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

Department of Human Services
Division of Medical Assistance and Health Services

July 1, 1997 to March 9, 1999

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 Medical Assistance and Health Services for the period July 1, 1997 to March 9, 1999.

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

Richard L. Fair  
State Auditor  
April 28, 1999
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Department of Human Services  
Division of Medical Assistance and Health Services  

Scope

We have completed an audit of selected accounts of the Department of Human Services, Division of Medical Assistance and Health Services for the period July 1, 1997 to March 9, 1999. Our audit was limited to the financial activities accounted for in the state’s General Fund, which includes amounts appropriated from the Health Care Subsidy Fund and federal funds for the disproportionate share payments to hospitals.

Total expenditures of the accounts during the audit period were $802.5 million, which includes $757.3 million of disproportionate share payments to hospitals. The remaining $45.2 million represent the administrative costs of the agency. The prime responsibility of the Department of Human Services, Division of Medical Assistance and Health Services is evaluating the medical needs of persons eligible for the Medicaid and Medically Needy programs. The division provides payments to fiscal agent for claims processing and county welfare agencies for eligibility determination. The division also administers a network of home and community-based services for the disabled, provides overall program policy direction and management and administers the newly established New Jersey KidCare subsidized children health care program.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the selected accounts, were reasonable and were recorded properly in the accounting systems. We also tested for resolution of significant conditions noted in our prior audit 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 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 read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and internal control.

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 randomly and judgmentally selected.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the agency 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 selected accounts, were reasonable and were recorded properly in the accounting system.

We also found that the agency has resolved the significant issues noted in our prior report.