Department of Human Services
Commission for the Blind
and Visually Impaired

July 1, 1996 to January 12, 1998
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, 1996 to January 12, 1998.

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

Peter M. Guilfoyle
Assistant State Auditor
February 27, 1998
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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, 1996 to January 12, 1998. Our audit included financial activities accounted for in the state’s General Fund.

Total expenditures of the commission during the audit period were $28 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 $13 million in revenue. In addition, business enterprise program revenue during the audit period was $.6 million.

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 and 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. We also tested service contract expenditures and reviewed the level of service at provider agencies.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, 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 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 commission has resolved the significant issues noted in our prior report except for the matter related to the blind register. This issue has been updated and restated in our current report.
Blind Register

The commission’s register does not include all persons who are blind or visually impaired as required by statute.

Recommendation

We recommend that the commission continue its efforts to identify and register all persons in New Jersey who are blind or visually impaired and include all required information per the legislation.

Auditee’s Response

The legislation stipulating the maintenance of a “Blind Register” dates to pre-1930 and has long been a compliance issue for the commission. In addition to the projected costs associated with maintaining a register of all blind and visually impaired persons in New Jersey, there are impediments outside of the control of the commission such as the reporting of persons to the commission by physicians and others in the health care field. Although the current legislation mandates reporting by health care providers of persons who are determined to be blind, there is no practical manner to determine compliance nor to pursue enforcement. The commission has tried to pursue issues such as how to verify the reporting of all appropriate persons and how to determine when to remove persons due to death or relocation.

The commission’s present computerized information system includes data on current and former clients. Due to the commission’s recent and ongoing efforts in the Project Prevention Program, thousands of New Jersey residents have been screened for vision problems. These efforts will continue to identify individuals to add to our client information base. Additional outreach efforts by the commission...
throughout the state will continue to identify persons with vision problems who will be added to our client information records. This includes priority efforts for school children, minority populations and elderly persons. The commission’s efforts and resources are best spent on these initiatives. The practicality and benefit from a Blind Register as referred to in the decades old legislation are no longer viable. The commission will work with the Department of Human Services (DHS) to suggest amendments to the legislation which reflect current client data base needs.

Payments for Client Services

The commission is not following the procurement procedures of the Department of the Treasury’s Purchase Bureau when engaging in the purchase of goods and services for clients. In addition, an internal control weakness in the commission’s Client Services Payment System makes it possible for caseworkers to initiate payments for such purchases at dollar levels exceeding the $500 maximum level authorized by the commission’s procedures. Finally, the commission does not always maintain supporting documentation to substantiate the payments made.

Procurement procedures regarding the purchase of goods and services for clients need strengthening.

The Department of the Treasury Circular Letter 96-23G-GSA requires state agencies to purchase goods and services from current state contracts, the State Distribution Center, Bureau of State Use Industries, or the New Jersey Association of Rehabilitation Facilities. Items not available from these sources are to be purchased through an agency’s delegated purchasing authority (DPA) in accordance with various bid requirements (no price competition, telephone quotations, sealed written quotations) depending on the dollar level of the purchase up to a maximum limit of $10,500 per transaction. In fiscal year 1997, the commission processed payments for client services in the amount of $4.8 million out of $7.6 million in nonpayroll disbursements for the agency. The commission did not adhere to the
procurement requirements of Treasury Circular Letter 96-23G-GSA. In our sample of 25 expenditure transactions, 18 payments for client services were not processed through the state purchasing system, the normal processing procedure for purchasing, nor were they subject to review by the Purchase Bureau. In discussions with agency program and fiscal staff, we determined that 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. It is possible that the commission is not obtaining the best prices for the purchase of goods and services for their clients. In addition, the purchase of items without utilizing the Purchase Bureau removes a level of review for these transactions, weakening internal control and increasing the possibility of erroneous payments.

