Department of Human Services
Commission for the Blind and
Visually Impaired

July 1, 2006 to February 28, 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 Human Services, Commission for the Blind and Visually Impaired for the period of July 1, 2006 to February 28, 2009. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
Assistant State Auditor  
August 27, 2009
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>1</td>
</tr>
<tr>
<td>Objectives</td>
<td>1</td>
</tr>
<tr>
<td>Methodology</td>
<td>1</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>Business Enterprise and State Vending Machine Programs</td>
<td>3</td>
</tr>
<tr>
<td>Client Payment System</td>
<td>5</td>
</tr>
<tr>
<td>Purchasing</td>
<td>7</td>
</tr>
<tr>
<td>Auditee Response</td>
<td>9</td>
</tr>
</tbody>
</table>
Department of Human Services
Commission for the Blind and Visually Impaired

Scope

We have completed an audit of the Department of Human Services, Commission for the Blind and Visually Impaired for the period July 1, 2006 to February 28, 2009. Our audit included financial activities accounted for in the state’s General Fund. Expenditures were $30 million in fiscal year 2008. We did not audit the off-line funds since they are audited by the department’s internal audit unit. The primary responsibility of the commission is to promote and provide services in the areas of education, employment, independence, and eye health through informed choice and partnership with persons who are blind or visually impaired, their families, and the community. Revenues were $14.9 million in fiscal year 2008 of which $11.9 million represents recoveries from the Federal Rehabilitation Services Vocational Rehabilitation grant.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the commission’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 24, 2002.

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 commission. 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 commission 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 randomly and judgmentally selected for testing.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the commission and performed tests to determine if the corrective action was effective.

**Conclusions**

We found that the financial transactions included in our testing were related to the commission's programs, were reasonable, and were properly recorded in the accounting systems. In making these determinations, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management's attention. We also found that the commission had resolved all significant issues noted in our prior report, except for purchases of goods and services for clients.
Business Enterprise and State Vending Machine Programs

The Business Enterprise Program (BEP) is responsible for providing employment opportunities for blind operators at vending stands located in governmental facilities throughout New Jersey. According to management the unemployment rate for a blind person is approximately 35 percent. A vending stand may vary from a full service cafeteria to vending machines in a snack room. If a vending location is considered to be unprofitable and/or not feasible for blind operators, it will be assigned to the State’s Vending Machine Program in which the commission utilizes a statewide vending machine contract vendor. Annual revenues received from these vending machines approximate $700,000, which funds preventive blindness screening programs. N.J.S.A. 30:6-15.1, enacted 70 years ago, provides host agencies with the discretion to accept commission vending stands. A decrease in participation by host agencies adversely impacts screening program operations. Beginning January 2009 the Motor Vehicle Commission started eliminating all Commission for the Blind and Visually Impaired vending machines from public areas citing higher janitorial cost.

Our review found that commission management is not marketing the Business Enterprise and State Vending Machine Programs to their full potential. The commission does not have a formal process for seeking new locations from the Department of the Treasury’s Division of Property Management. Based on a Department of the Treasury property schedule, we identified 80 additional leased locations where vending machines could potentially be hosted. We also found, through our surveys, several vending machines not authorized by the commission at Department of Transportation facilities and Department of Environmental Protection state parks which are not part of the commission’s operations. These machines could have been

Legislative amendments to the existing statutes are necessary to strengthen and/or maintain the Business Enterprise Program and the State’s Vending Machine Program.
discovered by BEP personnel if marketing surveys were submitted to all state departments. Furthermore, state agency contact liaisons are not established by the BEP for either the improvement of customer service or the potential expansion of the vending machine program. The commission’s vending machines do not have any charitable decals that might help promote public awareness of the disposition of proceeds from sales and their role in blindness prevention programs.

The commission disburses $200,000 annually to its vending machine equipment contractor for the BEP program based on a fee of $3,500 per vending machine. These machines are assigned to blind operators, but remain state property. The commission’s fiscal unit is responsible for maintaining fixed asset records on these vending machines. None of the vending machines purchased since July 2005 were posted to fixed assets records. We sampled nine vending machines purchased during fiscal year 2008 which totaled $35,000 and were able to locate them.

The contract with the former vending machine provider for the state’s vending machine program ended April 2008. The transition to the new contract vendor was not smooth because the former vendor did not remove their vending machines in a timely manner. In addition, the former vendor failed to submit $323,000 in revenue proceeds due to the commission. The state contract specifications required a performance bond; however, the performance bond expired prematurely as of January 2007. Subsequent to our field work, there was a referral made to the Attorney General seeking collection of the $323,000 in delinquent commission revenue.

