



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

**Department of Human Services
Division of Mental Health Services
Greystone Park Psychiatric Hospital**

July 1, 2002 to October 31, 2004

**Richard L. Fair
State Auditor**

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New Jersey State Legislature

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Acting Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

The Honorable Albio Sires
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, Division of Mental Health Services, Greystone Park Psychiatric Hospital for the period of July 1, 2002 to October 31, 2004. If you would like a personal briefing, please call me at (609) 292-3700.

A handwritten signature in black ink, appearing to read "Richard L. Fair".

Richard L. Fair

State Auditor

May 31, 2005

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**Department of Human Services
Division of Mental Health Services
Greystone Park Psychiatric Hospital**

Scope

We have completed an audit of the Department of Human Services, Division of Mental Health Services, Greystone Park Psychiatric Hospital for the period July 1, 2002 to October 31, 2004. Our audit included financial activities accounted for in the state's General Fund as well as the hospital's off-line accounts and functions related to the Client Welfare Fund, Occupational Therapy Fund, Rehabilitation Services Fund, Complexes Account, Interim Assistance Fund, Special Services Fund, Patient Wages Fund, and Patients Trust Accounts.

The prime responsibility of the hospital is to provide services for voluntary and legally committed mentally ill persons from the northern counties of the State of New Jersey. The average daily population during the audit period was approximately 550. Annual General Fund expenditures of the center were \$ 66.1 million. Revenues, primarily from patient billings, were \$ 12.3 million.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the hospital's programs, were reasonable, and were recorded properly in the accounting systems.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, 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 State Comptroller, and policies of the Department of Human Services and the Division of Mental Health Services. 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 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 expenditure and revenue transactions were both judgmentally and randomly selected for testing.

Conclusions

We found that the financial transactions included in our testing were related to the hospital's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses meriting management's attention.

Rehabilitation Services Fund

The hospital operates a canteen for patients known as the Park Place Café. The operations of the café are included as an account within the Rehabilitation Services Fund and are not being accounted for and maintained on a fund basis.

The hospital's canteen operations should be accounted for and maintained on a fund basis.

Total annual café receipts and disbursements are approximately \$196,000 and \$190,000, respectively. No financial statements are prepared for the operations of the café other than monthly bank reconciliations of the Rehabilitation Services Fund. There is a lack of internal control over the operations

of the cafe due to the absence of financial statements and inventory verifications. In addition, the Park Place Café accounts for 97 percent of the activity in the Rehabilitation Services Fund.

Recommendation

The hospital's management should establish a separate fund for the Park Place Café operations. Monthly financial statements including a balance sheet and statement of operations should be prepared. Periodic inventory counts should be taken and verified to the financial statements.

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State of New Jersey

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DIVISION OF MENTAL HEALTH SERVICES

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May 25, 2005

James B. Patterson
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. Patterson:

The Division appreciates the opportunity to respond to the Draft Audit Report on Greystone Park Psychiatric Hospital dated May 6, 2005. We have conferred with hospital management and ask that the following comments be made part of the Final Report.

Rehabilitation Services Fund

The Report notes that the Park Place Café accounts for 97% of the activity in the Fund. Accordingly, the hospital is in the process of making Park Place the only activity in this Fund, while the remaining small subsidiary accounts will be placed and accounted for in the Occupational Therapy Fund, as their activities are more closely associated. Furthermore, all checks and receipts since January 1, 2005 have been inputted into a newly developed computerized system using Peachtree software. The bank accounts have been reconciled, and the hospital is presently reviewing the subsidiary accounts so that monthly financial statements and management reports can be developed. The isolation of Park Place Café activities in the Fund should be accomplished by May 31st, and the other above steps will be implemented by June 30th for the start of the new fiscal year.

Please do not hesitate to call if you have any questions or concerns about this matter.

Sincerely,

Alan G. Kaufman
Director

AGK:DR
gph-olsl

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