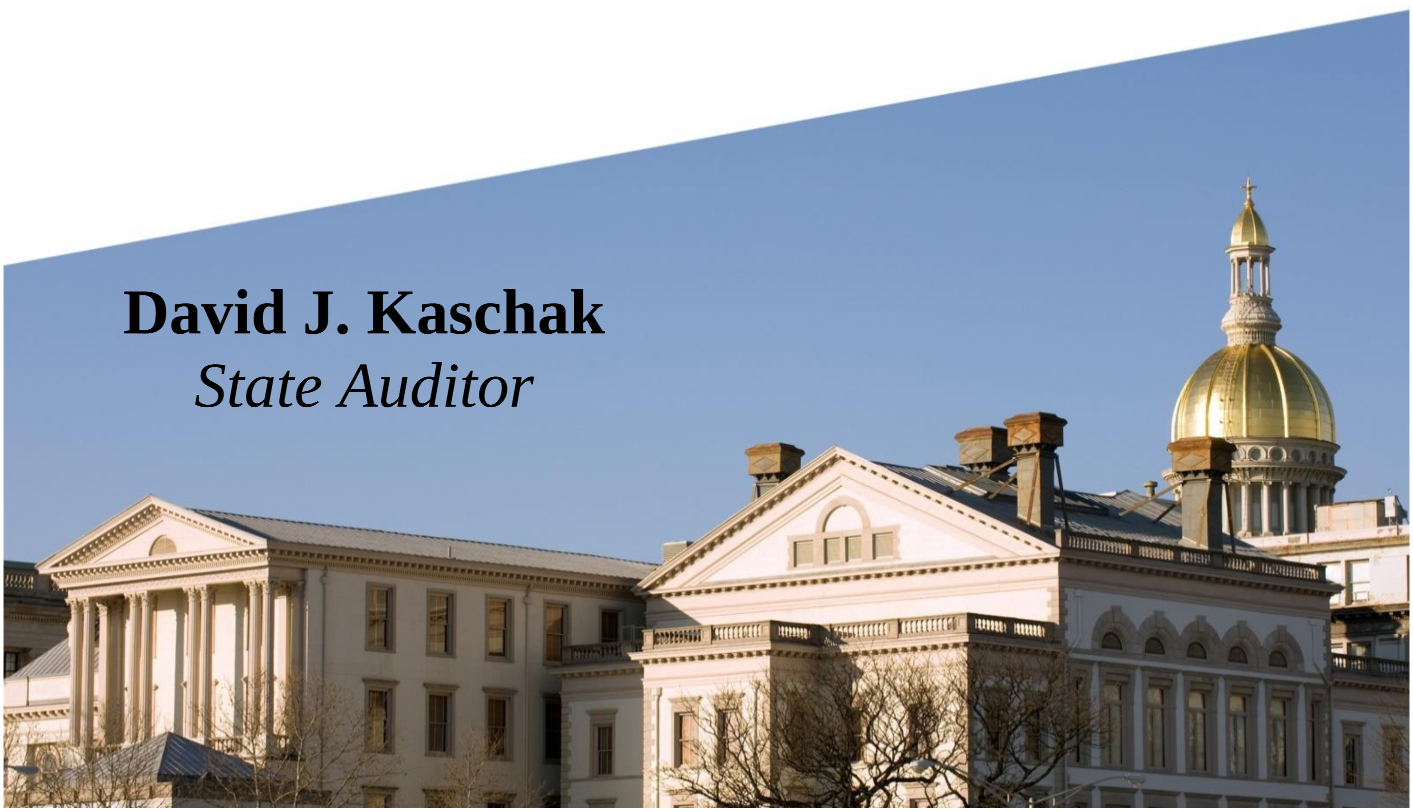
New Jersey Legislature
Office of LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR

Department of Human Services
Division of Developmental Disabilities
Woodbine Developmental Center

July 1, 2017 through January 31, 2020



David J. Kaschak
State Auditor

NEW JERSEY STATE LEGISLATURE
Office of LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR
125 SOUTH WARREN ST. • P.O. BOX 067 • TRENTON, NJ 08625-0067
www.njleg.state.nj.us

OFFICE OF THE
STATE AUDITOR
609-847-3470
Fax 609-633-0834

David J. Kaschak
State Auditor

Brian M. Klingele
Assistant State Auditor

Thomas Troutman
Assistant State Auditor

The Honorable Philip D. Murphy
Governor of New Jersey

The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Craig J. Coughlin
Speaker of the General Assembly

Ms. Peri A. Horowitz
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Department of Human Services, Division of Developmental Disabilities, Woodbine Developmental Center for the period of July 1, 2017 through January 31, 2020. If you would like a personal briefing, please call me at (609) 847-3470.

David J. Kaschak
David J. Kaschak
State Auditor
June 10, 2021

Table of Contents

Scope

We have completed an audit of the Department of Human Services (DHS), Division of Developmental Disabilities, Woodbine Developmental Center (WDC or center) for the period July 1, 2017 through January 31, 2020. The audit included financial activities accounted for in the state's General Fund, certain financial transactions maintained in the Client Fiduciary Account, and limited procedures on the balances of the Galley Fund and Client Welfare Fund. We did not audit the center's Cash Management Fund or Petty Cash Fund. These funds are audited periodically by the Department of Human Services' internal audit unit.

The center provides vocational, habilitative, health, psychological, and social services to approximately 250 male and female clients. The center is certified by the federal government as an intermediate care facility for individuals with intellectual disabilities and is supported by federal funds and state appropriations. Total expenditures of the center were $70.7 million and $66.4 million in fiscal years 2018 and 2019, respectively. Annual revenues averaged $2.7 million during these fiscal years. These revenues were derived primarily from billings for client care and Medicare Part B. In addition, federal appropriated receipts were $44.3 million in each of fiscal years 2018 and 2019.

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. An additional objective was to evaluate the potential to consolidate operations within the center. We also tested for resolution of the significant conditions noted in our prior report.

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

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

We assessed the reliability of inventory data by performing testing, reviewing existing information about the data, and interviewing center personnel knowledgeable about the data. Due to data overwrite changes found during testing, we determined the inventory data was not sufficiently reliable and is further addressed as a finding in this report.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions on our audit objectives, as well as internal controls and compliance. Sample populations were sorted and transactions were judgmentally and randomly selected for testing.

