

**New Jersey State Legislature
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Office of the State Auditor**

Department of Military and Veterans' Affairs

July 1, 2014 to March 31, 2017

**Stephen M. Eells
State Auditor**

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Enclosed is our report on the audit of the Department of Military and Veterans' Affairs for the period of July 1, 2014 to March 31, 2017. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
October 18, 2017

Table of Contents

Scope.....	1
Objectives	1
Methodology	1
Conclusions.....	2
Findings and Recommendations	
Post-Traumatic Stress Disorder/Readjustment Counseling Program	3
Civilian Firefighters	5
Fiscal Oversight	7
Auditee Response.....	10

Scope

We have completed an audit of the Department of Military and Veterans' Affairs (DMAVA) for the period July 1, 2014 to March 31, 2017. Our audit included Central Operations, Veterans' Program Support, and National Guard Programs Support activities accounted for in the state's General Fund. This audit did not include the three homes for veterans at Menlo Park, Paramus, and Vineland which we audit separately.

The primary responsibilities of DMAVA are to provide operational forces for rapid civil and military responses, to provide comprehensive support to New Jersey veterans through a statewide network of services, and to support National Guard programs. Total expenditures included in our scope were \$169 million and total revenues included were \$113 million.

Objectives

The objectives of our audit were to determine whether financial transactions were related to DMAVA's programs, were reasonable, and were recorded properly in the accounting system. An additional objective was to determine whether DMAVA was meeting its administrative responsibilities for various programs. We also tested for resolution of the significant conditions noted in our prior report dated December 18, 2009.

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

Methodology

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

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

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

Conclusions

We found that the financial transactions included in our testing were related to DMAVA's programs, were reasonable, and were recorded properly in the accounting system. In making these determinations, we noted areas meriting management's attention.

We found monitoring needs to be strengthened over the Post-Traumatic Stress Disorder/Readjustment Counseling program. In addition, we found that management of the civilian firefighters compensatory leave at the Atlantic City Air Base needs to be improved to decrease costs to the state. We further found DMAVA needs to strengthen its fiscal oversight with regards to the State of New Jersey Purchasing Card Program (P-Cards) and contract monitoring through enforcement of the Department of the Treasury circular letters. We also found that DMAVA has complied with the significant conditions noted in our prior audit report.

Post-Traumatic Stress Disorder/Readjustment Counseling Program

Monitoring should be strengthened to ensure veterans receive proper care and providers are paid accordingly.

The Division of Veterans' Services (DVS) provides a program that offers post-traumatic stress disorder/readjustment (PTSD) counseling to New Jersey resident veterans who suffer mental or emotional disorders as a result of combat related experience. Family members of such veterans, whose problems date to the veteran's emotional/mental disorder, are also eligible for counseling. Application for these services is handled through a DMAVA Veterans Service Officer (VSO), who should conduct initial screening interviews and document eligibility for services through the completion and approval of a contract authorization form. A VSO should then contact the DVS Program Manager to determine the current status of the program regarding open availability or if a veteran is placed on a waiting list. Per the contract, counseling is provided by social workers, psychologists, psychiatrists, or other licensed counselors individually or in groups.

The DVS is responsible for overseeing the funding of the program and the services provided by clinicians to eligible veterans through contracted licensed mental health professionals. DMAVA contracted on a yearly basis with 11 service providers who, in total, provided counseling to an average of 775 clients. If subcontractors are utilized by any of the providers, the contract states that prior approval must be obtained from DMAVA, and copies of the subcontracts must be forwarded to the department, and shall become part of the overall contract.

Reimbursement to providers for services rendered is based on how long the individual has been enrolled in the program. The reimbursement rate is tracked in the DVS's client database which contains the admittance date, the number of months a client has been in the program, and correlates to the reimbursement percent of the negotiated rate paid to the provider.

Our review found that DVS did not maintain a complete list of the counselors providing services through the contracted mental health professional vendors and did not ensure that the counselors are licensed to provide the service. We obtained multiple partial lists from DVS and compiled a collective list of 63 individuals who were purported to be providing counseling to the clients. We found nine individuals working for the providers who were not licensed through the New Jersey Division of Consumer Affairs. We were unable to determine if any of the unlicensed individuals counseled the clients because DVS staff destroyed the supporting documentation received which was not in compliance with the New Jersey Destruction of Public Records Act of 1953.

We further found that DMAVA was unaware of which providers were subcontracting the counseling services. We found nine of the eleven providers had a total of 32 individuals who were not employees of the providers. No subcontracts for these individuals were maintained by DMAVA.

