Enclosed is our report on the audit of the Department of Human Services, Division of Developmental Disabilities, New Lisbon Developmental Center for the period July 1, 1999 to October 31, 2000.

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

January 5, 2001
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Department of Human Services  
Division of Developmental Disabilities  
New Lisbon Developmental Center

Scope

We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, New Lisbon Developmental Center for the period July 1, 1999 to October 31, 2000. Our audit included financial activities accounted for in the state’s General Fund.

The Department of Human Services performed internal audits of the center’s non-budgeted funds and issued reports thereon. We tested for compliance with reported recommendations.

Expenditures of the center during fiscal year 2000 were $57.5 million. The prime responsibility of New Lisbon Developmental Center is the care of approximately 680 developmentally disabled individuals housed on the grounds in Woodland Township. Revenues for fiscal year 2000 were $2.3 million; the major component of revenue was client maintenance recoveries.

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 conditions noted in our prior report and the Department of Human Services’ internal audit reports.

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 department. 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 and the Department of Human Services’ internal audit reports, we identified corrective action, if any, taken by the center 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 center’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 that merit management’s attention. We also found that the center has resolved the significant issues noted in our prior report. They have also resolved the significant issues noted in the internal audit reports, except for the condition related to sales tax.
The center should implement new methods for the processing and review of leave time.

Payroll Leave Time Reporting

The New Lisbon Developmental Center (NLDC) employs 1,288 individuals. The recording of leave time is a manual system with multiple timekeepers performing the function. Our review of the center’s payroll operations disclosed errors attributed to a manual system of leave reporting and a lack of supervisory review. We noted the following errors:

- Mathematical errors on leave records resulted in overstatement of leave time.
- Two employees used unearned leave time valued at $2,500 prior to separation from NLDC. They were not properly placed on SOIL, the state’s recovery system.
- One employee used one week of vacation which was not posted to the employee’s leave record. The employee was subsequently paid for this time upon retirement, costing NLDC approximately $1,300.

The state’s Department of Personnel has made available to all departments a time attendance leave record system (TALRS) to be used for timekeeping purposes.

Recommendation

We recommend New Lisbon Developmental Center implement TALRS. This system could increase work quality and productivity of the timekeepers allowing for more accurate leave records. The system could also enhance supervisory reviews because analytical data will be available.

The center should also develop a control and follow-up procedure to assure that employees are placed on SOIL when overpayments occur.

Auditee’s Response

The recommendation to adopt the TALRS methodology for timekeeping is beyond that of the
center’s scope of authority. Department of Human Services personnel are being requested to review and evaluate the system in order to determine its appropriateness of use in institutional settings.

Human Resources procedure, SOIL, HF-PAP 35 (Rev. 5/00) has been reviewed with Payroll staff and they were in-serviced on all contingencies for placement of employees on the State’s salary recovery system.

Formal timekeeping records will continue to be afforded sample review monitoring by Human Resources managerial staff in order to detect and correct potential errors in computation.

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Sales Tax

The Trading Post account has approximately $60,000 of sales tax collections that have not been remitted to the Division of Taxation. The Trading Post was collecting sales tax from both clients and non-clients prior to receiving guidance from the Division of Taxation in 1998. The Division of Taxation required that only non-clients utilizing the Trading Post be subject to sales tax. At that time the Trading Post fund had approximately $30,000 of unremitting sales tax collections. Since 1998, the Trading Post has continued to collect sales tax from non-clients, which totaled an additional $30,000. The center has not remitted any collections to the Division of Taxation. The Division of Taxation requires sales tax collections to be paid monthly.

Recommendation

The center should immediately remit sales tax collections to the Division of Taxation. They should also remit future collections monthly in accordance with tax regulations.


Auditee’s Response

When the facility began to collect sales tax, a Sales Tax Registration Package was submitted to the Division of Taxation. But, due to an error, the facility had not been receiving Sales Tax returns and transmittal forms. This has been corrected by Fiscal Management at the Center working with the Division of Taxation. The business manager had a discussion with the Director of the Division of Taxation on November 15th regarding the best way to proceed to resolve this matter.