Conclusions

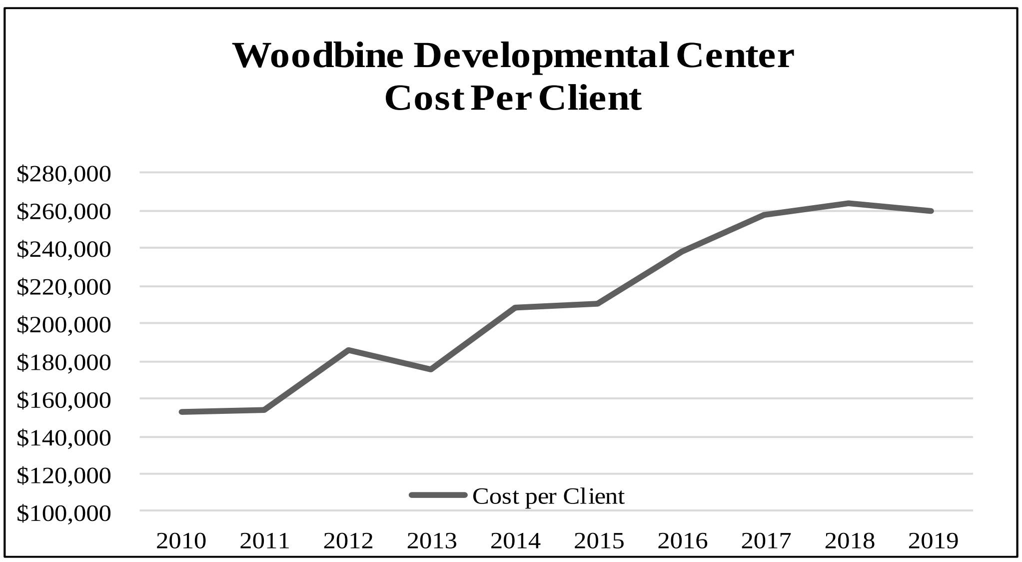
We found that the financial transactions included in our testing were related to the center's programs, were reasonable, and were recorded properly in the accounting systems. However, we found the center did not always ensure an efficient use of funds. In making these determinations, we noted several areas meriting management's attention.

- The center's objectives could continue to be achieved with fewer cottages and employee resources.
- Certain financial transactions were not always properly supported.
- Maintenance activities were not properly recorded in the center's work order management program.
- The center operates a cafeteria-style deli at a loss.
- The center did not always ensure compliance with internal purchasing policies and state regulations, or the accuracy of payments.
- We identified weaknesses in internal controls over inventory, including the inventory database.
- The center did not ensure proper procedures were followed in determining certain clients' Medicaid eligibility.
- Exception requests were not prepared for underutilized Central Motor Pool vehicles.

Additionally, we found the center has resolved the significant issues noted in our prior report, except for matters related to an excessive balance in the Welfare Fund. This issue has been updated and is presented as an observation in this report.

Background

In accordance with the 1999 United States' Supreme Court Olmstead decision, states must provide community living options and other supports to individuals with disabilities who do not require institutionalized care. New Jersey closed North Jersey Developmental Center as of July 1, 2014 and Woodbridge Developmental Center as of January 9, 2015. Woodbine Developmental Center is one of New Jersey's five remaining developmental centers. Over a ten-year period (from fiscal years 2010 through 2019) the average daily population of the center decreased 47 percent, from 480 clients to 256 clients, while the cost per client increased 70 percent, from $152,600 to $259,400. As of fiscal year 2019, the center had the second highest cost per client of the five developmental centers. The following charts illustrate the center's rising cost per client and how it compares to the state's other developmental centers.



Woodbine Developmental Center										
Fiscal Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Cost per Client	$ 152,637	$ 153,958	$ 185,504	$ 175,480	$208,373	$ 210,743	$238,374	$ 258,011	$263,943	$259,407
Avg. Daily Population	480	470	456	428	377	372	318	284	268	256

	Fiscal Year 2019	
Developmental Center	**Avg. Daily Population**	**Cost per Client**
Vineland	194	$ 263,045
Woodbine	256	$ 259,407
Greenbrook Regional Center	93	$ 237,797
New Lisbon	305	$ 229,903
Hunterdon	450	$ 220,672

Declining Client Population

The number of cottages utilized 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.

The center utilizes 14 cottages to house clients. Each cottage has its own staff, comprised of direct care, supervisors, housekeeping, and food service employees. The center's client population decreased from 479 to 247 (48 percent) from September 2008 to September 2019 with no corresponding reduction in the number of cottages used by the center. In comparison to all five of the state's developmental centers, as of September 2019, WDC ranked the highest in full-time staff to clients, the second highest in full-time direct care positions to clients, and the highest in cottage supervisors to clients.

	Woodbine	Greenbrook	Hunterdon	New Lisbon	Vineland
Average Daily Population - FY 2020 (Revised)	241	85	439	288	187
Full-Time Staff	985	343	1220	962	677
Ratio of Full-Time Staff to Clients	4.09	4.04	2.78	3.34	3.62
Direct Care Staff - Cottage Positions	334	124	474	365	250
Ratio of Direct Care Staff to Clients	1.39	1.46	1.08	1.27	1.34
Cottage-Related Supervisors	104	20	109	105	62
Ratio of Cottage-Related Supervisors to Clients	0.43	0.24	0.25	0.36	0.33

We found 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.

Client Placement

The center uses a committee to place clients in cottages. As of September 2019, client capacity was set at 430, in varying levels among the 14 cottages, and vacancies totaled 183. We found the center does not maximize the use of direct care employees when placing clients. The Resident Living Department utilizes a spreadsheet to determine the minimum number of direct care staff needed for the clients placed in each of the fourteen cottages. The spreadsheet consistently designates a staff-to-client ratio of 1:9 on the first shift and 1:6 on the second and third shifts. These ratios are used to assign staff within a cottage (for example, one direct care employee per a group of six clients). Based on the needs of the clients in each cottage, additional staff may be required. Based on the current staffing level and occupancy, we performed the following analysis to determine if cost savings could be achieved by consolidating cottages while still maintaining staff to client ratios.

- We obtained explanations on the assignments of the minimum number of direct care staff assigned to each cottage and calculated the additional capacity with current staff for each considering only the staff assigned to a group. (For example, we did not include direct care staff assigned to assist in the restroom.)

