24) hours a day and we should be receiving in the near future a computerized gas pump that will generate and capture billings per departments.

Finding No. 4 - Fixed Assets

The Department of Human Services has implemented its computerized fixed asset inventory system. North Jersey Developmental Center has received the necessary hardware and is in the process of finalizing the other associated preparations. The fixed asset inventory system should be fully operational by fiscal year 1999.

TFK . jh

Sincerely yours,

Robert B. Nicholas, Ph.D.