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

Department of Human Services
Woodbine Developmental Center

July 1, 1996 to November 20, 1997

Richard L. Fair
State Auditor
The Honorable Christine Todd Whitman  
Governor of New Jersey  

The Honorable Donald T. DiFrancesco  
President of the Senate  

The Honorable Jack Collins  
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, Woodbine Developmental Center for the period July 1, 1996 to November 20, 1997.  

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

Richard L. Fair  
State Auditor  
December 31, 1997
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Department of Human Services
Woodbine Developmental Center

Scope
We have completed an audit of the Woodbine Developmental Center for the period July 1, 1996 to November 20, 1997. Our audit included financial activities accounted for in the state's General Fund.

The center maintains nonappropriated funds. These funds are subject to audit by the Department's Office of Auditing and our work on these funds was therefore limited.

Annual expenditures of the center approximate $44 million. The prime responsibility of the Woodbine Developmental Center is to care for approximately 580 male developmentally disabled individuals. The Intermediate Care Facility-Mental Retardation (ICF-MR) federal Medicaid billings for Woodbine clients generate $22 million in revenue annually. In addition, client maintenance recoveries and other revenue approximate $3 million annually.

Objectives
The objectives of our audit were to determine whether financial transactions were related to the center's programs, were reasonable and were recorded properly in the accounting systems. We also tested for resolution of 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 department. Provisions that we considered significant were documented and compliance with those requirements was verified by interview and observation and through our samples of financial 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.

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. Populations were stratified and large dollar transactions were examined. Other transactions were randomly selected.

Tests of nonappropriated funds were limited to a walk through of selected transactions designed to determine that internal controls were in place.

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 financial transactions included in our testing were related to the center's programs, were reasonable and were recorded properly in the accounting systems. In making this determination, we noted an internal control weakness meriting management's attention.

We also found that the center has resolved the significant issues noted in our prior report.
Medicaid ICF/MR
Revenue

The center generates $22 million annually in federal Medicaid ICF/MR (Intermediate Care Facility/Mental Retardation) revenue. Revenue is based on the number of client days multiplied by an approved rate. Data from client population forms are compiled into a monthly report of all client days eligible for reimbursement. The billing report (Turnaround Document) of the prior period is used as a worksheet for the current period and manually adjusted for all eligible and noneligible billable days by the patients trust office. No review procedures are in place to determine that the correct number of billable days are reported. We tested 42 clients representing 1300 billing days. Our tests revealed an overbilling of 74 days totaling $19,000.

Recommendation

Medicaid ICF/MR billings need to be reviewed before completion.
We recommend that a review process of eligible days take place prior to completing the billing report.

Regarding this finding that a review of ICF/MR billings needs to be completed prior to completion and submission, a review procedure was written and implemented immediately after the post audit meeting conducted on November 20, 1997. I am confident that the finding has been satisfactorily resolved.

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