- A member of the Placement Committee provided us with an observation of which cottages are similar, based on client abilities and functionality. For our analysis we grouped the cottages based on this information.

- We also evaluated various quantifiable assessments of the clients, including intellectual, behavioral, ambulatory status, and others, as maintained in the center's client database and determined cottages include clients with varying abilities, which was also confirmed by the center's upper management. This should allow for alternate placement of clients to consolidate cottages.

- We excluded the only female cottage and the cottage with clients with the most severe conditions from our analysis.

Based on our analysis, we determined the center could potentially close at least three cottages. All 38 clients residing in the three cottages could be transferred to similar structured cottages without increasing the staff requirements in the new cottages. Salaries and benefits totaled $5.8 million for all direct care title, supervisor, residential service worker, and food service positions in these three cottages and could result in cost savings to the center if the number of positions are reduced. In addition, we estimate a reduction in overtime of $650,000 if the center utilizes three fewer cottages and maximizes the use of staff while still maintaining its ratios. Further consolidation of cottages could also be achieved based on remaining vacancies, but without a full reduction of the staff assigned to the potentially vacated cottages since the direct care staff would still be required to maintain staff-to-client ratios. We estimated the center could close up to two more cottages, each at a minimum annual cost savings of $898,000 in salaries and benefits, if these non-direct care titles are reduced.

Staff Utilization

The facility must provide sufficient direct care staff to manage and supervise clients in accordance with their individual program plans. The Code of Federal Regulations – Title 42: Public Health, 483.430(d)(3), defines direct care staff as the present on-duty staff calculated over all shifts in a 24-hour period for each defined residential living unit. Direct care staff must be provided by the facility in minimum ratios, which vary based on the mental, behavioral, or physical disabilities of each defined residential living unit. Conservatively, we utilized the lowest staff-to-client ratio per federal regulation of 1:3.2, which is for the most severe and profound mental, behavioral, or physical disabilities, to determine compliance.

As of September 2019, we found each cottage, as well as the center overall, exceeded the minimum required direct care staff per federal regulations. In total, we calculated 78 direct care staff are required daily over a 24-hour period per the federal regulation; however, the minimum direct care staffing requirements established by the center for the 14 cottages is 186 employees per day.

The federal definition of "direct care staff" are those personnel who are assigned to work directly with the clients providing support during activities of daily living and active treatment programs. The center only uses its Cottage Training Technicians (CTT), Senior Cottage Training Technicians (SCTT) and Human Services Assistants (HSA) to meet direct care staffing needs in the cottages instead of incorporating other titles involved in providing direct care. The center's titles with job specifications that fit the federal description of a direct care employee include not only the 334 CTTs, SCTTs, and HSAs, but also the 124 nurses and 48 Therapy Program Assistants. Additionally, we noted the use of CTTs, SCTTs, and HSAs for other functions outside of the cottages. We determined, as outlined below, efficiencies that could be achieved if the center fully utilizes all titles meeting the description of a direct care employee and if the Resident Living, Vocational Services, and Nursing Departments collaborate to develop staff assignments and schedules to maximize use of employee resources during shifts.

Programming

The Vocational Services department provides programming (activities and jobs) to clients at locations on the center's campus, primarily outside of the cottages. A client can participate in programming between the hours of 8:30 a.m. and 3:00 p.m. up to a maximum of two hours each morning and two hours each afternoon on weekdays. We analyzed client programming schedules for April 2019 and identified the following:

- The majority of clients in 12 of the 14 cottages participate in programming. The same two cottages excluded from our earlier analysis for potential consolidation also have limited participation in programming. We noted 182 of the 206 clients (88 percent) in these 12 cottages were scheduled for programming, and 144 of these clients participated in the maximum four-hour schedule allowed.

- Fifty-seven of the 144 clients did not return to their cottages between morning and afternoon sessions and instead were scheduled for lunch and structured leisure in the programming area, which equates to the client being outside of the cottage for up to six hours per day, five days a week.

- One cottage has 100 percent participation resulting in no clients present in the cottage during programming hours. Two cottages have 99 percent participation, with a combined three clients who each do not participate in a total of two hours per week. Overall, the clients enrolled from the 12 cottages, participated in 87 percent of the four hours offered per day.

These client absences from the cottage leave direct care employees assigned to cottages on the second shift (7:00 a.m. to 3:30 p.m.) without a primary function for the majority of the shift. We were informed direct care staff perform light housekeeping, review clients' personal possessions, and ensure drawers are stocked while clients are out of the cottages; however, these functions do not appear time consuming.

The Vocational Services department had 84 full-time employees in 2019, who were scheduled to work either 7:00 a.m. to 3:30 p.m. or 7:30 a.m. to 4:00 p.m., and attempts to fill downtime around the four-hour programming schedule by assigning employees to breakfast and lunch duty at the cottages, where cottage employees are also present. A total of 54 of the Vocational Services employees hold titles meeting the definition of direct care; 11 of which are CTT, SCTT, and HSA, the titles primarily assigned to the cottages. Direct care titles are utilized within the cottages under Residential Services and programming areas under Vocational Services. We noted the two departments do not collaborate to develop employee assignments and schedules that maximize the use of employee resources to manage and supervise clients where present.

Nursing

Nurses meet the criteria for direct care and are assigned to cottages. The Nursing Department does not utilize a nurse-to-client ratio when scheduling and only ensures nurses are present in cottages for assigned duties, which includes medication distribution to clients. Management informed us downtime exists (which is also supported by an overtime shift only requiring five and a half hours instead of a regular eight hour shift with the rationale that the reduced time is sufficient to complete the assigned duties) and a reduction in cottages would require less nursing coverage. We analyzed one pay period in 2019 and determined a reduction of three cottages could result in a reduction of six full-time nursing positions at an estimated savings of $525,000 in annual salary and benefit costs. Additionally, similar to Vocational Services, the Nursing Department and Residential Living Department do not collaborate when developing schedules to determine if nurses can be utilized for cottage coverage when clients are present, thereby minimizing downtime and maximizing the use of employee resources.

