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

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## **2014 Annual Report**

**Improving the accountability of public funds  
and strengthening the operations of government**

*Stephen M. Fells, State Auditor*

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# Message from the State Auditor

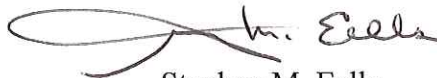
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The Honorable Members of the Senate and General Assembly

Mr. David J. Rosen  
Executive Director  
Office of Legislative Services

I am pleased to present to you the *Annual Report of the New Jersey Office of Legislative Services, Office of the State Auditor* for calendar year 2014. In conformance with our responsibilities to perform financial, performance, and compliance audits, all state agencies are audited periodically using a risk-based approach. We issued 22 reports during 2014 which identified \$39.7 million in potential cost savings and revenue enhancements. In addition, the state continues to save substantial dollars as a result of the resolution of issues previously reported by the Office of the State Auditor. If you or members of your staff would like additional information or a personal briefing, please contact me.

Our mission is to improve the accountability of public funds and to improve the operations of state government. We serve the public interest by providing members of the Legislature and other policymakers with unbiased, accurate information and objective recommendations on how to better use public resources. In addition to fulfilling our audit mission, we have focused on maximizing the quality of our services and maintaining communication with the Legislature and the agencies we audit. We are committed to providing high quality audit reports. You may be assured we will continue our efforts to improve state government accountability to the Legislature through an effective and constructive audit process.



Stephen M. Eells  
State Auditor  
April 16, 2015

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## INTRODUCTION

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### BACKGROUND

The Office of the State Auditor, which is in the legislative branch of government, was originally established in 1934 pursuant to P.L. 1933, c.295. A number of statutory amendments dealing with the powers and duties of the State Auditor have been enacted in the ensuing years. The Office of the State Auditor is within the Office of Legislative Services under the provisions of the Legislative Services Act.

The State Auditor is a constitutional officer appointed by the Legislature for a term of five years and until a successor shall be appointed and qualified. On February 11, 2010, Stephen M. Eells, CPA, was confirmed by a joint session of the Legislature as the State Auditor.

The organization of the office within the legislative branch permits the State Auditor to be independent of the executive and judicial branches of government. This independence is critical in terms of meeting professional standards and in providing fair and objective reviews and audits of governmental operations.

Under the provisions of Article VII, Section I, Paragraph 6 of the State Constitution and N.J.S.A. 52:24-1 et seq., the Office of the State Auditor is required to conduct post-audits of all transactions and accounts kept by or for all departments, offices, and agencies of state government. Reports are submitted to the Governor, the Legislature, and the Executive Director of the Office of Legislative Services.

The Public Laws of 2006, Chapter 82 authorized the State Auditor to conduct a performance review of any program of any accounting agency, any independent authority, or any public entity or grantee that receives state funds. The law also requires the State Auditor to conduct a follow-up review to determine agency compliance with our audit recommendations. In addition, at the request of the legislative leadership or the Legislative Services Commission, the State Auditor conducts studies on the operations of state and state-supported agencies with respect to their efficiency, internal management control, and compliance with applicable laws and regulations.

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## INTRODUCTION

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### MISSION STATEMENT

The State Auditor provides independent, unbiased, timely, and relevant information to the Legislature, agency management, and the citizens of New Jersey that can be used to improve the operations and accountability of public entities.

### VISION STATEMENT

The State Auditor and his staff will approach all work in an independent, unbiased, and open-minded manner.

The State Auditor will provide timely reporting to the Legislature, agency management, and the citizens of New Jersey.

Reporting will be in clear and concise language so it is understood by all users of the report.

Reporting will include recommendations on how to improve the workings of government and how to strengthen agency internal controls.

Reporting will include assurances on the financial operations of the State.

The State Auditor and his staff will perform all work in a professional manner utilizing appropriate standards.

### ACCOMPLISHMENTS

During calendar year 2014 we identified \$39.7 million in new cost savings and revenue enhancements. A schedule of cost savings and revenue enhancements is presented on page 3. Our compliance review on findings related to audit reports issued during the fiscal year ended June 30, 2013 disclosed that 81 percent of our recommendations have been complied with or management has taken steps to achieve compliance.

The office performs the annual financial audit of the state's Comprehensive Annual Financial Report (CAFR). The CAFR engagement includes the audit of 146 funds and component units which had a full accrual accounting total asset value of \$183 billion at June 30, 2014.

### PROFESSIONAL STANDARDS

The Office of the State Auditor's audits are performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that our operations be reviewed every three years. In 2014, the National State Auditors Association conducted a review of our system of quality control which resulted in a Peer Review Rating of Pass, the highest rating attainable. The report received from this review is presented on page 4.

**OFFICE OF LEGISLATIVE SERVICES  
OFFICE OF THE STATE AUDITOR  
SCHEDULE OF COST SAVINGS AND REVENUE ENHANCEMENTS  
REPORTS ISSUED DURING CALENDAR YEAR 2014**

<b><u>REPORT</u></b>	<b><u>COST SAVINGS AND/OR REVENUE ENHANCEMENTS</u></b> (In 000's)
<b>Civil Service Commission</b>	\$ 40
<b>Department of Corrections</b>	
Adult Diagnostic and Treatment Center	1,984
Vroom Central Reception and Assignment Facility	12
<b>Department of Human Services</b>	
Division of Family Development	
Administration and SNAP and TANF EBT Controls	15,654
Division of Mental Health and Addiction Services	
Ancora Psychiatric Hospital	4,211
<b>Department of the Treasury</b>	
Division of Rate Council	196
Division of Revenue and Enterprise Services	
Commercial Information Services Bureau	418
<b>Elmwood Park School District</b>	550
<b>Hudson County Schools of Technology</b>	385
<b>Motor Vehicle Commission</b>	
Revenue	1,202
<b>Office of the Secretary of Higher Education</b>	1,168
<b>Township of Lakewood School District</b>	8,834
<b>Transportation Trust Fund Authority</b>	<u>5,000</u>
<b><i>Total Cost Savings and Revenue Enhancements</i></b>	<u>\$ 39,654</u>



# National State Auditors Association

June 6, 2014

Mr. Stephen M. Eells, CPA  
New Jersey State Auditor  
New Jersey Office of the State Auditor  
125 South Warren Street  
P.O. Box 067  
Trenton, NJ 08625-0067

Dear Mr. Eells:

We have reviewed the system of quality control of the New Jersey Office of the State Auditor (the office) in effect for the period May 1, 2013 through April 30, 2014. A system of quality control encompasses the office's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The design of the system and compliance with it are the responsibility of the office. Our responsibility is to express an opinion on the design of the system and the office's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external peer reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the office's system of quality control for engagements conducted in accordance with professional standards. In addition, we tested compliance with the office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the office's policies and procedures on selected engagements. The engagements selected represented a reasonable cross-section of the office's engagements conducted in accordance with professional standards. We believe that the procedures we performed provide a reasonable basis for our opinion.

Our review was based on selective tests; therefore it would not necessarily disclose all design matters in the system of quality control or all compliance matters with the system. Also, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of the New Jersey Office of the State Auditor in effect for the period May 1, 2013 through April 30, 2014 has been suitably designed and was complied with during the period to provide the audit organization with reasonable assurance of performing and reporting in conformity with *Government Auditing Standards* in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. The New Jersey Office of the State Auditor has received a peer review rating of *pass*.

L. Scott Owens, CIA, CGAP, Team Leader  
National State Auditors Association  
External Peer Review Team

Donald Dunlap, CPA, Concurring Reviewer  
National State Auditors Association  
External Peer Review Team

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## AUDIT REPORTS

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### TYPES OF AUDITS PERFORMED

#### Financial Audits

Financial audits are designed to provide reasonable assurance about whether the financial statements of an audited entity are fairly presented in conformity with generally accepted accounting principles. The primary annual financial audit conducted by the office is the state's Comprehensive Annual Financial Report (CAFR) which is published by the Department of the Treasury. Two other financial audits were issued in calendar year 2014.

#### Performance Audits

The objectives of this type of audit are to determine whether financial transactions are related to an agency's programs, are reasonable, and are recorded properly in the accounting systems. This type of audit may also focus on specific performance issues. Where appropriate, these engagements may also provide economy and efficiency comments. Audits are selected using a risk-based approach. Larger departments are audited on a divisional, agency, or program basis rather than on a department-wide basis because of their size and complexity. We completed 14 performance audits in calendar year 2014. These audits encompassed \$9.0 billion and \$1.7 billion of expenditures and revenues, respectively.

#### Information Technology Audits

The objectives of this type of audit are to determine whether the data maintained by a particular computer system is reliable, valid, safeguarded, and recorded properly; whether agency networks are properly managed to provide for business continuity and the prevention of system abuse; and whether system development and maintenance is performed in accordance with guidelines and best practices. During calendar year 2014 we audited controls over data at the Motor Vehicle Commission, for which the report is pending.

The office has trained all audit staff on the basics of integrated auditing, where field auditors learn how to review IT controls applicable to the scope of their audit. If the system they are reviewing has more complex controls, an IT auditor can be consulted or the system itself can be assigned to the IT unit as a separate audit. This effort will allow for review of a greater number of IT controls.

#### School District Audits

N.J.S.A. 18A:7F-6d authorizes the Office of the State Auditor to audit the accounts and financial transactions of any school district in which the state aid equals 80 percent or more of its net budget for the year. In addition, in accordance with N.J.S.A. 18A:7A-57, the State Auditor is authorized to perform a forensic audit of school districts with a general fund deficit and meeting additional specific criteria as stated in the statute. We audited two such school districts in calendar year 2014. We also audited the Township of Lakewood School District.

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## AUDIT REPORTS

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### Legislative Requests

From time to time the Legislative Services Commission and Legislative leadership request the State Auditor to conduct special projects of the fiscal practices and procedures of the state and state-supported agencies, and to report findings to the Commission.

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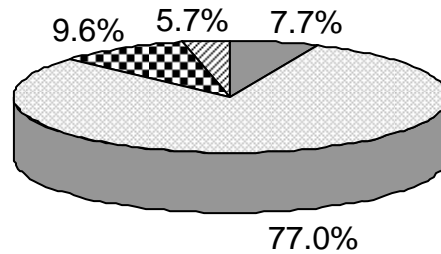
## AUDIT REPORTS

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### DISTRIBUTION OF AUDIT HOURS

The distribution of audit hours used in performing audits during calendar year 2014 is depicted on the following chart.

### DISTRIBUTION OF AUDIT HOURS



- Financial Audits - 7.7%
- Performance Audits - 77.0%
- ▣ Information Technology Audits and Support – 9.6%
- ▤ School District Audits - 5.7%

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## AUDIT REPORTS

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### HOW AND TO WHOM AUDIT REPORTS ARE ISSUED

Findings and recommendations developed as a result of our independent audits are intended to provide accountability and improvement of government operations. All reports are discussed with agency officials prior to finalization and modifications are made where warranted. Management comments to the final report are incorporated in the document. All issued reports of the Office of the State Auditor are public documents and are available on the New Jersey Legislature's web site at [www.njleg.state.nj.us/legislativepub/auditreports.asp](http://www.njleg.state.nj.us/legislativepub/auditreports.asp).

Reports are statutorily required to be sent to the:

- Governor
- President of the Senate
- Speaker of the General Assembly
- Executive Director of the Office of Legislative Services

In addition, copies of reports are routinely sent to the:

- Legislature (all members)
- Executive directors of partisan staff
- Management of the audited entity
- State Treasurer
- State Comptroller
- State Library

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## ORGANIZATION

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### HUMAN RESOURCES

The Office of the State Auditor is one of eight units within the Office of Legislative Services. The State Auditor's office is comprised of 91 professional and 6 support staff positions. All auditors must have a bachelor's degree in accounting or a related field and a minimum of 24 credit hours in accounting. Forty-nine staff members, 56 percent of the professional staff, possess professional certifications or advanced degrees. Working for the office qualifies for the one year intensive and diversified experience needed to become a certified public accountant in the State of New Jersey.

The office provides a minimum of 80 continuing professional education credits biennially and diversified work experience to enhance each individual's professional development. The audit staff attends professional development programs encompassing a myriad of accounting and auditing topics. In addition, staff members actively participate as officers, board members, and committee members of local, state, and national accounting and auditing organizations, including the Association of Government Accountants, Institute of Internal Auditors, National State Auditors Association, and New York/New Jersey Intergovernmental Audit Forum. The office also participates in the national peer review program under the auspices of the National State Auditors Association.

The office continues to provide training in New Jersey Law and Ethics to its staff as well as to other state employees requiring the course. Staff also provided various governmental auditing presentations to university students and international professionals seeking to learn about the operations of the Office of the State Auditor.

### AUDIT STAFF

The audit staff is the primary operating group in the office. They plan, conduct, and control the audit engagements and prepare and edit the reports. The audit teams report the results of their work to the auditee on an ongoing basis and at the conclusion of the engagement by means of a written report. In an effort to develop expertise, field managers are assigned specific departments. This practice enhances the quality and efficiency of our audits and ensures all programs are audited within a reasonable cycle. Information technology support is also provided by the field and IT support staff.

The office maintains seven active committees staffed by individuals in various titles to provide guidance in the areas of information technology (hardware/software and information), personnel, planning, policy, sampling, and training. An intranet site is also maintained that contains staff information, budget and appropriation information, and commonly used accounting and auditing research and reference internet sites that the audit staff can access through their computers.