`Controls over client payment authorizations need to be strengthened.`

Payments for client services (including medical services, equipment, and various items to assist blind or visually impaired clients with education and everyday functionality) are being processed through a special payment system. This system, which was set up with the cooperation of the Department of the Treasury, allows expenditures for client services to be initiated in any of the commission’s several regional offices. 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. The transactions are then interfaced with the state accounting system, where they are processed for payment with no additional approvals. In fiscal year 1997, 10,000 of these transactions totaling $1.6 million were processed.
During our review of these expenditures, we noted a lack of monitoring by the fiscal office of payments authorized solely by the caseworkers. Our test disclosed an instance where a bill from a vendor for $1,800 in furniture purchased for a client was split into four separate invoice documents to avoid supervisory review. There were also instances where supporting documentation was lacking or nonexistent.

**Recommendation**

We recommend that the commission comply with the provisions of Treasury Circular Letter 96-23G-GSA 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. In addition, the commission fiscal office should monitor client invoice payments more closely.

**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 do acknowledge and agree that a review of commission procedures in this area would be beneficial. The commission will work with Department of Human Services Office of Purchasing to identify specific procedures that need to be updated and take corrective action. Also, over the next four months 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. The emphasis will be to develop definitive improvements to the internal controls and accountability in the area of client service payments.
Vending Machine Program

In July 1992, New Jersey enacted legislation that transferred the administration of the state’s Vending Machine Program from the Department of the Treasury to the Commission for the Blind and Visually Impaired. The purposes of this legislation were to strengthen and solidify the state’s oversight of this program, while appropriating the receipts earned through vendor rebates to cover the administrative costs of operating the program, and to expand the delivery of vision screening services. Beginning with fiscal year 1993, the annual appropriation acts empowered the commission to form a contract with an outside firm in the amount of $130,000 to administer the function.

The commission originally engaged the services of a management firm to administer the program, however, at the completion of the first contract year, the commission decided to carry out the management of the program internally. Currently, a part-time employee is assigned to run and supervise all program operations. Monitoring of the vending machine activities are performed on an exception basis, rather than an ongoing review to ensure that contractors are in compliance with the general terms and conditions of the vending machine service contract. In addition, there is no marketing plan to promote the expansion of vending machine operations into other locations which would provide additional funding for vision screening services. The internal control over the collection process needs to be strengthened. Currently, the one employee who services vending machine commission checks is also responsible for the accounting records. These functions should be segregated among two or more employees.

Recommendation

The commission should develop a marketing plan to expand vending machines in other locations that are not under contract and establish a regular system of control over existing vendors to ensure accuracy of commission rebates earned. In addition, the duties of collection and accounting should be segregated.
Auditee’s Response

Under the present budget language, the commission is authorized to expend up to $130,000 of vending machine revenues to administer the program. The commission has attempted to keep the administration cost at a low level while continuing to plan for the expansion of vending machine sites on state property. In fiscal year 1997, administration costs were approximately $60,000 and will be even lower in fiscal year 1998. We recognize that in order to increase revenues, there will be an increase in these costs, but they will be maintained within the $130,000 ceiling.

We acknowledge that the development of a marketing plan will be beneficial to the expansion of the program. The commission will meet with DHS staff to formulate such a plan. Also, the duties of collection and accounting for revenue will be segregated.
Fixed Assets

The commission maintains a computerized equipment inventory system. As of October 20, 1997, the records included information for approximately 4100 items valued at $4.2 million. The records for this equipment includes the information required by Treasury Circular letter 91-32. To review the updating procedures of the records, we selected 11 computer items purchased during fiscal year 1997 at a cost of more than $1,000 each. Total purchase cost of these sampled items was $32,000. Our review disclosed that none of the 11 items selected were included on the commission records.

Recommendation

We recommend that the commission take appropriate action to 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

The commission maintains a fixed asset inventory for non-computerized equipment for which no findings were noted. While there was an inventory system for computerized equipment, it was not administered under the general equipment inventory procedures, and the computer equipment inventory was not properly updated.

Steps will be taken to include computerized equipment in the overall inventory system and all equipment will be inventoried in compliance with Treasury Circular Letter 91-32.