Shopping Center

The center staffs a Shopping Center with four employees, holding titles of Senior Cottage Training Technician and Senior Therapy Assistant, who shop for items requested and paid for by clients through their client fiduciary accounts. Prior to the creation of the Shopping Center, individual cottages were responsible for this function. Shopping Center employees are each assigned cottages and travel together to primarily one large retailer with multiple locations, each trip being at least a 23-mile drive from the center, to fill the purchase requests. The same retailer offers online shopping, which is not utilized by the department. Purchases are made through a store credit card, which is reconciled by the Business Office. We analyzed purchasing activity for an eleven-month period between July 2018 and May 2019 and identified shopping occurred on 100 days (45 percent) of the 220 business days during that timeframe, with a range of four to fourteen days per month. Based on the shopping schedule and transaction dates, we estimate each employee potentially shopped 29 percent of the business days. Client purchases totaled $44,000, while annual salary and benefit costs for this function were approximately $309,000, as of August 2019, for this department. Based on the level of activity and potential to shop online, the number of employees utilized for this function appears excessive.

Recommendation

We recommend the center 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. Additionally, the center should evaluate the need for a dedicated Shopping Center and determine if the function should be transferred back to the cottages or to the Business Office, which currently processes online purchases.

Procurement

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

We sampled 54 payment transactions totaling $1.5 million and found the transactions were related to the center's operations. However, the Business Office did not always ensure compliance with internal policies and state procurement guidelines and regulations; payments were accurate; or funds were spent in the most efficient manner.

Pursuant to N.J.S.A 52:25-23(c), records of all purchases made shall be maintained by the agency and shall include proper documentation that the purchase was competitively awarded, where required. We found records to support transactions were not always available. The Business Office attempted to obtain additional documentation from other departments; however, 31 of the 54 transactions (57 percent) totaling $1.1 million did not have complete support including quotes, bid documents, records of receipt of bids and quotes and the corresponding evaluation processes, receiving reports, records of time billed for services, documentation of materials charged, and verification of charges.

An Order Request for Business Office (requisition) should be submitted to the Business Office for approval of purchases. We found the form did not require written justification or additional support, such as low inventory records, for proposed purchases. By not requiring this type of documentation, the Business Office could process potentially unnecessary or improper expenditures. We notified the Business Office of this internal control weakness, and the requisition was updated to require justification. Internal policies and procedures should be updated to reflect the new procedure which should also require documents that support the written justification.

In accordance with WDC policies and procedures, purchases should be requested and approved prior to the order to ensure propriety and availability of funds. Our review of requisitions for the 47 applicable sampled transactions noted four requisitions requested and approved by the same employee, four requisitions missing approval by the applicable center department, and 12 transactions with no corresponding requisition, for an overall exception rate of 43 percent. Additionally, orders for 10 of the 47 transactions were placed prior to the Business Office approval, and we could not determine if another 7 transactions were procured prior to approval (confirming orders) due to no requisition and lack of available documentation.

State Contract Purchases

The center purchases through state contracts when available. Our sample included 15 transactions totaling $249,000 procured through state contract. Five of these transactions, totaling $149,000, were for time and material services where a center's designee shall monitor and document approval of the hours worked and the work accomplished by the contractor. Payment shall not be made without such documentation. The center was unable to provide any documentation to support the hours paid for three of the five transactions totaling $67,000. For the remaining two transactions totaling $82,000, time records did not substantiate the amounts paid. One transaction was paid based on a proposal of 400 labor hours; however, support documentation totaled only 268 actual labor hours with an apparent overpayment of $12,000. Another transaction was paid based on a proposal of 208 labor hours and support documentation totaled 104 actual labor hours with an apparent overpayment of $8,000. Additionally, when a time and material services contract is utilized, written quotes should be obtained from a pool of state contract vendors when such a pool is available to ensure price competition. For two of the five applicable transactions totaling $46,000 (and included in the $149,000 above), the center could not document that quotes were obtained from the pool of state contract vendors. Additionally, state contract language specifies that a quote will become a "not to exceed" type with the option for the state to reduce the final amount based on the actual hours worked. The center obtained one quote and paid that amount regardless of the actual hours worked, therefore bypassing price competition and not ensuring the lowest cost to the center.

Delegated Purchasing Authority Purchases

Department of the Treasury Circular No. 16-02-DPP provides guidelines for the purchase of goods and services. The circular requires purchases be made first through one of the four primary contract methods prior to the use of delegated purchase authority (DPA). At least three quotations are required for purchases over $1,000 and up to $17,500, and three written quotes are required for purchases greater than $17,500 and less than $40,000. These thresholds are established to provide competition and to ensure the state obtains the lowest pricing. If a purchase is from a sole source vendor, a memorandum of sole source justification must be written and signed by the Agency Approval Officer, and a letter from the vendor must be placed in the DPA file indicating why it is the only vendor that can provide the supplies or services. We tested 22 DPA transactions totaling $198,500 and noted the center did not always follow the circular.

Of the 13 transactions over $1,000 and up to $17,500 where three quotes were required, our testing noted quotes were not documented for 7 transactions totaling $30,000. Additionally, 6 of the 13 payments were processed without sufficient documentation (including contracts, invoices, detail and monitoring of labor hours, a matching receiving report, and verification of item discount) to ensure propriety of amount invoiced.

For purchases from $17,500 to $40,000, an Agency Request for Proposal must be submitted to a minimum of three vendors to request written quotes. Our sample included four such transactions totaling $106,000. It is the responsibility of the agency to establish internal control procedures for the acceptance, security, review, and evaluation of quotes for competitive purchases. We requested the documented procedure and were provided with none.

The center identified four transactions totaling $24,000 as sole source; however, all four were missing a sole source justification written and signed by the Agency Approval Officer and a sole source certification from the vendor. After bringing this to management's attention, we received a response that two of those transactions were not sole source but were instead emergency purchases. In an instance of an emergency procurement, a memorandum of a particular public exigency that precluded the solicitation of quotations must be prepared and signed by the Agency Approval Office and made part of the DPA file. No such memorandum was provided to us. For the other two transactions categorized as sole source, the required documentation was not present.

Other Transactions

Our sample included 10 transactions totaling $622,000 related to maintenance and improvements of buildings and grounds that were procured through contracts in conjunction with the Department of Human Services. We noted the Business Office does not routinely verify these types of transactions for accuracy. Supporting documentation was unavailable for five transactions totaling $538,000 and an additional transaction for $63,000 that was paid $17,000 in excess of the contract payment terms. A Request for Proposal for disposal services stated that payment will be based upon the volume of tons removed, transported, and disposed, based upon the scale weight tickets from the disposal site. The Business Office did not request weight tickets to verify the accuracy of payment. We obtained the weight tickets from the maintenance department and identified the $17,000 overpayment.

