Department of Human Services
New Jersey Council on Developmental Disabilities

July 1, 2004 to September 24, 2008
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, New Jersey Council on Developmental Disabilities for the period of July 1, 2004 to September 24, 2008. If you would like a personal briefing, please call me at (609) 292-3700.

[Signature]
Stephen M. Eells  
Assistant State Auditor  
March 11, 2009
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Department of Human Services
New Jersey Council on Developmental Disabilities

Scope

We have completed an audit of the Department of Human Services (DHS), New Jersey Council on Developmental Disabilities (NJCDD) for the period July 1, 2004 to September 24, 2008. The audit included financial activities accounted for in the state’s General Fund. The operations of the NJCDD are funded primarily from a $1.6 million annual federal grant. The NJCDD is in, but not of, the DHS and functions independently of any supervision and control by the department. Total expenditures of the NJCDD during the 51 month audit period were approximately $6.9 million. The prime responsibilities of the NJCDD are reviewing the needs and problems of the developmentally disabled, promoting public awareness, encouraging self-advocacy, and fostering cooperation and communication among agencies providing services to people with developmental disabilities and their families.

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 dated December 15, 2004.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, 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 Department of the Treasury, 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 organization and its 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 performed tests to determine if the corrective action was effective.

Conclusions

We found that overall the financial transactions included in our testing were related to the agency’s programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses meriting management’s attention and specific transactions that we could not determine to be related to the agency’s programs or reasonable due to a lack of supporting documentation. These transactions are detailed in the report. We also found that the agency had not resolved the significant issues noted in our prior report other than supervisory review and certification of timesheet data. Internal control and purchasing guideline compliance and leave time accuracy weaknesses have not been resolved and are repeated as findings in this report.
 Council Membership

The New Jersey Council on Developmental Disabilities’ (NJCDD) bylaws state that the council shall consist of a minimum of 25 members, not to exceed 30 members. A minimum of 60 percent (or 15) of the council shall be public members of which one third shall be individuals with developmental disabilities, one third shall be parents/guardians or immediate relatives of children/adults with developmental disabilities, and one third shall be a combination of the two. One additional public member shall be a representative of local and non-governmental agencies or private non-profit groups and seven shall be representatives of state agencies with services or funding for developmental disability purposes. The council shall also consist of one representative from the University Center for Excellence in Developmental Disabilities Education, Research, and Service, and one representative from the Protection and Advocacy System designated by the respective programs/agencies. Both the state statutes and federal Developmental Disabilities Assistance and Bill of Rights Act of 2000 have similar requirements. The council membership composition was not in compliance with its bylaws, state statute, and federal regulations as of September 2008. Our review disclosed the council consisted of only ten public members of which only two had developmental disabilities. In addition, the council was represented by six members from state agencies instead of seven. All other requirements were met. The proper composition of council membership would facilitate the council in achieving its goals as an advocate for individuals with developmental disabilities and their families.
Recommendation

We recommend that the NJCDD in conjunction with the Governor’s Office make the necessary adjustments to the council’s composition to comply with the applicable bylaws, state statute, and federal regulations.

Grant Processing Compliance

The New Jersey Council on Developmental Disabilities (NJCDD) follows a unified grants cycle in awarding grants. The unified cycle was adopted in 2007. Under the unified grant cycle, the NJCDD notifies potential grantees by issuing the Notice of Funds Available. Letters of Interest and Request for Full Proposals (RFP) follow. Each RFP is independently scored by each member on the grants committee. Contracts are awarded to vendors with the highest score. The NJCDD’s management oversees the grant application, monitoring, and evaluation process.

We reviewed seven contracts initiated prior to the adoption of the unified grants cycle and five contracts subsequent to its implementation. Our audit disclosed that weaknesses in the grant process were evident prior to the adoption of the policy and continued subsequent to its implementation. The following weaknesses were noted in contract authorization, documentation, and monitoring.

- A grant in an amount of $149,526 was awarded to Rutgers University in fiscal year 2004. The contract was cancelled in June 2006 due to a lack of progress after $101,465 had been disbursed to Rutgers. Internal NJCDD memorandums indicated that after accounting for a payment of $1,429 to a vendor and allocating $16,800 to an alternative council approved Rutgers’ grant, the NJCDD was intent on requesting an $83,236 refund from Rutgers. Concerned that any refund would affect federal eligibility, the funds were subsequently allocated to support additional...
NJCDD related programs at Rutgers. NJCDD could not provide any documentation as to which programs received the funds and subsequent expenditure of these funds.

- A grant with a maximum reimbursable ceiling of $85,000 was awarded in fiscal year 2004. The contract ceiling was raised to $157,500. Neither the original contract nor the modification was signed. The NJCDD has expended $240,000 as of May 2007, $82,500 more than the contracted amount. NJCDD’s contract manager indicated a second extension in the amount of $105,000 was executed but supporting documentation was not provided.

- A grant awarded in fiscal year 2008 for $60,100, was supported by a draft copy of the contract instead of a signed copy. Neither the agency nor the vendor could provide the original copy.

