Department of Human Services
Division of Developmental Disabilities
Hunterdon Developmental Center

July 1, 2001 to June 30, 2003
The Honorable James E. McGreevey  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Albio Sires  
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, Hunterdon Developmental Center for the period July 1, 2001 to June 30, 2003. If you would like a personal briefing, please call me at (609) 292-3700.

January 26, 2004
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Department of Human Services
Division of Developmental Disabilities
Hunterdon Developmental Center

**Scope**
We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, Hunterdon Developmental Center for the period July 1, 2001 to June 30, 2003. Our audit included financial activities accounted for in the state’s General Fund.

The center serves as a treatment and training facility for profoundly to mildly retarded residents. The average daily population during the audit period was approximately 620 residents. Total General Fund expenditures and revenues during the audit period were $128.6 million and $6.7 million, respectively.

**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.

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 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 message, reviewed financial trends, and interviewed center personnel to obtain an understanding of the programs and the internal controls.
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 sorted and transactions were randomly and judgmentally selected for testing.

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 meriting management’s attention.
A review of the energy project is needed to ensure that it is operating economically and efficiently.

Energy Costs

In 1992 the State of New Jersey entered into a contract with Hunterdon Cogeneration Limited Partnership to supply electric and thermal energy to Hunterdon Developmental Center and Edna Mahan Correctional Facility for Women. The purpose of the agreement was to reduce and contain energy costs by maintaining a substantial, reliable, and economical source of electrical and thermal energy from a cogeneration facility. The plant is located on the grounds of Hunterdon Developmental Center. The center pays the entire cost billed by the supplier and is reimbursed by Edna Mahan Correctional Facility for their share of the energy usage. Between January 1995 and March 2003, payments for monthly billings by the Hunterdon Cogeneration Limited Partnership totaled $36.4 million, an average of $4.5 million per year.

We performed a comparison between energy costs at Hunterdon Developmental Center and those same costs at Woodbridge Developmental Center since the two facilities were constructed about the same time, have similar designs, and co-share energy cost with nearby correctional facilities. Our review showed that fiscal year 1994 amounts expended for energy cost at both Hunterdon and Edna Mahan Correctional Facility increased from $3.1 million to $6.2 million from fiscal year 1994 to fiscal year 2002, whereas the cost at Woodbridge and East Jersey State Prison declined from $3.1 million to $2.8 million during the same period of time. This comparison illustrates how energy costs at Woodbridge and East Jersey State Prison have remained relatively constant while those at Hunterdon and Edna Mahan Correctional Facility have increased significantly over the same period.

We also noted that the cost of energy at Hunterdon Developmental Center is much higher than any other center within the Division of Developmental Disabilities as evidenced in the following comparison of fiscal year 2002 energy cost:
<table>
<thead>
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<th>Developmental Center</th>
<th>Average Daily Population</th>
<th>Energy Cost Per Resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Brook Regional Center</td>
<td>118</td>
<td>$2,609</td>
</tr>
<tr>
<td>Vineland Developmental Center</td>
<td>522</td>
<td>$4,688</td>
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<tr>
<td>North Jersey Developmental Center</td>
<td>416</td>
<td>$2,146</td>
</tr>
<tr>
<td>Woodbine Developmental Center</td>
<td>552</td>
<td>$2,493</td>
</tr>
<tr>
<td>New Lisbon Developmental Center</td>
<td>625</td>
<td>$2,803</td>
</tr>
<tr>
<td>Woodbridge Developmental Center</td>
<td>547</td>
<td>$1,949</td>
</tr>
<tr>
<td><strong>Hunterdon Developmental Center</strong></td>
<td><strong>619</strong></td>
<td><strong>$7,006</strong></td>
</tr>
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We further noted that reimbursements received from Edna Mahan Correctional Facility are based on budgeted amounts determined by the Department of Corrections rather than actual costs based on energy usage, due to the lack of meters to measure the energy consumed by each facility. The monthly statements showing the charges for electricity and thermal energy supplied are based on the supplier’s meter readings at the plant. Per contract agreement the supplier is required to have each meter tested by an independent certified meter testing company at the time of installation and at least annually thereafter. The center never requested the monthly readings from the supplier to verify the accuracy of the charges, nor was any report ever provided for the certification of the meter at the cogeneration plant. Since the center is an Intermediate Care Facility which is eligible for federal reimbursement and energy costs are included in the determination of the center’s billing rates these amounts should be based on actual cost.

**Recommendation**

We recommend that the cogeneration plant install meters to monitor the amount of energy being consumed by each facility, as required under contract. The plant meters should be tested annually by an
independent certified meter testing company, and monthly statements of energy usage should be reconciled to actual meter readings. Also, the center and the Department of Human Services should perform an analysis of the cogeneration project to assure that it is achieving its stated objectives, and is providing energy on an economical and effective basis to the two state facilities.