Laundry Services

Our review noted the Business Office processes payments to Ancora Psychiatric Hospital (Ancora) for laundry services without requesting support to verify invoices for accuracy and does not evaluate the laundry services contract for efficient use of funds.

- The center paid Ancora $302,000 in fiscal year 2018, $457,000 in fiscal year 2019, and $231,000 for July 1, 2019 through December 31, 2019. We noted that invoices increased by $.23 per pound for fiscal year 2019; however, the center could not provide a contract for fiscal years 2018 and 2019. This unsupported increase resulted in an additional cost of $162,000 in fiscal year 2019.

- Ancora weighs laundry (received from the center) and invoices, less a 10 percent "wet weight adjustment". The center's laundry unit only weighs clean laundry upon return from Ancora and does not utilize this information. The center does not have documented policies and procedures related to the laundry process, nor does the Business Office coordinate with the laundry unit to ensure it weighs laundry sent out to independently confirm invoices. We obtained Ancora's record of laundry weight received from and then returned to WDC for one quarter of fiscal year 2019 and identified an average weight variance of 20 percent, which is double the 10 percent wet weight adjustment deducted from invoices, and potentially an additional $45,700 in overpayments based on the fiscal year 2019 expenditure.

- Additionally, we identified that New Lisbon Developmental Center (NLDC) utilizes 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 as noted in the following chart.

Fiscal Year 2019	**WDC**	**NLDC**	**Variance**
Laundry/Rental Service Expenditure	$ 456,914	$ 364,574	
Linen Related Expenditure	$ 131,666	$ 725	
Total	$ 588,580	$ 365,299	$223,281
Average Daily Population	256	305	
Total Cost per Client	$ 2,299	$ 1,198	$ 1,101
*Potential Cost Savings $1,101 * 256 = $281,856*			

Recommendation

We recommend the center strengthen internal controls by updating its internal purchasing policies and procedures and comply with the state procurement circulars. The Business Office should ensure support documentation is reviewed and retained prior to authorizing payment and transactions should routinely be analyzed to ensure the lowest cost to the center. The center should establish documented internal control procedures for the acceptance, security, review, and evaluation of quotes for competitive purchases. It should also document policies and procedures for laundry services to include weighing laundry sent out and verify accuracy of invoices to weight records prior to payment and in accordance with contract terms. The center should also evaluate potential cost savings in the current laundry services contract.

Maintenance

The center should properly utilize the work order software for all applicable work areas and utilize the reporting and analysis functions to ensure efficient staffing levels and operations.

During calendar year 2019, the center had the highest number of maintenance employees of the five state developmental centers. These employees are assigned to shops responsible for masonry, plumbing, painting, carpentry, and grounds work, in addition to maintenance of the powerhouse (electric, heat, and cooling supply for the center) and the waste water treatment plant. As of

September 2019, the center had 96 maintenance employees with total annual salary and benefit costs of $7.4 million. New Lisbon Developmental Center, which is comparable in number of buildings, larger in size, and has a greater client population of 288 versus WDC's 241 clients, had 69 employees in similar titles with total annual salary and benefit costs of $5.0 million.

The Department of Human Services (DHS) implemented an online work order management software program for use in its five developmental center. The program includes the ability to input and assign work orders and maintenance requests, including a built-in reporting and analysis function. DHS inputs work orders for scheduled preventative maintenance, and center employees have the ability to enter work orders for non-preventative maintenance. The center is responsible for monitoring the software program activity; however, it does not ensure comprehensive information is entered. We also noted policies and procedures are not adequately documented. Proper use of the program would allow WDC management to monitor maintenance department activities, material usage, and identify ongoing maintenance issues to ensure efficiency in the department. The lack of data entered into the software makes it difficult for the center to monitor the productivity of the maintenance department, evaluate the necessity of current maintenance staff levels, or determine whether cost savings could be achieved.

Through DHS, we obtained access to calendar year 2018 and (partial) 2019 work order data, which we analyzed and found the center is not fully utilizing the software.

- A maintenance employee works an estimated 1,690 regular hours per year. We identified 84 employees, through employee rosters during this data's time frame (excluding administrative, laundry and housekeeping staff), where work hours could be tracked through the software. We estimated 142,000 potential work hours; however, only 31,600 hours (22 percent) were recorded in the software, and we found work orders were assigned to clerical staff and separated employees. Additionally, work orders were routinely not assigned directly to the laborer. The top 10 employees were assigned 24,000 (76 percent) of the total work order hours, of which 7 were supervisors with 19,000 of these hours. Only 63 employees had work order hours assigned, and 41 of these employees had fewer than 100 hours for the year.

- Estimated and total hours and various cost fields may be recorded for each work order; however, the center does not utilize this function. Additionally, the center does not enter routine employee assignments which would help measure overall productivity.

Assistive Technology Services

The center has an Assistive Technology Services (ATS) unit of four employees with maintenance titles and annual salary and benefit costs of $274,000. It is responsible for the maintenance and repair of client wheel chairs, pressure relief cushions, and durable medical equipment; however, it is not under the responsibility of the maintenance department. None of the other four developmental centers have such a department.

ATS is assigned work through paper repair request forms, as submitted by a client's cottage, and "walk-in" clinics held approximately twice per month, where appointments are not required for repairs. Although the maintenance department utilizes an online work order management software, ATS repairs are entered into a separate outdated software program. According to center management, the information is not entered in a timely manner or quantifiable format, and reports are not generated. We obtained repair request forms for September 2019 and identified 83 requests, an average of less than three per day for the unit's four full-time employees, and noted the field "approximate time required to complete" remained blank on all forms. We noted 67 percent were completed on the same day and 18 percent were completed the following day. Due to the work load identified and lack of measurable productivity, it appears a dedicated staff of four may be unnecessary when the center already has the highest number of maintenance employee titles of the five developmental centers, and the ATS functions could thereby be absorbed.

