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

Department of Human Services
Division of Developmental Disabilities
Vineland Developmental Center

July 1, 2008 to April 30, 2010

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 Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Human Services, Division of Developmental Disabilities, Vineland Developmental Center for the period of July 1, 2008 to April 30, 2010. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
State Auditor  
September 17, 2010
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We have completed an audit of the Department of the Human Services, Division of Developmental Disabilities, Vineland Developmental Center for the period July 1, 2008 to April 30, 2010. Our audit included financial activities accounted for in the state’s General 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 fund the Intermediate Care Facility – Mental Retardation (ICF/MR) program at the center.

The center maintains non-appropriated funds which are audited by the department’s Office of Auditing. We did not audit these non-appropriated funds since the department issued reports on these funds recently.

The center provides care and rehabilitation to 433 developmentally disabled females at all levels of capability. The center also provides staffing to 20 offsite group homes and 3 offsite supervised apartments in the joint community residence program serving 142 clients. Annual expenditures are approximately $89 million. Annual general fund revenues credited to the center’s accounts were $2.7 million. These revenues are derived primarily from billings for client care and maintenance and Medicare Part B.

Annual ICF/MR billings are approximately $93 million of which 50 percent is paid by the federal government. Federal receipts are credited to a central account at the department. Additionally, the department received $6.6 million in ARRA funds associated with Vineland recoveries for fiscal year 2009.

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 conditions noted in our prior report dated January 29, 2002.

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 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 budget messages, reviewed financial trends, and interviewed center 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 financial transactions included in our testing were related to the center's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination,
we noted certain internal control weaknesses, matters of compliance with laws and regulations, and opportunities for cost savings meriting management’s attention. We also found that the center has resolved the issues noted in our prior report.
Overtime – Group Homes

Vineland Developmental Center and Parents and Friends Association Community Services (PAFACOM) have jointly operated the Community Residence Program for developmentally disabled individuals since 1982. The program consists of 20 group homes and 3 supervised apartments which service 142 women. The program goals include providing opportunities to individuals with developmental disabilities to live independently and be included in community experiences from which they are often excluded. Per agreement, PAFACOM oversees the maintenance and operation of the 20 homes and 3 apartments and the center provides the staffing needs for each home and apartment. This agreement was made to maintain a client-caregiver family-oriented relationship which would make transitions easier on clients when the group homes were opened in the 1980s. The center currently has 205 Residential Living Specialists (RLS), 13 Head Cottage Training Supervisors, and 4 administrative staff assigned to this offsite operation. Payroll costs averaged $13.6 million annually during the past two years. Fiscal year 2009 operating costs totaled approximately $20 million or $142,000 per client including employee fringe benefits and PAFACOM pass-through costs. PAFACOM independently operates three group homes, which house eight clients. Fiscal year 2009 costs for these homes totaled $730,000 or $91,000 per client. Costs to run homes staffed by the center were much higher than those staffed by PAFACOM. The center should review all aspects of the group home operation and look for ways to improve efficiency and reduce costs.

One of the center’s goals is to promote the safety and well-being of clients residing in group homes and supervised apartments. However, the center does not have an overtime policy that limits consecutive shifts or the number of hours that can
be worked in a day, a week, or a two-week pay period. Our review of the center’s records noted that overtime hours worked by a number of RLSs may be excessive and may affect the quality of care. On average 15 RLSs worked more than 60 hours of overtime each pay period in fiscal year 2009. One RLS worked eight consecutive shifts totalling 64 hours during one of the pay periods. The same RLS returned after an eight hour break and worked another five consecutive shifts totalling 40 hours. Another RLS worked 100 hours in a 112 hour period. A third RLS worked 2,271 overtime hours, an average of 44 hours per week.

The center is currently in the process of filling its 12 vacant RLS positions which should help to significantly reduce overtime hours. The hiring may also provide minor cost savings to the center.