**Auditee’s Response**

The contract does not provide a provision for separate metering of state facilities. The master meters in the plant are in compliance with the contract. The plant meters are tested annually by an independent firm for calibrations and certifications and the information is available for audit purposes. The installation of separate meters between facilities was recommended in a previous audit provided by an independent contractor but funding remains an issue. Finally, the high temperature hot water (HTHW) distribution system has been identified in our capital budget submission for years for replacement. System inefficiencies cause by leaks, Rick-well carrier pipe malfunctions, corrosion and water damage to the concrete walls in manholes allows the system to operate similar in fashion to homeowner running a boiler with the windows open. Finally, the cost of fuel (jet fuel) and natural gas to power the turbines to produce steam is driven by market conditions. Short supply, cold winters and deregulation of natural gas have had a direct impact on energy costs.

**Payroll and Time Reporting**

The center has approximately 1,200 employees and annual regular payroll expenditures of $41 million. The center maintains annual leave records on a manual basis. This increases the risk that human error will cause transpositions, mathematical mistakes, application of posted leave to the wrong category, etc. There is also insufficient review of the annual leave records to detect such errors and correct them in a timely manner. The
design of the group time sheets in use at most of the center’s units allows supervisors or department heads for such units to approve their own time along with that of their staff, increasing the risk that errors or irregularities for the supervisor’s/department head’s time could occur and not be detected. During our review of time sheets and annual leave records for 22 randomly sampled employees, we noted the following weaknesses:

- Two of 22 employees tested (9 percent) had incorrect postings of leave time taken from their time sheets to their leave records, with 8.25 hours recorded per time sheet that were not properly posted to the employees’ leave records.

- Seven of 22 employees tested (32 percent) had leave records that contained various errors ranging from math mistakes to the improper relief of negative balances for sick and/or vacation time incurred in a prior year with the reduction of current years’ allotments for such leave, in violation of N.J.A.C. 4A:6-1.2. These errors resulted in misstatements of 109 hours for the leave record balances of the seven employees as of December 31, 2001.

- Two of 22 employees tested (9 percent) did not have proper supervisory approvals on their time sheets. One of the employees was the supervisor of the unit in which she worked and her time was included on the group time sheet along with that of her staff, resulting in no independent approval of the supervisor’s time worked. The other employee lacked an approval signature on several of her daily time sheets. An additional review of the time sheet sample disclosed many instances where unit supervisors or department heads were approving their own time worked, since their hours were included on the group time sheets for their units or departments.
**Recommendation**

The center should adopt the Time Attendance Leave Record System (TALRS) for timekeeping and leave record maintenance in order to reduce the risk of errors usually associated with manual payroll records.

TALRS is administered by the Department of Personnel and is in use at many state agencies. The center should also strengthen review and reconciliation procedures for leave record maintenance to reduce the likelihood of misstatement of leave time owed to employees. The center should also require supervisors to record their time on separate time sheets that will be reviewed and approved by their direct superiors to restore proper separation of functions.

**Auditee’s Response**

We concur that the findings are reasonable and accurate as stated. The internal control weaknesses related to payroll have been reviewed to restore proper separation of job functions. Supervisors will now be required to record their time on a separate time sheet that is reviewed and approved by their direct supervisor. Further, a new time sheet has been developed that incorporates the overtime and absence codes used for the iNOVAR system. This should help to reduce the likelihood of manual mathematical mistakes or posting errors.

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**Overtime**

During fiscal year 2002, the center paid overtime totaling $5.8 million, an amount comprising more than 12 percent of the total payroll expenditures of $47 million during the same period. We noted that more than 200 employees were receiving overtime payments equivalent to more than 25 percent of their annual salary with 100 of those employees earning overtime between 40 and 140 percent of their annual salary during fiscal
year 2002. An analysis of overtime costs at seven developmental centers indicated that Hunterdon Developmental Center had the second highest overtime expense of the seven institutions during fiscal year 2002.

The center had 76 vacant positions, of which 31 vacancies were for direct care titles that accounted for nearly 60 percent of the overtime costs incurred during fiscal year 2002. When direct care workers take time off, particularly unscheduled sick time, other workers must be assigned to provide the necessary coverage for clients in the cottages. Due to the frequency of client needs requiring one-on-one attention by the cottage staff, shortages can arise that will generate overtime to meet the minimum coverage requirements. Appropriate staffing levels and prudent scheduling practices should limit the amount of overtime incurred by the center that is necessary to meet emergencies and other unanticipated situations.