Recommendation

We recommend the center update policies and procedures to ensure an efficient and effective work order process and utilize the capabilities of the DHS work order management software as a monitoring tool. Work orders for ATS should be processed through the software. Additionally, the center should utilize the report and analysis functions of the software and evaluate the necessity of a dedicated ATS unit and the overall size of the maintenance department for potential cost savings.

Galley Operations

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

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 an optional service to the clients who are all provided with their daily meals and snacks by the center. Seven employees from the center's Food Service Department operate The Galley, which is open seven days a week from 8:15 a.m. to 4:30 p.m., except for holidays. It does not provide a work program for clients. 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 operations. As a result, The Galley inaccurately reported net income of $10,500 and $8,500 for fiscal years 2018 and 2019 respectively, which provided for funds to transfer to the Welfare Fund. The center is therefore spending more than $340,000 to generate less than $11,000 for the Welfare Fund. If employee salary and fringe benefit costs are included in the net income calculation, The Galley actually operated at an approximate net loss of $330,000 each fiscal year.

We reviewed activity for fiscal year 2018 and determined sales are primarily to center employees, who also have access to a cafeteria in the main food service building. Center employees pay the same low prices set for clients. During fiscal year 2018, we identified $142,000 in sales, of which we estimated only $20,500, or 14 percent, was derived from clients, based on the use of galley cards (a method of payment with preloaded client funds) and potential client cash. Clients can visit The Galley or place an order for delivery. Our review of galley card usage noted that, while 136 clients made at least one purchase, only 20 clients accounted for 79 percent of the total client purchases, including 5 clients accounting for 52 percent. The continued excessive net loss to operate The Galley primarily for employee use is not an efficient use of funds. Additionally, the use of food service employees paid through appropriated accounts to operate the Galley contributes to WDC’s incurring the highest food service employee salary and wage costs and the highest cost per client for these salaries and wages when compared to the four other state developmental centers. We noted that in calendar year 2019, the center paid food service employees $4.0 million in salaries and wages at a cost of approximately $15,800 per client. Hunterdon Developmental Center and New Lisbon Developmental Center, both serving a larger client population of 450 clients and 305 clients, paid $3.66 million ($8,100 per client) and $2.7 million ($8,800 per client), respectively.

The center’s management informed us that, as of October 2020, The Galley no longer operates on the weekends and the employees are partially utilized in the main food service building due to the reduction. This change will reduce the allocation of salary and fringe benefit expense in The Galley’s net income (loss) from operations, if these costs are properly included.

Recommendation

We recommend the center review the current operations of The Galley and, since services are utilized primarily by employees, modify employee prices to help offset expenditures. The center should 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. The center should also evaluate the potential of utilizing an outside vendor to operate The Galley.

Inventory

Controls over inventory should be strengthened.

A strong system of internal controls provides for proper segregation of duties between employees who are responsible for order processing, recording, and distribution functions, in addition to a physical inventory count and reconciliation process. In order for internal controls to be carried out effectively, policies and procedures should be documented and followed. Our review of the operations and inventory control process for the Clothing Center and physical inventory counts of Central Supply, Housekeeping, Mailroom, and Storeroom disclosed internal control weaknesses that, if corrected, could reduce the risk of errors and irregularities going undetected.

The center maintains an in-house database system for these five inventory areas:

- The Clothing Center maintains clothing, accessories, shoes, and similar articles for clients.
- Central Supply maintains medical related supplies.
- The Storeroom maintains various household, kitchen, and sanitary supplies.
- Housekeeping maintains household and janitorial related supplies and equipment.
- The Mailroom maintains office supplies including printer cartridges.

Inventory additions, distributions, and item values are entered into the database, by inventory area, to maintain on-hand quantities and value of inventory. We obtained a download of the database as of May 24, 2019 that identified a total inventory value of $891,500 and average fiscal year additions of $1,096,200 and distributions of $1,173,800.

	Inventory Value as of May 24, 2019	Inventory Additions Annual Average Value FY 2017, 2018, and 2019 (through 5/24/19)	Inventory Distributions Annual Average Value FY 2017, 2018, and 2019 (through 5/24/19)
Clothing Center	$211,600	$87,200	$132,800
Central Supply	$134,500	$329,900	$328,500
Housekeeping	$375,200	$293,300	$292,100
Mailroom	$59,100	$41,100	$52,100
Storeroom	$111,100	$344,700	$368,300
Total	*$891,500*	*$1,096,200*	*$1,173,800*

Our review of the Clothing Center operation noted one individual performs multiple procedures, including preparing purchase requests for the Clothing Center goods, entering inventory quantities into the inventory system when received, removing items from the inventory system through requisitions, and performing annual physical inventory counts. These counts compared to items on-hand per the database system reports (pre-inventory system count) identified total absolute item variances of 19,000 (34 percent), 11,600 (28 percent), and 13,800 (31 percent) for 2017, 2018, and 2019, respectively. The center provided on-hand counts per the database dated after the physical inventory count (post-inventory system counts) for 2019 only. After comparison of the pre- and post-inventory system counts (reconciliation) for 2019, we found the database counts are primarily replaced by physical counts after the physical inventory is performed. The initial total absolute item variance of 13,800 items was reduced to 813 items after adjustments. The employee responsible for supervising the Clothing Center initiates the annual inventory count process and reconciles the count to items on-hand. This employee has the ability to add and remove items and modify the on-hand quantity in the system. The employee also has the same abilities for the Storeroom and Central Supply. Documentation to support investigation of variances between pre-inventory system count and physical inventory count and subsequent adjustments between the pre- and post-system inventory count is not maintained. We utilized total absolute item variance to quantify the sum of each item count variance whether negative or positive as a positive number to identify the extent of the variances that occur.

We subsequently requested 2018 and 2019 physical inventory counts and reconciliations for the four other inventory areas to determine if similar variances and subsequent adjustments occurred. The center was only able to provide four of eight pre-inventory system counts and physical inventory counts, which disclosed similar variances to the Clothing Center review. No post inventory counts were provided. Our review of the documentation provided disclosed total absolute item variances of 8,400 (23 percent) for Central Supply in 2019; 36,500 (28 percent) for Housekeeping in 2019; 29,700 (26 percent) for Housekeeping in 2018; and 5,100 (22 percent) for the Storeroom in 2018. The center did not perform physical counts of the Mailroom inventory in 2018 and 2019, and it could not provide documentation for a 2018 physical count for Central Supply or 2019 pre-inventory system counts for the Storeroom. Since the 2019 physical count of Housekeeping inventory was performed just prior to the inventory download provided, we were able to identify that database on-hand figures were adjusted to the physical inventory counts, similar to the Clothing Center. The physical count identified 156 Housekeeping item types with variances, and only four types showed a variance per the database post inventory.