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## **ORGANIZATION**

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### **QUALITY ASSURANCE**

The quality assurance staff is responsible for technical compliance and quality control, oversight of staff training, and research of technical issues. Quality assurance is achieved through reviews of working papers and reports to ensure adherence to professional standards. The quality assurance staff, through its research of accounting and auditing issues, also responds to surveys, questionnaires, and exposure drafts relating to proposed accounting and auditing standards.

### **ADMINISTRATIVE STAFF**

The administrative staff processes, files, and distributes all reports. This group is responsible for the office library, purchasing and maintaining office supplies, and other general administrative functions.

**OFFICE OF THE STATE AUDITOR  
STAFF ROSTER  
As of DECEMBER 31, 2014**

**STATE AUDITOR**

Stephen M. Eells, CPA

Jean J. Horner, Administrative Assistant

**ASSISTANT STATE AUDITOR**

John J. Termyna, CPA

Jill Bodnar, Secretary

**ASSISTANT STATE AUDITOR**

Gregory Pica, CPA

Robyn Boyer, Secretary

**AUDIT MANAGERS**

Paul R. Baron, CPA  
Franklin F. Bowker, MBA  
Helen Dublas, CGAP

Anthony J. Glebocki, CPA, CFE, CGFM  
David J. Kaschak, CPA, CGFM  
J. Robert Malone, MBA

Charles Y. Paslawsky, MAccy  
William D. Robinson, CPA  
Thomas Troutman, CPA, CIA, CGFM

**PRINCIPAL AUDITORS**

Daniel Altobelli, CPA, CISA, CEH  
Albert Bao, CPA  
Ernest W. Barany, CPA, CEH, CPT  
Hal Bauman  
Kenyona Booker, CGAP  
Cynthia Burdalski  
Timothy D. Bush, CPA  
John Coyle, CPA  
Tanya Cuccia, CISA, CGAP  
Jeffrey DeCicco, MBA, CPA

Sean Duffy  
Barbara Galager, CPA, CGFM  
Robert Gatti, CPA  
Kathleen Gorman  
Vishal Jhaveri, MBA, CPA  
Brian Klingele, MS, CIA, CGAP  
Kenny Kramli, CPA  
Anna Lorenc  
Linda Maher, CGFM  
Kristen Menegus, CGAP

Donna Mooney, CPT  
Stacey O'Brien, MBA, CPA  
Robert Rizzo, CPA  
Donna M. Shemansky  
Christopher D. Soleau, CGAP  
Jesskim So  
Michael A. Tantum, MBA  
Stephanie Titus, MBA  
Patrick Whalin

**AUDIT STAFF**

Derek Bachmann  
Edward A. Backer, CPA  
William A. Bickel, CPA  
Michael Blake, MBA  
Scott Brevet, CPA  
Vincent Caravello, MBA  
Donna Castelli  
Andrew Cipriano, CFE  
Denise Damico, MBA  
Luz Dow, CPA  
Meghan Ellis  
Lorien Flannery, MAccy  
Eric Fonseca  
Rene Gervasoni  
Richard Grahovac, CFE, CGFM  
Iryna Gryniv

Grant Hopkins  
David Illuminate  
Alicia Jewell  
David Jonas  
Michael Kiyaga, CPA  
Kiersten Kokotajlo  
Kirill Kornoukh  
Brian Larkin  
Seng Leng Lim  
Joshua Mastro, CFE  
Matthew McCue  
Rich McHale  
Smaragda Ng, MBA  
Robert O'Brien, MBA  
Karuna Patel  
Nikki Pennacchio

Nicole Perilli  
Joseph Pica  
John Pullen  
Michelle Quinones  
James Ricketti  
Stephanie Rybak  
Nicole Sansone  
Christopher Santiago  
Brian Sherfese  
Jennifer Suchan  
Hiral Suvagiya, MBA, CPA  
Justin Toldt  
Irene Torunoglu, MAccy, CPA  
Shrushti Trivedi  
Kurt Zadworney

**ADMINISTRATIVE STAFF**

Pamela J. Puca, Principal Audit Processor  
Anthony Arena, Support Services Assistant

**IT SUPPORT STAFF**

John Garrett, Data Analyst

Certification Legend:

CEH – Certified Ethical Hacker  
CFE – Certified Fraud Examiner  
CGAP – Certified Government Auditing Professional  
CGFM – Certified Government Financial Manager  
CIA – Certified Internal Auditor  
CISA – Certified Information Systems Auditor  
CPA – Certified Public Accountant  
CPT – Certified Penetration Tester  
MAccy – Master of Accountancy  
MBA – Master of Business Administration  
MS – Master of Science

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## ACCOMPLISHMENTS AND RESULTS

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### SUMMARY

This section highlights five of the more significant audits issued during the past year that individually contained cost savings and revenue enhancements greater than \$1.5 million and collectively totaled \$35.7 million. Information on these reports is presented on pages 13 through 45. The office issued eight other reports with cost savings and revenue enhancements totaling \$4.0 million. Other reports of interest that contain significant findings and observations from five additional audits are on pages 46 through 54. In addition, our reports contain non-monetary findings addressing areas of noncompliance with laws or regulations, weaknesses in internal controls, and economies and efficiencies to improve operations.

All reports issued in calendar year 2014 are identified on a schedule on page 55 and are available for review on our website.

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**ACCOMPLISHMENTS AND RESULTS**  
**SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS**

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**DEPARTMENT OF CORRECTIONS**  
**ADULT DIAGNOSTIC AND TREATMENT CENTER**

**Resident Compensation - Special Treatment Unit**

The Department of Corrections, Adult Diagnostic and Treatment Center (ADTC) is responsible for the security of the Special Treatment Unit (STU) which housed 463 residents as of July 2014. In calendar year 1999, the New Jersey Sexually Violent Predator Act was enacted to civilly commit those sex offenders who, as defined by the act, pose a danger to others should they return to society after completion of their criminal sentence. The act stipulates that the civilly committed residents must be completely separated from the inmate population and these residents were remanded by court order to the STU jointly operated by the Department of Corrections (DOC) and the Department of Human Services (DHS). The DOC is responsible for security, custody, and care of these residents. The DHS provides and supervises sex offender treatment services. As of July 2014, there were 217 residents that had been confined to STU for between 10 and 15 years. The average time for all resident commitments was 8.5 years.

The STU residents are provided all necessities including medical care and are housed free of charge in two secured units. The per-resident cost to the state was \$59,700 during fiscal year 2013.

STU residents are offered paid institutional work. According to the DHS Residents' Guide to the STU, paid institutional work is part of treatment but it is also used as an incentive for good behavior and to encourage meaningful participation in sex offender specific treatment. According to the guide, the work program is a privilege rather than a right.

Residents are compensated at the state minimum wage rate (\$7.25 per hour in 2013 and \$8.25 per hour in 2014) for their institutional work. According to DHS management, the minimum wage requirement was determined based on a former Department of Law and Public Safety Deputy Attorney General's advice issued at the time the STU was created in 1999. We were not provided with a written copy of the advice by the DOC, the DHS, nor the Department of Law and Public Safety. During calendar year 2013, 478 STU residents received nearly \$2 million in wages. State and federal income taxes were not withheld. The residents earned up to \$8,500; their average wage was \$4,200; and 205 of 478 residents made over \$5,000 during calendar year 2013. Over 80 percent of the money earned was sent by the residents to outside individuals or bank accounts. Money was also used on restaurant delivery orders. If the resident work hours remain at the same level for the entire calendar year 2014, the resident payroll will increase by an additional \$270,000 due to the increase in the minimum wage rate that became effective on January 1, 2014.

STU residents are allowed limited paid institutional work hours equivalent to their assignment to one of the five therapy phases (one to five hours per day). Examples of STU paid job assignments include unit workers (155 residents responsible for sweeping and mopping all areas of the housing unit, wiping down the walls, tables, microwaves, windows, etc), kitchen clerks, dining and day room workers, and bathroom and laundry workers. Similar work assignments are

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## ACCOMPLISHMENTS AND RESULTS SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS

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### DEPARTMENT OF CORRECTIONS ADULT DIAGNOSTIC AND TREATMENT CENTER

performed by ADTC inmates but unlike STU residents, inmates are compensated at the rates established by the DOC that range from \$1.25 to \$5.00 per *day* with the average being \$2.33 per *day*. Calendar year 2013 ADTC payroll for the average of 574 inmates totaled \$358,000, compared to \$2 million paid to the average of 434 STU residents. If residents were compensated based on the pay rates established for inmates, the state could save approximately \$1.9 million annually.

Imprisoned individuals do not fall under the Fair Labor Standards Act (FLSA) and are not entitled to minimum wages as repeatedly decided by the United States Courts of Appeals. Furthermore, in the *Sanders v. Hayden* case filed by a civilly committed sex offender after his institutional pay was reduced from minimum wage to \$2.00 per hour, the Seventh Circuit Court held that civilly committed sex offenders are not covered by the FLSA, and that if they are put to work, it is to offset some of the cost of keeping them and not to enable them to earn a living.

There are 20 states (including New Jersey) that have passed legislation authorizing the civil commitment of sexually violent predators. Our review of the institutional work incentive programs for civilly committed sex offenders in other states disclosed, that of the 14 states that replied to our survey, only six states pay their civilly committed sex offenders minimum wages and for a maximum of five hours per week. In addition, four of these six states charge residents a daily care and maintenance fee.

#### Sick Leave

Department of Corrections (DOC) Human Resource Bulletin 84-17 states, “Good attendance on the part of employees is imperative in achieving departmental goals and objectives. Attendance related problems such as excessive use or abuse of sick leave, unauthorized absence, etc., result in an inefficient allocation of capital and human resources.” Furthermore, the bulletin requires that employees who are absent an aggregate of 15 days in a calendar year submit doctor’s verification of illness for all future absences. The bulletin also requires employees who are absent on sick leave for five consecutive work days to submit a doctor’s verification of illness for the period of absence unless such leave was an approved family or medical leave.

The Adult Diagnostic and Treatment Center (ADTC) tolerates liberal use of sick time and does not enforce the bulletin requirements. Based on our analysis, we estimate of the \$2.1 million in correction officers’ overtime costs incurred in calendar year 2013, \$1.1 million was a result of sick or leave without pay call-outs.

ADTC had 370 correction officers as of the last pay period of calendar year 2013. Our analysis of calendar year 2013 sick leave usage disclosed the following.

- The average number of paid sick leave used by the 370 correction officers was 14.7 days. Fifteen days are allotted each year. In addition, 113 correction officers took an average of 22.5 days of leave without pay excluding workers’ compensation and disciplinary leave.

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**ACCOMPLISHMENTS AND RESULTS**  
**SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS**

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**DEPARTMENT OF CORRECTIONS**  
**ADULT DIAGNOSTIC AND TREATMENT CENTER**

- On average, correction officers have utilized nearly 95 percent of allotted sick time through their career, including 66 officers with over 20 years of state service. Forty-four percent of officers had a zero cumulative sick leave balance at the end of 2013, including 26 officers with over 20 years of service.

A sample test of 26 correction officers who exceeded the 15-day limit disclosed that none submitted all the required doctor's notes including 19 officers who had not submitted any notes.

The lax enforcement of the bulletin does not deter the casual use and abuse of sick leave. We determined that if each correction officer reduced paid sick leave by only one day, it would save ADTC \$75,000 annually in overtime costs.

**Special Treatment Unit Resident Welfare Fund**

According to N.J.A.C. 10A:35-10, the Resident Welfare Fund should be spent on amenities only for the use, benefit, and general welfare of the resident population as a whole. The amenities may include, but are not limited to appliance or kitchen items, recreation and sport equipment, television services, awards, library books, movies, magazines, stipends, and equipment to enhance the law library. Revenue sources for the Resident Welfare Fund include profits from the commissary, interest on resident welfare fund savings, gifts, and income from resident trust fund investments. Maintenance and recordkeeping for the Resident Welfare Fund is a responsibility of Adult Diagnostic and Treatment Center (ADTC) management. The ADTC Administrator and DHS Clinical Director, in consultation with the Interagency Oversight Board (IOB), are jointly responsible for the control and authorization of all fund expenditures.

The Special Treatment Unit (STU) Resident Welfare Fund was established in fiscal year 2006. There had been no disbursements out of the STU Resident Welfare Fund because the IOB had not been established until July 2013. The June 30, 2013 and 2014 balances of the STU Resident Welfare Fund were \$115,000 and \$97,000, respectively. From September 2011 through January 2014, at the request of residents, a number of microwaves, a toaster, and some barber shop supplies, all which met the Resident Welfare Fund expenditure criteria, were purchased with state funds. These disbursements totaled \$9,500 and per the center were to be reimbursed to the state. However, the IOB did not approve the reimbursement to the state.

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## ACCOMPLISHMENTS AND RESULTS SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS

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### DEPARTMENT OF HUMAN SERVICES DIVISION OF FAMILY DEVELOPMENT ADMINISTRATION AND SNAP AND TANF EBT CONTROLS

#### Invalid Social Security Numbers

The Department of Human Services, Division of Family Development (DFD, division) maintains client information including all relevant demographic information on the Family Assistance Management Information System (FAMIS). FAMIS also determines program eligibility and calculates benefit amounts for SNAP (Supplemental Nutrition Assistance Program) and TANF (Temporary Assistance for Needy Families).

Social security numbers (SSNs) are the primary identifier used in the identification and detection of fraudulent transactions and are used for the division's management reports including the verification of employment related income, identifying benefits received from other states, and death matches. Without accurate SSNs, the usefulness of data-matches and fraud reports is diminished.

