



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

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**Department of Human Services  
Division of Developmental Disabilities  
Administrative Support Services**

July 1, 1998 to June 30, 2000

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**Richard L. Fair  
State Auditor**

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The Honorable Donald T. DiFrancesco  
President of the Senate

The Honorable Jack Collins  
Speaker of the General Assembly

Mr. Albert Porroni  
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Enclosed is our report on the audit of the Department of Human Services, Division of Developmental Disabilities - Administrative Support Services for the period July 1, 1998 to June 30, 2000.

If you would like a personal briefing, please call me at (609) 292-3700.

A handwritten signature in black ink, appearing to read 'Richard L. Fair', is placed above a rectangular stamp. The stamp contains the name 'Richard L. Fair' and the title 'State Auditor' in a sans-serif font.

Richard L. Fair  
State Auditor

August 4, 2000

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## Department of Human Services Division of Developmental Disabilities - Administrative Support Services

### *Scope*

We have completed an audit of selected accounts of the Department of Human Services, Division of Developmental Disabilities - Administrative Support Services for the period July 1, 1998 to June 30, 2000. The audit included administrative and support services, excluding Education and Day Training accounts, and salaries of employees administered at the regional offices. The Developmental Disabilities Council was included in this audit, but the results were issued in a separate report. Administrative expenditures audited are \$11 million annually.

Revenues audited are \$31 million annually and the major component of revenue is cost recoveries for maintenance of non-institutionalized clients.

### *Objectives*

The objectives of our audit were to determine whether financial transactions were related to the agency's programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of significant conditions related to administrative support services in our prior report. This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

### *Methodology*

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, federal regulations, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed 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 about the validity of transactions as well as internal control and compliance attributes. Sample transactions were judgmentally selected.

*Conclusions*

We found that the financial transactions included in our testing were related to the agency's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management's attention. We also found that the division has resolved the significant conditions noted in our prior report which relate to our current scope.

## Cash Receipts

**P**TA reconciliations should be improved.

The division is custodian of a Patient Trust Account (PTA) servicing 7,500 non-institutionalized clients. Our review of the division's monthly bank reconciliations of this account disclosed large unexplained differences. Even after a concerted effort by the division, unreconcilable differences existed in March 2000 of \$543,000 (11 percent) and April 2000 of \$351,000 (8 percent). In addition, checks that were subsequently cancelled were not properly voided or secured.

The division periodically recovers maintenance costs from various clients' accounts. In order to transfer cost recoveries, a check is issued from the PTA and then deposited into the state accounting system. This process transfers \$31 million annually to the division. Our testing disclosed that deposits were untimely, restrictive endorsement of the checks was not performed at the time of receipt, revenues were not recorded to the appropriate state account, and checklogs were not utilized to verify that all checks received were deposited.

When the above issues were brought to the attention of management, appropriate corrective measures were taken to strengthen controls except for the bank reconciliations.

### *Recommendation*

We recommend the division develop and implement reconciliation procedures to ensure the accounting and bank records are in agreement.

### *Auditee's Response*

The Division, assisted by staff in the Department's Office of Finance, is developing and implementing reconciliation procedures to ensure accounting and bank records are in agreement. We anticipate this effort will be fully completed by October 1, 2000.



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## Payroll

**P**ayroll policies and procedures were improved.

The division's payroll function serves 150 employees. Effective July 1999, the administration of this function was transferred to the division from the department. Timesheets were completed by each employee, approved by the supervisor, and submitted to one of four timekeepers who then entered the data into the timekeeping system. Reports generated from that system were forwarded to the payroll section and the timekeeper retained the timesheets.

We found no evidence of an independent review to ensure that the system reports accurately represent the original timesheets. Additionally, we found that the payroll section did not receive time records for eight percent of the employees. Furthermore, three of the four timekeepers were picking up paychecks for employees of their unit. This environment is contrary to a proper internal control system relating to appropriate segregation of duties. Timekeepers should not have access to paychecks. When brought to management's attention, corrective measures were taken to resolve these weaknesses.

We further noted a lack of formal division policies and procedures governing work hours and leave time which resulted in inconsistent application of departmental policies. Required division policies would include designated work hours for each employee, pre-approval of time off, guidelines for the earning of compensatory time, and certification of timesheets. When brought to management's attention, efforts were accelerated by division personnel to correct the weaknesses noted. By the end of our field work, the division had developed draft policies and procedures and issued a formal policy on time-off requests.

### *Recommendation*

We recommend the division continue with its efforts to implement policies and procedures over payroll matters.

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*Auditee's Response*

The Division continues the efforts noted by your staff to implement policies and procedures over payroll matters. Draft policies are currently being checked against recent rule changes promulgated by the Department of personnel. We anticipate this effort will be fully completed by November 1, 2000.



**Purchasing**

**C**ompliance with  
DPA requirements  
has been improved.

When goods or services are not available from state contract vendors or state operated service bureaus, the Department of the Treasury Circular Letter (CL) 98-18-DP permits state agencies to purchase under delegated purchasing authority (DPA) regulations. The circular letter establishes competitive bidding requirements depending upon the price of the item to be obtained. Our review of DPA purchases found that the division did not seek competitive bids for acquiring assisted devices for clients and telephone answering services. When the above issues were brought to the attention of management, the division began implementing corrective measures to comply with the state purchasing regulations.

*Recommendation*

We recommend that the division continue implementing these reforms and bring their purchasing practices into full compliance with the CL 98-18-DP.

*Auditee's Response*

The Division has completed its efforts to bring its purchase of answering services into compliance with competitive bid procedures with new contracts being awarded July 1, 2000. The Division continues to train, reinforce, and monitor its regional staff in their procurement of assistive devices to ensure similar full compliance with FY 01 purchasing.