The on-hand system counts and physical counts and corresponding variances for the five areas reviewed are as follows.

		Count		Variance between On-Hand and Physical Count					
Inventory Area	**Year**	**On-Hand**	**Physical Count**	**Net**	**Net Percent**	**Absolute**	**Absolute Percent**	**Net Value (Estimated)**	**Absolute Value (Estimated)**
Clothing Center	2019	44,761	51,712	6,951	16%	13,831	31%	$ 6,617	$ 40,529
Clothing Center	2018	41,410	40,721	(689)	-2%	11,557	28%	$ (2,585)	$ 41,915
Clothing Center	2017	56,518	49,465	(7,053)	-12%	19,039	34%	*Value Data Not Available*	
Central Supply	2019	36,072	30,666	(5,406)	-15%	8,360	23%	$ (14,130)	$ 25,191
Central Supply	2018	*Not Completed*							
Housekeeping	2019	129,914	98,385	(31,529)	-24%	36,467	28%	$ (80,062)	$ 127,603
Housekeeping	2018	112,682	95,134	(17,548)	-16%	29,696	26%	$ (34,429)	$ 59,655
Mailroom	2019	*Not Completed*							
Mailroom	2018	*Not Completed*							
Storeroom	2019		24,105	*On-Hand Count Not Available*					
Storeroom	2018	23,535	23,987	452	2%	5,084	22%	$ 4,093	$ 23,940

We found the center does not have documented policies and procedures related to inventory control. Since the inventory database figures can easily be adjusted, the on-hand count and values are not reliable. Lack of investigation into count variance between pre- and post-inventory system counts creates a risk of misappropriation of assets.

Recommendation

We recommend the center institute proper internal controls by segregating duties within each inventory area and preparing written policies and procedures related to inventory control. 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.

Medicaid Revenue

The center should apply for timely approval regarding client eligibility in order to maximize Medicaid reimbursements.

The Medicaid Intermediate Care Facilities for Individuals with Intellectual Disability (ICF/ID) program reimburses costs incurred by eligible consumers (clients) who reside in an ICF/ID certified cottage at the center. ICF/ID is available only for individuals in need of, and receiving, active treatment services. The fiscal year 2020 daily reimbursement rate for ICF/ID eligible clients was $1,183. We identified three WDC clients who have resided in ICF/ID certified cottages since 2000 (one client) and 2007 (two clients) without being deemed eligible for ICF/ID services for a total of 16,350 days through January 31, 2020. The center was unable to provide adequate support for developmental center placement for this length of time without a need for active treatment or denials of eligibility from Medicaid. If these three clients had qualified, additional reimbursements of $3.1 million could have been generated between July 1, 2017 and January 31, 2020. Subsequent to our requests for information, the center applied for eligibility and all three clients were approved for ICF services and reimbursement retroactive to March 1, 2020 (two clients) and August 1, 2020 (one client).

Recommendation

We recommend the center apply for timely approval of ICF/ID eligible clients and that continued developmental center placement is appropriate and properly approved if determined ineligible for active treatment services.

Central Motor Pool Vehicles

Central Motor Pool vehicles are underutilized.

The center maintained 70 vehicles during fiscal year 2019, of which 51 were rented through the state's Central Motor Pool at a cost of $240,000. The remaining 19 vehicles were owned and maintained by the center. Additionally, the center has 20 golf carts for traveling within center grounds. In accordance with Department of the Treasury Circular No. 17-05-ADM, the vehicle coordinators of agency pool vehicles should demonstrate official state business usage in excess of 750 miles per month, unless a frequency of use for less mileage can be satisfactorily justified to the director, or his/her designee. We reviewed mileage logs for 47 of the 51 rented vehicles and found 38 fell well below the 750 mile requirement, with an average use of 183 miles per month. The center was unable to provide any director approval for these mileage exceptions.

Recommendation

We recommend the center obtain proper approval for exceptions to the mileage requirement to ensure the number of vehicles is justified and necessary for operations.

Observation

Welfare Fund

The Welfare Fund balance is excessive.

The purpose of the Welfare Fund is to provide funding for items or events that benefit the center's entire population. The 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.

State of New Jersey
Department of Human Services
P.O. BOX 700
TRENTON NJ 08625-0700

PHILIP D. MURPHY
Governor

Sheila Y. Oliver
Lt. Governor

Sarah Adelman
Acting Commissioner

June 2, 2021

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

Dear Mr. Troutman:

The Department of Human Services (the Department) is in receipt of the Office of the State Auditor's draft audit report titled "Department of Human Services, Division of Developmental Disabilities, Woodbine Developmental Center." We appreciate OSA's review and thank you for the opportunity to comment on the draft report.

Please accept the following responses to the draft audit findings:

OSA Recommendation

We recommend the center 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. Additionally, the center should evaluate the need for a dedicated Shopping Center and determine if the function should be transferred back to the cottages or to the Business Office which currently processes online purchases.

Response

The Department disagrees with OSA's recommendation to reduce the number of cottages and employees at Woodbine Developmental Center (WDC). It has been and 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. The reduction in these types of interventions also provides residents with the abilities they need to successfully move into community placements which is a key requirement of the Olmstead decision.

And from a public health perspective, fewer individuals in shared bedrooms is an important consideration. During the COVID-19 pandemic, the current smaller cottage environment allowed for more social distancing in common areas and less individuals sharing bedrooms. A higher cottage census would have increased the risk of greater client infection rates and more serious outcomes for WDC's residents.

As recommended, the Resident Living, Vocational Services and Nursing departments will review and monitor employee scheduling to ensure the most effective use of resources while maintaining optimal client care and safety. WDC will consider OSA's suggestions for optimizing the utilization of resources.

Effective January 1, 2021, staff assigned to the Shopping Center has been reduced to one. This employee works with the Business Office to predominately purchase items online. The employee ensures that clients' purchases are completed accurately through the use of the voucher, credit card and vendor rules established by the Department of Treasury.