- A grant in amount of $36,723 was executed in fiscal year 2008. According to the grant, the payment voucher must be accompanied by a quarterly progress report indicating services provided along with a copy of a log sheet indicating hours and nature of work performed. As of April 2008 two vouchers totaling $16,400 were paid; however the NJCDD could not provide the required progress reports and log sheets.

- A contract to administer all aspects from research to distribution of a publication in the amount of $45,750 was awarded in fiscal year 2007. This contract has been awarded annually to the same vendor since fiscal year 2004 without competitive bid or a waiver of advertising.

- Six of the 12 grants tested were signed 2 weeks to four months after their effective date.
Recommendation

We recommend that the NJCDD consistently follow procedures listed in the unified grants cycle manual for awarding, executing, and monitoring contracts. Original copies of contracts and their related supporting documentation should be maintained on file. In addition, NJCDD should identify the disposition of the Rutgers’ grant money and refund the federal government if required.

Purchasing Guideline Compliance

The New Jersey Council on Developmental Disabilities (NJCDD) is to follow the Department of the Treasury’s policies and procedures in procuring goods and services as well as its own established internal control procedures that would include proper approvals and supporting documentation for expenditures. The NJCDD operates under a special exemption from the Department of the Treasury which allows one person to electronically prepare and approve payments through the state’s accounting system (NJCFS). The compensating control is a required supervisor’s signature on the payment voucher. Our review of selected expenditure transactions disclosed that Department of the Treasury and NJCDD policies and procedures were not complied with for 61 percent of the transactions tested. Eleven percent of the sample had either insufficient or no supporting documentation. These weaknesses were reported in our prior report. Examples of exceptions occurring in this audit period follow.

- The NJCDD paid $12,891 for the annual council/staff retreat held on March 27, 2008 and March 28, 2008. We noted that eight council staff stayed overnight at a cost of $2,232 even though overnight travel within the state is prohibited by the Department of the Treasury circulars. The council also paid $262 state and local occupancy
tax for which it was exempt as an agency of the state.

- A vendor provided a two-day training session beginning April 8, 2006. Neither the vendor nor the NJCDD had signed the $3,700 contract. The same vendor was procured to hold a second training session beginning April 29, 2006 for $3,700. This contract was signed by both parties on June 8, 2006 over one month after the training was held. The vendor was overpaid $50 both times. In addition, in neither case were quotations obtained from three vendors as required by Department of the Treasury circulars.

- A medical premium of $2,766 for the coverage period August 12, 2006 through October 31, 2006 was paid by the NJCDD on behalf of the executive director hired in July 2006. The NJCDD could not provide any agreement between the NJCDD and the employee that stipulated this interim coverage was part of the compensation agreement. In addition, the employee’s coverage under the State Health Benefits Program became effective on September 16, 2006 resulting in double coverage.

- A retired deputy director was contracted by the council to assist in the transition of new leadership in 2006. Two payments totaling $2,738 were authorized by a disabilities service specialist who had no authority to sign payment vouchers. In addition, a Form 1099-Misc was not issued to the individual for earnings totaling $7,003. It is the agency’s responsibility to assure the proper designation is entered on the state’s vendor file which would trigger the issuance of a 1099-Misc after the calendar year.

- The NJCDD paid $2,500 during fiscal year 2007 to a consultant who subsequently became the deputy director. The individual was underpaid $650 due to calculation errors. The invoice’s primary authorizing signature was missing and a 1099 was not issued.
A payment of $7,000 was made to the University of Medicine and Dentistry of New Jersey for the sponsorship of a conference. A contract or an agreement was not provided for the sponsorship.

**Recommendation**

We repeat our prior audit recommendation that management enforce and monitor its system of controls that include proper approval, supporting documentation, and compliance to procurement guidelines and regulations for disbursements.

**Payroll**

Management’s control over payroll and timekeeping needs to be strengthened.

The prior audit of the New Jersey Council on Developmental Disabilities (NJCDD) noted three issues related to management’s timekeeping controls and records. Our current audit noted that issues relating to approval of timesheets and compensatory time were adequately addressed. However, our current review indicated the need to strengthen management’s control over leave time and payroll processing.

The Department of Human Services central office (DHS) has performed the payroll and personnel function for the NJCDD’s 13-15 employees since calendar year 2007. Leave time records are manually maintained in a ledger at the DHS increasing the risk of mathematical error. Our review of calendar year 2007 leave records noted exceptions in 22 of 26 pay periods where leave time was not accurately posted to the ledger from the timesheets or leave time was posted but not accurately deducted or carried forward or the timesheets contained errors. Our review of 11 pay periods in calendar year 2008 noted similar exceptions. In addition, employees were able to use leave time when their balances were exhausted resulting in a negative balance at year end. Timesheets are not submitted to DHS in a timely manner resulting in employees’ ability to
overdraw time. For calendar year 2007 a total of 27.5 hours were overdrawn by four employees and not recouped. The leave time record weaknesses resulted in two employees being overpaid 92.5 hours or $3,852 upon separation.

