New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor

Department of Military and Veterans’ Affairs
Vineland Veterans’ Memorial Home

July 1, 1995 to July 31, 1997

Richard L. Fair
State Auditor
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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 Military and Veterans’ Affairs, Vineland Veterans’ Memorial Home, for the period July 1, 1995 to July 31, 1997.

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

Richard L. Fair  
State Auditor  
October 14, 1997
Department of Military and Veterans’ Affairs
Vineland Veterans’ Memorial Home

Scope

We have completed an audit of the Department of Military and Veterans’ Affairs, Vineland Veterans’ Memorial Home for the period July 1, 1995 to July 31, 1997. Our audit included financial activities accounted for in the state’s General Fund.

Annual expenditures of the home approximate $14 million. The prime responsibility of the home is to provide direct long-term nursing and medical care for New Jersey veterans, their spouses and Gold Star Parents. The home also provides for other needs of the veterans such as rehabilitation programs, counseling services, referral services on benefit programs and financial services. Annual revenues of the home approximate $5 million. The major sources of revenue were maintenance fees and per diem recoveries from the United States Veterans Administration.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the home’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 home.
Provisions that we considered significant were documented and compliance with those requirements was verified by interview and observation and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed 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. Large dollar transactions were judgmentally examined. Other transactions were randomly selected.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, 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 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.

We also found that the home has resolved the significant issues noted in our prior report, except for matters related to members’ interest. This issue has been updated and restated in our current report.
Members’ Investment Income

Our prior report disclosed that interest earned on the members’ accounts was not distributed to members pursuant to NJAC 5A: 5-5.1(c). The current audit revealed that accumulated interest at April 1995 of $28,000 has not been distributed to the members’ individual accounts. Although current interest earnings are being distributed, the issue of the accumulated interest has not been completed.

Recommendation

We recommend that the home distribute the accumulated interest as required by NJAC 5A: 5-5.1(c).

Auditee’s Response

As of 3 September 1997, the accumulated interest in question has been distributed.

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Payment Transaction Processing

Treasury Circular Letter 95-11-OMB states, in part, that in order to maintain three levels of approval in the New Jersey Comprehensive Financial System (NJCFS), an Office of Management and Budget exemption must be obtained. “Any person who is granted this exemption to apply three levels of approval to a transaction will not be allowed to enter or change that transaction.” Two employees have enter/change capabilities as well as the NJCFS third level of approval. Although it is the home’s policy that whoever inputs a transaction does not approve it, the home does not have a control to assure segregation of duties. A weakness exists in that employees could enter and approve transactions for payment without supervisory review.

Individuals with the Management Acquisition Control System - Enhanced (MACS-E) “P-byte” capability in combination with third level approval capability in the
NJCFS “MACB” security group can process a requisition and purchase order and initiate the payment action in NJCFS. Three individuals have the “P byte” capability and third level approval in the “MACB” security group. Because the home does not have controls to assure segregation of duties, a weakness exists in that a transaction for payment could be processed without supervisory review.

**Recommendation**

We recommend management change the NJCFS and MACS-E security configurations to assure proper segregation of duties.

**Auditee’s Response**

Three employees within the Vineland Veterans Memorial Home had all three levels of agency approval for NJCFS and MACS-E access. This does increase vulnerability to the internal control system since those employees would have the capability to initiate and approve transactions without administrative or supervisory oversight. The Fiscal Division, which maintains the security profile for all departmental employees for NJCFS and MAC-E, has initiated the following corrective action for these employees in question:

1. Accounting Clerk - third level approval for NJCFS has been removed.

2. Assistant Business Manager - ability to initiate (enter) purchase transactions onto MAC-E has been removed.

3. Business Manager - same restrictions as the assistant business manager.

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