Department of Human Services
Division of Mental Health Services
Ancora Psychiatric Hospital

July 1, 1998 to May 31, 2000

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, Division of Mental Health Services, Ancora Psychiatric Hospital for the period July 1, 1998 to May 31, 2000.

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

Very truly yours,

[Signature]

Peter M. Guadagno  
Assistant State Auditor

July 26, 2000
# 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>Overtime</td>
<td>3</td>
</tr>
<tr>
<td>Personnel / Payroll Operations</td>
<td>5</td>
</tr>
</tbody>
</table>
We have completed an audit of the Department of Human Services, Division of Mental Health Services, Ancora Psychiatric Hospital for the period July 1, 1998 to May 31, 2000. Our audit included financial activities accounted for in the state’s General Fund. The facilities non-appropriated funds were excluded due to a recent audit by the department’s Internal Audit Unit.

Total expenditures of the hospital during the 23 month audit period were $104 million. The prime responsibility of the hospital is to provide services for voluntarily and legally committed mentally ill persons from Atlantic, Burlington, Cape May, Cumberland, Gloucester, Ocean and Salem counties. Revenues of the hospital were $18 million during our audit period and the major components of revenue were recoveries from Medicare A and B and the counties.

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.

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 hospital 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. Sample populations were sorted and transactions were judgmentally selected for testing.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the hospital and we 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 hospital'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. We also noted that management has resolved the significant issues noted in our prior report.
Call-outs by patient-care staff have been a major factor of increasing overtime expenditures. In addition, excessive overtime hours can have an adverse effect on the quality of care provided to the hospital’s patients.

Overtime

Ancora Psychiatric Hospital employs 214 Human Service Technicians (HST) and 204 Human Service Assistants (HSA). These employees received 15 sick days each for a total of 6,270 sick days in fiscal year 1999. According to the hospital’s records, sick days utilized by HSTs and HSAs totaled 10,111. On an annual basis, HSTs averaged 25 sick days and HSAs averaged 23 sick days. The hospital must utilize available staff to cover the call-outs. Despite efforts of the hospital, employee coverage and its costs have been a problem for the facility for some time. Call-out coverages resulted in overtime compensation of $2.7 million.

The hospital has an overtime policy that prohibits employees from working more than 16 consecutive hours in a given day, working a double shift on consecutive days, or working in excess of 40 hours overtime in a two-week pay period. This policy is in effect to safeguard the patients and its staff. Our review of the hospital’s records revealed there were 183 employees who were in violation of this policy for the first six months of fiscal year 2000. We found 52 instances where employees worked more than 60 hours of overtime in various pay periods during this six month time frame, in addition to their normal work week. Two employees worked as many as 90 hours of overtime in one pay period.

Recommendation

We recommend that the hospital address the issue of excessive call-outs through policy changes. These changes could include the following:

! Offering different shift hour options such as 8, 10 or 12 hour shifts to provide employees with additional days off.

! Since most call-outs are on or near the weekends, the hospital could develop a quarterly schedule in advance and provide all employees with one weekend off a month.

! Seek employee input in scheduling options and improving working conditions.
Retain senior staff after retirement by providing more flexible hours.

Hire additional part-time staff to provide coverage for those shifts and days that have the most call-outs.

Discipline employees who habitually call out sick.

Require those employees who have been docked pay due to exhausting their leave time, to pay for that day’s portion of their own health benefit costs.

We also recommend that the hospital comply with its quality of care overtime policy.