OSA Recommendation

We recommend the center strengthen internal controls by updating its internal purchasing policies and procedures and comply with the state procurement circulars. The Business Office should ensure support documentation is reviewed and retained prior to authorizing payment and transactions should routinely be analyzed to ensure the lowest cost to the center. The center should establish documented internal control procedures for the acceptance, security, review, and evaluation of quotes for competitive purchases. It should also document policies and procedures for laundry services to include weighing laundry sent out and verify accuracy of invoices to weight records prior to payment and in accordance with contract terms. The center should also evaluate potential cost savings in the current laundry services contract.

Response

The Department agrees with OSA's recommendation that WDC strengthen internal controls concerning purchasing policies and procedures. WDC has implemented the following:

- The Purchase Order Request form now has a justification line. Business Office staff review the form for reasonable justification and two signatures (requester and department approval) prior the Business Office Manager's signature and further procurement processing.
- The Business Office has directed all unit supervisors who submit purchasing requests that a signed receiving form, or in some cases, an invoice reviewed and signed "OK to pay", is required as the receiving unit's attestation that the product or services has been received or performed to the agreed upon specifications. Business Office staff currently require attestations prior to processing payment.

- The Business Office is re-training certain staff on the requirements set forth in Treasury Circular No 16-02-DPP including:
  - Purchases over $1,000 need three quotes;
  - Quotes must be obtained when there is a pool of state contract vendors;
  - Three written quotes for purchases between $17,500 and $40,000 and sole source exceptions must be supported with proper documentation;
  - Documentation required for sole source purchases and emergency purchases;
  - Notification to all units, including Laundry, that purchase requests where the charge is based on weight (i.e. disposal removal, laundry, etc.) must be accompanied by weight tickets. WDC laundry weights must be compared with Ancora (vendor) weight tickets to ensure reasonable accuracy of Ancora laundry charges.

WDC has a Memorandum of Understanding with Ancora Regional Laundry Service for laundry services which is effective until July 2021 and is in the process of being renewed. The current contract charge for the services provided is $.65 per pound.

The Laundry Department will weigh laundry prior to departure from WDC and verify all received invoices. Laundry Department policy and procedures will be updated to reflect these new control measures and operational changes.

Linens are currently purchased through Distribution, one of the four primary contract methods identified by the Department of Treasury Circular No 16-02-DPP, for goods and services. WDC will review the current process and procedures for purchasing and dispensing of linen to determine potential cost saving measures.

OSA Recommendation

We recommend the center update policies and procedures to ensure an efficient and effective work order process and utilize the capabilities of the DHS work order management software as a monitoring tool. Work orders for ATS should be processed through the software. Additionally, the center should utilize the report and analysis functions of the software and evaluate the necessity of a dedicated ATS unit and the overall size of the maintenance department for potential cost savings.

Response

WDC maintains a very sophisticated and complicated physical plant as exemplified by three large chillers, three large multi-fuel boilers, a waste water treatment plant, steam heat and steam driven air conditioning, spray fields, and 120-year old buildings in a very remote location on 250 acres of rural land in Cape May County. Readily-available, experienced and trained staff are essential to operate, maintain and repair the physical plant. Maintenance Department employees work in various shops responsible for electric, plumbing, painting, heating and air, locksmith, transportation, communications, carpentry, groundworks, mechanical non-auto, wastewater treatment, and powerhouse operations.

The Maintenance Department utilizes Asset Essentials software to support preventive maintenance-scheduled programs. The software is also used for specific work orders generated by the Residential Living and Support Services offices. The intent of the system is to capture and log all work completed under WDC's "Annual Construction Permit", with all associated construction work inspected and completed with State Uniform Construction Code regulations.

WDC has determined that limited, routine employee assignments, such as grounds keeping, transportation services, powerhouse operations, and waste water treatment plant operations, were not previously captured in the Asset Essentials software. Staff members who work in these areas account for approximately 72,670 hours. The Department will include this staff in the Asset Essentials software to capture all individual staff activities, and not just work assigned by supervisors. WDC will monitor maintenance operations, specific activities, material usage trends and overall productivity.

OSA Recommendation

We recommend the center review the current operations of the Galley and, since services are utilized primarily by employees, modify employee prices to help offset expenditures. The center should 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. The center should also evaluate the potential of utilizing an outside vendor to operate the Galley.

Response

In response to OSA's recommendation, WDC has taken the following measures concerning the Galley:

- Galley hours and number of staff have been reduced.
- Number of prepared food items has been reduced and prices will be adjusted to help offset expenditures.
- Resident Living and Vocational Services will work closely with the Programming Department to create opportunities for our residents to develop socialization and money management skills through the use of the Galley

OSA Recommendation

We recommend the center institute proper internal controls by segregating duties within each inventory area and preparing written policies and procedures related to inventory control. 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

WDC concurs with OSA's recommendations. WDC has segregated employee functions within each area and is developing policies and procedures related to inventory control.

WDC will complete a physical inventory count of all areas on an annual basis. WDC has also implemented changes to the Master Inventory System which 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.

OSA Recommendation

We recommend the center apply for timely approval of ICF/ID eligible clients and that continued developmental center placement is appropriate and properly approved if determined ineligible for active treatment services.

Response

It was determined for a small number of emergency admissions that timely approval did not occur. WDC has addressed this issue and billing was retroactively put in place back to the date of application. Controls have also been put in place to ensure timely application for emergency admissions.

Currently, all WDC residents are eligible for Medicaid under the ICF/ID program. WDC will ensure that future placements are appropriate and will apply for timely ICF/ID approval.

OSA Recommendation

We recommend the center obtain proper approval for exceptions to the mileage requirement to ensure the number of vehicles is justified and necessary for operations.

Response

In response to OSA's recommendation. WDC requested an exemption from the 750-mile requirement set forth in Treasury Circular 7-05-ADM. The Department of Treasury has granted the exemption as WDC's vehicles are primarily used within the confines of the facility and rarely meet the 750-mile monthly threshold.

WDC will also evaluate vehicle usage to determine if the current fleet configuration is appropriate to program requirements.

Thank you again for the opportunity to review and respond to OSA's draft audit report.

Sincerely,

Sarah Adelman

Digitally signed by Sarah Adelman
Date: 2021.06.02 16:40:58 -04'00'

Acting Commissioner

c: Jonathan Seifried, Assistant Commissioner
Allan Brophy, Director, Office of Auditing