New Jersey Administrative Code 5A:6-2.5 requires all individuals applying for counseling services to be seen by a state VSO. Our review of the application process noted that the applications for services are not always made directly to one of the state VSOs. Our review of one provider's applications noted that none of them went through one of the state's VSOs, but rather a county VSO and the program manager for all but one. In this one, the provider completed and approved the internal DMAVA contract service authorization form. The administrative code further states that any counseling services provided to a client without proper referral from a state VSO shall become the responsibility of the provider. In addition, not following the approval process creates a lack of segregation of duties because the program manager approves the contract service authorization form and also approves the program availability.

Our review of the contracts and the monthly bills submitted by the providers found the following issues.

- One provider was paid \$47,360 for services in fiscal years 2015 and 2016, even though the service and price charged were not included in the contract.
- The reimbursement rate utilized on providers' bills was not in agreement with the reimbursement rate maintained by DMAVA in the DVS's client database. This resulted in overpayments to the providers during our review. One such provider was overpaid \$4,790 because of differences in admittance dates.
- Individuals were not entered into DVS's client database, but rather were added, in pencil, onto the monthly billing sheets, so there was no tracking of the enrollment into the program and the applicable reimbursement rate. We noted individuals receiving services that were penciled in for periods ranging from one or two visits up to several visits for several years.
- One provider increased their last fiscal year invoice by increasing the client's reimbursement rate for the particular month to the previous rate resulting in an overpayment of \$12,000 and subsequently lowering the client's reimbursement rate the following month to the previous rate.
- At the end of fiscal years 2015 and 2016, the program had unspent, lapsable state funds of \$4,600 and \$13,700, respectively, which they allocated between three and five providers, respectively, without supporting services provided.

Recommendation

We recommend the department enact the following to improve and strengthen the PTSD program.

- Maintain a current listing of all providers including all counselors providing service through the program.

- Ensure all counselors are licensed by the New Jersey Division of Consumer Affairs to provide the service and if subcontracted with the providers, the subcontracts are approved and maintained within DMAVA.
- Ensure all veterans enrolled in the PTSD program apply for services through one of the state's Veteran Service Officers.
- Maintain a complete and accurate database of eligible individuals and ensure providers are only paid for the contracted services provided based on the applicable reimbursement rate.
- Maintain all supporting documentation as required by the New Jersey Destruction of Public Records Act of 1953.
- Only compensate providers for services performed. Unspent funds should lapse as required by the appropriation act.



Civilian Firefighters

Improved scheduling and leave time management would decrease costs to the state.

The New Jersey Air National Guard located at the Atlantic City International Airport utilizes military firefighters for wartime tasking and civilian firefighters for daily operations. The civilian firefighters are tasked with day-to-day fire protection and technical service operations at the Atlantic City Air Base. While working alongside their military counterparts, the civilian firefighters support all organizational exercises, inspections, and assessments. Civilian firefighters can become active military firefighters during their active duty. The civilian firefighters are paid by the state, and the state is subsequently reimbursed by the federal government through a master cooperative agreement (MCA), up to a specific dollar amount. The remaining balance is funded through state appropriations.

As of April 2016, there were 16 firefighters staffing the 24-hour operation. Based on a 1993 Memorandum of Agreement (MOA) between the Communications Workers of America (CWA) and DMAVA, the civilian firefighters work 106 hours per 14-day pay period. Scheduling of the firefighters is handled by the staff of the Atlantic City Air Base with minimal DMAVA oversight. MCA firefighter procedures established a minimum of four firefighters to be scheduled per shift including; four dates involving 24.5-hour shifts and one 8-hour shift during each two-week pay period thereby equating to 106 hours per pay period. Deviations of these times may be necessary to cover unusual or other mission requirements.

Our analysis of calendar year (CY) 2016 through pay period 23 noted the average leave time taken per civilian firefighter was 35 hours per pay period, which resulted in firefighters working only 71 hours of the 106 hours. The average total leave time taken per firefighter for CY 2016

through pay period 23 was 803.8 hours. Therefore minimum coverage during an average pay period is achieved through overtime compensation, including granting compensatory time-off which ultimately results in additional costs. Overtime payments totaled approximately \$274,000 for 5,791.5 hours and \$285,500 for 6,351 hours in CY 2015 and CY 2016, respectively. In total, the average amount of overtime hours per pay period for CY 2016 was 244 hours, or 15 hours per firefighter each pay period.

