Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmittal Letter</td>
<td>1</td>
</tr>
<tr>
<td>Scope</td>
<td>3</td>
</tr>
<tr>
<td>Objectives</td>
<td>3</td>
</tr>
<tr>
<td>Methodology</td>
<td>3</td>
</tr>
<tr>
<td>Conclusions</td>
<td>4</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>Payroll-Overtime</td>
<td>5</td>
</tr>
<tr>
<td>Purchasing Practices</td>
<td>6</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>6</td>
</tr>
<tr>
<td>Departmental Response</td>
<td>9</td>
</tr>
</tbody>
</table>
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

We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, Woodbridge Developmental Center for the period July 1, 1994 to April 30, 1996.

Our report is transmitted herewith.

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.

Peter M. Guilfoyle  
Assistant State Auditor
Scope

We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, Woodbridge Developmental Center for the period July 1, 1994 to April 30, 1996. Our audit included financial activities accounted for in the state’s General Fund.

Total expenditures during the 21 month audit period were $76 million. The prime responsibility of the center is to care for developmentally disabled individuals five years of age and over. Revenues of the center totaled $4 million during our audit period and the major components of revenue were patients' receipts from maintenance recoveries, compromise settlements, medicaid and social security payments.

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.

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 division. 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 prior audit report findings, and interviewed center personnel to obtain an understanding of the programs and the internal control structure.

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 populations were stratified and large dollar transactions were examined. Other transactions were randomly selected.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the center and walked through the system to determine if the corrective action was effective.

We found that the financial transactions included in our testing were related to the center's programs, were reasonable, and were properly recorded in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management's attention. We also noted one area where we believe operating costs can be reduced.

In addition, we found that the center has resolved the significant issues noted in our prior report except for matters related to fixed assets. This issue had been updated and restated in our current report.

Details of our findings and recommendations follow.

Conclusions
The center could save $170,000 in overtime by recruiting part-time nurses.

Payroll - Overtime

During calendar year 1995, overtime payments at the center totaled $3.4 million. A review of overtime payments showed that there were 150 of the center’s 1,100 employees who received overtime in excess of 25 percent of their base salary. Most overtime payments are made to Licensed Practical Nurses (LPN’S), Human Service Assistants, Cottage Technicians, Cottage Supervisors and Food Handlers.

We selected the nursing department for review and noted that 47 LPN’s were paid approximately $500,000 in overtime during calendar year 1995. On a regular basis, the nursing department schedules overtime due to insufficient work coverage. We noted that the nursing department does not schedule LPN’s coverage evenly when preparing their master work schedule. The work schedule disclosed a high level of vacant shift slots between Fridays and Monday as compared to the rest of the week. For example, on a scheduled Sunday, for two shifts, there were 16 unfilled work slots out of 40 to be covered. The normal work week has only four slots unfilled. According to the center’s policy, the nursing staff is to be scheduled evenly to meet the medical needs of the clients. As a result of uneven scheduling, overtime is required to fill the vacancies.

In an effort to reduce overtime, the nursing department recruits part-time LPNs. Part-time LPN’s are paid $15 per hour as compared to a full-time LPN working overtime at $23 per hour. If the center recruits more part-time LPN’s to cover scheduled overtime, the center can save up to $170,000 annually.

Other factors that affect overtime are reductions of full-time staff (98 positions since fiscal year 1994), employee turnover and mandated staff-to-client ratios.

We recommend that the center and the Department of Human Services schedule LPN coverage more evenly on weekends. They should also employ more part-time LPNs to cover scheduled overtime.
Purchasing Practices

The center divided purchases into smaller orders to at least four vendors in order to circumvent New Jersey state bidding procedures. Sealed written bids are required from vendors for purchases between $2,501 and $10,000 and a state contract is required for purchases over $10,000. In one instance, we noted the center processed five purchase orders for $2,499 each, for a purchase of one item totaling $12,497 from one vendor. In another instance, the center issued a purchase order for $9,999.99 and could not provide evidence of price competition.

The center purchases annually $26,000 in laundry detergent through a noncontract vendor, while a state contract exists. Commodities available through a state contract may not be purchased through a noncontract vendor in accordance with Treasury Circular Letter 96-23G-GSA. Management stated that the state contract vendor’s detergent clogs the laundry machines. However, there was no written justification, nor was a vendor complaint submitted to the Department of the Treasury’s Purchase Bureau.

We recommend that the center comply with purchasing regulations.

Fixed Assets

The center maintains a computerized fixed asset inventory system. At the end of our field work, the system contained information on approximately 4,600 items. Our prior report stated that the system was not being updated to include current purchases. We noted this weakness still exist. Treasury Circular Letter 91-32 states that for the records to remain useful for the purpose intended, the master inventory must be updated as equipment is acquired or disposed. Updating should be done continuously but must be done at least annually at the end of each fiscal year. Our current review disclosed the following.
C Inventory records are not being updated to identify current location of assets. We could not physically identify at the listed locations 56 of 81 items tested because they were either transferred or stolen.

C Fixed assets purchased during the audit period were not always included on the inventory records. A review of the vendors' invoices disclosed purchases totaling $131,000 not currently listed.

C A physical count is not being performed on an annual basis.

In addition to the above weaknesses, security at the center was a problem. According to a summary report provided by the Department of Human Services Police, 39 items belonging to both the center and clients were stolen during our audit period. This increases the importance that the center keep these records current and complete, to be able to identify immediately items missing or misplaced.

We recommend that the center periodically update their fixed asset inventory system and perform annual physical counts.
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Dear Mr. Fair:

Thank you for the opportunity to respond to the Financial and Compliance Review of Woodbridge Developmental Center.

I was pleased to note that your review disclosed the fiscal activities of Woodbridge Developmental Center were generally well controlled and that you found no major weaknesses. Regarding the specific findings and recommendations, I offer the following clarifications and assurances:

Finding No. 1 - Payroll - Overtime
We concur with the Auditors' recommendations regarding payroll and overtime, but do note that Woodbridge's position complement has this year been reduced by 29 more positions, in addition to the 98 cited since FY1994. This will affect our reliance on overtime.

Finding No. 2 - Purchasing Practices
We concur with the Auditors' findings and recommendations

Finding No. 3 - Fixed Assets
We concur with the Auditors' recommendations regarding fixed asset inventory systems, but note that the continued erosion of staff complement will necessitate shifting staff resources to our primary role of direct care services at the expense of support positions.

In conclusion the staff of Woodbridge Developmental Center would like to thank the auditors for the professional manner in which they performed the audit.

Sincerely,

Robert B. Nicholas, Ph.D.
Director

RBN:TFK:jh