Auditiee’s Response

Hospital management recognizes that unexpected call-outs by direct patient care staff adversely affect our overtime expenditures and potentially could have an adverse affect on the quality of care provided to the hospital’s patients. Management has worked very diligently over the past several years to reduce the level of overtime hours worked. We have succeeded in reducing the total number of overtime hours worked each of the previous two fiscal years (1998 and 1999). Even with the significant and unanticipated increase in our current inpatient census, we were able to hold the level of overtime hours worked in FY 2000 to the FY 1999 level. We have implemented bi-weekly reviews of our overtime utilization, current staffing patterns and justifications for the use of overtime. We have revised our staffing patterns where necessary in order to reduce our reliance on overtime. Supervisors routinely take disciplinary action against employees whose absenteeism is considered excessive. Recently, the hospital received permission from DOP to utilize an “alternative work schedule” for some of our nursing staff. This schedule is expected to significantly reduce nursing care overtime. The hiring of additional part-time staff to fill in on high callout days/shifts has been aggressively pursued. The hospital continues to work to reduce overtime wherever possible.
Controls within the hospital’s personnel/payroll section need to be strengthened to prevent errors in the processing of payroll transactions.

Personnel / Payroll Operations

Our tests revealed other deficiencies in the payroll processing operations which could affect the hospital’s ability to comply with prescribed regulations, policies and procedures and could lead to the misstatement of payroll records and the distribution of unearned wages.

The biweekly payroll proof and certification is returned to the same employee who prepares the documents subsequent to approval before being forwarded to Centralized Payroll for processing.

Separated employees were not removed from the payroll in a timely manner. Our test of 159 items revealed a 32 percent error rate in which employees were not removed from the payroll within three pay periods following their date of separation. Not removing the employee’s names from the payroll proof increases the risk of unauthorized disbursement of wages. This equates to a $500,000 exposure to the possible misappropriation of funds. These deficiencies are evident in the following examples.

The hospital determined that one employee continued to receive a biweekly paycheck after the date of retirement which resulted in an overpayment of $25,000. These funds have been recovered after the case was referred to the Office of the Attorney General.

Another employee remained on the payroll for 35 pay periods in zero pay status following the date of separation.

An employee on a workers’ compensation leave transferred to the hospital in 1998 and was placed on the hospital payroll at full pay status although this employee should have been in zero pay status. The employee received both workers’ compensation benefits and wages from the hospital for nearly a year resulting in an overpayment of $21,000. This matter
has been referred to the Office of the Attorney General for final resolution and is currently before the court.

Overdrawn leave balances were not offset against available positive balances prior to the issuance of lump sum payments nor were these overdrawn balances deducted from the employee’s final paycheck. Of the 27 employees who had negative leave balances at the date of separation, we found nine instances in which the agency failed to offset the negative balances with available positive balances or withhold final checks from the employees until the funds were recovered. Final disposition of the negative leave balances were referred to Treasury’s Set-Off of Individual Liability (SOIL) program at a later date. Compounding the matter even further, the hospital does not track the status of these SOIL recoveries.

**Recommendation**

We recommend that the hospital improve internal controls by taking the following actions:

- Discontinue the practice of returning the approved payroll proof to the preparer. Instead, the payroll proof should be sent directly to Centralized Payroll by the certifying officer.
- Remove all separated employees from the payroll proof in a timely manner.
- Recover negative leave balances prior to the issuance of final paychecks.

**Auditee’s Response**

Hospital management agrees that internal controls can be improved in the areas of Personnel and Payroll Operations. It is important to note that during the period covered by the audit the hospital experienced the unexpected loss of a significant number of staff due to extended illness and death. These losses adversely affected, in some cases, the accuracy of our payroll submissions. Hospital staff eventually detected the errors in the payroll submissions and initiated successful recoupment efforts. The hospital has implemented a number of actions in
order to help insure the future accuracy of our payroll submissions and final payments to employees who have resigned or retired. These actions include: completed Payroll Proofs are now sent directly to Centralized Payroll after being approved, overdrawn leave balances are subtracted from any lump sum payments (as had been done in the past) before a final payment is made to a separated employee, separated employees are removed from the payroll as quickly as their Clearance Forms can be completed and a Microsoft Access Database application has been developed for use by timekeepers in order to help them insure the accurate submission of employee paytime. We also understand that the state is pursuing the purchase of integrated computer software that will link the currently separate Payroll, Personnel, Pension and Worker Compensation Systems into a unified system. Management believes these actions will adequately address the findings and concerns portrayed in the audit report.