



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

**Department of Human Services
Division of Developmental Disabilities
Woodbridge Developmental Center
Payroll Transactions During Closure**

January 1, 2014 to January 9, 2015

**Stephen M. Eells
State Auditor**

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Enclosed is our report on the audit of the Department of Human Services, Division of Developmental Disabilities, Woodbridge Developmental Center, Payroll Transactions During Closure for the period of January 1, 2014 to January 9, 2015. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
December 14, 2015

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Scope

We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, Woodbridge Developmental Center, Payroll Transactions During Closure for the period January 1, 2014 to January 9, 2015. Our audit included payroll activities accounted for in the state's General Fund. Woodbridge Developmental Center (WDC) was one of seven developmental centers operated by the Division of Developmental Disabilities. The WDC was established in 1965 as a residential facility for persons with developmental disabilities and was located on 68 acres in Woodbridge, New Jersey. The WDC was closed on January 9, 2015. Payroll expenditures during calendar year 2014 totaled \$53.3 million.

Objectives

The objectives of our audit were to determine whether payroll transactions in conjunction with the closing of Woodbridge Developmental Center were related to the center's programs and were reasonable.

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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circular letters promulgated by the Department of the Treasury, and policies of the WDC. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing of financial transactions. We also read the budget messages, 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 payroll 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.

Conclusions

We found payroll transactions included in our testing that were not related to the WDC's programs and were not reasonable. We found that during the process of closing the WDC, payroll expenditures were incurred for idle employees after clients of the WDC were relocated to other institutions or placed in the community. This was a result of the department requesting an unnecessary layoff extension from the Civil Service Commission.

In addition, we found the WDC continued to pay direct care employees for shift differentials after they were reassigned to the first shift.

Background

An independent task force was established in response to the state's efforts to close Vineland Developmental Center in fiscal year 2010. In August 2012, the Task Force on the Closure of State Developmental Centers issued a report and made binding recommendations to close the North Jersey Developmental Center followed by the Woodbridge Developmental Center (WDC) within five years.

The WDC layoff process was instituted in accordance with New Jersey Administrative Code (N.J.A.C.) 4A:8 and in consultation with employee unions. It began with a submission of a Reduction in Force (RIF) plan by the Department of Human Services (DHS) to the Civil Service Commission (CSC) on July 3, 2014. Per N.J.A.C. 4A:8-1.6, layoffs must occur between 45 and 120 days from the date of a layoff notice. If a layoff has not taken place within 120 days, and no extension has been granted, new notices must be served at least 45 days prior to the effective date of the layoff. The layoff date for the WDC was set for January 9, 2015. The department requested an extension within the RIF plan and the 60-day extension was granted by the CSC. Under the 120-day provision, December 13, 2014 would have been the last day for the layoff to take place without the extension.

The layoff process in state service is based on an employee's overall state seniority. Employees who have the most seniority displace employees in their department with less seniority (bumping process). In accordance with N.J.A.C. 4A:8-1.4, layoff plans must be submitted to the CSC for review at least 30 days prior to the issuance of layoff notices. The CSC is responsible for determining seniority and designating lateral, demotional, and special reemployment rights for all career service titles prior to the effective date of the layoff and for providing such information to the affected parties.

The final CSC seniority report was distributed to human resource managers on August 13, 2014, and on August 15, 2014, WDC and DHS employees were served with 45-day general layoff notices. The WDC RIF included approximately 1,080 employees. After the 45-day notices were distributed, WDC human resource personnel met with the WDC's employees to explain their rights and to have them complete the Job Location Declaration Forms that provided employees the opportunity to select the geographic location, full-time or part-time preference, and the demotional/lateral/prior held title that they would accept if they were

impacted through the bumping process. The “declaration process” started on August 25, 2014 and the meetings were conducted in four daily group sessions of five or six employees. After the declaration forms were completed and submitted to the DHS central office, the final interview process began on September 30, 2014 and was completed in November 2014, a month ahead of its anticipated completion. The Reduction in Force Final Notice was distributed to each employee upon conclusion of the employee final interview process. The notice informed employees of their employment status, including salary, title, and work location, and it allowed them to designate geographic locations for special reemployment lists.

