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

Department of Human Services
Commission for the Blind and
Visually Impaired

July 1, 2000 to June 30, 2002

Richard L. Fair
State Auditor
Enclosed is our report on the audit of the Department of Human Services, Commission for the Blind and Visually Impaired for the period July 1, 2000 to June 30, 2002. If you would like a personal briefing, please call me at (609) 292-3700.

Jim Patterson  
Assistant State Auditor  
December 24, 2002
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Department of Human Services  
Commission for the Blind and Visually Impaired

**Scope**

We have completed an audit of the Department of Human Services, Commission for the Blind and Visually Impaired for the period July 1, 2000 to June 30, 2002. Our audit included financial activities accounted for in the state’s General Fund and the commission’s nonappropriated accounts.

Annual expenditures approximate $22 million. The prime responsibility of the commission is to provide all means which it deems feasible for ameliorating the condition of the blind and visually impaired and to prepare and maintain a register of all blind within the state. The federal Rehabilitation Services-Vocational Rehabilitation basic support program and other grants to the commission generated approximately $10 million in revenue. In addition, vending machine program revenue during the audit period was $600,000. These vending machine revenues are appropriated to the Project Prevention Spending Program.

**Objectives**

The objectives of our audit were to determine whether financial transactions were related to the commission’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.

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 commission. 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.

Statistical and nonstatistical sampling approaches were used during our testing. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Transactions were both statistically and judgmentally selected.

To ascertain the status of findings included in our prior report, we identified corrective action taken by the commission and walked through 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 commission’s programs, were reasonable, and were properly recorded in the accounting system. In making this determination, we noted internal control weaknesses and matters of compliance with laws and regulations meriting management’s attention. We also found that the commission has taken steps to resolve some issues noted in our prior report. Unresolved issues regarding payment for client services and fixed assets have been updated in this report.
Payroll and Time Reporting

The commission has approximately 285 employees and annual regular payroll expenditures of $12 million. During our review of biweekly time sheets and annual leave records for 37 randomly sampled employees (2,600 hours), we noted posting errors for two employees. One employee’s overtime compensatory leave balance was overstated by 7 hours on the annual leave record due to mis-posting. Another employee’s annual leave record was not posted to reflect 7 hours of compensatory time off recorded on the time sheet. Based upon our sample population of 2,600 hours tested, the improper posting of 14 hours (.5%) leave time results in a dollar error of $66,000 when projected to the total population of regular payroll hours (502,300).

Recommendation

The commission should strengthen review and reconciliation procedures for both timekeeping and leave record maintenance to reduce the likelihood of erroneous payments and misstatements of leave time.

Auditee’s Response

The Commission acknowledges and agrees with audit report that internal controls on the posting of leave time need to be strengthened.

The Commission will implement a quarterly review of timekeeping records in order to identify and correct errors in addition to emphasizing the need for error free posting.

Payment for Client Services

The Department of the Treasury Circular Letter 00-13-DPP (PC-23-I) requires state agencies to purchase goods and services from current state contracts, the State Distribution and Support Services Center, Bureau of State Use Industries, or the Central non-profit agency CNA/ACCESS N.J. Items not
Procurement procedures regarding the purchase of goods and services for clients need strengthening.

Available from these sources are to be purchased through an agency’s direct purchasing authority (DPA) in accordance with various bid requirements. In fiscal year 2001, the commission processed payments for client services in the amount of $6.2 million out of $13 million in non-payroll disbursements. In our previous report we noted that the commission does not adhere to Treasury’s procurement requirements. The commission has not substantially improved its adherence with bidding requirements or the need to obtain waivers of advertising.

The commission purchases its goods and services for clients from specialty vendors, medical providers, or other parties who provide specialized services for blind or visually impaired persons. In many cases, the commission has been dealing with such vendors or providers for many years and may not have a formalized agreement detailing the terms under which services are to be provided, including the origin of the rate charged. As a result, it is possible that the commission is not obtaining the best prices for the purchase of goods and services for their clients. However, we did note that there is now a state contract for adaptive technology for the blind which did not exist at the time of our prior audit, and the commission has properly utilized this contract for certain purchases during our current review.

