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

Department of Human Services
Division of Developmental Disabilities
New Lisbon Developmental Center

July 1, 2003 to June 30, 2005

Richard L. Fair
State Auditor
The Honorable Jon Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts Jr.  
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 Health and Senior Services, Division of Developmental Disabilities, New Lisbon Developmental Center for the period of July 1, 2003 to June 30, 2005. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
January 18, 2006
# 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>1</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>Contribution for Cost of Care</td>
<td>3</td>
</tr>
<tr>
<td>Medicare Part B</td>
<td>3</td>
</tr>
<tr>
<td>Auditee Response</td>
<td>5</td>
</tr>
</tbody>
</table>
Department of Human Services  
Division of Developmental Disabilities  
New Lisbon Developmental Center

**Scope**

We have completed an audit of the Department of Human Services, Division of Developmental Disabilities, New Lisbon Developmental Center for the period July 1, 2003 to June 30, 2005. Our audit included financial activities accounted for in the state's General Fund as well as the center's non-budgeted funds.

The New Lisbon Developmental Center provides care to an average daily population of 546 residents, who live as part of the community while receiving training, medical care, and therapy. Expenditures and revenues of the center during fiscal year 2005 were $81 million and $47 million, respectively.

**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 dated January 9, 2001.

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 were verified by interview, 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 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. Transactions were judgmentally selected.

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 certain internal control weaknesses and matters of compliance with laws and regulations that merit management’s attention. We also found that the center has resolved the significant issues noted in our prior audit report.
CONTRIBUTION FOR COST OF CARE

Clients are responsible for a monthly contribution of 75 percent of disposable income after a deduction for personal needs towards the cost of their care. The majority of the clients receive income from social security or individual retirement plans, which may be adjusted in January of each year for cost of living increases. The center does not apply the increase to the contribution requirement until it performs the Annual Individual Habitation Plan which is scheduled throughout the year. No effort is made to retroactively adjust the contribution amount and collect the increase. A sample of 14 client accounts revealed that, as of July 2005, there was a shortfall in contributions totaling $790. If the sample results are indicative of the population, $37,000 in additional revenues could be collected annually.

We recommend the center in January adjust collection of client contributions toward the cost of care to reflect the annual increase in the monthly benefits.

CONSOLIDATION OF RESPONSIBILITIES WOULD IMPROVE EFFICIENCY OF BILLINGS

During fiscal year 2005 the center received $336,000 in Medicare Part B reimbursements for medical services provided to clients. Services rendered by physicians are entered into a computer system by the Nursing Administration Unit. The information is periodically transferred to the center's Information Technology (IT) Section for further processing through the Department of Human Services' billing system. Billing errors are returned to the IT Section for correction and resubmission.
During fiscal year 2005 billing and error correction fell six months behind. The center put emphasis on bringing the process up-to-date by temporarily assigning additional staff and was current by May 2005. However, by August 2005 they had again fallen behind by two months. No individual has been assigned primary responsibility for data entry of the Medicare Part B billings. Additionally, because the initial data entry is performed by a different unit from the unit responsible for processing bills and error corrections, it detracts from the timeliness of the overall process.

**Recommendation**

We recommend that the responsibility for Medicare Part B billing be consolidated under one unit and that data entry and error correction be performed on a timely basis.
REVISED RESPONSE

January 13, 2006

Thomas R. Meseroll
Assistant State Auditor
Office of State Auditor
PO Box 067
Trenton, NJ 08625-0067

Dear Mr. Meseroll:

Thank you for the opportunity to respond to the Draft Audit Report of the Division of Developmental Disabilities (DDD), New Lisbon Developmental Center (NLDC), for the period of July 1, 2003 to June 30, 2005. I was pleased to note that your review disclosed that the fiscal activities of the center were reasonable and were properly recorded in the accounting system.

Regarding the two findings and recommendations, I offer the following clarifications and assurances.

**Finding:**

**Timely collection of client contribution toward cost of care would enhance revenue:**

The developmental center does not apply the increases from social security which are adjusted in January to the contribution requirement until it performs the Annual Individual Habilitation Plan.

**Division Response:**

In the past this practice has been due in part to the Division’s regulations concerning care and maintenance. N.J.A.C. 10:46D-2.2 (j) states that the annual calendar year increase to Social Security benefits are not grounds for review of the budget for additional expenditures. This increase was to be considered at the time of the next assessment.

However, we are currently drafting amendments to allow for the immediate collection of additional revenue upon the change in the benefits.
REVISED RESPONSE

Additionally, a new Department of Human Services (DHS) banking system has been implemented and will collect any increase automatically where the Center is the representative payee. Where the Center is not the representative payee, we will initiate an action to collect the individual revenue from the representative payee.

Finding:

Medicare Part B Billing and Error Correction:

The report indicated that billing and error correction are not completed in a timely manner.

Division Response:

Billing and error correction are now the primary responsibility of the Business Manager. Additional staff have been trained to perform data entry. Data entry is now monitored on a monthly basis by the Management Information Systems (MIS) Department. When data entry is noted to be lagging, the MIS supervisor assigns staff to correct the backlog. This has resulted in timely data entry.

Sincerely,

Carol Grant
Director

cc Joe Ochs
Terri Wilson
William Cutti