The current scheduling has also resulted in additional cost to the state because of the practice of allowing unlimited accrued compensatory time balances. As of March 2017, nine of the fifteen firefighters had accrued balances that exceeded sixty hours of compensatory time. The union contract states that ordinarily a maximum of sixty hours of compensatory time may be carried by an employee. Two employees that terminated during our audit period were paid a combined total of \$36,000 for 983 hours of accrued compensatory time. In addition to the paid compensatory time, one of the terminated employees also received a combined total of \$27,000 for accrued sick and vacation time. Final payments are not reimbursable from the federal government and therefore incurred by the state.

This condition was previously noted in an internal report and continued to be an issue during our audit period and has cost the state an additional \$456,910 in fiscal year 2016 with \$435,323 attributed to salary costs that exceeded the MCA's designated limits.

The work schedule also contributed to the excessive salary costs. At the beginning of each year, civilian firefighters are credited with 104 compensatory hours in lieu of paid holidays and receive an additional 4 compensatory hours if they are scheduled and subsequently work a state holiday. In addition, under the 1993 CWA MOA, employees are also entitled to 158.4 hours of sick and vacation leave each year which varies from 127 hours to 264 hours depending upon an employee's years of service. The firefighters are permitted to use unearned compensatory time in addition to accrued leave time to fulfill regular shifts and then be paid for overtime the same day. In addition, civilian firefighters, who are also in the military, can be on military leave time and then also work civilian hours during that same pay period and receive overtime payments. As a result of the 106-hour pay period, the MOA established sick and vacation leave allowances above the standard state employee allotment. In addition, "premium pay" of 25 percent is included in firefighters' annual salary in recognition of the amount of time worked in excess of a regular 40-hour work week. This higher salary is used when determining their per diem pay rates when calculating overtime and compensatory time.

Recommendation

We recommend DMAVA conduct a staffing and scheduling analysis to determine if it would provide cost savings. In addition, limiting compensatory time accruals and leave balances should be considered by offering only cash compensation for overtime hours.



Fiscal Oversight

Administration and Oversight needs to be strengthened over P-Cards and over the behavioral treatment services contract.

DMAVA's fiscal division functions as the supporting office for all central fiscal transactions and provides fiscal analysis, guidance, and information in support of DMAVA's state programs and activities. This includes oversight of the P-Card program and contracts. Our review of the P-Card program and the behavioral treatment services contract disclosed internal control and/or compliance deficiencies.

Purchasing Cards

The P-Card program was established to provide governmental agencies a convenient method to purchase goods and services. During our review of fiscal years 2015 and 2016, there were 90 DMAVA employees who were assigned a P-Card and who used them for purchases totaling \$1.7 million for this period. We found the following weaknesses within the oversight and controls over the P-Card program.

- The Department of the Treasury Circular Letter 14-04-DPP requires agencies to identify an Agency Purchasing Card Program Administrator (administrator) who is responsible for the overall administration of the program, and further specifies the individual should not be a cardholder. We noted DMAVA's administrator is also a cardholder.
- The Department of the Treasury Circular Letter 14-04-DPP requires agencies to establish written internal policies and procedures to ensure usage is consistent with Treasury regulations. DMAVA has not implemented internal policies and procedures for the P-Card program as of the end of our field work.
- Circular Letter 14-04-DPP also states that agencies are responsible for determining P-Card need and establishing monthly spending limits which should be appropriate based on the title/level of the cardholder. During our review there were 90 P-Cards with credit limits ranging from \$200 to \$100,000. We found that six cardholders had no activity for the two-year period we reviewed. During the audit, DMAVA management performed a review of the need and appropriateness of the established spending limits which resulted in P-Card spending limits being lowered for 50 cardholders.

Cardholders are responsible for understanding program and procurement policies and guidelines. Our review of the individual transactions noted the following.

- The ChalleNGe program used a P-Card for online purchases from non-contract vendors of hygiene and medical products, and books during fiscal years 2015 and 2016. Approximately \$8,400 was paid for hygiene products, of which \$1,300 was for shipping costs, and more than \$6,800 for medical supplies. All products involved could have been purchased using

existing state cooperative agreements or state contracts. In addition, curriculum books were purchased from non-contract vendors costing an additional \$7,500 for the books and approximately \$2,200 for shipping and handling, which would have been waived if existing state contracts were utilized. In total, more than \$9,600 (23 percent) could have been saved on the total order of \$41,500 if the program complied with the state's purchasing procedures.

- Questionable purchases by cardholders included \$999 on a \$1,875 catering bill for a training event in which the vendor sponsoring the training paid the balance. There was no agreement to pay for part of this event and DMAVA paid what they could to stay under the \$1,000 per transaction P-Card limit. In addition, the ChalleNGe program purchased two large screen televisions, but only one was located on site. We were informed that the other was broken and discarded at McGuire Air Force Base; however, there was no documentation of an incident or of disposal of the television.