**Recommendation**

The center should fill all the vacant positions for the direct care titles. In addition, they should analyze their staffing needs to determine if additional positions should be requested in order to have full coverage by direct care workers without the incidence of unnecessary overtime. The center should also review their current scheduling practices including the approval of leave time for direct care workers to assure that every effort is made to have adequate coverage of clients by staff working a regular shift before resorting to overtime.

**Auditee’s Response**

We continued to fill vacant positions for direct care titles. At present, HDC has only six (6) uncommitted vacancies. Based on a directive from the Division of Developmental Disabilities increasing the number of direct care titles assigned to us, HDC has made significant strides towards full employment. As of November 30, 2003 our records reflected 515 total direct care filled positions, a historic high. While a large number of direct care staff are utilized in
providing specialized coverage for our clients with very challenging needs as well as addressing new admissions, it is anticipated that the number of direct care staff now available will help to stabilize overtime expenditures.

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**Client Maintenance Receivables**

The Department of Human Services, Division of Developmental Disabilities contracted with MAXIMUS to perform annual financial assessments of clients to determine their ability to pay, as required by N.J.S.A. 30:4-66. These determinations of the monthly payments are forwarded to the Department of Human Services, Central Office to be recorded. The department informs the division and the center of these monthly amounts. Currently the center’s records indicate that the total receivable is $126,600. However, the center does not have any supporting documentation for the amounts included on the report. As a result, the center could not determine whether all clients with outstanding balances were included in the report, whether balances were accurate, or the true age of the receivable. We also noted that the center has no procedures in place for pursuing payment of delinquent accounts. The longer these account receivable balances remain outstanding, the more difficult it will be to collect.

**Recommendation**

We recommend that the center and the Department of Human Services update and verify these outstanding receivables and make a reasonable effort to collect them.

**Auditee’s Response**

Regarding client maintenance receivables, we are in the process of verifying outstanding receivables and making an effort to collect them based on information provided by Maximus.

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**Compliance With Purchasing Regulations**
The center should comply with the requirements to obtain competitive quotations. During our review of expenditure transactions, we found that the center had acquired goods and services without following state purchasing procedures. Treasury Circular Letter 00-13 DPP states that if the anticipated fiscal year volume for the qualifying item or service exceeds $25,000, the agency should submit a PB-6 requisition or request a term contract from the State Purchase Bureau. During fiscal year 2002, the center purchased items and services from four non-contract vendors, each exceeding $25,000, for a total of $156,000 in direct purchase authorization. The center should have submitted PB-6 requisitions or requested a term contract, as required by the Circular Letter to ensure that the state is purchasing at the best available price.

**Recommendation**

We recommend that the center comply with the requirements established by the Treasury Circular Letter 00-13DPP.

**Auditees’s Response**

We will comply with state purchasing procedure, Treasury Circular Letter 00-13 DPP, regarding purchases from non-contract vendors exceeding $25,000. We will submit a PB-6 requisition or request a term contract from the State Purchase Bureau when anticipated volume for the qualifying item or service exceeds $25,000. Additionally, staff in our housekeeping and maintenance department has been in-service on Treasury purchasing procedures.

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**Safeguards Over Gasoline Inventory**

During fiscal year 2002, the center expended $32,000 for gasoline and diesel fuel. Our review of the inventory records kept by the engineering department indicated a lack of reconciliations to account for the fuel usage. In five instances deliveries of gasoline were not recorded in the log book. Reconciliations could provide the...
center with assurance that fuel usage is accounted for properly and reduce the risk of shortages as well as loss due to misuse or theft. We also noted three duplicate payments totaling $1,000 which were referred to management. In addition, the center does not inform outside agencies of their fuel usage nor pursue reimbursement.

**Recommendation**

We recommend that the center strengthen internal controls over gasoline usage by preparing monthly reconciliations. Also, the center should request reimbursement from outside agencies that received the fuel and seek recovery for the duplicate payments.

**Auditee’s Response**

We are presently working to establish procedures to safeguard the gasoline usage by preparing monthly reconciliations. We have been reimbursed for three duplicate payments, and precautions have been taken to prohibit duplicate payments from occurring in the future.

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**Fixed Assets**

The center should maintain fixed assets records.

An adequate fixed asset inventory system is necessary to establish both responsibility and accountability for individual assets, safeguard them from loss or theft, obtain optimum insurance claims, identify surplus property, and track items purchased with federal funds, as required by the Department of the Treasury Circular Letter 91-32-OMB. Currently the center does not maintain any fixed asset records, except for computer equipment. However, we tested 41 fixed asset items totaling $87,500 purchased during our audit period and were able to locate all items.

**Recommendation**

Management should comply with the policy and procedures outlined in Treasury Circular Letter 91-32-OMB.

**Auditee’s Response**

Our fixed asset inventory is currently limited to
computer equipment. We are in the process of evaluating fixed asset inventory systems to address this issue.