Department of Human Services
Division of Youth and Family Services
Residential Centers

July 1, 1999 to July 25, 2000

Richard L. Fair
State Auditor
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

Enclosed is our report on the audit of the Department of Human Services, Division of Youth and Family Services Residential Centers for the period July 1, 1999 to July 25, 2000.

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

November 29, 2000
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Department of Human Services
Division of Youth and Family Services
Residential Centers

Scope
We have completed an audit of Department of Human Services, Division of Youth and Family Services (DYFS) Residential Centers for the period July 1, 1999 to July 25, 2000. The centers are located in Ewing, Vineland, and Woodbridge. Our audit included the financial activities accounted for in the state’s General Fund and the centers’ nonappropriated accounts.

Total expenditures of the centers during the audit period were $4.5 million. The prime responsibility of the centers is to provide intensive therapy and educational services in a structured and self-contained environment for children who are unable to function in their own homes and communities and cannot be served in a less restrictive community based setting.

Objectives
The objectives of our audit were to determine whether financial transactions were related to the centers’ programs, were reasonable, and were recorded properly in the accounting system.

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 agency. 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 internal control.

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 transactions were judgmentally selected.

Conclusions

We found that the financial transactions included in
our testing were related to the centers’ programs,
were reasonable and were recorded properly in the
accounting system. In making this determination, we
noted certain internal control weaknesses and matters
of compliance with laws and regulations meriting
management’s attention.
Controls over cash accounts need strengthening.

Appropriated and Nonappropriated Accounts

Department of the Treasury Circular Letter 96-14 requires that proper accountability and safekeeping over cash funds be maintained at all times. Each of the centers has appropriated and nonappropriated accounts. These accounts include Petty Cash, Resident Trust, Resident Clothing, Resident Welfare, Resident Store, and Creative Achievement. Our review of the accounts disclosed a lack of segregation of duties exists for the appropriated and nonappropriated accounts at Vineland and Ewing. At each of the centers, one employee was responsible for depositing and recording cash and checks received.

The Division of Youth and Family Services’ Trenton Office is not consistent in providing support functions and software to the centers. The Trenton Office performs the reconciliations for each of the centers’ appropriated accounts, as well as Ewing’s and Woodbridge’s nonappropriated accounts. This reconciliation function has not been extended to Vineland, nor has Vineland been performing the reconciliations. In addition, we found that Ewing’s Resident Trust appropriated account has been incorporated into the department’s automated banking system, while an over-the-counter financial software package is used for the center’s Resident Welfare account. Appropriated and nonappropriated accounts at Vineland and Woodbridge are manually maintained and require greater effort to maintain.

Woodbridge established the Merchandising Program bank account without approval from the Department of the Treasury, Cash Management Unit as is required by Department of the Treasury Circular Letter 00-12.

In addition, the centers’ personnel are not trained in accounting principles, nor are they aware of the
importance of performing reconciliations and adhering to the governing circular letters.

**Recommendation**

We recommend that DYFS be consistent and incorporate the Vineland and Woodbridge appropriated accounts into the department’s automated banking system, and provide these centers with an over-the-counter software package for their nonappropriated accounts. DYFS should also provide adequate training in financial matters to the centers’ personnel. We also recommend that the centers comply with the Department of the Treasury Circular Letters 96-14 and 00-12.

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**Procurement**

The centers should comply with purchasing regulations.

Department of the Treasury Circular Letter 98-18 requires telephone quotations for Direct Purchase Authorization (DPA) purchases between $500 and $3,500 from vendors. During fiscal year 2000, as of March 31, Ewing and Woodbridge processed 41 DPA transactions totaling $61,400. We tested 18 of these items and found 16 purchases did not have the required telephone quotations.

**Recommendation**

We recommend that the centers comply with Department of the Treasury Circular Letter 98-18 requirement of obtaining telephone quotations.

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**Prepurchased Tickets**

Usage of prepurchased tickets need to be improved.

The centers treat children between the ages of thirteen and eighteen. As part of their behavior modification, the centers reward their residents’ positive behavior with trips to amusement parks, movies, and professional basketball, baseball and hockey games. Our review disclosed that Ewing and Vineland prepurchase tickets for these activities.
During fiscal year 2000 as of March 31, 2000, Ewing prepurchased tickets totaling $5,000 but $2,600 of these tickets were not used due to behavioral problems of the clients and the tickets became outdated. The center made no attempt to offer the tickets to another center, or to obtain accommodations from the vendor.

**Recommendation**

We recommend that the Ewing Residential Center offer prepurchased tickets to other centers if they cannot attend the event. Also, the center should seek refunds or replacement tickets for the outdated items.

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**Auditee’s Response**

Thank you for the opportunity to respond to your audit of the division’s residential treatment centers. I am pleased that your review found the financial transactions to be reasonable and properly recorded. During the past 18 months the division has made a concerted effort to improve the financial operations of our centers.

The division is in agreement with your observations related to appropriated and non-appropriated accounts as well as those related to procurement and pre-purchased tickets. Corrective action plans to address each of these areas are currently being completed and in some cases corrective action has either been initiated or completed.

Specifically, the division plans to:

- implement the use of a financial software for all non-appropriated funds;
- obtain formal Treasury approval for each fund as required by Circular Letter;
- convert resident trust accounts at Woodbridge Developmental Center and Vineland Residential Center to the Departmental Banking System;
• assign responsibility for the reconciliation of all non-appropriated accounts to the Office of Accounting in central office;

• implement procedures at each center to insure compliance with state purchasing regulation;

• reassess the manner in which pre-purchased tickets for resident activities are handled in order to minimize the number of unused tickets.