Department of Human Services
Division of Youth and Family Services

July 1, 1997 to March 31, 1999
The Honorable Christine Todd Whitman
Governor of New Jersey

The Honorable Donald T. DiFrancesco
President of the Senate

The Honorable Jack Collins
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Department of Human Services, Division of Youth and Family Services - Administration for the period July 1, 1997 to March 31, 1999.

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

Richard L. Fair
State Auditor
June 1, 1999
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Scope

We have completed an audit of the Department of Human Services, Division of Youth and Family Services - Administration (DYFS) for the period July 1, 1997 to March 31, 1999. Our audit included financial activities accounted for in the state’s General Fund. This audit did not include the division’s Grants-in-Aid Programs and the three DYFS-operated residential centers.

Total administration expenditures of the division during the 21 month audit period were $251 million. The prime responsibility of the DYFS is to preserve and maintain the health, safety, and welfare of the children of New Jersey. Revenues of the division totaled $3.0 million during our audit period and the major component of revenue was marriage license fees.

Objectives

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

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the division 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 division’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 merit management’s attention.

We also found that the agency has resolved the significant issues noted in our prior report.

Auditee’s Response

I was pleased to hear that the Division has resolved the significant issues noted in your prior report. In reference to costs incurred to the Division for non-DYFS programs, I am asking appropriate fiscal staff to address this issue. Regarding the IRS and Department of Treasury requirements to report commuting mileage for state-provided vehicles, please note that we are in the process of working with the Attorney General’s office to clarify this policy. Once clarification is received, we will proceed to implement any necessary procedures to assure that these requirements are met.

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Salary and Equipment Expenditures

During our audit period, approximately $800,000 in salaries were paid to nine employees who had transferred to other state agencies. These employees remained on the DYFS payroll for at least one year after their transfer and six were still on the DYFS payroll as of March 31, 1999, representing annual salaries of $360,000.

In addition, equipment expenditures of $700,000 have been identified for items that did not reside at or were used by the division. Documentation obtained indicates that this equipment was utilized by other agencies of the Department of Human Services.

Although DYFS management was aware of these situations, no corrective measures were taken. The recording of these expenditures against the division’s appropriations overstated the amount spent for DYFS programs.

We recommend that the division only incur costs related to DYFS programs. When employees transfer, their payroll designation should be changed in a timely manner. If DYFS incurs costs such as salaries or equipment on behalf of other state agencies, the agency that benefits from the expenditure should reimburse the division.

Recommendation
Federal Tax Reporting Requirement for State-Provided Vehicles

According to Department of the Treasury Circular Letter #99-06-OMB Taxability of the Personal Use of State Provided Vehicles and Driver Services, “The Internal Revenue Service Code states that the personal use of an employer-provided vehicle...is taxable to the employee as a non-cash fringe benefit. ‘Personal use’ includes commuting to and from work as well as personal travel.” The circular letter further stipulates the value of the commutation use of a state provided vehicle as $1.50 per one-way commutation.

DYFS reported commutation for their one permanently assigned car; however, in accordance with their practice, did not report any commuting mileage for any of their 972 pool vehicles. Upon bringing this issue to their attention, the division performed an initial evaluation and identified 85 cars which were being used for commuting.

We recommend that DYFS identify all cars being used for commuting and report the results as required by both the Internal Revenue Service and Treasury Circular letter.