Department of Health
Division of Behavioral Health Services
Ann Klein Forensic Center

July 1, 2017 to January 31, 2020

Stephen M. Eells
State Auditor
The Honorable Philip D. Murphy  
Governor of New Jersey

The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Craig J. Coughlin  
Speaker of the General Assembly

Ms. Peri A. Horowitz  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Health, Division of Behavioral Health Services, Ann Klein Forensic Center for the period of July 1, 2017 to January 31, 2020. If you would like a personal briefing, please call me at (609) 847-3470.

Stephen M. Eells  
State Auditor  
July 30, 2020
Table of Contents

Scope................................................................................................................................. 1
Objectives ........................................................................................................................... 1
Methodology ...................................................................................................................... 1
Conclusions ....................................................................................................................... 2
Background ....................................................................................................................... 2
Findings and Recommendations
  Temporary Workers’ Compensation............................................................................. 4
  Payroll .............................................................................................................................. 5
  Off-line Funds ................................................................................................................ 6
  Expenditures .................................................................................................................. 9
Observation
  Potential Overtime Abuse ............................................................................................. 10
Auditee Response........................................................................................................... 12
Scope

We have completed an audit of the Department of Health, Division of Behavioral Health Services, Ann Klein Forensic Center for the period July 1, 2017 to January 31, 2020. Our audit included financial activities accounted for in the state’s General Fund. The Ann Klein Forensic Center (AKFC) is a 24-hour, 200-bed psychiatric hospital serving a unique population that requires a secured environment. The facility serves the entire state in providing care and treatment to individuals suffering from mental illness who are also within the legal system. AKFC has a full-time staff of 840 employees as of January 31, 2020, including 167 individuals assigned to the Special Treatment Unit (STU) for the Civilly Committed Sexual Offenders located in Avenel. The STU staff provide treatment and rehabilitation services for these individuals. The funding for the STU is appropriated within the Department of Corrections, and AKFC is reimbursed for its expenses.

Reorganization Plan, No. 001-2017 transferred the functions, powers, duties, and personnel of AKFC and the STU from the Department of Human Services to the Department of Health effective August 2017. The annual appropriations for AKFC were within the Department of Human Services for Fiscal Year 2018 and moved to Department of Health in Fiscal Year 2019.

Total expenditures during our audit period were $132.6 million, with an additional $37.5 million for the STU. Revenue totaled $26.5 million during our audit period. The major component of revenue is Patients’ Receipts – County totaling $26.2 million. The county of residence of a patient of AKFC is responsible for paying a portion of the costs. These revenues were excluded from the scope of this audit. We also performed limited procedures on the off-line funds, which are audited by the department on a four-year cycle.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the facility’s programs, were reasonable, and were recorded properly in the accounting systems. An additional objective was to assess the effectiveness of administrative controls including those designed to control overtime costs. This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section I, 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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
In preparation for our testing, we studied legislation, the administrative code, and policies of the facility. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing. We also read budget messages, reviewed financial trends, interviewed agency personnel, and toured the facility 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 on our audit objectives as well as internal controls and compliance. Sample populations were sorted and transactions were judgmentally selected for testing.

**Conclusions**

We found the financial transactions included in our testing were related to the facility’s programs, were reasonable, and were recorded properly in the accounting systems. We also found that the facility has been making progress toward decreasing overtime costs. In making these determinations, we noted certain internal control weaknesses meriting management’s attention and presented an observation on overtime (potential overtime abuse) which could decrease overtime costs further.

**Background**

As of January 31, 2020, approximately 55 percent of the Ann Klein Forensic Center (AKFC) staff consisted of Medical Security Officers (MSO); a civil service title unique to AKFC. MSOs are responsible for duties involving the treatment, care, and custody of patients at AKFC. MSO assignments are split into three shifts and cover areas throughout the facility such as living areas of the patients, common spaces, and the rehabilitation area. MSOs can also be assigned to patients for observation and seclusion monitoring on a 1:1 or 2:1 ratio if a patient requires additional security.

Prior to June 2018, whenever the facility was short-staffed, and during particular hours throughout the day, patients were locked in their rooms for operational and administrative reasons. In December 2017, The Joint Commission (TJC), an independent not-for-profit organization, asserted that any time a patient is locked in their room and cannot freely leave, it is considered seclusion. TJC standards require seclusion to be driven by a patient’s medical need, with ongoing assessment to determine the need for continued seclusion. In order to maintain TJC accreditation, AKFC hired 83 additional MSOs to cover the staffing requirements needed to end the practice of administrative seclusion. However, this need was underestimated, resulting in staffing shortages and an increase in overtime costs as illustrated in the chart below:
Overtime at AKFC is also affected by various types of leave time including workers compensation, family leave, sick leave, administrative leave, and vacation leave. Overtime is also affected by the number of patients on 1:1 and 2:1 supervision. AKFC management are aware of the issues causing overtime and are taking various steps to decrease the overall overtime at the facility. During our audit, AKFC ultimately hired an additional 28 MSOs (19 hired 8/3/19 and 9 hired 8/31/19) to meet the staffing needs. Overtime has started to decrease as illustrated in the chart below. However, our review found additional controls should be addressed to further decrease overtime costs.