In accordance with state and federal regulations, recipients of public assistance benefits must possess a valid SSN. During the application and recertification process, the County Welfare Agencies (CWAs) have access to the State Verification and Exchange System (SVES) which provides states a standardized method of SSN verification providing client's SSN, date of birth, and name. In addition, the system verifies a client's citizenship. CWAs are required to cross-check this information against the applicant's information to ensure only qualified individuals will receive benefits. Pursuant to N.J.A.C. 10:87-2.19, failure without good cause to provide a SSN will result in the disqualification of benefits for the individual.

As of May 2014, there were almost 830,000 active clients receiving SNAP and/or TANF. Our analysis of the SVES data disclosed there were 46,800 client SSNs that were either questionable (33,800) or unverified (13,000). The system identified 33,800 client files which had a SSN that did not match the recipient information provided, excluding children under the age of two. These recipients received approximately \$201.6 million in SNAP benefits and \$12.7 million in TANF benefits for the 18-month period ending June 2014. The group included 6,200 single-person households receiving SNAP benefits totaling \$11.96 million and 204 single-person households receiving TANF benefits totaling \$408,700 for the same period. We also determined that 18,800 of the SSNs have been questionable since May 2012.

#### Benefits Received After Death

State agencies that administer SNAP benefits are required by federal regulation to match their recipient data with the national Social Security Administration (SSA) death file, which DFD does on a monthly basis. The division records these matches and makes them available to all CWAs using a state-wide shared database. It is the CWA's responsibility to access the monthly file and investigate all deaths reported. During our review, we found that counties were not using the match records.

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Our match of the SSA master file of all reported deaths as of December 31, 2013 to the FAMIS active clients file as of May 2014 disclosed there were 37 clients reported as deceased whose accounts continued to draw benefits. The clients' names and birth dates on the FAMIS matched the decedents' information on the federal death file. We noted that 26 appear to be single-person households that withdrew \$39,000 of SNAP benefits subsequent to the date of death. As of June 2014, five of these recipients' cases were closed, while the other 21 continued to receive benefits. Since these were single-person households, it appears that unauthorized individuals used, and may still be using, deceased individuals' EBT cards.

The remaining cases had two recipients in the household and while the other participant may be authorized to use the card after the date of death, there should have been an adjustment to the monthly benefit if the death had been reported. There were no changes in benefits as of the end of June 2014.

In addition, there were 910 active recipient SSNs reported as belonging to deceased individuals but the recipients' names and/or birth dates per FAMIS did not match the decedents' information. These cases have a high risk of impropriety.

**Fraud-Alert Reports**

Federal regulations require states to obtain Electronic Benefit Transfer (EBT) management reports from its contracted EBT processor to assist with program management, including detecting and investigating cases of potential program violation. When properly prepared, the prevention, detection, investigation, and recoupment of improper payments is facilitated through these standard EBT reports. According to the division's contract with its EBT vendor, the vendor will provide daily and monthly EBT usage reports, including several fraud-alert reports. Our review disclosed these reports are not in the required format delineated in the contract and cannot be easily utilized by the county welfare agencies (CWAs) as intended. The division did not notify the Department of the Treasury, Division of Purchase and Property of the vendor's non-compliance with the contract's report provisions.

We found that four of the six fraud-alert reports were not being used by any of the six CWAs we visited, one was used by a single county, and one was used by four counties who had to physically manipulate the data. County personnel indicated several reports were useless in their current formats.

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EBT FRAUD REPORT	COUNTY USAGE OF EBT FRAUD REPORTS						# USED
	COUNTY 1	COUNTY 2	COUNTY 3	COUNTY 4	COUNTY 5	COUNTY 6	
Monthly Out-Of-State Activity	✓	✗	✓	✗	✓	✓	4
Card Issuance Tracking	✗	✗	✗	✗	✗	✗	0
Manual Card Entry	✗	✗	✗	✗	✗	✗	0
Even Dollar Transactions	✗	✗	✗	✗	✓	✗	1
Full Food Stamp Balance Withdrawal	✗	✗	✗	✗	✗	✗	0
Multiple Transactions Within 1 Hour	✗	✗	✗	✗	✗	✗	0
Legend	Out of the 6 counties, 4 of the EBT fraud reports were never used.						
✓	Report used						
✗	Report not used						

To determine the effectiveness of these reports if properly formatted in accordance with the contract requirements, we reformatted, compiled, and analyzed five of the fraud-alert reports on a state-wide basis for a twelve-month period and found the following results.

**Monthly Out-of-State Activity Report**

The Monthly Out-of-State Activity Report provides data on out-of-state EBT transactions completed by New Jersey recipients. Although transactions outside New Jersey are within the law, the report is a useful management tool for identifying recipients who might also be receiving benefits from another state during the same period and/or have moved and not reported a change in residence. Both occurrences are contrary to program regulations and are potential fraud indicators. This monthly EBT report (recently expanded to a two-month period) would be of greater value to the CWAs if it was cumulative and covered periods in excess of two months. This would allow the CWA to identify long term out-of-state activity.

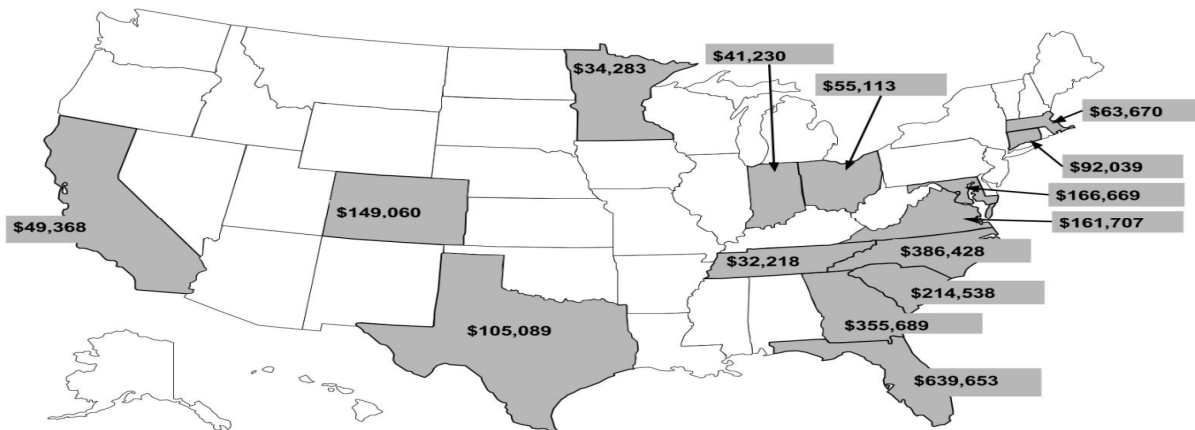
According to N.J.A.C. 10:87-3-3, if EBT data shows a client is spending his or her benefits three consecutive months in another state, the CWA shall verify if the client still has residence in New Jersey, contact the state where the client is redeeming his or her benefits, and determine whether the client is receiving SNAP benefits in that other state. Overall, the CWAs are not in compliance with these requirements.

Our one-year analysis identified recipients who accessed more than \$47 million of benefits outside of New Jersey, including Hawaii, Alaska, California, Florida and the Virgin Islands. We then identified 1,400 cases totaling \$2.7 million that each accessed their benefits in non-bordering states during six consecutive months or more during the twelve months we reviewed, including 105 cases that accessed their benefits in all twelve months, totaling \$303,000.

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**OUT-OF- STATE EBT CARD USAGE**  
**SIX OR MORE CONSECUTIVE MONTHS**  
**FOR THE TWELVE-MONTH PERIOD ENDING JUNE 30, 2013**



TOP 15 STATES			
RANK	STATE	AMOUNT SPENT	# OF CASES
1	FL	\$639,653	300
2	NC	386,428	190
3	GA	355,689	153
4	SC	214,538	81
5	MD	166,669	91
6	VA	161,707	84
7	CO	149,060	112
8	TX	105,089	47
9	CT	92,039	46
10	MA	63,670	36
11	OH	55,113	24
12	CA	49,368	31
13	IN	41,230	16
14	MN	34,283	39
15	TN	32,218	17
	OTHERS	225,757	133
	<b>TOTALS</b>	<b>\$2,772,511</b>	<b>1,400</b>

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**Card Issuance Tracking Report**

The monthly Card Issuance Tracking Report tallies the cumulative number of EBT cards each recipient has been issued starting with their tenth card. The multiple use of replacement cards is indicative of SNAP trafficking and this fraud-alert report is designed to identify those individuals. The report disclosed 8,553 recipients have each received over 10 EBT cards including 54 recipients that have each received between 51 and 100 cards. We found the CWAs do not use this report to investigate potential fraud.

**Manual Card Entry Report**

The Manual Card Entry Report lists approved monthly SNAP transactions in which the EBT card number was *manually* entered into a point of sale (POS) terminal, not swiped. Although this report can be used to identify damaged/lost EBT cards, it can also be used by investigators to detect potential fraud at a retail location if multiple manual card entries have been made. Individuals who transact a higher number of manual transactions than their peers also indicate a fraud risk. One possible fraud scenario is when employees steal customers' card numbers and personal identification numbers (PINs) and make unauthorized purchases using manual transactions.

Our review of these reports for the twelve-month period indicated 141,673 cases processed 1.7 million manual transactions totaling \$60.5 million, an average of \$35 per transaction. According to a 2013 United States Department of Agriculture report, the average 2009 monthly EBT transactions per household was 8.5, or roughly 100 transactions per year. We identified 3,396 recipients who each processed 100 or more *manual* transactions totaling over \$13.7 million. We also noted 189 recipients had an average manual transaction of \$516, including 23 who averaged \$13,000 in annual purchases, and whose average transaction was between \$404 and \$814. We noted that 19 of the 23 recipients spent more than 90 percent of their benefits at the same store and 93 percent of these benefits were processed using manual transactions, averaging over \$631 each.

Recipients	Number of Manual Transaction	Amount Spent on Manual Purchases at One Store	Total Benefits Received by 19 Recipients	% Spent on Manual Transaction	Average Manual Transaction	Average Manual Transaction Amount All
19	398	\$ 251,371.84	\$ 271,699.17	93%	\$ 631.59	\$35.38

Using the same population of manual transactions to review the activity of the 14,607 retailers, we identified 10 retailers who manually processed over \$8.2 million of the \$60.5 million in redeemed benefits (13.5%). Of the ten, 8 retailers are located in the same municipality. The 23 recipients identified above conducted 98 percent of their manual transactions at the same 3 of these 10 retailers and one of these retailers processed 398 of the 501 manual transactions (79%).

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RETAILER	# of Manual Transactions Posted	Purchase Amount	Manual Transactions for 23 Recipients	Amount for 23 Recipients
VENDOR 1	15,860	\$1,574,021	63	\$37,147
VENDOR 2	6,653	933,036	1	242
VENDOR 3	8,874	893,187	3	249
VENDOR 4	4,719	743,261	-	-
VENDOR 5	3,158	737,389	31	13,507
VENDOR 6	14,279	720,906	1	143
VENDOR 7	4,086	680,803	398	251,109
VENDOR 8	3,427	680,303	4	751
VENDOR 9	8,738	634,069	-	-
VENDOR 10	12,081	622,379	-	-
TOTALS	81,875	\$8,219,354	501	\$303,148

**Even Dollar Transaction Report**

This report is useful in identifying potential fraudulent activity because food purchases seldom end in even-dollar amounts. For this reason, even-dollar transactions may indicate instances in which retailers may be exchanging a participant’s food stamp benefits for cash.

Our review of the Even Dollar Transaction Reports for the twelve-month period disclosed 142,382 recipients accessed \$44.4 million via 272,792 transactions in even-dollar SNAP purchases at 5,853 retailers. In an effort to exclude small one-time transactions or low-dollar transactions, we reviewed only those transactions conducted in 427 convenience stores whose average even-dollar transactions exceeded \$100. We also examined these retailers to determine whether any particular recipient repeated throughout the list. We identified ten retailers who processed 4,164 of the 9,082 even-dollar transactions meeting our criteria. We also identified 818 individuals who averaged between 10 and 46 even-dollar transactions at the same store during the 12-month period.

**Full Food Stamp Balance Withdrawal Report**

When formatted properly, this report is used to identify the scenario in which a recipient allows their benefits to be exhausted in a single purchase in exchange for a discounted amount of cash. However, currently this report only shows the last transaction that reduced the card benefits to zero. For our purposes, we reformatted the report and looked at only those transactions that exceeded \$200 and exhausted the remaining benefit.

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Our analysis identified 35,567 cases that conducted 56,713 transactions totaling \$14.6 million at 2,032 retailers in FY13. We found that the top ten recipients, by the sum of their transactions, had all exhausted their benefits at 11 retailers.

<b>RETAILER</b>	<b>AMOUNT SPENT</b>	<b># TRANS</b>	<b>AVERAGE</b>
1	\$23,461	38	\$617
2	5,586	11	508
3	4,905	7	701
4	4,159	9	462
5	4,119	6	687
6	4,087	10	409
7	2,686	7	384
8	1,487	3	496
9	635	1	635
10	612	1	612
11	220	1	220
<b>TOTAL</b>	<b>\$51,957</b>	<b>94</b>	<b>\$553</b>

The average of the top ten recipients' transactions was also significant at \$553 per transaction, ranging as high as \$701. The top retailer, in both the amount of transactions (38) and dollars (23,460.67) was over 70% higher, than the next largest retailer. The top retailer is also the same top retailer in the Manual Card Entry Report. Additionally, the same 28 recipients appeared in the Full Food Stamp Withdrawal Report, the Manual Card Entry Report, and the Even Dollar Transaction Report.