Contract Oversight

The Division of Veteran Services (DVS) administers a housing program to provide a semi-independent living arrangement for veterans in transition. Our audit included DMAVA's contract for veterans transitional housing program behavioral management services which provides mental health, addiction, and social services. Per the Department of the Treasury Circular Letter 14-08-DPP, agency specific contracts must have an assigned State Contract Manager within their department. State Contract Managers are responsible for daily management, including: ensuring that all tasks and services are satisfied within the contract requirements, reviewing all contractor billings, and assuring that the contractor is paid only for services rendered. For this contract, the DMAVA contract manager did not ensure the vendor fulfilled the contractual requirements and did not seek approval from Treasury before allowing any scope changes. In addition, although DMAVA's contract manager authorized the vendor to use individuals with lesser qualifications to provide contractual services, they did not negotiate any reduced compensation rates.

Although specified in the contract, DMAVA did not maintain personnel files for the vendor's staff which shall include documented evidence of reference checks, professional credentials or degree verifications, and records demonstrating continued education attendance as they relate to the maintenance of any professional standing or credentials. In addition, one of the contracted positions was for a registered nurse, however, since the clients self-medicate, the superintendent allowed the vendor to substitute an individual whose scope of duties were case management and clerical in nature. Our review also noted three of six contracted employees the vendor utilized during our audit period did not meet the minimum education or certification requirements set forth in the contract. The contract allows for the facility's superintendent to waive the job qualifications, however, we found no subsequent adjustments made to the salaries charged by the vendor for accepting employees with lesser credentials.

Recommendation

We recommend the department improve their internal control and oversight of the P-Card program and the behavioral treatment services contract. Specifically the department should enact the following improvements.

- Comply with circular letter 14-04-DPP purchasing regulations by establishing and enforcing internal procedures for the P-Card program.
- Comply with circular letter 14-08-DPP guidelines by ensuring the vendor fulfills the contractual requirements and obtaining required approval prior to any contractual scope changes.
- DMAVA should evaluate proposed changes made to contracts for possible cost savings.





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CHRIS CHRISTIE
Governor
Commander-in-Chief

★
MICHAEL L. CUNNIFF
Brigadier General
The Adjutant General

October 13, 2017

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

RE: Office of Legislative Services Audit Report
Department of Military and Veterans Affairs
For the Period July 1, 2014 to March 31, 2017

Dear Mr. Termyna,

DMAVA has reviewed the findings and recommendations of the subject audit as summarized below. We are in agreement with these findings and herein offer our comments and/or corrective action plan.

Post-Traumatic Stress Disorder Counseling Program

Audit Recommendations

Improve Program recordkeeping, enrollment procedures and documentation of provider qualifications as required.

DMAVA Comments

The Departments PTSD Program Manager has been made aware of the deficiencies outlined in the audit report and has initiated the following corrective actions:

Maintain a current listing of all providers, including all counselors providing services along with documentation of their required licensure through NJDCA. That if the

provider subcontracts services, we receive a copy of the contract and documentation of their qualifications.

Maintain a complete listing of all eligible and properly enrolled program participants along with their program service starting date.

Ensure that providers are compensated based on the services provided as specified in the terms of the Grant agreement.

Civilian Firefighters

Audit Recommendations

Conduct a staffing and scheduling analysis to identify cost saving procedures.

DMAVA Comments

The Department has and continues to implement scheduling procedures and staffing adjustments to manage the cost effects and satisfy the requirements of this multi-party arrangement (DMAVA, Union, CSC and the DOD)

Some specific adjustments are

To increase staff size to the MCA required 19 firefighters to reduce OT requirements and allow for reimbursement of scheduled overtime resulting from routine leave and sick time.

Improved shift scheduling.

Restrictions on charging of overtime.

Fiscal Oversight

Audit Recommendations – P-Card

Compliance with CL14-04-DPP purchasing regulations.

DMAVA Comments

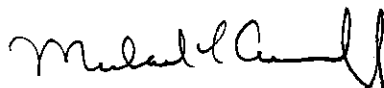
The Department has review all outstanding P-Card holders for propriety and to determine that the existing credit limits are reasonable. We have also undertaken the establishment of written internal policies and procedures relating to P-Card issuance and use and begun training cardholders in their proper use and documentation.

DMAVA Comments

The Department has a new State Contract Manager to insure that all contracts are in compliance with state regulations.

Please contact C. Carl Lang, Jr , DMAVA Fiscal Director at (609) 530-6941 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Cuniff". The signature is written in a cursive style with a prominent loop at the end.

MICHAEL L. CUNIFF, NJANG
Brigadier General
The Adjutant General