The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
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 Mental Health Services, Administration and Support Services for the period of July 1, 2004 to May 31, 2006. If you would like a personal briefing, please call me at (609) 292-3700.

Thomas Meseroll  
Assistant State Auditor  
June 28, 2006
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>1</td>
</tr>
<tr>
<td>Objectives</td>
<td>1</td>
</tr>
<tr>
<td>Methodology</td>
<td>1</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2</td>
</tr>
</tbody>
</table>
Scope

We have completed an audit of the Department of Human Services, Division of Mental Health Services (DMHIS), Administration and Support Services, for the period July 1, 2004 to May 31, 2006. The audit included the division’s financial activities accounted for in the state’s General Fund, Human Services Facilities Construction Fund, Public Purpose Buildings and Community-Based Facilities Construction Fund, and the Developmental Disabilities Waiting List Reduction Fund. The prime responsibility of the division is to develop a comprehensive range of accessible, coordinated mental health services for all citizens of the state, with emphasis on the development of local mental health programs, as well as providing leadership and management for the state psychiatric hospitals. Total expenditures of the DMHS, Administrative and Support Services during fiscal year 2005 were $13.2 million. The major component of expenditures was payroll.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the division’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 October 29, 2001.

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, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed division personnel to obtain an understanding of the programs and 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. 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 division and walked through the system to determine if corrective action was effective.

Conclusions

We found that the financial transactions included in our testing were related to the division's programs, were reasonable, and were recorded properly in the accounting systems. We also found that the division has resolved the significant issues noted in our prior report.