**Division Contracts**

The division managed 820 contracts between July 2010 and June 2013 valued at nearly \$1.2 billion, all of which are subject to a formal closeout process by the DFD at the end of each contract and in addition, may be subject to audits by the Department of Human Services Internal Audit Unit. We identified 145 contracts totaling \$97 million that went through the formal closeout process but had never been audited by the department. We judgmentally sampled seven contracts (five providers) totaling \$34 million.

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Our review disclosed \$4.1 million in exceptions, including general and administrative exceptions amounting to \$3.6 million. The remaining \$474,000 included multiple instances of unallowable and unsupported expenditures, overcharges, and questionable costs. The more significant exceptions include the following.

- Four of the five providers charged general and administrative overhead costs in the amount of \$3.6 million without having presented a full budget. According to DFD policy, these costs are unallowable unless a full budget is presented. The requirement for a full budget is to ensure providers disclose all sources of income and expenses and allows the DFD to accurately fund the grantee in accordance with their needs.
- Three of the providers charged over \$247,000 in personnel costs using unallowable allocation methodologies.
- One non-profit provider, who received contract funds to provide transportation and coordinate addiction services to an at-risk segment of the population, routinely allowed clients the convenience of personal taxi cabs rather than the transportation vendor of record, and despite the availability of less-expensive public transportation. During our ten-month review period from September 2012 through June 2013, taxi services totaled over \$24,000. Taxi services exceeded \$86,000 for the three years prior. When questioned as to the reasonableness of this accommodation, the provider agreed there was no documented emergent use for taxis and that the use of personal taxis would be severely restricted going forward.
- One provider charged the contract “rent” in the amount of \$4,401 although the building was owned by the provider and the payment was for a mortgage payment. According to DFD policy, the principal amount paid towards a mortgage is not an allowable expense.
- One provider could not provide a fee agreement with outside counsel who charged various hourly rates. When questioned, the provider could not explain the variation in the hourly rates. The same provider had no written contracts for cleaning services with two individuals with identical tasks but paid them disproportionately, and neither are self-insured as required by DFD policy.
- One non-profit provider was paid \$70,000 for the salary of a county welfare agency employee whose job assignments were reportedly changed and tailored to assist with the provider’s program-related issues. However, the provider could not furnish the employee’s name or explain the job duties. The provider reimbursed the county for the salary.

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In addition, the DFD funded a program for \$208,889 between January 1, 2012 through September 30, 2012, to provide clients close to “timing out” their TANF and General Assistance (GA) eligibility with the necessary skills to find jobs and be removed from public assistance. The program continued to be funded over several years even though historically only five percent of the clients achieved this goal before losing TANF and GA eligibility. Our review of a two-year period disclosed only 20 of 808 individuals obtained employment prior to losing benefits. A contributing factor to the low success rate is this same program also failed to maintain required staff-to-client ratios. Although the contract required a staffing ratio of 1:33 (one worker per 33 clients), the actual ratio was 1:94 in the first year and 1:48 in the second.

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**Medicare Revenue**

Medicare is a federal health insurance program that is comprised of two major components, Part A and Part B. Medicare Part A is hospital insurance that covers inpatient hospital care including room and board. Patients who are treated for psychiatric conditions in specialty facilities, such as Ancora, are covered for 90 days of care per illness plus a 60-day lifetime reserve with a maximum of 190 lifetime days. Medicare Part B is medical insurance that shares the cost of health care with beneficiaries through the use of an annual deductible and coinsurance. It covers medically-necessary and other preventive services. The Department of Human Services, Division of Mental Health and Addiction Services, Ancora Psychiatric Hospital (hospital) can bill Medicare for covered services when a patient with Medicare Part B coverage is seen by a doctor. Part B also covers certain inpatient hospital ancillary services when coverage is no longer provided under Medicare Part A because benefits have been exhausted. The Department of Human Services, Office of Finance, has the responsibility to submit Medicare claims for reimbursement and to follow-up on denied or rejected claims.

**Medicare Part A Inpatient Hospital Insurance**

During fiscal years 2011 and 2012, the Department of Human Services (department) was reimbursed \$7.6 million and, on average, billed Medicare Part A \$693 per day. Our review of Medicare Part A billings noted the following issues.

- Hospital admission data contained 1,142 patient records for fiscal year 2011 of which 634 indicated no Medicare Part A coverage. However, our review disclosed that 10 of those patients had the coverage already in effect and another 20 patients had applied and had been approved for Social Security benefits. Those benefits, including Medicare Part A and Part B coverage, became effective either during the admission or following discharge, but prior to subsequent re-admission. As a result, updated patient eligibility information was not entered into the billing system utilized by the department. We found 1,010 Part A covered days that were not billed. The hospital has since updated some patients' admission information and billed for 586 Part A covered days. The remaining admissions are currently under review. Our review of fiscal year 2012 noted 593 Part A covered days that were not billed. If all the identified Part A covered days were recovered by the hospital, revenue recoveries would have increased by \$1.1 million.
- The hospital's admission data for fiscal years 2011 and 2012 showed 1,120 admissions with Medicare Part A coverage. When compared with the department's Medicare Part A billing records, 323 of these admissions had no billing histories. A sample of 82 admissions disclosed that the department did not collect 613 Part A covered days from ten admissions. Five admissions had incomplete patient eligibility data accounting for 336 Part A covered days and the department has since billed 247 days. In addition, five other Medicare Part A claims were rejected due to incorrect information. As a result of our audit, the department

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corrected and resubmitted claims for 277 covered days. Our review also disclosed that Part A claims for one patient had not been submitted since admission in 1996. Because Medicare Part A benefits were not exhausted, potentially eligible Part B ancillary services could not be billed. Based on the Medicare Part A daily billing average of \$693, potential recoveries identified in our sample totaled \$424,000.

In addition, our sample included 16 admissions with private health insurance providers. The hospital did not bill private insurance for four of these admissions representing 1,483 hospital days.

#### **Medicare Part B – Physician Billings**

The hospital's Medicare Part B billing clerks regularly review each patient's medical file where doctor visits and procedures performed are recorded. Billable visits are recorded and coded on the Medicare Part B billing log sheet and entered into the department's billing system. Claims are then submitted for reimbursement by the department. Our review of Medicare Part B physician billings disclosed the following issues.

- A sample of patients with a history of Medicare Part B covered medical visits during their admission disclosed that an additional 40 percent of billable physician charges were not claimed. This may have resulted in lost revenues of \$400,000 over fiscal years 2011 and 2012.
- The hospital had, on average, admitted 233 patients monthly with Medicare Part B coverage. However, our audit found an average of only 208 patients with Part B claim submissions included in their admission histories. We estimate that an additional \$135,000 could have been collected if all Part B claims were submitted during fiscal years 2011 and 2012.
- Part B physician billings averaged \$530,000 during fiscal years 2011 and 2012. However, not all doctors were properly documenting patient visits according to the hospital's Medicare Part B billing clerks. An additional \$150,000 may have been collected if the physicians recorded patient visits in detail.
- The department processed an average of 7,700 claims totaling \$555,176 annually during fiscal years 2011 and 2012. An average of 1,565 claims totaling \$107,742 were denied including 219 claims because some staff physicians were not properly registered in the hospital's Medicare billing group. One physician employed since January 2010 had no billings until July 2011.

The department introduced a new Medicare Part B billing system in January 2013 which should alleviate some of the above issues.

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**Medicare Part B – Ancillary Services**

Medicare Part B claims for ancillary services can not be submitted unless Part A billings against a patient are exhausted, completed, or dispositions on prior billings have been received. The billing rates for fiscal years 2011 and 2012 were \$39.92 and \$42.51 per day, respectively, and the hospital was reimbursed \$2 million. The following issues were disclosed during our review.

The hospital records showed 1,029 admissions with Medicare Part B coverage in fiscal years 2011 and 2012. There were no billing histories for 454 admissions. We reviewed 20 such admissions and noted that 5,425 eligible days for seven admissions were not billed. These eligible days included days prior to fiscal year 2011 through December 31, 2012. We estimate, the department did not bill \$1.2 million for admissions with Medicare Part B Ancillary Services coverage.

The department's fiscal year 2011 and 2012 Medicare Part A billing records disclosed 510 patients having zero days paid. If Part A inpatient days for these patients were exhausted, the department should have billed Part B to recover costs. We selected a sample of 231 patients and matched these claims to the department's Part B Ancillary Services billing records. Fifty-eight patients had no ancillary services billings and another 64 patients' billings were incomplete. We further analyzed 10 patients with no ancillary services billings and found that 2,919 eligible days were not billed. We also analyzed 11 patients with incomplete billings and noted that 568 days were not billed. The department has since billed all 3,487 days brought to their attention. These days billed included days prior to fiscal year 2011. We estimate the department could have billed Medicare Part B for an additional \$400,000 in fiscal years 2011 and 2012. Although Medicare Part B recoveries lower the costs included in the county per diem rate calculation, the additional recoveries from both Medicare Part B Physician and Ancillary Services would have had an insignificant effect on the county rate.

**Interim Assistance**

Interim Assistance (IA) is a payment procedure developed by the State of New Jersey and the Federal Social Security Administration. The IA program allows patients who are eligible and have applied for Federal Supplemental Security Income (SSI) to receive an advance of state funds to cover care and maintenance costs at a program sponsor (community home) upon their release from a state psychiatric hospital.

Between fiscal years 2008 and 2013 the hospital disbursed \$3.8 million and recovered only \$2.1 million. IA is intended to act as a revolving fund, serving the needs of the greatest number of patients while regularly recovering advanced funds through the capture of retroactive SSI benefit payments. Our review disclosed that the hospital did not monitor patients' SSI applications once submitted. IA costs are reviewed only when patients' retroactive SSI benefit payments are received by the hospital. Retroactive payments were occasionally sent to patients or their representative payees. The hospital's recovery efforts were insufficient. The hospital maintains a

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manual patient ledger which shows current disbursements and receipts. However, our review disclosed no summary records of amounts outstanding from previous fiscal years. Patients or their representative payees with outstanding balances were not referred to the attorney of the Department of Human Services, Division of Mental Health Services for legal actions as required by the N.J.A.C. 10:38-7.8. Our sample included all IA program recipients during the month of August 2012. As of June 2013 outstanding balances from misdirected retroactive payments totalled \$130,000.

In addition, the hospital's lack of oversight on patient movement while under the care of the program sponsors resulted in overpayments to these sponsors. Requests for refunds were not made, even though the hospital was aware of the overpayments. Our sample disclosed \$3,800 in overpayments to sponsors for IA recipients in August 2012.

**Assistant Directors of Nursing Services**

The Nursing Care Coordinator office (NCC) was established for the purpose of improving the quality of patient care. Operated 24 hours per day, the NCC is staffed through the use of 14 Assistant Director of Nursing Services (ADONS) positions with salaries averaging \$90,938 in fiscal year 2012. All ADONS are in a non-limited (N4) title. Per N.J.A.C. 4A:6-2.3(b)-2, employees in this title work at least a 40-hour workweek with occasional requirements for a longer workweek to complete projects or assignments. These employees are not eligible for cash overtime compensation. However, our audit found that whenever ADONS worked in excess of 40 hours in a workweek, the hospital paid these employees \$45 per hour through the use of a Department of Human Services-approved Special Services title. In fiscal year 2012 these additional payments totaled \$147,000. Excess hours were generally the result of ADONS covering shifts as a result of leave and did not represent extraordinary work activities.

**Purchasing**

The hospital did not comply with the Department of the Treasury Circular Letter 11-10-DPP when procuring goods and services. The hospital employs a buyer who processes all purchases except medical equipment. However, the buyer was not fully utilized. Unit supervisors would make purchases without going through the buyer. We noted the following exceptions.

- We reviewed 65 transactions and found 20 purchase orders and related documents were not approved by the business office, including 13 purchase orders that were prepared after the goods or services were delivered or rendered.
- Nine of the 21 sampled purchases which required quotes did not have proper quotes on file.

In addition, our review found control weaknesses in the areas of language interpretation services, and the purchasing and distribution of patient clothing.

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**Language Interpretation Services**

The hospital paid a vendor for language interpretation services \$706,396 during fiscal year 2011. In addition to the regular hourly rate, the vendor charged a traveling fee based on miles traveled for one language and an hourly travel rate for all other languages. We could not verify if mileage or hours traveled to the hospital were accurate because itemized bills received did not list addresses of these translators. The vendor was awarded a contract in fiscal year 2014 with an all inclusive rate for each language. These rates were higher when compared to the vendor's prior billing method, regular hourly rate plus travel reimbursements. We further noted that these hourly rates were \$13-\$68 per hour higher when compared to the contract interpreter's rates utilized by the state's Administrative Office of the Courts (AOC). In addition, the AOC has a limit on the daily allowance plus reimbursement for miles traveled in excess of 60 miles roundtrip.

**Patient Clothing**

The hospital's clothing expenditure averaged \$305,617 or \$636 per patient during fiscal years 2010 through 2012, which was 50 percent more than the next highest psychiatric hospital. The hospital maintains a clothing unit with four employees responsible for maintaining requisition sheets and receiving reports, completing clothing tagging forms for issued clothing, and updating the inventory system. Our review disclosed the following weaknesses in this section.