**Recommendation**

We recommend that the center evaluate its group home operation and explore options to reduce costs and enhance operating efficiencies. If management decides to continue to staff the group homes, it should consider filling the vacant RLS positions so that overtime hours can be reduced. In addition, an overtime policy that controls individual staff hours should be developed to help ensure quality care is provided to its clients. The policy should address the total number of hours that can be worked in a given day, a week, or a two-week pay period.
Overtime paid to cottage training supervisors could be reduced by improved scheduling.

Overtime – Cottage Training Supervisor

We analyzed overtime paid to 72 Cottage Training Supervisors (CTS), which totaled $840,000 in fiscal year 2009, and found that overtime hours were unusually high when compared to overtime hours for direct care employees. An internal memo stated the center would implement a new CTS scheduling policy effective in May 2004, which allows CTSs to have either Friday and Saturday or Sunday and Monday as their regular days off. We examined coverage schedules for the months of June and December 2009 and found that the center scheduled one CTS per shift in each cottage on the weekends and two or three CTSs on weekdays. This left the center shorthanded on weekends and overstaffed on certain shifts during weekdays. On average, the center had a shortage of 9 CTSs from Friday to Monday and an average of 17 CTSs from Tuesday to Thursday. Since the weekend shifts were not adequately staffed, the center incurred an average 112 overtime hours per day from Friday to Monday compared to 41 hours per day in the middle of the week. Our review also noted that overtime paid to CTSs increased each year since the new scheduling policy was implemented. Overtime hours could be reduced if the center could balance the schedule by adding more staff to the weekend coverage through reassigning staff from the weekdays to the weekends.

Recommendation

We recommend that the center modify its regular day off policy for CTSs to have more balanced staffing throughout the week.
Controls over termination processing need to be strengthened.

Payroll – Termination Leave Time Balance

The center is currently using a manual recordkeeping system to record and maintain employee leave time. When an employee is terminated, leave balances are manually calculated by the responsible timekeeper. The balances are entered onto the Report of Separation or a Transfer Work Sheet, which is forwarded to the personnel unit for further action. However, the Report of Separation is not reviewed for accuracy. We tested leave balances for a sample of 55 terminated employees and noted 7 employees’ balances were incorrect totaling 239 hours or $5,467. These errors were the result of a lack of supervisory review, incorrect posting, or incorrect calculation caused by a lack of staff training. Because of our review, the payroll unit implemented a new process in January 2010 for calculating termination leave balances.

Recommendation

We recommend that the center continue its effort in monitoring termination leave balance calculations including supervisory review of the Report of Separation. We also recommend the department implement the use of an automated leave time system, the Electronic Cost Accounting Time System, for all its institutions, including Vineland Developmental Center.
The center should comply with state regulations in procuring goods and services.

Purchasing

The center follows the Department of the Treasury’s policies and procedures in procuring goods and services. However, state purchasing regulations were not always followed. The following examples were noted during our review.

- Treasury Circular Letter 09-03-DPP states that if the anticipated fiscal year volume for a product or service exceeds $29,000, the agency must request the Department of the Treasury’s Purchase Bureau to perform the procurement. During fiscal years 2009 and 2010 as of March 2010, the center purchased plumbing and electrical repair services in confined space from a non-state contracted vendor totaling $141,000 and $121,000, respectively. Fifty-six purchase orders for the two fiscal years were issued to this vendor. The center should have consulted with the Purchase Bureau in seeking contracting options for this service.

- The center utilizes a taxi company to transport direct care employees to the local hospital to care for ill clients. The taxi company does not allow more than one employee per taxi and charges $20 per person each way. Instances where multiple taxis were sent to the same location at the same time were noted. Annual transportation costs approximated $75,000 representing 3,740 trips per year or 5 round-trips per day. The center allowed this practice because this is the only taxi company in town willing to provide service around the clock. The center should consider alternatives in transporting these employees to reduce costs, such as utilizing the center’s escort unit, which is equipped with state vehicles to transport clients.