Our review of terminated employees also noted that two employees’ final payments were inaccurate. These incorrect final payments resulted from not removing the employees from the payroll in a timely manner. One temporary employee was able to receive payments totaling $1,400 for two pay periods after his separation date. This individual’s timesheets and personnel file were requested; however, the NJCDD certified they were missing. Per state regulations, the use of a temporary employment services individual is limited to 944 hours per fiscal year. This same individual was allowed to work 1,413 hours in fiscal year 2006 which exceeded the limitation by 469 hours. Another employee was overpaid 75.5 hours or $2,016 and upon our request has been reported to the state’s SOIL program for possible recovery.

**Recommendation**

We recommend that NJCDD’s management in conjunction with DHS take steps to improve their monitoring of each employee’s leave time usage and recording beginning with correcting the numerous errors that currently exist and recovering any overpayments. When using temporary employment services, applicable guidelines should be followed. In addition, NJCDD should ensure terminated employees are not included on the payroll.
March 5, 2009

Dear Mr. Eels:

Enclosed is the Council response to the recent audit of the New Jersey Council on Developmental Disabilities.

We have briefly addressed the points raised in your report and will be maintaining records of efforts and results in addressing any areas of compliance.

Thank you for your efforts in this important effort.

Sincerely,

Alison Lozano, Ph.D.
Executive Director
Audit Response 2008
New Jersey Council on Developmental Disabilities
February 2009

Introduction

This audit was undertaken at the request of the Council as opposed to the normal State process. It was requested precisely for some of the reasons made clear through its findings. The Council wanted to know officially what was correct and what needed improvement such that operations can be brought into complete compliance.

Council Membership

Gubernatorial appointments with legislative confirmation have occurred since the dates of the audit. Therefore as of the date of the audits release, the membership of the Council is in complete compliance.

Grant Processing Compliance

The unified grants cycle adopted in 2007 was designed to fundamentally remake and institute a grants process such that it is open, fair, and transparent to all potential applicants and parties. Prior to this 2007 process, the contracting system was perceived by interested parties as somewhat closed and confusing.

The individual grant citations noted in the audit are being individually and directly addressed in order to rectify the problem. To the extent that time has made such a process faitaccompli, documentation will be produced for the record which will demonstrate compliance with the spirit if not the letter of the rule.

Going forward there are a number of policies and procedures which will be instituted to strengthen internal controls and ensure compliance with Treasury rules and regulations.

--All needed sole source documents and waivers of advertising will be obtained.

If this is not possible, appropriate bidding procedures will be instituted.

--A contract compliance checklist has been developed such that much tighter internal controls will be instituted. This will involve the Deputy Director, the Fiscal Officer and the Contracts Manager serving as written checks and balances throughout the contracting process. Examples of this would be 1) appropriate requisite signature verification, 2) provider performance documentation verification, 3) all written documentation verification and 4) requisite verification of all written material prior to triggering any payment.

Purchasing Guideline

The points raised in this section are being addressed individually within the office. Where indicated remedial action will be initiated. Further, where policies are needed to support management operations, such policies will be written.
Payroll

As noted, approval of timesheets and compensatory time have been brought into compliance. Insofar as the manual posting of time records to the ledger, this is still done manually in the Department of Human Services. All errors from the past have been rectified and adjusted as necessary. The Department will be instituting an electronic timekeeping system in the spring of 2009. This will preclude any further errors from the manual system used currently. Prior approval of time away from work is now monitored against current time balances maintained in the Council offices. Therefore no negative time balances can occur. Timesheets are submitted bi weekly and are therefore timely.

In terms of overpayments to previous employees, one employee could not be located. The other employee was reported to the state’s SOIL program for recovery.
Purchasing Guideline Compliance

--Eight Council staff stayed overnight at the Council Retreat:  
The two day retreat had an evening session on the first night. It went until approximately 
9:00 PM. Council staff was expected to attend and participate in this session. Further, 
they were expected to attend the sessions the next day beginning with breakfast in the 
morning. In instances such as this where staff work into the night and must be on site the 
next morning, they are encouraged to stay overnight. This is in keeping with the 
Council’s policy on over night stays.

--A vendor was paid (April, 2006) with no written contract in place and there was no 
bidding:  
In this instance it appears that proper procedures were not followed. Procedures are in 
place such that this will not occur in the present or in the future.

--A medical premium was paid with no agreement provided:  
There was a verbal agreement to pay this premium due to a snafu in the hiring process. 
As this agreement was done in a hurried fashion the supporting paperwork was not 
completed.

--A retired Deputy Director was paid without proper IRS tax form being issued:  
Said tax form will be issued retroactively.

--A former consultant was underpaid and no IRS form was issued:  
The amounts and time period is so small as to be cost prohibitive to pursue.

--A $7000 payment to UMDNJ was made with no agreement produced:  
We are pursuing documentation of such an agreement (which was done prior to the audit 
period).

Recommendation

We are currently revising our procurement guidelines to ensure both internal controls and 
effective management operations given the number of staff available.