The hospital has an inventory system that tracks the receipt and issuance of clothing. Physical counts are performed during the year. However, discrepancies noted during the count were not investigated or adjusted on the inventory system. As of December 2012, the discrepancy between the system's totals and physical inventory was \$309,788. In addition, a portion of the clothing unit storage area is not secured which increases the risk of items being lost through theft.

The hospital averaged 149 clothing purchase orders annually from fiscal years 2010 through 2012. Our review disclosed the following inefficiencies related to these purchases.

- Price comparisons are not performed on items of similar quality among state contract vendors to receive the lowest price. We analyzed seven purchase orders totaling \$34,207 and noted that up to \$13,000 savings may have been realized if price comparisons were performed.
- Non-contract clothing items are purchased through state vendors by utilizing contract line prices associated with other items. This circumvents the Department of the Treasury, Division of Purchase and Property Circular Letter 11-10-DPP bidding requirements.

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**DEPARTMENT OF HUMAN SERVICES  
DIVISION OF MENTAL HEALTH AND ADDICTION SERVICES  
ANCORA PSYCHIATRIC HOSPITAL**

- Incorrect items delivered by vendors are accepted by clothing unit employees. This could result in inferior or worthless product purchases.
- The inventory system is incorrectly updated for price and quantity. This could lead to an incorrect par level reorder point resulting in unnecessary or emergency purchases.

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**ACCOMPLISHMENTS AND RESULTS  
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**TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT**

**State and Federal Grant Programs**

**Title I Program**

The purpose of Title I is to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach, at a minimum, proficiency on state academic achievement standards and state academic assessments. This is to be accomplished through instruction, professional development, and parental involvement. The Township of Lakewood School District (district) is responsible for the administration of this federal program and the internal controls governing the proper distribution of its funds. Funding is allocated between public and nonpublic schools based on total enrollment and the number of low-income students. The district was awarded \$8.7 million, \$15.4 million, and \$14.5 million in Title I, Part A funds for grant years 2011-2012, 2012-2013, and 2013-2014, respectively.

*Reconciliation Procedures*

The New Jersey Department of Education (NJDOE) requires the district to complete a final expenditure report annually in the state's Electronic Web-Enabled Grant (EWEG) system. This report designates both public and nonpublic grant expenditures for the award period. If expenditures are less than the award amount, carryover is generated and allocated to the subsequent year grant award amount. The district has designated specific account codes to track spending of the current year award, as well as carryover funds from the prior year spent in the current year. We were unable to reconcile the 2012-2013 EWEG final expenditure report to the district's financial system. The district only included expenditures from the accounts for the 2012-2013 award amount, and did not include expenditure activity in the carryover accounts during this period. This resulted in an under-reporting of expenditures and an inflated amount of carryover funds to the 2013-2014 grant year. We were also unable to reconcile the district's financial system to carryover amounts reported in the final expenditure reports filed in the EWEG system for the 2011-2012 and 2012-2013 grant years. For example, the EWEG report indicated that no funds were carried over to the 2011-2012 grant year, but \$730,000 was spent out of the district's 2011-2012 carryover accounts according to the district's financial system. Failure to reconcile financial activity recorded in the district's financial system and accurately complete the final expenditure report results in improper allocations of Title I funds to subsequent grant years. It also increases the risk of funds reverting to the federal government because carryovers may not be liquidated within federally required timeframes.

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**TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT**

*Title I Waiver*

At the conclusion of the 2011-2012 school year, the district was granted a waiver by the NJDOE to utilize unspent Title I, Part A funds totaling \$430,000 for other uses. These funds were originally designated for the public school Supplemental Educational Services (SES) program. The waiver specified that these funds would be reallocated between the public and nonpublic schools based on the proportionate number of students. This resulted in \$316,000 of additional funding to be used for nonpublic school services. The district used this funding and issued a Request for Proposal (RFP) to obtain speech, language arts literacy, math, counseling, and applied behavior analysis consultants to provide these additional services in the nonpublic schools. According to the RFP, “The consultant may work up to 12 hours per week as needed.” Our review disclosed that one consultant worked full-time at an hourly rate of \$90 and was paid \$125,000 with Title I funds for the 2012-2013 school year. We visited the nonpublic school where this consultant was to be providing services and the individual was introduced to us as the school principal, a position that cannot be paid with Title I funds. This visit was made during the time of day the district was being billed for the consulting services.

*Supporting Documentation*

Title I, Part A expenditures are being paid with minimal supporting documentation. We judgmentally selected 43 of 1,896 transactions occurring during fiscal years 2012 and 2013 and found 33 did not have adequate supporting documentation, including the following.

- One individual was paid \$55,000 during the 2012-2013 school year as a professional development/parental involvement consultant for a nonpublic school. A district form was completed indicating that this individual would oversee Title I services and assess performance and the need for adjustments. According to the form, these services would be provided between 9:00 a.m. and 4:00 p.m. daily for the entire school year. We found no timesheets or activity logs to determine if services were provided. Furthermore, Title I guidance defines the term “professional development” as a comprehensive, sustained, and intensive approach to improve teachers’ and principals’ effectiveness in raising student achievement. Based on the documentation provided, this individual appeared to be serving in an administrative capacity, not providing professional development.
- In June 2011, the Township of Lakewood Board of Education (board) approved a vendor to perform an evaluation of nonpublic Title I and Individuals with Disabilities Education Act (IDEA) services during the 2010-2011 school year. According to the board minutes, the cost of this analysis would be paid by the vendors contracted to provide Title I and IDEA services in the nonpublic schools. The district paid the vendor \$21,500 on October 28, 2011. According to management, credits were issued on subsequent vendor invoices to reimburse the district for the cost of the analysis; however, we were not provided with documentation to verify these credits were issued.

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**TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT**

- The district utilized a law firm based out of Washington, DC during the 2011-2012 school year to provide legal research and opinions on various Title I issues. Services were billed at an hourly rate of \$305 and the firm was paid \$46,600 during the 2011-2012 school year. We tested one \$13,000 payment made in December 2011 and found inadequate supporting documentation. Included on the invoice was \$1,700 for airfare for an attorney to make an onsite visit to Lakewood, as well as billable hours for various research and analysis performed by the attorneys. We were not provided with documentation regarding the conclusions drawn from the research and analysis, and there was no documentation to support the cost of attorney travel expenses. In addition, we were unable to substantiate the need for the onsite visit.
- In June 2012, the district hired two consultants, one in the area of community needs and advocacy, and the other in the area of special student services and funded programs. These consultants were paid a total of \$22,900 for their services at hourly rates of \$100 and \$175, respectively. Supporting documentation for these services consisted of invoices referencing discussions between each other and the board attorney. The invoices also referenced a presentation at a district meeting and a report of recommendations. We were not provided with an outline of the presentation or the report of recommendations. In addition, it appears that some of the consulting involved IDEA services, yet all invoices were paid with general fund or Title I funds.
- The district paid a vendor \$104,000 for a professional development conference in February 2012 which teachers from various nonpublic schools were to attend. This conference is one of a series of seminars provided by this vendor annually. We sampled two conference fee payments to this vendor totaling \$20,450 for 45 individuals from two nonpublic schools. We were provided minimal documentation of what was covered at the conference and there were no sign-in sheets documenting which teachers actually attended. We were also unable to determine if all attendees were teachers of Title I students. This vendor was paid a total of \$507,000 during fiscal years 2012 and 2013.
- The district paid an individual \$2,500 for providing professional development at a nonpublic school. Supporting documentation for this payment was a memo indicating that five teachers would attend a three-day multisensory reading course in July and August 2011. We were not provided with course agendas and materials to document professional development content or a sign-in sheet to document teacher attendance. We were also unable to determine if the five individuals were teachers of Title I students.

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**ACCOMPLISHMENTS AND RESULTS**  
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**TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT**

**IDEA Program**

The Individuals with Disabilities Education Act (IDEA) is a federal law ensuring special education services to children with disabilities. IDEA governs how states and public agencies provide early intervention, special education, and related services to eligible infants, toddlers, children, and youth with disabilities. The district is allocated grant funds for both public and nonpublic school students. The nonpublic school allocation is a proportionate share based on the number of students with disabilities parentally placed in nonpublic schools. The total IDEA award amount for the 2012-2013 grant year was \$6 million, of which \$4.8 million was allocated for nonpublic school students. The majority of the public school IDEA allocation is utilized to offset out-of-district special education tuition expenses. Using the nonpublic school IDEA allocation, the district has developed two major programs to service eligible students. The first program, the Non-Public Supplemental Services Program (NPSSP), provides early childhood education to children with disabilities. This program was provided by a contract vendor at a cost of \$1.7 million and is comprised of nine pre-school and three kindergarten classes. The second program, the Supplemental Resource Center Program (SRCP), provides math, reading, and writing in a small classroom setting for students with disabilities. This program was provided by two contract vendors at a cost of \$3.1 million and is comprised of 42 classes. Our review of these programs revealed the following.

*Budget and Board Approval*

Although the nonpublic school IDEA allocation was \$4,809,682 for the 2012-2013 grant year, the district entered into contracts totaling \$4,834,700 with third-party vendors to provide services to the nonpublic schools, which was \$25,000 over the amount allocated for nonpublic use. We also noted other IDEA expenditures that were paid out of the general fund and would have further added to the program funding deficit. The following excerpts from the 2012 board minutes indicate that items will be paid with IDEA funds, yet they were paid from the general fund.

- August 30, 2012 Minutes - “Approval of Lease Agreement with Bais Rivka Rochel in the amount of \$167,000.00 for the property located at 685 River Avenue, Lakewood, NJ to be utilized for the Non-Public Supplemental Services Program for the 2012-2013 school year. Rent to be paid monthly beginning September 1, 2012 and ending June 30, 2013 in the amount of \$16,700.00 per month. (Paid through IDIEA [sic] funds).”
- December 6, 2012 Minutes - “Approve a maximum amount \$375,000.00 for Tender Touch, occupation therapy, for non-public schools (paid through IDEA funds).”

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## ACCOMPLISHMENTS AND RESULTS SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS

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### TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT

According to IDEA guidelines, state and local funds may supplement and in no case supplant the proportionate amount of federal funds required to be expended for private school children with disabilities. According to management, the board has designated certain local funds for this purpose; however, the board minutes do not specify that these are supplemental funds or list the general fund account number which may not be transparent to the public. The total additional general fund amount spent for nonpublic school IDEA expenditures during the 2012-2013 school year was at least \$1 million. In addition to the NPSSP rent and Tender Touch contract, the district paid salary and benefit costs for five district employees whose schedules were allocated between public and nonpublic school students, as well as the stipend for the IDEA coordinator. As of September 2013, the district no longer utilizes public school employees to service nonpublic school students.

#### *Supplemental Resource Center Program (SRCP) Class Size*

The district is not maximizing SRCP class sizes. During the 2012-2013 school year, the district contracted with two vendors to provide SRCP classes at the nonpublic schools. The vendors are paid \$60,000 per class plus the additional costs of instructional assistants. Pursuant to the contract, SRCP class locations will maintain an average enrollment of at least eight students. The contract specifies that locations that fail to maintain these minimum student averages could result in cancellation by the board. We reviewed student enrollment during January 2013 through March 2013 for 15 schools with 37 SRCP classes and found that, on average, seven schools did not maintain the minimum student enrollment. The contract also requires the vendor to provide written notification if enrollment in any class drops below eight or an average of eight students at any time after December 1<sup>st</sup>. We asked for such notices and none were provided. We estimate the district could have saved \$165,000 during our three-month review period if classes with enrollment of less than eight students were canceled. Based on our analysis, four classes could have been merged into another class, and four classes could have been canceled.

#### *Supplemental Resource Center Program (SRCP) Class Scheduling*

Our review of the class schedules for the SRCP program found one instance where the same teacher was assigned to two classrooms scheduled to meet at the same time. The contract requires that each class will receive instruction from at least one certified special education teacher. According to management, the vendor utilized paraprofessionals as teachers in the two classrooms while the certified teacher was supervising. The same individual was also listed as the supervisor of classes at other nonpublic schools. The district discussed this issue with the vendor and a credit of \$60,000 was issued.

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## ACCOMPLISHMENTS AND RESULTS SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS

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### TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT

#### *Services Plans*

Chapter 193 evaluation procedures are provided for the purpose of determining eligibility for special education and related services, and for developing a services plan outlining the services that will be provided. According to IDEA guidelines, services plans are required only for those parentally placed private school students with disabilities whom the local education agency (LEA) has elected to serve and should reflect only the services that the LEA has determined it will provide to the student. Any additional accommodations being provided by the private school should not be part of the services plan. The services plan must be developed, reviewed, and revised consistent with the individualized education program (IEP) requirements. We judgmentally selected 48 students out of 274 students enrolled in the SRCP program that had services plans posted on the district's file management system to determine if Chapter 193 and IDEA services were being provided in accordance with the services plans. We compared the May 2013 vendor billing records for IDEA, Chapter 192, and Chapter 193 services to the services plans and noted the following.

- Forty-five of forty-eight student services plans required a different SRCP frequency or duration than the service provided. Forty-one of these students received other services during the SRCP class time.
- Seventeen of forty-eight student services plans required a different supplemental instruction frequency or duration than the service provided.
- Twenty of thirty-eight student services plans required a different speech frequency or duration than the service provided.