- The state’s roof repair contract (T-0111) requires an agency to obtain quotes from the
three awarded contractors for regular planned repairs costing between $1,000 and $48,000. The contract requires the vendor to submit an itemized bill for payment. Copies of invoices for contractor-purchased materials must also be attached and are paid at cost. The agency must request an advertised bid for non-emergency projects exceeding $48,000. The center issued 10 purchase orders totaling $169,451 to a vendor during fiscal years 2009 and 2010 as of March 2010. All purchase orders were between $1,000 and $48,000 and all were issued as emergencies. Therefore, there was no price competition between vendors. This condition was also evident in fiscal year 2008. Our review further noted that final repair costs always matched the initial estimates. All invoices had the same invoice number and none were itemized to show total hours worked and project completion date as required. It appeared that not all repairs were emergencies. Some projects were divided into smaller purchase orders to avoid having an advertised bid.

**Recommendation**

We recommend that the center:

- Comply with the requirements established by Circular Letter 09-03-DPP when anticipated volume for a qualifying service exceeds $29,000.

- Seek alternatives in transporting direct care employees in order to reduce costs.

- Comply with terms established in the state’s roof repair contract with regard to obtaining quotes and advertised bids, and obtaining itemized data prior to making payments.
Clothing Inventory and Contract

The center needs to evaluate the current clothing inventory method and the necessity of the clothing contract.

The center spent $350,000 or $800 per client on clothing during fiscal year 2009, which is 78 percent more than the next highest developmental center on a per client basis. Each of the center’s three clothing consultants is assigned specific cottages and is responsible for clothing needs of clients residing in those cottages. Clothing consultants maintain requisition sheets, receiving reports, and clothing tagging forms for issued clothing. However, no inventory system exists that tracks the receipt and issuance of clothing. The center performed an inventory count in June 2009 for the first time in many years. The count disclosed excessive quantities of some clothing items and recommended reducing current inventory prior to placing any further orders. Our review supports the center’s finding. The center issued 139 purchase orders during fiscal year 2009. An internal memo indicated that the center would purchase undergarments and nightwear for all clients beginning fiscal year 2009. Purchase orders issued for undergarments or nightgowns totaled 43. We reviewed two purchase orders for one specific clothing item and noted the center over-ordered what was needed. We toured the storage room and noted a large inventory of clothing, including the specific clothing item we tested. We analyzed the center’s inventory report and noted additional inventories at the cottages.

Our review also noted that the state’s purchasing bureau negotiated a clothing contract with a local vendor on behalf of the center. Vineland is the only center that has its own clothing contract with a specific vendor. The vendor is required to set up a store at the facility for the clients to shop several times during the contract period. However, this has not been done in years. We also compared the pricing on certain items of similar quality with vendors utilized by other centers and found the center did not receive the best price possible.
In addition, one of the terms of the agreement is that all deliveries must be made within 14 days of the contractor's receipt of order. Our review noted that it took an average of 41 days to deliver all orders.

**Recommendations**

We recommend that the center establish an inventory system that records the purchase and issuance of clothing. The center should also consider not renewing the current clothing contract which limits their purchasing options to a specific vendor.
September 15, 2010

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

Dear Mr. Termyn:

I am writing in response to the draft audit report of Vineland Developmental Center (DVC), Division of Developmental Disabilities, Department of Human Services, submitted with your August 11, 2010 correspondence.

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

**Overtime – Group Homes – The center needs to evaluate the operation of its group homes and seek alternatives in staffing to control costs.**

**Recommendation:**
We recommend that the center evaluate its group home operation and explore options to reduce costs and enhance operating efficiencies. If management decides to continue to staff the group homes, it should consider filling the vacant RLS positions so that overtime hours can be reduced. In addition, an overtime policy that controls individual staff hours should be developed to help ensure quality care is provided to its clients. The policy should address the total number of hours that can be worked in a given day, a week, or a two-week pay period.