Unreasonable and Improper Payroll Payments

An unnecessary layoff extension resulted in payments to idle employees.

As of January 1, 2014, the Woodbridge Developmental Center (WDC) employed 1,092 full-time staff, 156 part-time staff, and 34 temporary staff. Sixty-four percent of the employees were direct care workers, nurses, and therapists. At that time, the WDC housed 237 clients who lived in 12 different cottages. Each cottage housed between 14 and 25 clients. The clients were gradually moved to other developmental centers (78 percent), community placements (21 percent), nursing homes (two clients), or moved out of state (two clients).

The following table illustrates cottage closure dates due to the declining number of clients, the corresponding WDC client census, and the number of employees in pay status other than administration, housekeeping, maintenance, and drivers.

Cottage	Closure Date	WDC Clients at the Time of Closure	Employees in Pay Status Other Than Administration, Housekeeping, Maintenance, and Drivers
Cottage 11	4/22/2014	183	888
Cottage 03	5/29/2014	161	861
Cottage 18	6/24/2014	147	853
Cottage 05	7/9/2014	143	858
Cottage 06	7/9/2014	143	858
Cottage 16	7/29/2014	118	838
Cottage 15	7/31/2014	113	838
Cottage 17	8/22/2014	87	814
Cottage 07	8/28/2014	82	814
Cottage 08	10/27/2014	40	814
Cottage 01	11/13/2014	34	802
Cottage 03 Reopened 8/1/2014	11/30/2014	17	800
Cottage 04	12/11/2014	0	792

An increasing number of employees became idle as the WDC client census declined through 2014. By October 2014, the WDC census was down to 55 clients and most employees were reassigned to the first shift creating housing and parking issues. To accommodate employees without duties, WDC converted a number of buildings into “hubs” equipped with furniture and televisions. The first hub was officially opened on October 6, 2014. Also, as a result of the North Jersey Developmental Center closure in June 2014, there were 124 employees who were

bumped to WDC, including 82 employees in direct care titles. Since WDC had no need for these employees, they were not assigned direct care or any other specific duties upon arrival. According to WDC management, the employees assigned to hubs generally refused to volunteer for out-of-title work around the center. In November 2014, we observed WDC employees in a hub sitting idle, watching television, or playing card games.

Recognizing the problem, WDC management scheduled employees for trainings and bused employees to their future place of employment for pre-job orientations. The last three clients were moved from WDC on December 11, 2014 at which time, at least 917 employees (excluding those on leave) were still reporting to the WDC.

To determine whether employees were interested in accepting new work assignments prior to January 9, 2015, in October 2014 the WDC had employees fill out early release forms to declare their preferences. Only 54 of the 761 forms provided to us expressed employee interest in an early release. An additional 26 employees submitted two conflicting forms. Due to statutory restrictions, the Department of Human Services instructed the WDC that only employees who bumped into vacancies and who volunteered to accept their new assignments prior to January 9, 2015 were permitted early release from the WDC. There were 211 WDC employees who bumped into vacancies. We found 174 of these 211 employees, who could have elected to transfer out early into vacant positions, were still reporting to WDC on December 12, 2014. In addition, on December 5, 2014, the last day of the pre-job orientation, the New Lisbon Developmental Center (NLDC) in need for additional workforce, requested WDC employees to sign a form declaring whether they were willing to start employment at NLDC before the official WDC closure date. Eighty-seven employees were designated to the NLDC, but only two agreed to an early start.

There were approximately 850 employees who were moved to hubs from October through December, 2014. We estimated that during that time, these employees received \$6.3 million in salaries. Our review of the Reduction in Force Final Notices for the WDC employees indicated that the final interview process for approximately 81 percent of the center employees (including approximately 670 of 850 employees in hubs) was completed by the end of October 2014. The latest final notice processed during the following month for the remaining 19 percent of employees was dated November 19, 2014, thereby allowing additional time to complete the process by December 13, 2014. Therefore, the layoff process for WDC could have been completed within the statutory 120 days from the 45-day notice and the requested extension was not necessary.

