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

Department of Health and Senior Services

July 1, 2002 to February 29, 2004

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The Honorable James E. McGreevey  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Albio Sires  
Speaker of the General Assembly

Mr. Albert Porroni  
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Enclosed is our report on the audit of the Department of Health and Senior Services for the period July 1, 2002 to February 29, 2004. If you would like a personal briefing, please call me at (609) 292-3700.

Thomas R. Meseroll  
Assistant State Auditor  
June 21, 2004
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>1</td>
</tr>
<tr>
<td>Objectives</td>
<td>1</td>
</tr>
<tr>
<td>Methodology</td>
<td>1</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>State Vital Statistics</td>
<td>3</td>
</tr>
<tr>
<td>Purchasing Computers</td>
<td>6</td>
</tr>
<tr>
<td>Laboratory Fees</td>
<td>8</td>
</tr>
<tr>
<td>Travel Reimbursements</td>
<td>9</td>
</tr>
<tr>
<td>Building Security</td>
<td>10</td>
</tr>
<tr>
<td>Consultants/Professional Services</td>
<td>12</td>
</tr>
<tr>
<td>Medical Documentation</td>
<td>13</td>
</tr>
<tr>
<td>TALRS Timekeepers</td>
<td>15</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>15</td>
</tr>
<tr>
<td>Timely Deposits</td>
<td>16</td>
</tr>
</tbody>
</table>
Department of Health and Senior Services

Scope

We have completed an administrative audit of the Department of Health and Senior Services (DHSS) for the period July 1, 2002 to February 29, 2004. Our audit included financial activities accounted for in the state’s General Fund, the Casino Revenue Fund, the New Jersey Spinal Cord Research Fund, the Alcohol Education, Rehabilitation and Enforcement Fund, the Health Care Subsidy Fund, the Catastrophic Illness in Children Relief Fund and the Emergency Medical Technician Training Fund. Our audit tested controls over expenditures, purchasing, payroll, fixed assets, and revenues for selected areas.

The prime responsibility of the Department of Health and Senior Services is to promote and protect the health and well-being of the citizens of the state. Expenditures, excluding grants-in-aid, were $480 million during fiscal year 2003. Revenues within our scope were $13 million annually. The components of revenue reviewed included Office of Vital Statistics and Registration (OVSR), Public Health and Environmental Laboratory (PHEL) fees, and Office of Emergency Medical Services (OEMS).

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 noted in our prior report dated September 14, 1999.

This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.
In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the 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 internal controls.

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

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

**Conclusions**

We found that the financial transactions included in our testing were related to the 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 agency has resolved the significant issues noted in our prior report except for equipment inventory. This issue has been restated in our current audit report.
The department should follow the state's bidding procedures when contracting for services.

State Vital Statistics

Individuals may request vital records such as birth, marriage, or death certificates from the Department of Health and Senior Services’ (DHSS), State Registrar of the Office of Vital Statistics and Registration (OVSR) or municipal registrars. The state processes 82,000 certificates annually. If the request is made directly to OVSR, the public may use the internet, facsimile, mail, or walk in service. The OVSR has provided exclusive rights to a private company to process internet and facsimile requests on its behalf. This private company processes 40 percent of the state’s vital record requests. In addition to the $4 state search fee, this company charges a convenience fee of $11 and an express delivery charge ranging from $10 to $17. We estimate this private company generates $800,000 in revenue annually for this service. Although the company does not charge the state for internet services, OVSR authorized this agreement without following the state’s bidding or waiver process. Since there was no bidding process, the fees charged by this company may not be competitive or reasonable.

Upon receipt of the request and proper authentication, the private company submits the vital record requests electronically to the OVSR for further processing, which includes searches, document preparation, certification of vital records and express mailing. The OVSR provides priority service to the private company requests over individuals that mail their request to OVSR directly. Due to this prioritization, service turnaround time is five days for the private company requests versus six to eight weeks for individual mailings. This priority is unfair to the individuals who mail in their requests since all customers pay the same $4 state search fee. Although the private company furnishes equipment and supplies to the state, OVSR should not provide them more favorable service turnaround time. The OVSR does not offer expedited services to individuals, nor do they refer individual requests to the appropriate local municipality where service turnaround time may be quicker.
In addition, the Governor’s Executive Order 18 issued in April 2002 states “the Registrar must authenticate the identity of the requestor and his or her relationship with the subject of the vital record.” The purpose of authenticating identities is to prevent the misuse of official identifying records. The State Registrar may be in violation of Executive Order 18 because the State Registrar has assigned the function of authenticating identities to the private company. Furthermore, there was no evidence that OVSR had monitored the performance provided by the company when authenticating identifications. Our test of 145 vital certificates requested by the private company and released by OVSR found that 11 certificates did not have proper authenticating identification.

