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State Comptroller follow-up to 2009 audit finds significant contract management improvements at state's Division of Developmental Disabilities

Follow-up review documents millions in recoveries following recommendations from initial OSC audit

The state Division of Developmental Disabilities (DDD) has recouped wasted dollars, tightened its travel expenditure policy and strengthened its monitoring of contracts in response to a 2009 audit by the Office of the State Comptroller (OSC).

A follow-up review conducted by OSC, released today, found DDD officials have fully implemented seven of the nine recommendations contained in the initial OSC audit and have partially implemented the other two.

"We're pleased that the Division of Developmental Disabilities has made significant progress in correcting the flaws we identified in our initial audit," State Comptroller Matthew Boxer said. "These concrete changes already have saved significant taxpayer dollars and will continue to pay dividends for New Jersey in the future."

The original OSC audit sampled state reimbursements to four service providers and found that one provider, Allies Inc., had been reimbursed for a series of inappropriate expenditures totaling approximately \$160,000, including reimbursements for cruises to the Mediterranean and Caribbean taken by the provider's management, staff and clients with developmental disabilities. With the help of an accounting firm that reviewed all of Allies' expenditures from July 2006 to June 2008, DDD subsequently

determined that Allies was responsible for returning \$353,000 in expenses, which DDD has since recovered by withholding that amount from Allies' first contract payment this fiscal year.

As part of its follow-up review, OSC sampled 200 more recent transactions with service providers and found no unreasonable or inappropriate expenditures. Since the initial audit, DDD also has revised its policy so that it no longer funds vacation expenditures for service providers' staff members or their clients.

The initial OSC audit also found DDD had not been closing out contracts, which would have enabled it to identify and recover overpayments to providers. The follow-up review found DDD has since collected nearly \$18 million by performing closeouts of expired contracts dating back to 2005.

Reviewing a sample of providers of adult training programs, the initial audit also had found that DDD wasted approximately \$1.4 million by paying for more individuals than were actually receiving services. Specifically, OSC found that on average 20 percent of the slots for which the state had paid were unattended on a daily basis. OSC's follow-up found the percentage of payments that went to unattended slots has declined to 12 percent. DDD has begun to transition to a new payment model that should result in it compensating providers only for services actually rendered. OSC will continue to monitor DDD's progress on this and other issues from the initial audit that have not yet been fully addressed.

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OSC conducts follow-up reviews for each of its audits to ensure that audit recommendations are implemented. All OSC reports are available on its website at www.nj.gov/comptroller.