Department of Human Services
Division of Family Development
Administration

July 1, 1998 to May 15, 2000
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 Family Development, Administration for the period July 1, 1998 to May 15, 2000.

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

June 9, 2000
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Department of Human Services
Division of Family Development
Administration

**Scope**

We have completed an audit of the Department of Human Services, Division of Family Development, Administration for the period July 1, 1998 to May 15, 2000. Our audit included expenditure activities accounted for in the state’s General Fund.

Total administration expenditures of the agency during the 22 month audit period were $140 million. The prime responsibility of the Division of Family Development is to establish, maintain, and supervise an effective public assistance program and to ensure the uniform administration of income maintenance in compliance with federal and state regulations and statutes. Total revenues of the agency were $11 million during our audit period and the major component of revenue was county payments for income maintenance administration costs which are then paid to the Office of Information Technology (OIT).

**Objectives**

The objectives of our audit were to determine whether financial transactions were related to the agency'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 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 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, we identified corrective action, if any, taken by the agency 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 agency's programs, were reasonable, and were recorded properly in the accounting systems. We also found that the agency has resolved the significant issues noted in our prior report, except for matters related to fixed assets. This issue has been updated and restated in our current report.
The division’s inventory records are incomplete.

Treasury Circular Letter 91-32-OMB requires that fixed asset records be properly maintained to ensure optimum insurance coverage and to identify equipment purchased with federal funds. In our review of the division’s fixed asset records, we noted that the records did not include serial number, acquisition date, cost, and source of funds.

Recommendation

We recommend the division comply with our prior recommendation and maintain fixed asset records which include information required by Treasury Circular Letter 91-32-OMB.

Auditee’s Response

The Division of Family Development is preparing for the implementation of the State’s new accounting system, which will include a fixed asset module. This module, when operational, is expected to enable the Division and the Department to comply with the OMB circular letter requirements on fixed assets.