OVSR does not fully recover its operational costs for providing the vital record request service to the public. For the past 20 years, the State Registrar has charged the public $4 for each certificate, which is the minimum fee allowed by N.J.S.A. 26:8-64. Presently, nearby states’ vital record service fees range from $9 to $45. It appears a cost based increase in fees would be warranted to offset operational costs including increased security, prevention of fraud, and provision for expedited services.

**Recommendation**

We recommend the Office of Vital Statistics and Registration:

- solicit bids from other companies to process requests for vital records;
- provide equal service turnaround time for all vital record requests except for expedited services which could be offered at a premium fee;
- redesign their website to direct customers to the appropriate municipality where vital certificates may be issued more promptly;
• comply with the Governor’s Executive Order 18 requiring the State Registrar to perform the function of authenticating identification; and

• seek an increase in the service fee to meet their operational costs.

**Auditee Response**

• The Bureau of Vital Statistics and Registration (VSR) utilizes a private vendor for the processing of Internet and facsimile applications for copies of vital records and has done so for ten years. Use of this vendor was established to assist the individuals in need of copies of their vital records, who wished to utilize a credit card for payment, and allows for expedited service.

The department agrees with the recommendation and has completed a Request For Proposal to choose a vendor to provide this service.

• Customers who have an urgent need for the documents must be provided a mechanism to obtain these documents, be it that they utilize the third party vendor who can provide for express shipping or that they come to the department’s central office to obtain the record the same day. However, with the streamlining and revamping of the work flow of the Customer Services Unit, which handles the requests for copies of vital records, and the addition of new staff to this unit, all requests will have equal service turn around time.

• VSR is in the process of redesigning the website to be more comprehensive in the information and resources that it lists. Currently, the website contains a listing of the local registrars office but as noted in the audit, the website does not inform viewers that they may obtain certified copies from these offices. The suggestions included in the audit will be incorporated into the revisions being implemented for the website.
VSR is currently working on a re-adoption of its governing rules as they will expire at the end of calendar year 2004. Already included in the re-adoption is the addition of the language in Governor McGreevey’s Executive Order #18.

While Executive Order #18 states “The Registrar must authenticate the identity of the requestor and his or her relationship with the subject of the vital record”, it is not feasible or intended for the State Registrar, himself, to physically complete this task and as such it must be delegated, be that either to staff of vital statistics or authorized vendor. The State Registrar has and will continue not only to have the authority to request documentation of the private vendor, but also to do so on a random basis weekly to ensure compliance with the executive order.

VSR is working diligently to improve its operations and service to the public while balancing the need for security and verification in the issuance of vital records.

As previously stated, the VSR program is currently working on a re-adoption of its governing rules. Included in the re-adoption is a proposal to increase the Vital Statistics fee certificate produced. The intent of this increase is to recoup the operational cost incurred by the program.

Purchasing Computers

The Department of Health and Senior Services

The Department should improve planning for computer purchases.

The Emergency Medical Technician Training Fund provides funding for training to volunteer ambulance, first aid and rescue squads. In September 2003, the Office of Emergency Medical Services (OEMS) purchased 500 computers for volunteer first aid squads from monies provided by this fund. OEMS ordered 500 computers based on estimated needs rather than actual applications from volunteer first aid squads. As of
January 2004, 98 of these computers, valued at $134,000, continued to be stored in a warehouse. Although OEMS had a full year to plan for this purchase, OEMS waited seven months before asking the first aid squads to apply for these computers.

Our review found that two of these computers were sent without authorization to the residences of two OEMS employees. One of these employees was responsible for coordinating the vendor shipments to volunteer first aid squads including the two unauthorized computers. Management did not independently verify the shipment destinations in order to prevent this situation from occurring and was unaware of the destination of these two computers until it was disclosed by the audit. Management has subsequently retrieved these computers and is in the process of determining the disciplinary action to be taken against the two employees.

