



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

**Department of Human Services
Division of Mental Health Services
Trenton Psychiatric Hospital**

July 1, 1998 to April 19, 2000

Richard L. Fair
State Auditor



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Enclosed is our report on the audit of the Department of Human Services, Division of Mental Health Services, Trenton Psychiatric Hospital for the period July 1, 1998 to April 19, 2000.

If you would like a personal briefing, please call me at (609) 292-3700.

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**Department of Human Services
Division of Mental Health Services
Trenton Psychiatric Hospital**

Scope

We have completed an audit of the Department of Human Services, Division of Mental Health Services, Trenton Psychiatric Hospital for the period July 1, 1998 to April 19, 2000. Our audit included the financial activities accounted for in the state's General Fund.

Total expenditures of the agency during the audit period were \$83 million. The prime responsibility of the Trenton Psychiatric Hospital is to provide services for voluntarily and legally committed mentally ill persons from Mercer, Middlesex, Monmouth and Union counties. Revenues of the hospital totaled \$15 million during our audit period and the major components of revenue were recoveries from Medicare A and B, and counties.

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 system.

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 agency. 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 agency personnel to obtain an understanding of the programs and internal control.

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 transactions were randomly and judgmentally selected.

Conclusions

We found that the financial transactions included in our testing were related to the agency's programs, were reasonable and were recorded properly in the accounting system. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management's attention.

Interim Assistance Program

The hospital should assure appropriate follow up of outstanding balances.

In October 1974, the State of New Jersey in agreement with the United States Department of Health and Human Services established the Interim Assistance Program (IAP). This program permits a client who has been released from a state psychiatric hospital and who has applied for federal Supplemental Security Income (SSI) benefits to receive temporary state funding for personal needs (PNA) and maintenance costs while their SSI claim is being evaluated. The hospital is to be reimbursed for (IAP) expenditures when the client is approved for SSI benefits. This reimbursement is deposited into the hospital (IAP) revenue account.

Trenton Psychiatric Hospital (TPH) has not maintained an (IAP) record which identifies each client and their respective outstanding balance. During the period 1993 to 1996, the number of clients participating in the IAP was limited and the maintenance of a record of outstanding balances was deemed unnecessary. However, since 1997 the number of clients in the IAP has increased significantly and TPH has not dedicated sufficient resources to create and maintain an IAP record.

For the period July 1, 1997 to December 31, 1999, TPH expended \$940,700 on IAP costs and recovered \$255,200, leaving an outstanding IAP balance of \$685,500. The lack of a record does not allow management to take necessary action with the Social Security Administration. TPH reviews a client's IAP costs only upon receipt of their retroactive SSI payments.

Recommendation

We recommend that the hospital initiate appropriate follow-up procedures for the IAP.

Auditee's Response

As a result of the Redirection Plan and changes to the types of people serviced at this hospital, the Interim Assistance rolls at TPH increased from 8 patients per month to over 100 patients per month. The focus has

been to pay the housing providers as timely as possible to maintain the positive relationships which result in their continued willingness to accept Interim Assistance patients. The hospital is in the process of hiring an Income Maintenance Technician whose main responsibility will be to assure accurate appropriate record keeping and timely processing of all Interim Assistance documents. Included in these responsibilities will be the maintenance of the ongoing patient record recommended by auditors. The outstanding balance noted by the auditors includes expenditures for which reimbursement can not yet be applied. Patients who have not yet been determined disabled or who are in the appeal process, which can take upwards to two years, must continue to receive payments. Therefore, a significant amount of unreimbursed funds are still expected to be received. In an attempt to reduce the number of patients who need to enter the appeal process, TPH recently held a training session for doctors and social workers given by the Bureau of Disabilities Determinations of the Department of Labor.

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Procurement

Procedures for purchasing food items need to be improved.

Treasury Circular Letter 98-18-GSA, states "If the items required are stocked at the State Distribution Center or are available through Department of Corrections, Bureau of State Use Industries (DEPTCOR) or Central Non-Profit Agency (CNA), neither Delegated Purchase Authority (DPA) nor term contracts may be utilized to procure items." Term contracts are to be used if items are not available at DEPTCOR or the Distribution Center. Only then should a DPA be used. We found that the hospital did not comply with the circular letter regarding the use of Delegated Purchase Authority. During fiscal year 1999, the hospital purchased food items from three non-contract vendors totaling \$37,200. The same food items could have been purchased from either the Distribution Center or DEPTCOR at a total cost of \$23,200, a savings of \$14,000. The hospital did not

check the availability of the food items from either state facility.

Recommendation

We recommend that the hospital comply with Treasury Circular Letter 98-18-GSA. We also recommend that the hospital communicate their needs to the Distribution Center and DEPTCOR in order to obtain the lowest price possible.

Auditee's Response

The hospital agrees that there were purchases of items, which were available at either the Distribution Center or State Use Industries from vendors. Some of these purchases were made due to unavailability at time of need and others were made due to issues of poor quality. For other purchases there was no reason to go to the vendors. Management became aware of these purchases prior to the audit and, after unsuccessfully counseling the responsible individual, suspended the employee without pay. Procedures are in place to minimize the risk of inappropriate purchasing.

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Employee Cafeteria

Employee meal
recoveries need
improvement

As an employee benefit, the hospital operates a cafeteria that provides meals to the employees at a cash price of \$1.50 per meal and \$.25 for sodas. In addition, employees may opt to have the cost of the meals deducted directly from their paycheck at \$1.20 per day. Based on our review, the hospital prepares 120 to 200 meals daily and collects \$62.65 to \$237.40 daily from cash collections and the payroll deductions. The hospital performed no reconciliations between the number of meals served and the money collected from employees. Reconciliations between meals served and the monies collected would disclose to management that there are more employees consuming meals than enrolled in the meal plan or paying cash. In addition, the hospital has not established controls that identify employees on the meal plan via the payroll deduction nor do they have controls that identify employees paying cash for their meals on a daily basis.

As of the close of our field work, the hospital instituted a sign-in log which requires employees to indicate whether they are on the meal plan or paying cash.

Recommendation

We recommend that Trenton Psychiatric Hospital continue its sign-in log and reconcile its daily cash receipts to the employees paying cash.

Auditee's Response

The hospital agrees with this observation and has instituted a reconciliation process for the cash collected at the cafeteria. The current process of identifying if an individual is on the meal program or paying cash will continue.

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