**Recommendation**

We recommend that the commission seek legislation to amend N.J.S.A. 30:6 to mandate exclusive rights to the commission in the establishment of blind operator run vending
stands and/or vending machines located in state facilities. We also recommend that the commission improve the marketing, promotion, and expansion of the Business Enterprise Program and the State’s Vending Machine program by:

- Requesting periodic state location lists from the Department of the Treasury’s Division of Property Management.
- Requesting reassignment of vending machines at Department of Transportation facilities and Department of Environmental Protection state parks to the Commission for the Blind and Visually Impaired.
- Conducting annual surveys of all state departments for their vending needs.
- Establishing an official liaison with each department or state agency.
- Displaying charitable decals on all commission endorsed vending machines to promote the benefits of the program.
- Updating fixed asset records to include all purchased vending machines.
- Modifying the existing statewide vending machine contract to include a performance bond that covers the entire contract period.

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**Client Payment System**

The Client Payment System (CPS) disburses approximately 15,000 client service payments annually totaling $6.6 million. The commission purchases its goods and services for clients from specialty vendors, medical providers, or other parties who provide specialized services for blind and visually impaired persons. The CPS is interfaced with the state accounting system. As custodian of the CPS, the commission has a fiduciary responsibility for establishing internal controls and accounting procedures that safeguard assets and ensure the proper recording
of transactions. Our review disclosed the following deficiencies related to internal controls and accounting procedures.

Our analysis of the CPS users list dated October 2008 identified 17 users having system capability to authorize payment disbursements up to a limit of $100,000 per transaction. The commission acknowledged there were an excessive number of users who had this capability and by March 2009 it reduced access to six commission employees. The absence of a security access policy contributed to this weakness.

In addition, existing electronic audit trails are inadequate for disclosing which users are updating payments in the CPS. Our review also disclosed that client invoice payments are not signed by a fiscal supervisor prior to disbursement. As of March 2009 there was a seven month backlog of obtaining supervisory approvals. The lack of supervisory approvals provides no assurance that payments have been properly reviewed and increases the risk that erroneous or improper payments will go undetected.

Client social security numbers are essential to coordinate benefits and to cross-match data effectively.

The CPS contains invalid social security numbers for 1,150 of the 5,400 active clients. In accordance with N.J.A.C. 10:91-3.1, valid social security numbers are required on each client's financial survey form. The use of these invalid social security numbers makes it difficult to cross-match information and to identify medical claims that should be paid by Medicaid and/or other private insurances. Our social security number cross-matching identified 32 percent of commission clients (with valid social security numbers) who had Medicaid insurance coverage from July 2007 to December 2008.
Recommendation

We recommend that the commission establish a security access policy that includes a periodic review and evaluation of employee access needs to the CPS. In addition, client invoices should be approved by a supervisor. Efforts should be made to clear the backlog of unapproved invoices. We also recommend that the commission require social security numbers for new clients and replace invalid social security numbers with valid numbers.

Purchasing

The commission is responsible for internal controls over purchasing by establishing and enforcing written internal policies, providing proper segregation of duties, and complying with state purchasing regulations. Our review of internal controls over these functions identified the following deficiencies. The chief fiscal officer’s duties are not adequately segregated because he has computerized access privileges to process purchase orders and payments on the state’s purchasing system without secondary approval and review. This access is not justified because the commission has sufficient fiscal staff to segregate the purchasing and payment functions.

The commission also does not have receiving reports for goods received and services rendered. In general, an employee requesting the purchased item takes delivery directly from the vendor. Proper internal controls would require received goods be confirmed by an independent employee other than the requestor.

The Department of the Treasury delegates purchasing authority (DPA) to an agency for annual purchases of $29,000 and under for a specific product or services. The commission’s DPA purchases for fiscal year 2008 were approximately $560,000. For these DPA purchases, vendor ownership disclosure forms,
business registration certificates and pay-to-play disclosure forms were not requested from the vendors. These forms and certificates are required to be used by the commission to prevent or detect ethics violations.

The commission has not sought a state contract from the Department of the Treasury to provide client transportation services or obtained competitive bids from vendors. The commission must procure a state contract through the Department of the Treasury when annual cumulative purchases exceed $29,000. During fiscal year 2008 the commission paid the two primary client transportation vendors $153,000 and $126,000, respectively. These payments were made through the client payments system, and are not reflected in the DPA purchases. The commission was unable to substantiate whether transportation services were reasonably priced.

**Recommendation**

We recommend that the commission:

- Remove sole purchase authority access privileges from the chief fiscal officer.
- Require receiving reports to be authorized from employees separate from the purchase requisition function wherever possible.
- Obtain vendor ownership disclosure forms, business registration certificates, and pay-to-play disclosure forms from DPA vendors.
- Work with the Department of the Treasury to procure a state contract for client transportation services.
August 26, 2009

Stephen M. Eells
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Dear Mr. Eells:

I am responding to the audit of the Commission for the Blind and Visually Impaired conducted by your staff for the period July 1, 2006 to February 28, 2009. Having reviewed the audit report, I would like to state our acceptance of the findings.

We are pleased with the acknowledgement contained in the report that the financial transactions tested during the audit related to the Commission’s programs were reasonable and were recorded properly in the accounting systems. The current report indicated that the Commission had resolved all significant issues noted in the prior audit report, except for purchases of goods and services for clients. Also, there were noted internal control weaknesses and matters of compliance with laws and regulations meritng management’s attention. Enclosed are our comments for each of the areas, including planned corrective actions.