SRCP classes are designed to provide math, reading, and writing in a small classroom setting for students with disabilities and were paid at a flat rate of \$60,000 per class. The same vendor is also providing and billing for Chapter 192 math and reading services during these SRCP classes. This appears to be a duplication of services. In addition, we found instances where supplemental instruction and speech therapy was provided by this vendor during the SRCP scheduled class time.

#### *Non-Public Supplemental Services Program (NPSSP) Lease*

The district is paying expenses that are outside the scope of a lease agreement. Classroom space is leased by the district during the 10-month period from September through June for the nonpublic early childhood program. The agreement was initiated in June 2005 and the terms and conditions between the parties remain unchanged. According to the agreement, the district is required to pay utility expenses during the lease period. Our testing revealed that the district has been paying half of the electric bills for July and August which fall outside the lease period. The district paid \$3,700 for usage during July and August of 2012.

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## ACCOMPLISHMENTS AND RESULTS SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS

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### TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT

#### Chapter 192 and Chapter 193 Programs

The district is responsible for the administration of the state-funded Chapter 192 and Chapter 193 programs. These programs provide services to eligible students enrolled full-time in nonpublic elementary and secondary schools in the state. Chapter 192 provides students with auxiliary services such as compensatory education, English as a second language, and home instruction. Chapter 193 provides students with remedial services such as evaluation and determination of eligibility for special education and related services, supplementary instruction, and speech-language services. The district contracts with vendors to provide Chapter 192 and Chapter 193 services at the nonpublic schools. Payments to these vendors are made based on state-approved annual per pupil rates. The district spent a total of \$13.9 million and \$14.8 million of Chapter 192 and Chapter 193 funding during fiscal years 2012 and 2013, respectively. Regulations permit the district to utilize up to six percent of these funds for the administration of the program. Pursuant to the uniform chart of accounts, the district maintains several accounts in recording the activity of Chapter 192 and Chapter 193 services. Our review of these programs noted the following.

#### *Compensatory Education*

Compensatory education services are available to eligible students in language arts literacy (reading and/or writing) and mathematics. The district contracted with vendors to provide these services to eligible nonpublic school students. In addition to these contract vendors, we found 13 consultants paid from the account dedicated for compensatory education that did not provide compensatory education. Payments to these consultants totaled \$325,000 and \$201,000 during fiscal years 2012 and 2013, respectively. We judgmentally selected 12 payments to 10 of these consultants who were paid at an hourly rate with no evidence of a competitive procurement process or cap on total compensation. Examples of their job titles included Educational Consultant and Behavioral/Social Skills Consultant, which appeared to be unrelated to compensatory education. Supporting documentation provided for these services was inadequate and vague. Payments were made to some of these consultants for meetings with students, parents, and principals at certain nonpublic schools; however, none of them appeared to be providing language arts literacy or mathematics instruction.

#### *Speech-Language*

Eligible students receive speech-language services by an appropriately certified specialist that include language, articulation, voice, and fluency. In addition to the Chapter 192 and Chapter 193 contract vendors, the district paid five vendors to provide speech services at an hourly rate that exceeded the state-approved rate. These vendors were paid a total of \$63,000 and \$91,000 during fiscal years 2012 and 2013, respectively. We judgmentally selected three payments to three of these hourly vendors, which were comprised of speech services totaling \$10,300, and found that they were overpaid by more than \$7,200 since these vendors were not paid based on the state-approved rate.

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## ACCOMPLISHMENTS AND RESULTS

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#### TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT

##### *Home Instruction*

Home instruction is provided to eligible students who are enrolled full-time in a nonpublic school and are unable to attend school for at least ten consecutive school days or 15 cumulative school days during the year due to certain health conditions. The district paid a total of \$190,000 for fiscal year 2012 and 2013 home instruction services, of which \$170,000 was paid to a contract vendor. Payments totaling \$20,000 were made to three other individuals at an hourly rate that exceeded the state-approved rate. In addition, subsequent to December 2012, one of these individuals provided home instruction at the same time that they were scheduled to provide other Chapter 192 services as an employee of one of the contract vendors. Home instruction forms were completed and signed by the student's guardian for a timeframe that overlapped the timeframe that this individual was signed in as a teacher at a Chapter 192 class. This individual was paid \$8,640 for home instruction between January 2013 and June 2013.

##### *School Visits*

In May 2013, we judgmentally selected five nonpublic schools to visit and obtain an understanding of Chapter 192 and Chapter 193, IDEA, and Title I services being provided. Subsequent to our visits, we revisited one of these nonpublic schools to observe Chapter 192 and Chapter 193 services being administered to determine if services were being provided as scheduled. We visited SRCP, Chapter 192 math, and Chapter 192 reading classrooms. Students appeared to be receiving services in each of these classrooms. However, we did not determine if the students were the same students that were noted on the vendor's schedules. In one instance, we asked to observe a specific speech class. When we arrived, there was a teacher but the scheduled students were not present. The administrator tried to locate the students while we visited another class. Upon returning to the speech class, two students were present but they were not the students scheduled for that time slot on the vendor's schedule. These students were scheduled for later in the day. After leaving to visit another class, the two students from the speech class passed us in the hall to return to their actual scheduled class at that time.

We attempted to schedule a visit to one of the other nonpublic schools we initially visited to observe Chapter 192 and Chapter 193 services being administered, but there was a misunderstanding regarding the confirmation of our visit. After speaking with the school principal, we were told that visiting the school an hour later than we were scheduled would not be beneficial, as all services were ending and no classes were being held. Upon review of the vendor's class schedules, there should have been 34 classes in session at the time we would have made the visit. Furthermore, the attendance records showed that several students were marked present in these classes at the time of the proposed visit.

Subsequent to our visits, using allowable Chapter 192 and Chapter 193 administrative funding, the district hired three individuals to aid in the administration of the program and to monitor services being provided in the nonpublic schools. According to management, these individuals make visits to the nonpublic schools and determine if services are being provided to the students as scheduled.

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## ACCOMPLISHMENTS AND RESULTS SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS

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### TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT

#### Legal Costs

In accordance with N.J.A.C. 6A:23A-5.2, districts with legal costs that exceed 130 percent of the statewide average cost per pupil are required to implement certain procedures to reduce these costs. The district meets this criteria and has not yet adopted these procedures.

In April 2012, the Lakewood Board of Education appointed a law firm as legal counsel by board resolution at a rate of \$200 per hour. The resolution was made without public bidding as allowed by law since it is for professional services. During fiscal year 2013, the district paid this firm a total of \$1.1 million for legal services. In June 2013, the district issued a Request for Proposal (RFP) for legal services for the 2013-2014 school year and received responses from ten law firms. The original firm responded with an average hourly rate of \$161. Our review of their May and June 2013 bills found that this firm had reduced its rate to \$155 per hour. The district could have potentially saved \$204,000 in legal expenses during fiscal year 2013 if an RFP for these services had been issued. We used the firm's average rate from the June 2013 RFP to estimate these savings.

In addition, only \$15,000 of the \$125,000 in legal expenses for nonpublic schools was charged to the special revenue fund. Title I, Chapter 192, and Chapter 193 programs provide for administrative costs which could be used for nonpublic school legal fees. It should also be noted that, according to the invoices we reviewed, \$128,000 or 11 percent of the legal expenses were related to legal issues between the district and a former board attorney.

#### Lease Agreements

The district has entered into a facilities contract with one of the vendors that provides Chapter 192 and Chapter 193 services to students in the nonpublic schools. This agreement between the district and the vendor is for the use of vendor-owned modular and mobile classroom units that are located at the nonpublic schools, as well as classroom space within the nonpublic schools. The contract specifies that the district will provide the vendor with the funds necessary to pay the nonpublic schools for classroom space. The vendor is then required to pay the nonpublic schools within ten business days of receipt of these funds. During fiscal year 2013, the district paid a total of \$292,500 to the vendor for the use of classroom space within the nonpublic schools. An additional \$147,500 was paid to another vendor utilized by the district for the rental of nonpublic school classroom space.

The contract includes language that specifies, "the Board has provided documentation from an attorney for the New Jersey Department of Education that seems to allow a payment from a District vendor to a nonpublic school, so long as the statutory cost limitations are not exceeded." This documentation is a series of emails between a former board attorney and an employee of the Department of Education. However, a letter dated April 1, 2011 from the Department of Education to the former board attorney states that the cost of rent to provide Chapter 192 services in a nonpublic school during the school day is not an allowable cost. We found these nonpublic school rental payments have continued subsequent to the date of the letter.

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**ACCOMPLISHMENTS AND RESULTS**  
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**TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT**

**Special Education Tuition**

During fiscal years 2012 and 2013, the district paid tuition costs totaling \$33 million for out-of-district placements. Tuition is typically paid to approved private schools to provide public school students with special education programs that the district could not otherwise provide. These schools and their tuition have been approved by the New Jersey Department of Education (NJDOE). Students with disabilities may also be placed in accredited nonpublic schools which are not specifically approved for the education of students with disabilities with the consent of the Commissioner of Education, by an order of a court of competent jurisdiction, or by order of an administrative law judge as a result of a due process hearing. We judgmentally selected 31 of the 324 students that were sent out-of-district during the 2012-2013 school year of which 16 were attending unapproved nonpublic schools. Issues noted during our review follow.

- We were not provided with any court orders or forms signed by the Commissioner of Education documenting the approval of the 16 unapproved nonpublic school placements. Nor were we provided with documentation substantiating the accreditation of the nonpublic schools where these students were placed.
- We were unable to determine how the tuition costs for these unapproved nonpublic schools were calculated. Tuition for these placements ranged from \$9,800 to \$55,000 per year and totaled \$363,700.
- Eighteen placements had insufficient attendance documentation for the school year. Attendance should be submitted with monthly billings to provide assurance the student is attending school. Instances were noted where there were missing monthly attendance sheets or the attendance sheet was not clear on the days present or absent.

**Payroll and Personnel**

*Extra Compensation Monitoring*

Extra compensation is approved at board meetings for various reasons including substitute teacher wages, non-contractual stipends, extracurricular activities, overtime, home instruction, mentoring, and payments for unused sick time. Extra compensation totaled \$4.8 million for calendar year 2012. We excluded certain extra compensation payments from this test including post-retirement accrued leave time payments as they were tested separately. Once approved for extra compensation and the work assignment is completed, the employee will fill out a payroll voucher and submit it to the payroll unit for payment. We judgmentally selected 39 employees with 236 extra compensation vouchers totaling \$167,500 during calendar years 2011 and 2012 and identified the following issues.

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### TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT

- Ninety-one vouchers were improperly paid. These improper payments totaled \$62,500 and were made to 15 of the 39 employees tested. For example, three employees received overtime payments totaling \$53,000. According to their employee contracts, they were ineligible to receive overtime payments. They were classified as executive secretaries that are not eligible for overtime payments in accordance with federal and state wage and hour laws.
- Ninety-two vouchers lacked proper supporting documentation to substantiate the payment. We found one employee that was paid \$15,000 out of the extra pay code instead of a salary code. This employee retired from the district and returned to work part-time in the business office. Payroll vouchers were not completed to document the hours worked and there was no contract to substantiate the work arrangement. We also found the salary for this employee to be excessive when prorated and compared to their salary prior to retirement.
- One hundred twenty-seven of the vouchers reviewed were approved using signature stamps. Vouchers often lacked detailed information including the actual hours worked, and supervisory signatures and dates. We noted one voucher totaling \$1,560 that was paid for overtime during calendar year 2011. This payment was approved using a superintendent's signature stamp and was not dated by the individual who stamped the document. There were no actual signatures documenting supervisory review. This voucher was submitted by the former payroll manager.
- Fifty-four vouchers were for services that lacked prior approval by the board of education.
- Thirty vouchers were paid more than 30 days after work was documented to be completed, increasing the risk of errors being undetected. Eight of these vouchers were paid more than 50 days after work was completed. There was no time limit set by management for the submission of vouchers.

During our audit, the extra compensation voucher was revised and requires more detailed information in order to be approved for payment. According to management, incomplete payroll vouchers will no longer be processed and voucher issues are immediately discussed with the employees and supervisors.

#### *Final Leave Balance Payments*

Improper leave balance payments were made by the district. We judgmentally selected a sample of unused sick and unused personal leave balance payments made to 22 retiring individuals in calendar years 2011 and 2012 to determine if these payments are being made in accordance with the negotiated agreements and employee contracts. In addition, we selected five individuals that were included on the March 2013 and July 2013 board minutes to be approved for payment, to verify the accuracy of the payment calculations. Payments and anticipated payments for these employees totaled \$640,000. This sample included employees covered under the Lakewood Education Association (LEA) and Lakewood Administrators' Association (LAA) agreements, and non-union employees. Leave balance testing was comprised of a review of leave records

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## ACCOMPLISHMENTS AND RESULTS SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS

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### TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT

maintained in employee personnel files. These documents consisted of old manual leave records and computer-generated reports. Our testing noted the following.

