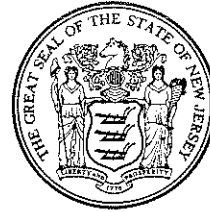

**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**



**Department of Human Services
Cost Allocation Plans**

July 1, 2008 to June 30, 2009

**Stephen M. Eells
State Auditor**

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OFFICE OF THE STATE AUDITOR
125 SOUTH WARREN STREET
PO BOX 067
TRENTON NJ 08625-0067

ALBERT PORRONI
Executive Director
(609) 292-4625

OFFICE OF THE STATE AUDITOR
(609) 292-3700
FAX (609) 633-0834

STEPHEN M. ELLS
State Auditor

THOMAS R. M. SEROLI
Assistant State Auditor

JOHN I. TERMYNA
Assistant State Auditor

The Honorable Chris Christie
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Enclosed is our report on the audit of the Department of Human Services, Cost Allocation Plans for the period of July 1, 2008 to June 30, 2009. If you would like a personal briefing, please call me at (609) 292-3700.

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

Stephen M. Eells
State Auditor
December 23, 2010

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Scope

We have completed an audit of the Department of Human Services (DHS), Cost Allocation Plans (CAPs) for the period July 1, 2008 through June 30, 2009. Our audit focused on salaries charged in the plans. A cost allocation plan is a document that identifies, accumulates, and distributes allowable direct and indirect costs, and identifies the allocation methods used for distribution of those costs to various programs, grants, and contracts. Quarterly, manual salary cost adjustments are made to each CAP so that employees' salaries are properly recorded on the CAPs. The total salaries reported on the CAPs reviewed for FY 2009 amounted to \$179 million, while the salary adjustments totaled \$4.5 million.

Objectives

The objectives of our audit were to determine that employee salaries were only being charged once and that manual salary adjustments were properly recorded in the CAPs.

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.

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

We reviewed the cost allocation plans for the Department of Human Services' Central Office, the Division of Developmental Disabilities' Central Office, the Division of Mental Health Services' Central Office, the Division of Medical Assistance and Health Services, the Division of Family Development, and the Division of Disability Services for the quarter ending June 30, 2009. We also reviewed the CAP for the Commission for the Blind and the Visually Impaired for the quarter ending December 31, 2008. In addition, we reviewed all of the related salary adjustments. Our tests of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes.

Conclusions

We found that employee salaries were only being charged once in the Cost Allocation Plans. We also determined that manual salary adjustments were properly recorded in the CAPs.



State of New Jersey
DEPARTMENT OF HUMAN SERVICES
PO Box 700
TRENTON, NJ 08625-0700

CHRIS CHRISTIE
Governor

JENNIFER VELEZ
Commissioner

KIM GUADAGNO
Lt. Governor

December 21, 2010

Stephen M. Eells
State Auditor
Office of the State Auditor
125 South Warren Street, PO Box 067
Trenton, NJ 08625-0067

Re: Department of Human Services, audit of Cost Allocation Plans

Dear Mr. Eells:

The Department of Human Services has received and reviewed the draft audit report dated October 7, 2010, which examined the Department's Cost Allocation Plans for the period July 1, 2008 through June 30, 2009. We have also considered the information presented to us in the post audit exit conference on October 19, 2010.

We appreciate your acknowledgement, through the conclusion presented in the report, that the Department has properly charged employee salaries within the Cost Allocation Plan. The report also indicates that manual salary adjustments were properly recorded.

At the post audit exit conference, your audit team presented to us minor issues that came to their attention during the course of their field work. We have noted these issues and we are considering steps to further improve our processes.

Thank you for the opportunity to comment on the audit findings. We appreciate the professionalism of your staff and the constructive advice that they provided throughout the entire audit engagement.

Sincerely,

Joel D. TeBeest, CPA
Director, Office of Finance

c: Jennifer Velez, Commissioner
Christopher Bailey, Assistant Commissioner, CFO