In addition, we observed a surplus of new computer equipment at various department locations. We observed 138 monitors and 68 central processing units still in their original boxes; shipment dates for these items ranged from August 2001 to December 2003. While visiting one location, we were told by department personnel they do not have the manpower to set up and install the computer equipment. With such untimely utilization, this equipment may become obsolete and outdated.

**Recommendation**

We recommend that DHSS improve their planning when purchasing and installing computers throughout the department and volunteer first aid squads. We also recommend that DHSS establish procedures to monitor distribution of computers.

**Auditee Response**

The department agrees with this recommendation but would like to note that 402 computers were ultimately distributed to volunteer first aid squads, the balance of the purchase is in the process of being distributed for use in related program areas. For example, 84 PCs have been earmarked for the established EMT basic training sites. As of April 23, 2004, 36 orders have been shipped.
The shipping company processes approximately 12 orders per day. In the future, the department will request carry forward funding which will allow us to purchase the equipment as the applications are received.

To resolve the issue of excess monitors in the short run, all new computer purchases for the PHPEP will be reviewed and requests for monitors will be modified to ensure that the existing surplus of monitors are distributed. In the future, we will develop a formula where a certain percent of computers will be ordered without monitors to allow for employee preference. These practices should prevent future surpluses of monitors.

To prevent delays in the distribution of new computers when they are received, PHPEP is streamlining its distribution processes. One critical change will be factory installation of the computer image so that upon receipt computers can be immediately distributed to staff.

Also, to further manage equipment inventory, the Department will now require all purchases of significant quantities of computers be accompanied by an installation, roll out plan. The purchase order and the plan will be provided to the Department’s Chief Information Officer for review and approval.

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**Laboratory Fees**

The Public Health and Environmental Laboratory (PHEL) bills customers for laboratory testing. Laboratory testing fees are $12.5 million annually. As of December 2003, the receivable balance per agency records was $ 2.2 million of which $700,000 was outstanding for over 90 days. We found the accounts receivable system for laboratory testing to be inefficient and outdated due to a lack of automation and reporting capabilities. Individual customer billings and cash
receipts transactions are entered manually onto separate electronic worksheets and are not summarized to a receivable control account. As a result, the system does not provide an aged customer receivable listing which would allow management to monitor the receivables and collections.

**Recommendation**

We recommend that the DHSS purchase an over-the-counter software package to improve the billing and reporting of all laboratory testing fee transactions.

**Auditee Response**

The Division of Public Health and Environmental Laboratories is addressing the issue of obtaining a new billing system to automate its functions and replace the Microsoft Excel system currently in use.

Additionally, PHEL is presently researching the possibility of acquiring a more elaborate, completely automated billing package and investigating several potential vendors. This new system, would enable the Accounting and Billing Unit to have laboratory data interact directly with a billing system, thus fully automating the billing unit functions of PHEL and permitting real-time analysis.

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**Travel Reimbursements**

During fiscal year 2003, DHSS expended $540,000 for employee travel reimbursements. Our test of 85 mileage reimbursement requests disclosed that 10 requests contained mileage for days employees were not working. We found that immediate supervisors for these employees did not verify the days employees worked through the Time and Leave Reporting System (TALRS) to the days mileage reimbursements were requested.

In addition, we found duplicate travel reimbursements paid to three employees totaling $930. The accounts payable unit processed these duplicate payments because they accept facsimile copies of travel vouchers instead of
originals, and the travel payment files are not being examined by them prior to payment. Management was unaware of these duplicate payments until it was disclosed by the audit. Management has taken steps to recover these payments.

**Recommendation**

We recommend that the immediate supervisors verify employee travel vouchers to days worked. The TALRS monthly leave calendar may aid supervisors in reviewing the accuracy of travel vouchers. We also recommend that the accounts payable unit discontinue the practice of accepting facsimile travel vouchers and review individual employee travel vouchers files prior to payment.

**Auditee Response**

Divisions have been notified when processing travel vouchers to verify the days worked and days claimed for travel purposes with the Department’s time and leave reporting system.

On the few duplicate travel payments, the Accounts Payable Unit in Financial Services has been directed only to process for payment travel vouchers with original receipts/documentation. Any requests to process a copy of a travel document will be forwarded to the Director or Assistant Director for review to verify the travel. Also, procedures have been modified to include a review of the employee Travel Voucher file for possible continuity of expenses and to determine if payment has been processed.