The department estimated that the WDC layoff process for 1,080 employees would have been completed in 147 days. In contrast, it had taken only 74 days to complete the layoff of approximately 950 North Jersey Developmental Center employees, nearly half the time estimated for WDC. Instead of requesting the extension within the WDC layoff plan, the DHS should have waited to file for an extension only if it became evident that one was needed. The extension delayed the effective layoff date from December 13, 2014 to January 9, 2015. Salaries of employees remaining at the WDC during the extended time were approximately \$3.2 million, including \$2.7 million for idle employees.

We also noted that although most employees were reassigned to the first shift in October 2014, over 330 employees received shift differential adjustments of 25 cents per hour during the following three pay periods and over 160 employees during the fourth following pay period. The adjustments totaled \$22,600. Only employees who work evening or night shift are entitled to shift differential.

Recommendation

We recommend that in the event of a future layoff, the Department of Human Services avoid requesting unnecessary layoff extensions from the Civil Service Commission which may result in unrelated and unreasonable payroll costs.

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December 9, 2015

John J. Termyna, Assistant State Auditor
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125 South Warren Street
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Dear Mr. Termyna:

This is in response to your letter dated November 6, 2015 concerning the Office of Legislative Services' (OLS) draft report entitled *Department of Human Services, Division of Developmental Disabilities, Woodbridge Developmental Center, Payroll Transactions During Closure.*" The period of the audit was from January 1, 2014 to January 9, 2015. Your letter provides an opportunity for the Department to comment on the draft audit report.

OLS Recommendation

We recommend that in the event of a future layoff, the Department of Human Services avoid requesting unnecessary layoff extensions from the Civil Service Commission which may result in unrelated and unreasonable payroll costs.

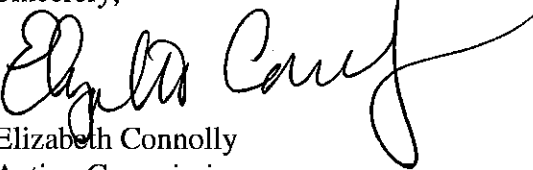
Response

The Department of Human Services (DHS) agrees with the OLS recommendation and concurs with the findings of the audit. For context, however, the Department notes that the dual closure of Woodbridge Developmental Center and North Jersey Developmental Center was directed pursuant to the binding recommendations of the legislatively-enacted Task Force for the Closure of Developmental Centers, and the timetable for those closures was prescriptive. As a result, and to mitigate the administrative impact and emotional toll of a prolonged reduction in force (RIF), DHS consulted with the Civil Service Commission and the unions to coordinate the timing of each facility's closure. It should be noted that although the total number of targeted employees from the Woodbridge RIF was 1,280, all of the Department's approximate 14,000 employees were included in the layoff process and received a 45-day notice of potential impact.

Although the auditors questioned \$2.7 million in salary costs, typically, half of the costs are reimbursed by the federal government. The Department also was able to complete the RIF earlier than it had expected, which resulted in additional cost savings to the Department. More importantly, it is estimated that the gross reduction in costs to the State Budget as a result of the closures is \$116.9 million annually. These additional resources were an integral part in the approximate \$100 million reinvestment into DDD community programs in this year's (FY 2016) budget that helped to fund essential programs such as Olmstead, Age Outs, Waiting List and Emergencies. While DHS appreciates and respects the auditors' findings, the Department was limited in flexibility when confronted with a dual RIF scenario. Although the Department was able to process personnel actions at a faster rate than it had anticipated, there was limited flexibility to move up the layoff date.

If you have any questions or require additional information, please contact me or Christopher Bailey at (609) 984-5382.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Connolly". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Elizabeth Connolly
Acting Commissioner

c: Liz Shea
Christopher Bailey
Mark Talbot