We extend our appreciation to you and your staff for the cooperative and professional approach in conducting the field work, which we can now utilize to implement improvements in the operations of the Commission.

Sincerely,

Jennifer Velez
Commissioner

JV:29:jc
Enclosure
Response to Audit Recommendations

FINDING:
Legislative amendments to the existing statutes are necessary to strengthen and/or maintain the Business Enterprise Program and the State’s Vending Machine Program.

RECOMMENDATION:
The Commission seek legislation to amend NJSA 30:6 to mandate exclusive rights to the Commission in the establishment of blind operator run vending stands and/or vending machines located in state facilities.

The Commission improves the marketing, promotion, and the expansion of the Business Enterprise Program and the State’s Vending Machine Program by:

- Requesting periodic state location lists frequently from the Department of the Treasury’s Division of Property Management.
- Requesting reassignment of vending machines at Department of Transportation facilities and Department of Environmental Protection state parks to the Commission for the Blind and Visually Impaired.
- Conducting annual surveys of all state departments for vending needs.
- Establishing an official liaison with each department or state agency.
- Displaying charitable decals on all commission endorsed vending machines to promote the benefits of the program.
- Update fixed asset records for all purchased vending machines.
- Modify the existing statewide vending machine contract to include a performance bond that covers the entire contract period.

PLANNED CORRECTIVE ACTION:
The Audit recommendation will, if enacted, give the Commission the priority to any vending facility opportunity in any state building. This process will require that the Commission discuss these proposed legislative changes with the Committee of Blind Operators as required under the “Active Participation” provisions of the Randolph Sheppard Act.

The Commission Business Enterprise Program has recently received state location lists for leased and owned properties from the Department of Treasury.

The Business Enterprise Program contacted administrators from the Department of Transportation and Department of Environmental Protection and is in the process of reassigning vending equipment within locations. This contact was made in June 2009.

Annual surveys of all state departments for vending needs is in the process of being developed and will be conducted on an annual basis. Surveys to be conducted by December 31, 2009.
Response to Audit Recommendations

The Business Enterprise Program has been in the process of establishing official liaisons with state agencies and departments. We have met with liaisons from State Police, Department of Labor, Department of Transportation, and are continuing to develop additional relationships.

The Commission will develop charitable decals for display on Business Enterprise Program operated vending machines. All Business Enterprise Program operated machines will have decals by December 2009.

The Commission will develop a comprehensive computerized inventory system to maintain the Business Enterprise Program’s fixed asset records. This system will be completed by October 31, 2009.

The Department will confer with the Division of Purchase and Property to determine the feasibility of including a performance bond within the existing contract.

FINDING:
Internal Control improvements are needed over the Client Payment System.

RECOMMENDATION:
The Commission establish a security access policy that includes a periodic review and evaluation of employee access needs to CPS. In addition, client invoices should be approved by a supervisor. Efforts should be made to clear the backlog of unapproved invoices. We also recommend that the Commission require social security numbers for new clients and replace invalid social security numbers with valid numbers.

PLANNED CORRECTIVE ACTION:
The Commission’s Management Information Systems unit will establish a security access policy that includes a periodic review (semi-annual) and evaluation of employee access needs to the Client Payment System. The Fiscal Operations unit will do this semi-annual review.

Since April 2009, all client invoice payments are signed and audited by a Fiscal supervisor prior to disbursement.


A memo was issued July 21, 2009 and a report sent to all Commission Managers of invalid social security numbers. Caseworkers are to try to ascertain from clients their social security numbers. However, New Jersey law and administrative code expressly
Response to Audit Recommendations

prohibit school districts from requiring parents to submit children’s social security information in order to enroll them in school. The Commission receives IDEA funding and therefore, may be subject to the same regulations.

FINDING:
Purchasing controls should be enhanced.
State purchasing regulations are not followed.

RECOMMENDATION:
The Commission should:
• Remove sole purchase authority access privileges from the chief fiscal officer.
• Wherever possible, require receiving reports to be authorized from employees separate from the purchase requisition function.
• Work with the Department of the Treasury to procure a state contract for client transportation services.
• Obtain vendor ownership disclosure forms, business registration certificates, and pay-to-play disclosure forms from DPA vendors.

PLANNED CORRECTIVE ACTION:
The Commission will update Policy and instruct all staff to provide a signed shipping receipt to the Purchasing unit of Management Services when goods are received. If a shipping receipt is not available with package, a written notice (or e-mail) should be forwarded confirming receipt of a particular order. The receipt or notice will be kept on file with original Purchase Order.

The Commission will confer with Medicaid on the capacity of the recently-procured transportation contract.

The Commission for administrative purchases since May 2009 has obtained vendor ownership disclosure forms, business registration certificates, and pay-to-play disclosure forms from DPA vendors.