**Response:**
We concur with the findings and recommendation. Short-term strategies to reduce overtime include the following:

- VDC is in the process of hiring Temporary Employee Services (TES) staff up to current targeted levels to alleviate overtime due to vacant TES positions in the PAFA group homes. Hiring TES up to the approved target level will not impact the VDC/PAFA Check Cut Target nor Memorandum of Agreement in regard to TES Targets established with the unions during the summer of 2009.
• The VDC/PAFA Overtime Committee will immediately begin bi-weekly meetings to review overtime at the end of each pay period and make on-going adjustments as issues arise. These meetings will also include an analysis of the current data and an expanded review, when indicated.

• The PAFA supervisors responsible for scheduling have been directed to make the review of overtime in their units/homes a priority, at least weekly. They will ensure that the overtime "call rotation" is used efficiently, which will address the issue of excessive overtime earned by some of the RLS staff.

• The PAFA supervisors have been re-trained on the scheduling and emergency coverage (call-offs) procedure. The procedure has been updated to include more detail on how this is to be implemented. The supervisors will be held accountable for failure to follow this procedure.

• VDC/PAFA will develop a system to solicit interest in overtime from developmental center staff, who are in comparable titles to be used in the PAFA group homes. This will increase the pool of employees who can provide overtime coverage in the PAFA homes.

• The AFSCME local union officials have been advised of the reinforcement of the overtime rotation and how coverage will be deployed.

Long-term strategies to reduce overtime include:

• Vineland will develop an internal, centralized overtime scheduling/staffing office to oversee the scheduling of VDC/PAFA. This central scheduling/staffing office will ensure that schedules are "balanced" and modified as indicated, that employees are re-deployed to provide coverage when needed, in lieu of overtime and that overtime is only scheduled, or used, when operationally necessary, following the rotational schedule.

• Vineland is exploring “capping” the number of shifts/hours of overtime that can be worked in a pay period as recommended by OLS.

• With the closure of the West Campus, VDC will utilize these positions to fill vacancies in the PAFA group homes.

Overtime – Cottage Training Supervisor – Overtime paid to cottage training supervisors could be reduced by improved scheduling.

Recommendation:
We recommend that the center modify its regular day off policy for CTSs to have more balanced staffing throughout the week.
Response:
We concur with both the findings and recommendations. Short-term strategies to reduce overtime include the following:

- As stated above the VDC/PAFA Overtime Committee will immediately begin bi-weekly meetings to review overtime at the end of each pay period and make ongoing adjustments as issues arise. These meetings include an analysis of current data and these reviews will be expanded when indicated.

- The Assistant Superintendent, Unit Managers, Director of Nursing and Business Manager have been directed to make the review of all overtime a priority at least weekly to ensure that all overtime was operationally necessary and that rotational calls were made appropriately.

- The VDC CTS supervisors responsible for scheduling have been directed to make the review of overtime in their units/homes a priority at least weekly. They will ensure that the overtime “call rotation” is used efficiently, which will address the issue of excessive overtime earned by some of the CTS staff.

- The VDC CTS supervisors have been re-trained on the scheduling and emergency coverage (call-offs) procedure. This procedure has been updated to include more detail on how this is to be implemented. The supervisors will be held accountable for failure to follow this procedure.

- VDC will consider changing the scheduled days off of CTS staff to better cover the weekends and spread resources, currently overscheduled Monday through Friday. This is currently under review by the DHS Office of Cooperative Labor Relations as this has been a long standing practice at VDC.

- The supervisors and AODs have received updated instructions on the use of the rotational overtime call lists and are required to use the list correctly. The supervisors and AODs will be held accountable for failure to follow this procedure when under their control. This will be part of the bi-weekly review and will also address the issue of all employees and/or supervisors who earn high levels of overtime.

- Overtime coverage on East Campus is now assigned by the campus and not individually by living unit, as was the past practice. This allows for overtime coverage to be spread evenly across the campus and will result in a reduction of overtime.