Controls over client payment authorizations need to be strengthened.

Caseworkers are allowed to spend up to $500 per invoice on client services without prior approval by supervisors. Expenditures above this amount require the prior approval of the caseworker’s supervisor and, depending on the dollar amount, may require additional approvals ranging from the manager of the unit to the Executive Director of the commission. These transactions are interfaced with the state accounting system, where they are processed for payment with no additional approvals. In a test of 32 client service payments, we found 17 had inadequate authorizations for the amounts expended. This situation is caused by the commission’s client service
payments system which generates a unique billing document for each client. As illustrated by one of our samples, where five clients attended a trade school, five invoices were processed and generated a single payment to the vendor. Each invoice in this payment was for $5,000, an amount for which the authorizations of a supervisor and a manager would normally be required, and in fact were applied. However, the five payments to the trade school were being processed on the same day and on a single check for $25,000, an amount requiring the additional approval of the Executive Director of the Commission, which was not applied for these payments. The 17 sample payments cited for inadequate authorizations required varying levels of additional approvals.

Supporting documents should be maintained.

During our prior review, we noted the commission did not always maintain supporting documentation for its client services. In our current review we noted 4 of 32 payments (12.5%) had no support or inadequate supporting documentation on file to substantiate the payment. In one case, a client received medical services billed at over $3,600, yet the treatment described on the payment document and the vendor’s bill could not be located in the commission’s fee schedule. Therefore the validity of this amount could not be established.

Recommendation

We recommend the commission:
- comply with the provisions of Treasury Circular Letter 00-13-DPP (PC-23-I) when purchasing goods and services for clients. For those items that can only be obtained from sole source vendors or are best handled through a waiver of advertising from the Purchase Bureau, the commission should document such situations and where applicable, list all providers that should be included under such a waiver. The commission should maintain written agreements for all vendors with whom they have recurring purchases.
• revise their managerial review procedures so that multiple payments constituting a single vendor transaction receive the appropriate review and approval.
• instruct its staff as to the importance of obtaining and filing support documentation to validate the purchases made on behalf of clients.

Auditee’s Response

The Commission has promulgated procedures and followed practices intended to balance the purchasing practices and internal controls over purchases for client services with the need to provide timely effective services to our clients. We intend to identify those vendors for which it would be practical and beneficial to obtain written agreements and execute those agreements. Targeted completion date is June 30, 2003.

The Commission will review the approval authority and procedures for client invoice payments and take steps to strengthen the fiscal review and approval of these payments. Ultimately, we will strive to insert built-in controls in our information system that will flag purchases over $25,000 so that the appropriate approval will be obtained. Targeted completion date is March 31, 2003.

The Commission will take steps to strengthen the fiscal review of support documentation for purchases made on behalf of clients, including performing more spot checks of our purchases, in the automated client services tracking system, and determining whether the supporting documentation has been filed. Targeted completion date March 31, 2003.

Fixed Assets

The commission maintains a computerized equipment inventory system of approximately 4,400 items valued at $5.6 million. In our prior audit, we noted that the inventory was not being updated on a
The commission should comply with Treasury Circular Letter 91-32 regarding the maintenance of fixed asset records. To review the commission updating procedures, we selected 20 computer items purchased in April 2001, at a cost of $23,000, and found that none of the 20 items were included on the commission records as of March 2002.

**Recommendation**

The commission should update its fixed asset records to comply with Treasury Circular Letter 91-32. Updating should be done continuously, but must be done at least annually at the end of each fiscal year.

**Auditee’s Response**

A physical inventory of computer equipment was completed by June 30, 2002, by Commission Management Information System staff. The twenty computer items purchased in April 2001 are now included in Commission records.

The Commission certified to the Department of Treasury, Financial Reporting, that a physical inventory of all assets of $1,000 or greater as per Circular 91-32 OMB for the fiscal year ended June 30, 2002 was completed. A physical inventory of all fixed asset equipment is scheduled to be performed before June 30, 2003 by Management Services staff in accordance with Treasury Circular Letter 91-32.