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**Building Security**

We observed three building security issues that need to be strengthened for the building containing various administrative and program units for the department. The department recently installed a $33,000 security system for the buildings located at the Quakerbridge Plaza Office Complex. We observed that the garage...
door for the building was frequently left open allowing anyone to enter the building, thus bypassing the security system.

We also observed open accessibility to the room where the switch panels for the phone system are maintained. This room also serves as a storage room for the snack bar. An unauthorized individual can walk into the room and damage the phone system.

The DHSS along with the Department of Human Services maintains a computer room and shared systems at this site. The door to this room is locked in order to restrict access. However, we noted that the door takes a long time to close which could allow for unauthorized entry and access to the computer systems. Such access could lead to the loss of data, services, or damage to the computer equipment.

**Recommendation**

We recommend the department strengthen security by keeping the garage door secured when not in use; restricting the access and locking the room containing the phone system; and adjusting the computer room door to close more quickly.

**Auditee Response**

Unit staff has been officially notified of their responsibility to have the door open only for the acceptance of deliveries. The door will remain closed at all other times. The unit supervisor and facility management staff will periodically validate compliance. The facility security guard will also monitor the door via remote camera and report violations to division management.

Security for the phone room is under the authority of the facility landlord. This audit finding will be reported to the landlord.

The Luczak Computer Center is under the authority of the Department of Human Services (DHS). This Department will apprise the DHS of this finding.
Retired state employees returning to service should be referred to the Division of Pensions and Benefits.

Consultants/Professional Services

The Department of the Treasury Circular Letter 97-18-OMB states “...Very often the retired employee performs in essentially the same or comparable manner as before retirement; in these instances, the position that the retired employee is a consultant or self-employed rarely can be sustained and may result in forfeiture of pension benefits. All such cases should be referred, without exception, to the Division of Pensions and Benefits to avoid any unintended forfeiture of a pension by a former employee who does not meet the criteria for status as a consultant or self-employed individual when returning to work for the State.

It shall be the responsibility of the appointing authority to inform the person engaged, prior to the performance of services, as to whether that individual will be compensated as an employee or as an independent contractor. The State may be liable for penalties and interest if an individual is misclassified as a contractor; any penalty or interest will be charged to the offending agency’s appropriation.”

Our review disclosed that eight retired DHSS state employees returned to service as consultants and appeared to be performing in a comparable manner as before retirement. Consultant fees paid to these retired employees were $35,800 for fiscal years 2002 and 2003. The department did not refer these consultants to the Division of Pension and Benefits for employment determination. The amount of compensation received would not have impacted their pension benefits; however, the state may be liable for social security taxes if these individuals should have been hired as employees rather than consultants.

Recommendation

We recommend that the department comply with Treasury Circular Letter 97-18-OMB by referring the eight retired employees to the Division of Pension and Benefits.

Auditee Response
The Department agrees with this recommendation and will refer retired employees to the Division of Pensions and Benefits.

Medical Documentation

DHSS Human Resource Circular (HRC) #05-97 states, “when an employee has been absent on sick leave for five (5) or more consecutive work days, or for an aggregate of more than 15 days in a 12-month period, proof of illness, or a completed PER-14, Request for Sick Leave, signed by a health care provider is required.” The department may dock a day’s pay from an employee’s paycheck if the employee fails to furnish a doctor’s note for a sick day. In addition, proof of illness or injury may be requested by the department when there is reason to believe that an employee is abusing his/her sick leave.

Human Resources is responsible for requesting doctors’ notes from employees who use five or more consecutive sick days. For employees who use an aggregate of more than 15 days in a 12-month period, the human resources unit delegated the responsibility of requesting the doctor’s notes to the divisional supervisors. Management informed us that the Time and Leave Reporting System (TALRS) generates a report for the use of five or more consecutive sick days; however, the TALRS does not generate a report for the use of an aggregate of more than 15 days in a 12-month period. Controls over complying with DHSS’s sick leave policy can improve if the human resources unit monitors and enforces all sick leave requirements.

During calendar year 2002, 761 of the 2,551 department employees used 28,608 hours of sick time in excess of their 15 sick days in the calendar year, costing the department an estimated $870,000. We tested 40 employees to determine whether sick days were supported with the required documentation. We found...
The department should maintain the confidentiality of medical documentation.

We found that confidential medical documentation for employees was not being properly safeguarded by the department. All medical documentation should be submitted directly from the employee to the human resources unit and maintained in confidential medical files. We found that medical documentation is submitted to and retained by the unit timekeepers rather than the human resources unit.

