Department of Human Services
Division of Developmental Disabilities
Vineland Developmental Center

July 1, 2000 to October 31, 2001

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State Auditor
Enclosed is our report on the audit of the Department of Human Services, Division of Developmental Disabilities, Vineland Developmental Center for the period July 1, 2000 to October 31, 2001.

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

January 29, 2002
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Scope

We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, Vineland Developmental Center for the period July 1, 2000 through October 31, 2001. Our audit included financial activities accounted for in the state’s General Fund and nonappropriated funds.

Annual expenditures of the Vineland Developmental Center were $73 million and annual revenues were $3 million. The major components of revenue were Medicare, Medicaid and client recoveries. The prime responsibility of the Vineland Developmental Center is to care for approximately 550 female developmentally disabled individuals.

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.

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 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 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. 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 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 agency’s programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses meriting management’s attention. We also found that the agency has resolved the significant issues noted in our prior report.
Storeroom operations should be segregated.

Storeroom Internal Controls

A strong system of internal controls provides for adequate segregation of duties between various storeroom order processing, system update and distribution functions. It also assures that policies and procedures are documented and followed. Our review of the storeroom operations of the center disclosed internal control weaknesses that, if corrected, could reduce the risk of errors and irregularities not being detected. We noted that one individual performs multiple procedures of the storeroom operation, including the following:

- preparing purchase orders for storeroom goods,
- entering inventory quantities into the inventory system when received,
- removing items from the inventory system through requisitions,
- choosing the items for review in the monthly random inventory count, and
- adjusting inventory figures based on the count, sometimes without documentation.

In addition, no written policies and procedures exist for the storeroom operations. The Vineland Developmental Center relies on the experience of one individual for this process. Written policies and procedures would better provide for continuity in the event of employee absence or turnover.

Recommendation

We recommend the center strengthen internal controls by adequately segregating duties of the storeroom clerk amongst other employees and prepare written procedures for storeroom operations.

Auditee’s Response

Segregation of storeroom operations have been achieved by the following means: The choosing of items for review in the monthly random inventory
count has been changed by our MIS Department so that the computerized inventory system will randomly pick the items to be inventoried. The adjusting of inventory figures based on the count will only be done by business office staff, with complete documentation. The preparation of purchase orders for storeroom goods is reviewed by our Administrative Analyst I, who assigns the appropriation account number and checks for availability of funds, and then the typed purchase order is reviewed and signed by our Buyer before being mailed to the vendor. Procedures for the storeroom operation have been written.

Safeguards Over Food Inventory

The food inventory, which approximates $1.2 million annually, is not adequately safeguarded and access to the food is not sufficiently restricted. No formal policies and procedures exist for the requisition of food items. A proper system of internal controls over the requisition of food products would provide some assurance that food inventory is safeguarded.

Recommendation

We recommend the center develop procedures to requisition products from the food inventory and restrict access.

Auditee’s Response

Procedures for the requisitioning of food items have been written. The restriction of access will be accomplished by moving the Ingredient Room and constructing a wall to separate the refrigeration units from the remainder of the storage area. The operation of the food storage area will be taken over by the central storeroom staff. The construction process will commence during January 2002.
Erroneous payments to the state should be recovered.

Bank Reconciliations

The lack of a proper reconciliation caused a deposit to go unrecorded in August 1998 resulting in a difference between the bank account and book balance. The center wrote two checks to the State Treasury totaling $14,700 from the Vineland Developmental Center, VDC Group Homes Fund nonappropriated account to adjust the bank account to the book balance. These checks were erroneously written with the intent of adjusting for old outstanding checks, which we found was incorrect.

Recommendation

We recommend the center ensure that detailed bank reconciliations be prepared regularly with proper supporting documentation for adjustments. In addition, the center should seek the return of the $14,700 to the account from the State Treasury.

Auditee’s Response

The Group Homes Fund bank reconciliation will be assigned to our Accountant I. We will keep complete and detailed documentation for all bank reconciliation adjustments. This change will be implemented with December 2001 bank reconciliation.