Long-term strategies to reduce overtime include:

- As previously stated, Vineland will develop an internal, centralized scheduling/staffing office to oversee the scheduling of VDC. This central
scheduling/staffing office will ensure that schedules are “balanced” and modified as indicated, that employees are re-deployed to provide coverage when needed in lieu of overtime and that overtime is only scheduled, or used, when operationally necessary following the rotational schedule.

- As previously stated, VDC will explore “capping” the number of shifts/hours of overtime that can be worked in a pay period, as recommended by OLS.

- Vineland will ensure third-party oversight by Central Office of overtime utilization.

- With the closure of the West Campus, VDC will utilize these positions to fill vacancies on the East Campus, where overtime is currently incurred.

**Payroll - Termination Leave Time Balance - Controls over termination processing need to be strengthened.**

**Recommendation:**
We recommend that the center continue its effort in monitoring termination leave balance calculations including supervisory review of the Report of Separation. We also recommend that department implement the use of an automated leave time system, the Electronic Cost Accounting Time System, for all its institutions, including Vineland Developmental Center.

**Response:**
We concur with both the findings and recommendations.

As referenced in the audit, VDC implemented a new policy, as of January 2010. The Supervisor of Personnel Records and Payroll Processing trained staff in the methods of correct postings and calculations. The employee leave balance calculations at termination will be reviewed, along with the Report of Separation. The Division will audit VDC’s new policy to measure its effectiveness. VDC has already processed the forms to recoup the salaries paid in error through the State’s SOIL program.

**Purchasing – The center should comply with state regulations in procuring goods and services.**

**Recommendation:**
We recommend that the center:

- Comply with the requirements established by Circular Letter 09-03 DPP when anticipated volume for a qualifying service exceeds $29,000.

- Seek alternatives in transporting direct care employees in order to reduce costs.
• Comply with terms established in the state’s roof repair contract with regard to obtaining quotes and advertised bids, and obtaining itemized data prior to making arrangements.

Response:
We concur with both the findings and recommendations.

• VDC will consult with the Purchase Bureau in seeking contracting options when anticipated volume for a qualifying service exceeds $36,000, or the current threshold set by the Department of Treasury for DPA purchases. DDD will also contact the Department of Treasury about establishing a State-wide contract to cover plumbing and electrical services in confined space areas.

• VDC will reduce the use of this taxi service and explore any state or municipal regulations to determine whether limitations on costs, or number of passengers, is appropriate. The Center also will review cost-comparisons for alternate transportation options. They will utilize the VDC Escort Unit on the first shift, and consider increasing the use of the Escort Unit on the second and third shifts. The facility will explore implementing a centralized schedule for staff to coordinate transportation to and from the hospital.

• VDC will comply with the terms established in the state’s roof repair contract with regard to obtaining quotes and itemized data prior to making payments. Purchase Orders for any large procurement will be reviewed and approved by the Business Manager. The repairs cited in the audit were deemed emergencies by the Business Manager because, in each case, the roofs were actively leaking into the building interiors and impacting the facility’s ability to occupy spaces of the buildings, such as patient bedrooms and program space. It was determined that any delay in the repairs would increase the cost of the roof repair, interior repairs and clean up. In addition, water infiltration, if not promptly addressed, leads to mold and fungal growth, which is a serious health issue for our clients, many of whom have chronic respiratory medical conditions. In addition, remediating mold and fungus is expensive and time consuming.

**Clothing Inventory and Contract – The center needs to evaluate the current clothing inventory method and the necessity of the clothing contract.**

**Recommendation:**
We recommend that the center establish an inventory system that records the purchase and issuance of clothing. The center should also consider not renewing the current clothing contract which limits their purchasing options to a specific vendor.
Response:
We concur with both the findings and recommendations.

VDC will ask the Department of Treasury to notify the vendor, with the required 30-day written notice, to terminate the contract and begin using the same contract as the other six developmental centers. In addition, the Division is evaluating the various consumable inventory systems currently in use by other developmental centers to determine the most effective and efficient system. The chosen system will be implemented by VDC during 2011.

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