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

Department of Human Services
Division of Developmental Disabilities
Green Brook Regional Center

July 1, 2007 to December 31, 2009

Stephen M. Eells
State Auditor
The Honorable Chris Christie  
Governor of New Jersey

The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Sheila Y. Oliver  
Speaker of the General Assembly

Mr. Albert Porrioni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Human Services, Division of Developmental Disabilities, Green Brook Regional Center for the period of July 1, 2007 to December 31, 2009. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
State Auditor  
September 30, 2010
# 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>2</td>
</tr>
<tr>
<td>Methodology</td>
<td>2</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>Expenditures</td>
<td>4</td>
</tr>
<tr>
<td>Timekeeping and Employee Leave Records</td>
<td>5</td>
</tr>
<tr>
<td>Auditee Response</td>
<td>7</td>
</tr>
</tbody>
</table>
Scope

We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, Green Brook Regional Center for the period July 1, 2007 to December 31, 2009. Our audit included financial activities accounted for in the state’s General Fund and the financial transactions and balances of the Client Trust (Personal Needs) Accounts, the Client Welfare Fund, and the Occupational Therapy Fund. The audit also included a review of internal controls for allowable costs under the American Recovery and Reinvestment Act (ARRA) – Federal Medical Assistance Percentage (FMAP) that funds the Intermediate Care Facility – Mental Retardation (ICF/MR) program at Green Brook.

The prime responsibility of the center is to provide residence, care, and training to clients over the age of 55 who have been classified as developmentally disadvantaged. Total General Fund operating expenditures of the center were $19.7 million for fiscal year 2009 and $20.9 million for fiscal year 2008. The average daily population during the audit period was approximately 90. Annual General Fund revenues credited to the center’s accounts were $584,000 for fiscal year 2009 and $736,000 for fiscal year 2008. These revenues are derived primarily from billings for client care and Medicare Part B.

Total ICF-MR federal Medicaid receipts in fiscal years 2009 and 2008 were $9.8 million and $10.4 million, respectively. These revenues are derived primarily from billing the 50 percent federally funded ICF-MR Medicaid program. Receipts are credited to a central account at the department. Additionally, the department received $1.4 million in ARRA funds associated with Green Brook recoveries for fiscal year 2009.
Objectives

The objectives of our audit were to determine whether financial transactions were related to the center's programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of significant issues noted in our prior audit report dated October 14, 2003.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, 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 Department of the Treasury, and policies of the division and the center. 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 messages, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.

Both a statistical and 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 randomly and judgmentally selected for testing. To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the division and the center, and performed tests to determine if the corrective action was effective.

Conclusions

We found that the financial transactions included in our testing were related to the center's programs and were reasonable; however, we noted errors in the recording of certain year-end ARRA
transactions which distorted fiscal year 2009 expenditures. We also noted certain internal control weaknesses in the payroll operations, which were significant issues in our previous audit report.
Expenditures

During fiscal year 2009 the Department of Human Services and the Division of Developmental Disabilities received additional federal funding for the Intermediate Care Facility - Mental Retardation (ICF/MR) program from the American Recovery and Reinvestment Act (ARRA). These ARRA (Federal Stimulus) revenues were applied as an increase in the federal participation rate for the ICF/MR program and are referred to as FMAP (Federal Medical Assistance Percentage). The federal share of the program’s cost was increased from 50 percent to 58.78 percent for the period October 1, 2008 to March 31, 2009 and to 61.59 percent for the period April 1, 2009 to June 30, 2009. There are no additional expenditures to the ICF/MR program due to the change in the federal participation rate.

It is the state’s procedure to record anticipated federal revenues and appropriate that amount for the federal share of program expenditures. The method used by the department to record the additional appropriations made available by the federal stimulus funds to the developmental centers was through a series of modified expenditure transactions. These year-end transactions resulted in an overstatement of $6.7 million in salary expenditures on the state’s accounting system for Green Brook Regional Center and a corresponding understatement of expenditures in accounts at other centers or programs.

