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

July 1, 2000 to March 31, 2002

**Richard L. Fair
State Auditor**

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The Honorable Richard J. Codey
President of the Senate

The Honorable Albio Sires
Speaker of the General Assembly

Mr. Albert Porroni
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Enclosed is our report on the audit of the Department of Human Services, Division of Developmental Disabilities, North Jersey Developmental Center for the period July 1, 2000 to March 31, 2002. If you would like a personal briefing, please call me at (609) 292-3700.

A handwritten signature in black ink, appearing to read "Richard L. Fair".

Richard L. Fair
State Auditor
July 16, 2002

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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, 2000 to March 31, 2002. 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 400 mentally disabled people at all levels of capability on its main campus. Total expenditures charged to the center's accounts during the fiscal year 2001 were \$43 million. The Intermediate Care Facility-Mental Retardation (ICF-MR) federal medicaid billings for clients provide \$54 million in revenue annually. In addition, client maintenance recoveries and other revenue during fiscal year 2001 were \$1.3 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. We also tested for resolution of 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 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 center.

Provisions that we considered significant were documented and compliance with those requirements was verified by interview, 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 controls.

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

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the center and walked through the system to determine if the corrective action was effective.

Conclusions

We found that the financial transactions included in our testing were related to the center's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination we noted certain control weaknesses meriting management's attention. We also found that the center has not resolved significant issues noted in our prior report related to payroll and fixed assets. These issues have been updated and restated in our current report.

Compensatory Balances

Excessive compensatory leave balances may affect the center's work force and productivity.

When reviewing employee leave records as of the end of 2001, we noted 30 employees with compensatory balances in excess of 60 hours. The Department of Human Service's Circular #71-22 states that compensatory time off may be allowed to accrue only to a maximum of 60 hours for non-limited employees. Total liability for the hours above the maximum is \$88,000. As stated in our prior report, excessive compensatory leave balances may affect the center's work force and productivity. The reduction 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.

Recommendation

We recommend that the center schedule existing compensatory time off with employees or pay out compensatory balances to eligible employees.

Auditee's Response

The center's administration is currently addressing this issue and has directed the entire supervisory staff to monitor compensatory time and only approve compensatory overtime for staff shortages and special projects. The center is developing a plan to lower the compensatory time.



Overtime

The center should fill positions to reduce overtime payments.

Overtime payments totaled \$2.7 million during fiscal year 2001. Predominantly, overtime was paid to cottage employees, nurses, and food service workers. Employees working overtime receive pay rates of time and one-half compared to the flat rate paid to a full-time or part-time employee. As of February 26, 2002, there were 64 vacant full-time positions. In

addition, 21 part-time positions have been abolished in the last two years. Also, the center has reduced the use of outside temporary agency nurses from \$516,000 during fiscal year 1999 to \$258,000 during fiscal year 2001.

Recommendation

We recommend that the center continue their efforts to fill both full and part-time positions.

Auditee's Response

The center's administration is addressing the overtime issue and has directed the entire supervisory staff to monitor overtime. The center will continue their efforts to fill both full time and part time positions.



Client Maintenance Recovery

Accounts receivable balances need to be updated, reconciled and collected timely.

The center maintains an accounts receivable balance for recovery of monthly maintenance cost from outside payees. N.J.S.A. 30:4-66 states "every patient supported in a state or county charitable institution...shall be personally liable for his maintenance and for all necessary expenses incurred by the institution...." The Department of Human Services, Division of Developmental Disabilities contracted with MAXIMUS to perform annual assessments of clients to determine their financial ability to pay. These determinations of the monthly payments are forwarded to the Department of Human Services, Cental Office to be recorded. The department informs the division and the center of these monthly amounts. Currently the center's records indicate that the total receivable is \$108,000. However, these records are not current and the center's management believes that the correct receivable is much higher. We also noted that the center has no procedures in place for pursuing payment of delinquent accounts. Recently, the center drafted a letter to responsible parties with delinquent accounts. However, these amounts must be verified for accuracy prior to mailing out those letters. The

longer these account receivable balances remain outstanding, the more difficult it will be to collect the full outstanding amounts.

Recommendation

We recommend that the center and the Department of Human Services develop procedures and collect these receivables.

Auditee's Response

The center is working with the Department to collect these outstanding receivables. As soon as a current record of all outstanding receivables is completed, we will take appropriate recovery action.



Fixed Assets

**The center should
comply with
Treasury Circular
Letter 94-05.**

As noted in our prior report, the center does not maintain fixed asset records as required by the Department of the Treasury Circular Letter 94-05-OMB. 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. Currently the center is in the process of hiring an inventory control specialist to establish and maintain a fixed asset record. We tested \$170,000 of fixed asset items purchased during our audit period and were able to locate all items, but none were recorded in a fixed asset system.

Recommendation

We recommend that the center comply with Treasury Circular Letter 94-05.

Auditee's Response

Since the completion of this audit, the center has been establishing a Fixed Asset Inventory system of all equipment valued at \$1,000 or more, which will be in compliance with Treasury Circular Letter 94-05. This inventory system will be finalized by September 30, 2002.

