



State of New Jersey

OFFICE OF THE STATE COMPTROLLER
P.O. BOX 024
TRENTON, NJ 08625

JON S. CORZINE
Governor

A. MATTHEW BOXER
State Comptroller

August 11, 2009

Contact: Pete McAleer
609-984-2888

State Comptroller Identifies Millions in Potential Savings at State's Division of Developmental Disabilities

Audit finds taxpayer dollars meant for people with developmental disabilities were used to pay for series of inappropriate expenses and for services never received

An Office of the State Comptroller (OSC) audit released today identifies the potential for millions of dollars in savings at the state's Department of Human Services.

The performance audit, which looked at contracts entered into by the department's Division of Developmental Disabilities (DDD), uncovered a wide range of problems that have led to higher costs and reduced services, including the payment of inappropriate and unnecessary expenses, the renewal of contracts without a competitive process or adequate review and the failure of some case managers to update assessments of the needs of people with developmental disabilities. The audit found, in short, that DDD is not adequately overseeing the contracts it awards.

"When proper safeguards are not in place, taxpayers are left to pay the cost," State Comptroller Matthew Boxer said. "The good news here is that some of the dollars lost may be recoverable and there is an opportunity going forward to realize significant savings once concrete changes are made. Our audit spells out the needed changes."

The audit looked at state-funded programs that, among other things, teach life skills and provide other training to individuals with developmental disabilities. An audit of 10 adult training programs funded by DDD found the state agency wasted approximately \$1.4 million by paying for more individuals than were actually receiving services. Though DDD contracted for programs for 405 individuals, OSC's review of those programs showed an average daily attendance of only 323 individuals. Based on the total amount

of public funds dedicated to the 240 such programs, total state overpayments to adult program providers could be approximately \$10 million.

The audit recommends DDD consider an alternate contracting system, the Milestone Payment System, which has decreased costs and improved services in other states by tying payments to predetermined outcomes. In total, nine recommendations for improving contract oversight are included in OSC's report, each of which DDD has committed to implement.

The audit also looked in detail at state-funded expenditures of four of the 278 providers that contract with DDD to provide residential and non-residential services for people with developmental disabilities. Within that sample, OSC uncovered a string of inappropriate expenses paid by DDD to a provider whose CEO is a former DDD director.

The expenses (described below) included restaurant tabs in Spain and Atlantic City, cruises to the Mediterranean and Caribbean and a GPS navigation device for the CEO's vehicle. OSC's audit requires DDD to pursue the recovery of approximately \$160,000 worth of such inappropriate expenses uncovered by the audit. Those expenses, which all went to the same provider, include specifically:

- \$111,851 for cruises to the Mediterranean and Caribbean taken by the provider's management, staff and clients with developmental disabilities.
- \$3,681 for a restaurant tab in Spain after returning from the Mediterranean cruise.
- \$3,336 for employee attendance at conferences unrelated to DDD programs, including "How to Stay Union Free" and "Essential Skills of Dynamic Public Speaking."
- \$2,499 to install a GPS navigation unit in the CEO's company car (\$1,999) and to pay the CEO's car insurance deductible (\$500), despite the absence of proof that an accident occurred.
- \$23,923 for purchases with little or no supporting documentation, including a non-itemized receipt at the Cuba Libre Restaurant & Rum Bar in the Tropicana Casino & Resort in Atlantic City for \$2,690.
- \$1,345 for employees to arrive at a three-day conference in the Disney World area of Florida two days early (total five-day cost to attend the conference was \$3,362.)
- \$9,344 in hotel room expenses for employees attending Philadelphia and Atlantic City conferences in close proximity to their homes.
- \$746 for six tickets for provider management to attend Cirque Du Soleil at Madison Square Garden. Neither the provider nor DDD could tell us if any of the provider's clients attended this event.

“This service provider’s misuse of taxpayer dollars that were meant to provide services to people with developmental disabilities is nothing short of offensive,” Boxer said.

In total, the audit found that more than 10% of the expenditures by this provider that OSC tested were inappropriate or unreasonable. The audit notes that to the extent such funds are saved through exercising greater fiscal responsibility, those funds then become available to provide additional services to people with developmental disabilities.

Oversight of services also lacking

In addition to cost concerns, the audit found many of the DDD case managers charged with conducting visits to assess the needs of developmentally disabled clients were either not completing the required quarterly reports or simply copying the same report from quarter to quarter. One case manager stated in four consecutive quarterly reports that a client “is happy spring is here, she very much enjoys spending time outside.” Another noted in four consecutive reports that a client “went home with her brother for the day for Thanksgiving, and then will be going home for Christmas.” In total, more than one-third of the 1269 case manager reports OSC reviewed were incomplete or copied from quarter to quarter.

“These are reports that play a vital role in monitoring and assessing services provided to individuals with developmental disabilities,” Boxer said. “When case managers rewrite these same remarks from one quarter to the next, it calls into question whether the case managers are conducting the visits at all.”

Contracts renewed and expanded without adequate review

Most DDD contracts are renewed each year without a competitive bidding process and without adequate consideration of past provider performance, the audit found. In 2008, DDD reported to OSC the non-competitive renewal of 95 contracts valued at more than \$2 million, including 23 contracts valued at more than \$10 million. When OSC requested original procurement documents for four of the largest renewal contracts (three of which predated 2002), DDD was unable to provide documentation for any of them, making it impossible to determine if the original contracts were properly awarded.

Costly contract modifications were also approved throughout the audit period without an adequate review. Of 10 providers OSC reviewed, DDD approved modifications totaling \$21 million without adequately determining if the modifications were necessary. For example, modifications for purchasing new vehicles were approved without DDD knowing the number of vehicles the provider has or how they are being used.

DDD officials stated they are taking a number of steps to address issues raised in the audit, including lowering caseloads for case managers, documenting contract modification reviews more thoroughly, performing contract closeouts in a timely manner and eliminating vacant program slots.

OSC engaged in the audit based in part on information from the New Jersey Office of Management and Budget. Boxer thanked that office for its assistance.