Recommendation

We recommend that the department comply with its sick leave policy and the human resources unit be responsible for monitoring and enforcing all sick leave documentation requirements. In addition, only the human resources unit should receive the medical documentation and it should maintain the information in confidential medical files.

Auditee Response

The Department agrees with the recommendation and will review and enforce all sick leave documentation requirements and will ensure that managers are aware and comply with sick leave documentation requirements. Supervisors suspecting sick leave abuse will be advised to contact the Labor Relations Manager before requesting any medical documentation from the employee to ensure that this documentation is submitted directly to Human Resources.
The department should restrict timekeepers’ posting of their own leave time.

In accordance with DHSS Human Resource Circular (HRC) # 5-03, “the timekeeper is not permitted to enter his/her own use of leave time. This activity should be performed by the back-up timekeeper or Division liaison.” There are no system controls that prevent the timekeeper from entering their own time into the Time and Leave Reporting System (TALRS). In addition, audit trails are not provided by the system for any unauthorized transactions.

Our review of the timekeeping function revealed that timekeepers are posting their own leave time to the TALRS which could lead to discrepancies. Although our review found no discrepancies in timekeepers’ leave records, one timekeeper was disciplined for tampering with official documentation. In this case, the timekeeper received a 90-day suspension for failing to post 46 hours of their own time into the TALRS during a three-month period ending January 2002.

Recommendation

We recommend that the department assign the timekeepers’ records to another TALRS reporting unit. This assignment would prohibit system access of timekeepers to their own records within the TALRS.

Auditee Response

The Department agrees with this recommendation and will explore the possibility of creating a separate group for all TALRS timekeepers which would restrict their ability to input their own leave time into the TALRS.

DHSS should maintain a current fixed asset record.

The Department of the Treasury Circular Letter 91-32-OMB requires an agency to establish and maintain an equipment inventory record. An adequate fixed asset inventory system is necessary to establish both responsibility and accountability for individual assets, safeguard them from loss or theft, obtain optimum
insurance coverage, support insurance claims, identify surplus items, and track items purchased with federal funds.

During our review, we found that DHSS’s equipment inventory records are inadequate. We found that DHSS does not tag the fixed asset immediately when received and that the tag machine is producing duplicate tags. In addition, the primary person responsible for maintaining the fixed asset inventory was on a leave of absence and no backup person was assigned this task. We also noted none of the divisions have performed the required annual physical inventory of the equipment in fiscal year 2003. We tested 67 purchased items and found that 52 were not entered onto the fixed asset listing; however, we were able to locate all these items.

**Recommendation**

We recommend that the department comply with Treasury Circular Letter 91-32-OMB and take steps to ensure that the inventory process is an ongoing function.

**Auditee Response**

Financial Services has begun the process to formally bid for the design and implementation of a new Fixed Asset Inventory System. They have also hired a staff person to assist in the inventory function. In reiteration of a previous response, Financial Services prioritizes the inventory, i.e. tagging and entry to the system, of computer and digital camera purchases given their material cost and their value which contributes to the risk of theft.

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**Timely Deposits**

DHSS Financial Management Circular (FMC) #03-03 states, “it will be the Department policy that cash be deposited within twenty-four (24) hours of receipt”. The Office of Vital Statistics and Registration (OVSR) is the only organization within DHSS that collects cash from the public directly. We found that the OVSR was not depositing within the 24 hour period. There are various
state agencies located in the same office building as OVSR. During our review, we noted that there is no coordination among these depositors. Untimely deposits may be alleviated by coordinating these depositors or by the use of a common courier. In the past, departmental management has cited untimely deposits at Vital Statistics. In response to our recommendation, on March 8, 2004 the department started using a courier service for depositing receipts timely.

In addition, on October 30, 2003 OVSR experienced missing cash receipts of $262 from a pending deposit envelope. We observed, on a daily basis, that these cash envelopes pending deposit are left unattended on a supervisor’s desk. These cash envelopes should be accounted for and placed in a safe immediately.

**Recommendation**

We recommend that moneys waiting to be deposited should be secured at all times.

**Auditee Response**

The Department has instituted a common courier to pick up on a daily basis all cash and checks from all the revenue Programs located in the Health and Agriculture building. This daily pickup and deposit of cash and checks should eliminate the problem encountered in the Vital Statistics & Registration program.