Recommendation

We recommend that the department and the division use the proper transaction documents when processing year-end closing entries to ensure fiscal activity is accurately recorded.
Timekeeping and Employee Leave Records

Green Brook Regional Center employs approximately 360 people in various capacities. Time records are submitted to the payroll section for review and to transfer the applicable pay-time information to the state's Centralized Payroll Division. The center is currently using a manual recordkeeping system for payroll and employee leave time rather than utilizing an automated time and attendance system. In our last audit we recommended the center begin to use the centralized Time, Attendance, Leave Record System (TALRS) which was being used at most state agencies. This system has been upgraded and replaced by the Electronic Cost Accounting Time System (ECATS), a more effective system which could readily be applied by the center.

In our previous audit, we attempted to analyze total overtime earned and compare it to similar developmental centers. While the amount of overtime earned and paid is available within the payroll records, the amount of overtime earned and accumulated as compensatory leave time is not. This has not changed and is therefore still not readily obtainable from the center's payroll time record system. We could not develop such analytical information without time prohibitive procedures. We tested the records of employee leave time earned and used, and their accumulated leave balances. Although we did not find material errors, we noted that the risk of error would be greatly reduced by eliminating the human element in calculating leave balances. Using ECATS would reduce that risk. It also would enable management to more effectively monitor total overtime earned, including compensatory time, and all leave time used. The Department of Human Services has automated its payroll and leave system for its administrative divisions. It has not directed the use of TALRS or now ECATS throughout its institutions such as Green Brook. We were informed that Green
Brook Regional Center is scheduled to have ECATS installed next January. We note that implementation of such a system should not, in our opinion, be delayed. The center has been equipped with computers for years, but has not received the necessary software to automate its time reporting system. Various New Jersey departments and agencies use an automated system as an effective means to keep, control, and analyze all employee leave, including compensatory leave time.

Recommendation

We recommend the Department of Human Services implement the use of ECATS for all its institutions, including Green Brook Regional Center.
September 23, 2010

John J. Termyna  
Assistant State Auditor  
Office of Legislative Services  
Office of the State Auditor  
PO Box 067  
Trenton, NJ 08625-0067

Dear Mr. Termyna:

I am writing in response to your August 11, 2010 correspondence in which you enclosed the audit report of the Department of Human Services, Division of Developmental Disabilities, Green Brook Regional Center.

Below are comments in response to the findings listed in the draft audit report.

**Expenditures — Recording of Federal ARRA transactions overstated in the center’s expenditures.**

**Recommendation:**
We recommend that the department and the division use the proper transaction documents when processing year-end closing entries to ensure fiscal activity is accurately recorded.

**Comment:**
DDD and Green Brook administration concur with the recommendation. The overstatement of FY2009 expenditures at Green Brook is due to a technical error in the FY2009 Appropriations Act that overstated the original State appropriation at Green Brook. This was not directly related to the increase in Federal FMAP but was due to a reduction in base Federal ICF/MR revenue estimates being reflected across all of the developmental centers Federal appropriations, with the State funding to make up this shortfall being appropriated only at Green Brook. The FY2010 Governor’s Budget and Appropriations Act reallocated the state appropriations given to Green Brook to the other developmental centers.
**Timekeeping and Employee Leave Records – The center should change its manual recordkeeping system to ECATS.**

**Recommendation:**
We recommend the Department of Human Services implement the use of ECATS for all its institutions, including Green Brook Regional Center.

**Comment:**
We concur with the recommendation that an automated time and attendance system would be an effective means to maintain and manage employee leave time. The Department is currently exploring the feasibility of eCATS as an effective timekeeping system for the institutions. If determined appropriate, DHS will pursue a pilot as soon as the statewide eCATS implementation schedule permits.

Thank you for the opportunity to comment on the audit findings. We appreciate the recommendations noted by the auditors.

Sincerely,

[Signature]

Jennifer Velez
Commissioner

JV:jc