- Payments were improperly calculated and paid to 17 retirees. Leave records could not be located for three individuals. Underpayments totaled \$12,100 while overpayments totaled \$44,800. In addition, calculation errors totaling \$14,300 were noted for three of the five individuals included on the March 2013 and July 2013 board minutes. Payments to four individuals were not made in accordance with the LEA agreement, LAA agreement, or non-union employee contracts. For example, one individual was paid for 50 percent of their leave time balance when they were only eligible for 40 percent resulting in an overpayment of \$9,800. Another employee submitted a voucher for payment which was board-approved at the 50 percent rate when they were only entitled to 40 percent, resulting in a potential overpayment of \$12,700. We brought this to management's attention and the amount had been corrected prior to payment.
- All 25 payment vouchers tested were missing signatures and dates required for approval and completion. Many of these vouchers were approved using a superintendent's signature stamp and were not dated by the individual who stamped the document. In these instances, there were no actual signatures documenting supervisory review.
- Nine employees utilized more personal days than allowed in one year. Employees receive four or five personal days each year depending on their job title and date of hire. Personal days accrue for retirement purposes only. These additional days were not deducted from the accrued personal leave balances.

Many of these leave balance errors were caused by human error on old manual leave records and balances that were not carried over correctly when the district migrated to different financial systems. Payments for unused sick and unused personal leave are now capped at \$15,000 for LAA employees hired after June 2009. Payments for LAA employees hired prior to July 1, 2009 are capped at their value as of June 30, 2013, or \$15,000, whichever is greater. No additional accumulated time will be paid; however, days will continue to accumulate for use. This stipulation may limit the risk of future overpayments.

#### *Leaves of Absence*

Employee health benefits coverage will typically continue for the first three months of leave; however, the employee is responsible for paying their required health benefit contributions. Coverage may continue for an additional nine months provided the employee pays the full cost of health benefits. We judgmentally selected a sample of 20 employees that took a leave of absence in calendar years 2011, 2012, or 2013 to determine if the leave was proper and that required health benefit contributions were received. Our review revealed 12 employees that were not paying required health benefit contributions or the full cost of the premium depending on the length of leave. We estimate that these unpaid contributions totaled \$95,400 for these employees. In addition, health benefits coverage continued for some individuals after it should have been

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## ACCOMPLISHMENTS AND RESULTS SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS

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### TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT

discontinued. Testing was not performed on three individuals whose personnel files could not be located by the district. The district is also not tracking leave classifications taken by employees which could result in employees not being eligible for subsequent leave periods. The district is currently developing a methodology to track leave classifications and required contributions for future leaves of absence.

#### Observations

##### *Transportation*

In accordance with New Jersey Administrative Code, the district provides transportation to public and nonpublic school students who reside beyond two and one-half miles from their assigned high school (grades 9 through 12) and beyond two miles from their assigned elementary school (grades preschool through 8). The district, at their own expense, has also elected to provide non-mandated (courtesy) busing to public and nonpublic school students who would otherwise walk along the numerous hazardous routes identified in the township. During the 2012-2013 school years, 24,061 students were transported, of which 10,495 were provided courtesy busing. Because of significant student population growth within the municipality, transportation costs had increased to \$19.6 million for the 2012-2013 school year. In an effort to provide an efficient student transportation system, initiatives have been proposed to the board at various monthly meetings that would result in significant savings to the district. A tiered busing system has been developed and implemented for students attending the public schools. The following nonpublic school initiatives have not been adopted.

- The majority of the nonpublic school bus routes in the district are segregated by gender. Since most of these schools have a 9:00 a.m. start time, the demand causes increased pricing by the vendors. Separately tiering the bell times for the girls and boys nonpublic schools could save the district up to \$6.7 million. For example, starting school at 8:30 a.m. for girls and 9:15 a.m. for boys would enable the busing contractors to bid on tiered routes which would reduce the overall number of buses needed and create more competitive route pricing.
- Currently, there are separate buses for each nonpublic school. Savings of approximately \$750,000 could be achieved if routes were developed by school locations, not specific schools. This would result in shorter bus routes and fewer buses.
- Currently, nonpublic schools could have two starting times and as many as five ending times which creates inefficiencies and the need for one-way routes. Providing transportation to nonpublic schools based on a single opening and closing bell schedule for each school building could save the district up to \$1.2 million. This initiative has been presented to the board's transportation committee.

It should be noted that tiering the bus routes could reduce the savings of other proposed initiatives.

**ACCOMPLISHMENTS AND RESULTS**  
**SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS**

**TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT**

*IDEA Program*

The Individuals with Disabilities Education Act (IDEA) is a federal law ensuring special education services to children with disabilities. IDEA governs how states and public agencies provide early intervention, special education, and related services to eligible infants, toddlers, children, and youth with disabilities. The district is allocated grant funds for both public and nonpublic school students. The district receives the most nonpublic IDEA Basic funding in the state. During the 2011-2012 grant year, the district received \$4 million, approximately 18 percent of the total nonpublic IDEA Basic funding in the state. In comparison, the second highest district received \$700,000. The district has developed two main programs to service the student population. We noted certain inefficiencies in our IDEA finding included in this report for one of these programs that provides instruction for students with disabilities at a cost of \$60,000 per class. According to Lakewood’s IDEA application for the 2011-2012 grant year, there were 3,547 eligible parentally placed private school students with disabilities, of which only 426 (12 percent) would receive services through IDEA Basic funds. Because of this, we compared the 2011-2012 IDEA applications for the top six districts that receive nonpublic IDEA Basic funding and calculated per student amounts and percentages. These districts are summarized in the chart below.

	Lakewood	Passaic City	Jersey City	Elizabeth	Paramus	Hamilton
Eligible Students with Disabilities	3,547	461	249	298	406	341
Proportionate Share	\$3,984,679	\$ 793,446	\$ 780,493	\$ 669,559	\$ 505,822	\$ 454,314
Students Who Will Receive Services	426	461	249	298	406	286
Amount Per Eligible Student	\$ 1,123	\$ 1,721	\$ 3,135	\$ 2,247	\$ 1,246	\$ 1,332
Amount Per Student Served	\$ 9,354	\$ 1,721	\$ 3,135	\$ 2,247	\$ 1,246	\$ 1,589
Percentage of Students Served	12%	100%	100%	100%	100%	84%

The district should determine if the continuation of the programs are the most effective use of these funds. Providing other IDEA approved programs or services could potentially benefit a greater population of nonpublic school students with disabilities.

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## ACCOMPLISHMENTS AND RESULTS SIGNIFICANT COST SAVINGS AND REVENUE ENHANCEMENTS

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### Transportation Trust Fund Authority

#### Loan

New Jersey statute states that aid to counties and municipalities administered by the department may, at discretion of the commissioner, be disbursed on a grant basis. The Department of Transportation (department) signed an agreement on October 14, 1997 to loan the City of Elizabeth \$5 million to support the construction of road improvements for the MetroMall project. The agreement stated Elizabeth shall repay the loan in consecutive annual payments of \$500,000. The first payment was due 11 years after the MetroMall project received its final certificate of occupancy, upon the appropriate billing from the department. Elizabeth's MetroMall received its final certificate of occupancy on January 11, 2000. Therefore, the 11 year period expired over three years ago. This had been the only instance that the department granted a loan, therefore proper controls had not been developed to administer the repayment process. Consequently, the department has not billed, nor received, a single payment on the loan. Upon being notified of this weakness, management took immediate action to start a loan repayment plan.

#### Observation

##### Future Funding Issue

The state's plan to institute a "pay as you go" philosophy was predicated on available dedicated revenue sources, including motor fuels taxes and sales tax, being used to fund current transportation projects. This would allow the Transportation Trust Fund Authority's (TTFA) reliance on bond issuances to be lightened. In fiscal year 2014, almost all dedicated revenue sources, including a sales tax appropriation of \$189.5 million over the statutorily mandated amount of \$200 million per year, were used to fund debt service. The sales tax dedication for fiscal year 2015 is \$517 million.

The TTFA has a 2015 bonding cap of \$735 million. Combined with the \$326 million of unused 2014 cap space, the TTFA plans to issue \$1.062 billion in bonds in 2015. An unused 2014 cash balance combined with the bond issuance will support project spending authority in 2015 of \$1.225 billion.

With the "pay as you go" philosophy in mind, the 2016 bonding cap was statutorily reduced to \$626.76 million. This amount plus any unused cash balance will fall short of the current funding level on projects. The TTFA has the option to issue refunding bonds, but that will only create new debt service for future years, compounding the issue. If the annual bonding cap is not raised, or an effort is not made to increase dedicated revenues, the fund will be unable to fully fund expected 2016 transportation infrastructure needs.

Motor fuels taxes have remained flat at \$540 million over the last decade. The Gasoline and Diesel Taxes are 10.5 cents and 13.5 cents per gallon, respectively, and have not been increased since 1989. Per a 2011 report by the Institute on Taxation and Economic Policy, 35 states have increased their gas tax since New Jersey's last increase.

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## ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

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### Civil Service Commission

#### Observation

##### Operational Efficiencies

In 1908, New Jersey adopted a civil service system. The rationales were to assure fairness in the hiring, promotion, demotion, and firing of government employees; minimize nepotism; evaluate whether potential employees could perform the duties of the job title through formal testing; and protect employees from the effects of shifts in political administrations.

We surveyed several civil service jurisdictions to obtain an understanding of their opinion of the process. It was the consensus that the process safeguards against nepotism, offers job security, and the rules are fair and equitable. Additionally, they commented that the commission's professional staff is accessible and immensely helpful in the process. However, they felt the hiring process is archaic and slow. Several commented the supervisory exam was not an accurate measure of one's performance because the test is not job specific. They also commented they were forced to hire candidates not best suited for the position. Finally, they had concerns over why certain titles are open competitive and require testing. Our review of the various tests showed that numerous unrelated trainee positions are tested using the same generic exam, when education requirements such as a college degree could measure aptitude as well as an exam. For example, Agricultural Products Agent Trainee, Financial Examiner Trainee, and Personnel Trainee are all given the same exam.

A similar survey was taken of municipalities who do not participate under the civil service process. While testing was also given for select positions, they commented they had better budgetary control over their expenditures. Additionally, they have the ability to cross-train individuals without issues regarding the employee working "out of title".

The Civil Service Commission (commission) processed approximately 3,100 non-public safety eligibility lists in fiscal year 2013. A list can be generated by exams, waivers, or rating candidates by quantifying their education and experience. Seventy-three percent of the lists were generated using the evaluation of education and experience. Exams were only administered for 22 percent of the non-public safety lists. Our review of the appointing process disclosed, on average, a position that requires testing takes 278 days for a list to be promulgated. If the position does not require a test, the average is 151 days. Additionally, we found 120 positions with only one eligible applicant for which a test was still administered.

Currently, the commission has an initiative to reduce the number of titles and is converting open competitive to noncompetitive titles. In an effort to streamline the process, they have reduced the number of titles from approximately 7,430 to 4,958 over the last four years. They are also proposing job banding which would allow appointing authorities to promote individuals through certain career path titles. The commission should continue to explore all options to make the process more efficient.

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## ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

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### Department of Community Affairs Division of Fire Safety and Division of Codes and Standards

#### Inspection Backlogs

The Department of Community Affairs, Division of Codes and Standards (division) is required to inspect various types of facilities and equipment. We reviewed division-prepared reports and found numerous backlogs in certain areas. The division is required by New Jersey Statute to perform annual physical and social inspections of most boarding homes. A social inspection includes a review of programmatic service requirements, staffing, dietary requirements, and the management of funds. Our review of division reports found that 147 of the 757 Class A boarding homes (19%) did not have a physical inspection performed within 13 months. Our review of division reports found that 9 of the 140 Class B, C, D, and E boarding homes (6%) did not have a physical inspection performed and 10 homes (7%) did not have a social inspection performed within 13 months. The division is also required to inspect all homeless shelters and all health care facilities. Although the statutes do not specify how often these inspections should be done, the Bureau Chief stated the division's unwritten policy is to inspect them annually. Our review of division reports disclosed 15 of the 133 homeless shelters (11%) did not have a physical inspection and a social inspection within 13 months. Our review also found that 9 of the 77 resident health care facilities (12%) did not have a physical inspection and a social inspection within 13 months. Although division personnel state that emergency inspections are done immediately, these backlogs of inspections could result in unsafe living conditions for the residents housed in the uninspected facilities.

The New Jersey Administrative Code requires the division to inspect all small liquefied petroleum gas (LPG) facilities annually. The division's policy is to inspect each facility once per calendar year. A small LPG facility is a facility that has a liquid withdrawal of any size up to 9,999 gallons or vapor withdrawals of between 2,000 and 9,999 gallons. Our review of division reports found that 153 of the 976 small LPG tanks (16%) had not been inspected in calendar year 2013. Of these 153, 79 had not been inspected in calendar year 2012. Small LPG tanks that are not inspected annually can result in unsafe working conditions and could be a danger to individuals in the vicinity of the tanks.

Division personnel have stated the lack of resources and increased staff responsibilities have contributed to the various backlogs.

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## ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

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### Department of Education School District Administrative Costs

#### Observations

##### School District Consolidation

Under NJSA 18a:7-8(h), each executive county superintendent (ECS) was required to recommend to the commissioner of the Department of Education a school district consolidation plan to eliminate all districts, other than county-based districts and other than preschool or kindergarten through grade 12 districts in the county, through the establishment or enlargement of regional school districts. The New Jersey Administrative Code establishes the procedures to develop the recommendations, including the requirement to perform feasibility studies. Each ECS submitted a report to the commissioner in March 2010. (One county did not need to because all of its districts are K-12.) Of the 20 reports, 7 identified 30 feasibility studies that should be completed, potentially eliminating at least 104 districts. None of the recommended feasibility studies have been performed by the Department of Education (department). Each report indicated there was no funding available to perform the recommended feasibility studies.

