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

Department of Human Services
Division of Mental Health Services
Ann Klein Forensic Center

July 1, 1998 to August 27, 1999

Richard L. Fair
State Auditor
Enclosed is our report on the audit of the Department of Human Services, Division of Mental Health Services, Ann Klein Forensic Center for the period July 1, 1998 to August 27, 1999.

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

Peter M. Guilfoyle
Assistant State Auditor
November 3, 1999
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Scope

We have completed an audit of the Department of Human Services, Division of Mental Health Services, Ann Klein Forensic Center for the period July 1, 1998 to August 27, 1999. Our audit included financial activities accounted for in the state’s General Fund. Total appropriations for fiscal year 1999 were $13.9 million. The mission of the center is to provide quality, comprehensive mental health services for individuals who require a secured treatment setting.

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.

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 and observation and through our samples of financial transactions. We also reviewed the budget message, reviewed financial trends, and interviewed agency 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. Sample transactions were judgmentally selected.

**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 matters merit management’s attention.

**Auditee’s Response**

In all cases, either corrective action has already been taken or it is proceeding. We will continue to track successful implementation of all such actions at both the institution and Division levels as part of our Internal Control Certification Process.
Medicaid Billings

The Ann Klein Forensic Center has been approved effective June 15, 1998 for participation in the New Jersey Medicaid Program established by N.J.S.A. 30:4D and Title XIX of the Social Security Act, but has received no reimbursements from their Medicaid billings for fiscal year 1999. The billing process requires that the Supervisor of Patients’ Accounts office complete the Public Assistance Inquiry form (PA-1C) to be sent to the Division of Medical Assistance and Health Services (DMAHS) to determine patient eligibility, and the Long Term Care Turnaround Document (TAD) to be sent to Unisys, the fiscal agent. As of May 31, 1999, the center has only completed the TADs up to January 1999. The PA-1Cs which should have been prepared for each patient and sent to DMAHS to establish eligibility were never completed due to the lack of properly trained personnel to perform this function on a timely basis. The center submitted PA-1Cs to DMAHS for 54 patients in May 1999. As of August 1999, DMAHS had determined that two of ten patients processed were eligible. Based on this, we estimate a recovery of up to $200,000 will be made when the eligibility list is complete.

Recommendation

We recommend that the center process the required documents for the Medicaid billings, that the billings be brought up to date, and that procedures be established so that billings are prepared timely.

Auditee’s Response

In May 1999, the AKFC hired a new Business Manager, with Medicaid billing experience. He and his staff have been working closely with the Division of Medical Assistance and Health Services (DMAHS) staff to optimize Medicaid reimbursement. The DMAHS has selected the AKFC as one of the initial hospitals to participate in a test run of a Medicaid billing training program that is specific to governmental hospitals. As of October 8, 1999, the AKFC has filed 77 PA-1C’s, establishing 14 patient admissions as Medicaid eligible generating $43,000 in
Medicaid revenue, 24 were determined as ineligible, and 39 are pending approval. The Turnaround Documents used to bill Medicaid are up to date for the eligible patients. AKFC is in the process of developing written procedures for accurate and timely billing.

Billing Classification Reports

The Supervisor of Patients’ Accounts office at the Ann Klein Forensic Center is responsible for the preparation of the Billing Classification Report (1113). This report is the input document for billing information which is forwarded to the Department of Human Services. The county billings are the monthly charges to the counties for their share of the care and maintenance costs for services provided to county chargeable patients. Although the department prepares estimated billings, the 1113 reports are needed to adjust the billing to actual.

As of August 1999, this report was last prepared on March 4, 1999 and covered the period up to February 28, 1999. The employee responsible for preparing the report was transferred in April 1999 and the position has since been vacant. A further review of the agency records up to May 10, 1999 showed that there were approximately 300 patients with a total of 18,000 billable days that had not been included on these reports. The patient should normally be included on the billing following receipt of their court order. If the court order is not received within 90 days, the patient may be included on the 1113 report indicating the county of commitment as liable for the cost of care and maintenance. We found that there was one patient discharged in 1994 and three patients discharged in 1995 that still have not been included on the billing report.

Recommendation

We recommend that procedures be developed and personnel be assigned so that the billing classification
reports are timely prepared to include all billable patients.

**Auditee’s Response**

The AKFC concurs with the OLS that our Supervisor of Patient’s Accounts office needs additional personnel assigned to the preparation of County Billing Classification Reports (1113’s). Since May 1999, our efforts have resulted in the hiring of an Income Maintenance Technician (started August 8, 1999), an Accountant Assistant (start date November 6, 1999), a Supervisor of Patient’s Accounts 1 (start date pending background check), and the approval to hire a Senior Income Maintenance Technician. Unfortunately, since May 1999, due to promotional opportunities, two other Business Office employees have resigned.

The Department of Human Services, Office of Finance, Bureau of Rate Setting (BRS) has come to our aid in addressing the county billing backlog. At the BRS’s request, AKFC provided copies of over 200 court orders to the BRS for their assistance in preparing 1113’s. Due to the BRS’s efforts, July 1999, and August 1999, county billings will include 85 and 95 AKFC’s charges, respectively. AKFC is in the process of developing written procedures for accurate and timely county reporting.
Equipment Inventory

The equipment inventory records for the center were incomplete. Treasury Circular Letter 91-32-OMB promulgates the minimum requirements for the establishment and maintenance of inventory records in order to fix stewardship responsibility and control over the equipment. The only inventory record provided by the center was a listing of computer and printer equipment. This listing was missing required information such as cost, acquisition date, serial numbers, and the unit charged with custody. Inventory listings for the rest of the center were unavailable and are being developed.

Recommendation

We recommend that equipment inventory records be established to comply with the Treasury Circular Letter 91-32-OMB.

Auditee’s Response

The Department of Human Services is addressing this issue. The Department is currently in the process of developing an RFP to engage the services of a professional firm to review our inventory control practices and to provide recommendations for achievable improvements in this area. The product of this review should allow us to satisfy the majority of the items identified in the “Purpose” section of Circular Letter 91-32-OMB. In addition, the Department has been participating in the development of the functional requirements of the Treasury IFAAS Fixed Assets and Inventory module. The implementation of this new system should facilitate the maintenance of detailed records as well as the tracking of all of our hospital assets.
**Contract Bidding**

The center had entered into a five-year contract beginning August 1995 at a total cost of $275,000 for the maintenance and repair of equipment. Treasury Circular Letter 96-23G-GSA required this contract to be processed through the Purchase Bureau. We found that the contract bidding process was not handled through the Purchase Bureau, the company awarded the contract was not the low bidder, and there is no documentation supporting the reasons for not selecting the low bid.

**Recommendation**

We recommend that the center comply with state purchasing requirements.

**Auditee’s Response**

The AKFC awarded the contract in question to the original installers of the HVAC system. This vendor had a proprietary license on the software that ran the system and, as such, AKFC believed this vendor was a sole provider. We did not, however, document this fact and seek a waiver to the bid process nor put out the contract to bid. Due to the internal control process at the Department, we became aware of our error, terminated the contract, and had the bid formally bid by the Purchase Bureau.