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

Department of Human Services
Division of Developmental Disabilities
Woodbine Developmental Center

July 1, 2000 to July 12, 2002

Richard L. Fair
State Auditor
The Honorable James E. McGreevey  
Governor of New Jersey

The Honorable John O. Bennett  
President of the Senate

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 Developmental Disabilities, Woodbine Developmental Center for the period July 1, 2000 to July 12, 2002. If you would like a personal briefing, please call me at (609) 292-3700.

October 16, 2002
## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>1</td>
</tr>
<tr>
<td>Objectives</td>
<td>1</td>
</tr>
<tr>
<td>Methodology</td>
<td>2</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>Medicaid ICF-MR Billing</td>
<td>3</td>
</tr>
</tbody>
</table>
Department of Human Services  
Division of Developmental Disabilities  
Woodbine Developmental Center

Scope

We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, Woodbine Developmental Center for the period July 1, 2000 through July 12, 2002. Our audit was limited to a review of revenue accounted for in the state’s General Fund.

Expenditures of the agency were approximately $52 million and $55 million for fiscal years 2001 and 2002, respectively. The prime responsibility of Woodbine Developmental Center is to provide residential services for approximately 550 developmentally disabled males at all levels of capability on its grounds. The Intermediate Care Facility-Mental Retardation (ICF-MR) Medicaid billings for clients were approximately $63 million in calendar year 2001 and $42 million in calendar year 2002 through the end of field work, of which 50 percent is paid by the federal government. In addition, client maintenance recoveries and other revenue during fiscal years 2001 and 2002 were approximately $2.2 million and $2.8 million, respectively.

Objectives

The objectives of our audit were to determine whether revenue transactions were related to the center’s programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of the significant conditions noted in our prior report.

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 center. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of revenue transactions. We also read the budget message, reviewed financial trends, and interviewed center personnel to obtain an understanding of the programs and the internal controls.

All ICF-MR billings were reviewed. Other revenue accounts were tested through analytical procedures.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the center and walked through the system to determine if the corrective action was effective.

Conclusions

We found that the revenue transactions included in our testing were related to the center's programs, were reasonable, and were recorded properly in the accounting systems. We found that the center has not resolved the significant issue noted in our prior report. This issue has been updated in our current report.
The center should adhere to established ICF-MR billing procedures to ensure proper payments are made.

**Medicaid ICF-MR Billing**

The center billed the Medicaid Intermediate Care Facility-Mental Retardation (ICF-MR) program $63 million in calendar 2001, which generated $31.5 million in federal revenue. Billing is based on the number of eligible client days multiplied by an approved rate. A daily population movement report is prepared by the Management Information System (MIS) department. This movement report lists all clients who move to or from a Medicaid eligible or ineligible facility. At the end of the month, Patient Accounts compiles the movement from the daily reports into one report in order to update to the monthly Turnaround Document (TAD). The TAD is a Medicaid billing medium preprinted with eligible clients of Woodbine Developmental Center and their corresponding information. A full month billing will be made on behalf of these clients if no ineligible days are indicated on the TAD. In addition, any eligible client not appearing on the preprinted TAD should be manually added. The Supervisor of Patient Accounts is required to verify that the proper days are submitted for ICF-MR billing. Patient Accounts receives a Remittance Advice a few weeks after the TAD is submitted. The Remittance Advice lists each client and corresponding payment. Patient Accounts is required to review the Remittance Advice to assure that proper payment was made.

During our testing, we found errors in billing of 7,308 days totaling $2,385,060. Of the errors found, 5,205 Medicaid eligible days totaling $1,722,405 were not billed and 2,103 Medicaid ineligible days totaling $662,655 were billed. These errors are the result of the following.

- Established review procedures are not followed to assure that proper days are submitted on the TAD for payment.
• After reviewing the Remittance Advice for proper billing, Patient Accounts does not adhere to follow-up procedures which allow for errors to be identified and corrected.

• Manual movement reports are used to update the TAD even though the MIS department prepares automated monthly movement reports. Lack of coordination between the two departments allows for duplication of effort and increased human error.

• There is a lack of adequate training for the individual responsible for the ICF-MR billing.

**Recommendation**

We recommend Patient Accounts:

• Seek corrective action for all erroneous billings.

• Adhere to the established procedures for TAD completion and review, and provide adequate training based upon these procedures.

• Immediately submit adjustments for any identified errors after reviewing the remittance advice, and continuously follow up until corrections are made.

• Utilize the capabilities of the MIS department in order to streamline the process of tracking client movement to the final completion of the TAD.

We also recommend the Division of Developmental Disabilities consider electronic submission of ICF-MR claims for all developmental centers.

**Auditee’s Response**

We concur with both the findings and recommendations of the audit. In that regard, by the end of July 2002, all of erroneous billings were corrected and submitted to UNISYS. By the end of
July 2002, procedures were rewritten and the reports from our MIS Department were incorporated in the new procedures and utilized. Additionally, all staff involved with this process were trained by UNISYS personnel on September 16, 2002.