In fiscal year 2013, there were 278 K-6/K-8 school districts with a total of 507 schools and total administrative costs of \$270 million. This includes 144 single-school K-6/K-8 districts with total administrative costs of \$63.5 million, of which \$26.9 million was for general administrative costs, including \$14.8 million in general administration salaries. We further obtained salary information for 131 of these districts and found 90 districts with a full-time superintendent and/or a full-time principal, with combined salaries of \$13.4 million, and 70 also paid school business administrators \$5.3 million in combined salaries. In addition, there were 18 with both a full-time superintendent and a full-time principal earning an average of \$121,000 each.

In the absence of consolidation, the county offices have made efforts to get districts to share services, particularly within their administrative structures. These efforts are likely a primary reason for the decrease in school and general administrative salary costs reported by the districts in fiscal year 2013. While we acknowledge the difficulties in getting districts to consolidate, the department should increase its efforts to get districts to do so while continuing its efforts in the area of shared services.

##### Teachers' Schedules

We judgmentally selected nine districts with low student-to-teacher ratios and reviewed their current Position Control Rosters (PCR) and schedules for 1,859 certified teachers having salaries totaling \$118.5 million. We found 90 teachers (4.8%) with salaries totaling \$5.5 million who were on their district's PCR but had no classroom schedule. We also found an additional 57 teachers (3%) with combined salaries of \$3.9 million who had fewer than 16 classroom hours per week. For certification purposes, NJAC 6A:9-2.1 defines full-time teaching as the equivalent of 900 clock-hours of teaching per year. What constitutes "teaching" is not defined. However, according to the department's Office of Licensure and Credentials, non-teaching assignments qualify towards fulfilling the 900 clock-hour standard, including hall monitor duty and In-School

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**ACCOMPLISHMENTS AND RESULTS  
OTHER REPORTS OF INTEREST**

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**Department of Education  
School District Administrative Costs**

Suspension duty. It is up to each district to determine what minimum course load a teacher is required to have. We reviewed the contracts for the sampled districts and, although most specify a maximum number of classes or hours to be taught, none specified a minimum. However, one of the nine districts did impose a pro-rated reduction in salary for teaching less than the standard work load.

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## ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

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### Motor Vehicle Commission Revenue

#### Observation

#### The MATRX Project

In November 2012, we issued a report on the Motor Vehicle Commission's (MVC) Non-Payroll Expenditures that included a finding regarding the information technology overhaul project called MATRX. In that report we noted that the contracted timeframe set for completing the project was not realistic and did not provide MVC management with the ability to budget costs. As a result of the poorly written contract, the duration and the cost of the MATRX project were not accurately projected, necessitating numerous contract extensions and leading to significant cost overruns.

The continued inability of Hewlett Packard (HP), the contract vendor, to complete the MATRX project has had significant ramifications on the MVC's IT projects.

The Commercial Driver's License Information System Modification (CDLIS Mod) is a federally required, nationwide computer system that enables state driver licensing agencies to ensure that each commercial driver has only one driver's license and one complete driver record. The MVC expected to implement their fully operational CDLIS Mod as part of the final phase of the MATRX project, which was originally scheduled for completion in January 2012. Due to extensive MATRX project delays, and in order to meet federal deadlines without sanction, the MVC was forced to develop the CDLIS Mod internally and has deployed all available MVC IT resources to accomplish this task. The MVC has estimated costs to develop the CDLIS Mod in-house to be \$8 million.

The CDLIS Mod project has caused all production on the MATRX project to be suspended until December 31, 2014. The majority of HP's employees were removed from the MATRX project as of July 2014 leaving only those required to support the systems already in production.

The MVC also allowed the contract for the MATRX oversight vendor to expire in September 2014. The MVC had drafted a Request for Proposal for a new oversight vendor, but it never was issued because of the suspension of the MATRX project and the uncertainty as to when the project will resume.

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**ACCOMPLISHMENTS AND RESULTS  
OTHER REPORTS OF INTEREST**

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**New Jersey State Parole Board**

**Offender Supervision**

The State Parole Board (SPB) is not monitoring offenders in compliance with established standards. Supervision requirements including face-to-face contacts, home visits, and drug or alcohol testing are not being completed within established timeframes which could result in an increased risk to the public and a reduced likelihood that the offender will achieve long-term behavioral reform. Most offenders under the supervision of the SPB are assigned a general supervision status ranging from phase I (assessment) through phase IV (advanced). The status dictates the minimum supervision standards necessary for managing short-term risk and achieving long-term goals. The required number of supervision contacts and length of time between contacts is relaxed as the offender advances from phase I to phase IV. All offender contacts are recorded on the Parole Board Information System (PBIS) in chronological order.

For the purposes of this review, we identified three types of supervision consisting of regular offenders (parole), sex offenders, and offenders on mandatory parole supervision (MSV). A sentence imposed under the “No Early Release Act” includes a five-year period of MSV for first degree crimes and a three-year period of MSV for second degree crimes. The contact standards set forth within SPB internal procedure 802, Status of Supervision, apply to each supervision type. Our review disclosed the following issues.

*Face-to-Face Contacts*

Procedure 802 requires a parole officer to conduct face-to-face contacts with an offender at different intervals depending on the offender’s supervision status. The requirement ranges from two contacts every 30 days for phase I offenders to one contact every 120 days for phase IV offenders. We reviewed the supervision histories in the PBIS for 320 parolees during fiscal year 2013 to determine if the required face-to-face contacts were being made. The review period ranged from three months for phase I offenders to seven months for phase IV offenders. For test purposes, a grace period of five days was allowed for phase II, III, and IV offenders. In addition, no exceptions were noted for phase I offenders as long as two contacts were made in two of the three months that we reviewed. Specifically, our review of face-to-face contacts disclosed the following exceptions.

**Test Results**

**Face-To-Face Contacts**

<b>Description</b>	<b>Phase I Sample/Exceptions</b>	<b>Phase II Sample/Exceptions</b>	<b>Phase III Sample/Exceptions</b>	<b>Phase IV Sample/Exceptions</b>
Parole	50 / 20	50 / 22	30 / 18	30 / 8
MSV	30 / 15	30 / 20	20 / 8	20 / 5
Sex Offender	20 / 10	20 / 16	10 / 6	10 / 0
Total	100 / 45	100 / 58	60 / 32	60 / 13

**ACCOMPLISHMENTS AND RESULTS  
OTHER REPORTS OF INTEREST**

**New Jersey State Parole Board**

- As illustrated in the chart above, parole officers did not make the required face-to-face contacts for 148 of the 320 offenders in our sample. This includes 32 of 60 sampled sex offenders and 48 of 100 sampled MSV offenders who have been convicted of violent crimes.
- Supervision histories in the PBIS for phase I offenders were reviewed for the period February 1, 2013 to April 30, 2013. Our review disclosed that no face-to-face contacts were made in April 2013 for 4 of the 30 sampled MSV offenders. As previously stipulated, the requirement for phase I offenders is two face-to-face contacts every 30 days.

*Home Visits*

Procedure 802 requires a parole officer to visit the approved residence of an offender within regular intervals depending on the offender’s supervision status. Both face-to-face visits and positive home visits are required. A positive home visit is defined as a meeting with an adult resident who is capable of verifying the offender is living at the residence. The requirement for face-to-face home contact visits ranges from every 60 days for phase I offenders to every 180 days for phase IV offenders. The requirement for positive home visits ranges from every 30 days for phase I offenders to every 120 days for phase IV offenders. For test purposes, a grace period of five days was allowed for both face-to-face home visits and positive home visits. Our review of the supervision histories in the PBIS for 320 sampled parolees during fiscal year 2013 disclosed the following issues.

**Test Results**

**Face-To-Face Home Visits**

<b>Description</b>	<b>Phase I Sample/Exceptions</b>	<b>Phase II Sample/Exceptions</b>	<b>Phase III Sample/Exceptions</b>	<b>Phase IV Sample/Exceptions</b>
Parole	50 / 19	50 / 8	30 / 5	30 / 7
MSV	30 / 8	30 / 9	20 / 3	20 / 4
Sex Offender	20 / 5	20 / 2	10 / 3	10 / 0
Total	100 / 32	100 / 19	60 / 11	60 / 11

- As illustrated in the chart above, parole officers did not make the required face-to-face home visits for 73 of the 320 offenders in our sample. This includes 24 of 100 sampled MSV offenders and 10 of 60 sampled sex offenders.
- Supervision histories in the PBIS for phase I offenders were reviewed for the period February 1, 2013 to April 30, 2013. We also utilized the most recent contact prior to February 1, 2013 for test purposes. The time between certain face-to-face home visits for 9 of 50 sampled regular offenders and 4 of 30 sampled MSV offenders was over 100 days. These exceptions ranged from 103 days to 276 days. As previously stipulated, the requirement for phase I offenders is one face-to-face home visit every 60 days.

**ACCOMPLISHMENTS AND RESULTS  
OTHER REPORTS OF INTEREST**

**New Jersey State Parole Board**

- Our review disclosed an exception rate of over 98 percent for positive home visits as they were found to be either not performed at all or not completed within established timeframes. Home visits of this type are designed to provide independent verification that the offender still resides at the approved residence. They are also designed to uncover any problems or issues the offender may be having including potential noncompliance with parole conditions.

*Drug or Alcohol Testing*

Procedure 802 requires a parole officer to conduct random drug or alcohol testing at least once every 30 days for phase I and phase II offenders. A specific time interval has not been established for phase III and IV offenders and is done when deemed appropriate. For test purposes, a grace period of five days was allowed for our review of phase I and II offenders. Our review of the supervision histories in the PBIS for 320 sampled parolees during fiscal year 2013 disclosed the following issues.

**Test Results**

**Drug or Alcohol Testing**

<b>Description</b>	<b>Phase I Sample/Exceptions</b>	<b>Phase II Sample/Exceptions</b>
Parole	50 / 25	50 / 40
MSV	30 / 20	30 / 25
Sex Offender	20 / 16	20 / 17
Total	100 / 61	100 / 82

- As illustrated in the chart above, parole officers did not perform the required drug or alcohol testing on 143 of the 200 phase I and phase II offenders in our sample. This includes 33 of 40 sampled sex offenders and 45 of 60 sampled MSV offenders.
- Taking into consideration the results of phase I and phase II sample testing, we included a review of phase III and phase IV offender supervision histories for the periods December 1, 2012 to April 30, 2013 and October 1, 2012 to April 30, 2013, respectively. We also utilized the supervision status effective date or the most recent completed test date prior to the start of the review period for test purposes. Our review disclosed that 86 of 120 sampled phase III and phase IV offenders had gone a minimum of six months without a drug or alcohol test. This includes 31 of 40 sampled MSV offenders and 17 of 20 sampled sex offenders. The time period for which drug or alcohol testing was not performed ranged from 186 days to over 6 years and includes 21 offenders who have gone over 2 years without being tested as of April 30, 2013.

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## ACCOMPLISHMENTS AND RESULTS OTHER REPORTS OF INTEREST

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### New Jersey State Parole Board

#### *Case Review*

The primary purpose of SPB General Order (2012) 09.003, Case Review Procedure, is to ensure that all offenders receive appropriate supervision and to hold professional staff members accountable for cases they are required to supervise. It requires 25 percent of cases under supervision to be reviewed by a supervisor in a calendar year and further specifies that cases reviewed shall not have had a case review in the previous twelve months. However, it does not require a review of parole officers to ensure compliance with supervision contacts.

**OFFICE OF LEGISLATIVE SERVICES  
OFFICE OF THE STATE AUDITOR  
SCHEDULE OF REPORTS ISSUED DURING CALENDAR YEAR 2014**

**TYPES OF FINDINGS/OBSERVATIONS**

<b><u>REPORT</u></b>	<b><u>COMPLIANCE</u></b>	<b><u>CONTROLS</u></b>	<b><u>ECONOMY/ EFFICIENCY</u></b>	<b><u>NONE</u></b>
<b>Casino Control Fund</b>		Opinion Report		X
<b>Civil Service Commission</b>	X	X	X	
<b>Department of Community Affairs</b>				
Division of Fire Safety and Division of Codes and Standards	X			
Section 8 Housing Program				
Financial Data Schedules				X
<b>Department of Corrections</b>				
Adult Diagnostic and Treatment Center	X		X	
Vroom Central Reception and Assignment Facility	X	X		
<b>Department of Education</b>				
Division of Student and Field Services				
Office of Student Support Services				
Contracted Home Instruction Services		X		
School District Administrative Costs	X		X	
<b>Department of Human Services</b>				
Division of Family Development				
Administration and SNAP and TANF EBT Controls	X	X	X	
Division of Mental Health and Addiction Services				
Ancora Psychiatric Hospital	X	X	X	
<b>Department of the Treasury</b>				
Division of Rate Counsel	X	X	X	
Division of Revenue and Enterprise Services				
Commercial Information Services Bureau	X	X		
<b>Elmwood Park School District</b>		X		
<b>Hudson County Schools of Technology</b>	X	X	X	
<b>Motor Vehicle Commission</b>				
Revenue	X	X	X	
<b>New Jersey State Parole Board</b>	X	X		
<b>Office of the Secretary of Higher Education</b>	X	X	X	
<b>Pinelands Commission</b>		Opinion Report		X
<b>State of New Jersey</b>				
Comprehensive Annual Financial Report				
For the Fiscal Year Ended June 30, 2013		Opinion Report		
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				X
<b>Township of Lakewood School District</b>	X	X	X	
<b>Transportation Trust Fund Authority</b>		X	X	