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

Department of Children and Families
Division of Youth and Family Services

July 1, 2007 to January 31, 2009
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 Children and Families, Division of Youth and Family Services for the period of July 1, 2007 to January 31, 2009. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
Assistant State Auditor  
August 12, 2009
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Department of Children and Families
Division of Youth and Family Services

Scope

We have completed an audit of the Department of Children and Families (DCF), Division of Youth and Family Services (DYFS) for the period July 1, 2007 to January 31, 2009. The audit included a review of the three state-operated residential centers, grants-in-aid to third party providers, payroll expenditures, and travel expenditures. We excluded expenditures for foster care and subsidized adoption, and direct care expenditures processed through NJ SPIRIT, the comprehensive, automated child welfare case management system. This system has not been evaluated by our office and has been excluded from our scope. Fiscal Year 2008 expenditures included in our review totaled $631 million.

DYFS is New Jersey’s child protection and child welfare agency within DCF. Its mission is to ensure the safety, permanency, and well-being of children and to support families. They are responsible for investigating allegations of child abuse and neglect and, if necessary, arranging for the child’s protection and the family’s treatment.

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 system. We also tested compliance to applicable laws, regulations, policies and procedures.

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, and policies and procedures of the agency. Provisions we considered significant were documented, and compliance with those requirements was verified by interview, observation, and through our samples of 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.

Statistical and nonstatistical sampling approaches were used. Our samples of 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 randomly and judgmentally selected for testing.

**Conclusions**

We found the financial transactions included in our testing were related to the division's programs, were reasonable, and were recorded properly in the accounting system. We also found the division complied with applicable laws, regulations, policies and procedures. In making these conclusions, we noted a cost savings issue meritng management's attention and an internal control weakness at the Ewing Residential Center.
Cost Savings

Ewing, Woodbridge, and Vineland Residential Treatment Centers are state-operated facilities. Their staffs are responsible for the care of approximately 90 adolescents with intensive behavioral health needs. The adolescents are placed in the centers on both an emergency and planned basis. The average stay is 105 days.

To address the safety and welfare of the residents and staff, while providing for the needs of specific youths, the centers provide one-on-one supervision of some residents. While staff overtime can be used for this purpose, additional staffing is sometimes required. Currently, the Division of Youth and Family Services (DYFS) has contracted with a private agency to provide the one-on-one services. However, management indicates these contracted individuals do not receive the same training as the DYFS staff and are not allowed to resolve conflicts when the residents become aggressive. Additionally, they are not subject to criminal background checks, and therefore, cannot be left alone with the residents. Furthermore, the same contracted individuals are not consistently assigned to the residential centers and, consequently, the individuals may lack the proper knowledge necessary for the one-on-one supervision. The contracted hourly rate for the vendor’s services is $20.86.

As an alternative to address these issues, DYFS has proposed to eliminate the contracted workers and use the state’s Temporary Employment Services (TES) at a total cost rate of $16.28 per hour including employee benefit costs. A TES is a temporary state employee that can be trained and held accountable in the same manner as a permanent DYFS employee. Each TES could work up to 944 hours per year (approximately 18 hours per week). The temporary employees
would perform the basic duties of the more experienced permanent youth workers who could then perform the more demanding one-on-one supervision previously assigned to the independent contractor. Discontinuing the use of contracted workers and replacing their hours with temporary employees at the residential centers could save the division approximately $65,000 annually.

The temporary employees could also be used to decrease the amount of overtime charged by the full-time youth workers at the centers. During fiscal year 2008 the youth workers, not including supervisors, charged 36,000 hours of overtime at a cost of $1 million. If temporary employees were used for those hours, annual cost savings could be $495,000. It is management's responsibility to decrease costs when possible without compromising the care of the residents. This can be done by hiring, training, and utilizing the services of temporary employees.

**Recommendation**

As a cost savings measure, we recommend DYFS utilize the temporary employment services, as stated in their proposal, in place of the private agency for one-on-one supervision and to decrease the use of overtime incurred by the full-time youth workers.

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**Internal Controls**

The three state-operated residential treatment centers maintain bank accounts on behalf of the residents. Our audit noted that the Ewing Residential Treatment Center had not performed bank reconciliations of the Residents' Trust Account for the period covering December 2005 through October 2008. The bank account balance at November 30, 2008, amounted to $74,000.
Prior to the creation of the Department of Children and Families (DCF) in July 2006, the Division of Youth and Family Services (DYFS) was within the Department of Human Services (DHS). DHS staff was responsible for completing the reconciliations. DHS staff stopped completing the reconciliations in December 2005. Due to a lack of communication, reconciliations of the account were not being performed by either DHS or DCF. This continued until a reconciliation was completed for the month of November 2008. While our testing of the reconciliation performed did not disclose any exceptions, proper internal controls require that bank accounts are reconciled on a monthly basis to reduce the risk of misuse or misappropriation of funds.

**Recommendation**

We recommend that bank reconciliations be completed on a monthly basis for the Residents’ Trust Account at the Ewing Residential Center to ensure that misuse or misappropriation of funds does not occur.
August 6, 2009

Stephen M. Eells, Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
PO Box 067
Trenton, NJ 08625-0067

Dear Mr. Eells:

Thank you and the Office of Legislative Services (OLS) audit team for your input and thoughtful analysis of the Division of Youth and Family Services (DYFS). 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. OLS found the financial transactions included in the testing were related to DYFS’s programs, were reasonable, and were recorded properly in the accounting system. OLS also found DYFS complied with applicable laws, regulations, policies, and procedures. In making these conclusions, OLS noted a cost savings issue meriting management’s attention and an internal control weakness at the Ewing Residential Treatment Center.

This letter is in response to your audit.

Recommendation 1: As a cost savings measure, OLS recommends that DYFS utilize the temporary employment services, as stated in their proposal, in place of the private agency for one-on-one supervision and to decrease the use of overtime incurred by the full-time youth workers.

Response: This recommendation is noted. DCF will continue to research the feasibility of this and other options.

Recommendation 2: OLS recommends that bank reconciliations be completed on a monthly basis for the Residents’ Trust Account at the Ewing Residential Treatment Center to ensure that misuse or misappropriation of funds does not occur.
Response: This recommendation has been implemented and reconciliations have been completed through June 2009. DCF is committed to completing the reconciliations as required by policy.

In closing, DCF wishes to acknowledge the work of the OLS audit team and appreciates the thoughtful analysis and recommendations.

Sincerely,

[Signature]

Kimberly S. Ricketts
Commissioner

c Christine Mozes, Director, DYFS
Catherine Schafer, Director, Audit and Contract Negotiation