<table>
<thead>
<tr>
<th>Pay Period</th>
<th>CY18 MSO Overtime Wages</th>
<th>CY19 MSO Overtime Wages</th>
<th>Increase/Decrease in Overtime from CY18 to CY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>$280,952.09</td>
<td>$363,363.38</td>
<td>$82,411.29</td>
</tr>
<tr>
<td>19</td>
<td>$331,675.39</td>
<td>$361,886.44</td>
<td>$30,211.05</td>
</tr>
<tr>
<td>20</td>
<td>$288,192.08</td>
<td>$278,986.08</td>
<td>-$9,206.00</td>
</tr>
<tr>
<td>21</td>
<td>$269,176.26</td>
<td>$259,305.71</td>
<td>-$9,870.55</td>
</tr>
<tr>
<td>22</td>
<td>$397,548.89</td>
<td>$323,951.30</td>
<td>-$73,597.59</td>
</tr>
<tr>
<td>23</td>
<td>$296,529.50</td>
<td>$269,597.05</td>
<td>-$26,932.45</td>
</tr>
<tr>
<td>24</td>
<td>$407,931.95</td>
<td>$400,954.27</td>
<td>-$6,977.68</td>
</tr>
<tr>
<td>25</td>
<td>$346,650.34</td>
<td>$298,237.74</td>
<td>-$48,412.60</td>
</tr>
<tr>
<td>26</td>
<td>$285,752.05</td>
<td>$193,552.45</td>
<td>-$92,199.60</td>
</tr>
</tbody>
</table>
Temporary Workers’ Compensation

The facility should obtain documentation and ensure due diligence.

Temporary Workers’ Compensation (TWC) is a benefit in the form of cash payments and medical or hospital services provided to workers who sustain job-connected injury or illness. All TWC matters are administered by the Division of Risk Management within the Department of the Treasury. The documentation of the injury/incident and associated medical treatment, as well as data entry into the Treasury system are the responsibility of AKFC. The facility has established an internal policy to provide clear guidelines for the application and processing of TWC.

Employees injured as a direct result of their employment have a right to request TWC and are also obligated to justify the claim as stated in AKFC’s policy. A work-related injury is an injury which occurs out of and in the course of state employment. “In the course of employment” is defined as when employees are at their place of work, during the hours that they are expected to be there and engaged in doing the task that they were employed to do. AKFC has a security camera system located throughout the facility excluding office space, patient rooms, and clinics. When an incident is reported, the surveillance video can be reviewed to analyze the situation.

As of September 2019, there were 181 active employees who had gone on TWC during our audit period. Further analysis showed that 152 of the 181 (84 percent) were Medical Security Officers (MSOs). This contributes to higher overtime costs to cover the shifts for individuals that are unable to work while recovering.

We judgmentally selected a sample of 18 of 181 individual TWC files, representing a variety of job titles, and reviewed for the required documents as stated in the agency’s internal policy. We found that all sampled files were incomplete. In addition, we observed the internal policy and documentation within the files does not include the utilization of AKFC’s security camera system. Utilization of the security camera system could be used to supplement claim documentation.

During our review we were informed the individual that handles TWC cases at the facility was unaware of the internal policy stating the required documentation. We were informed that some of the documents referred to in the policy were no longer utilized and the internal policy had not been updated to reflect changes.

Recommendation

We recommend AKFC implement controls to ensure all required documentation is obtained and retained in the individual’s file to ensure the claim is properly supported. In addition, we recommend the facility utilize the security camera system, when available, to supplement documentation of the injury occurrence. AKFC should also update its TWC policy for the required documentation.
Payroll

Administration and oversight needs to be strengthened over payroll functions.

Management is responsible for establishing and enforcing internal controls that safeguard assets from loss or unauthorized use. Maintenance of accurate and complete documentation is necessary to ensure employee leave time is properly utilized, accounted for, and maintained. Currently, conditions exist which weaken this assurance and could lead to the misstatement of payroll records. Our review of AKFC payroll functions disclosed the following internal control weaknesses and compliance deficiencies.

Family Leave

The federal government, as well as the state government, have each established a family leave program. Guidelines for the programs are established in the New Jersey Administrative Code. The state’s Family Leave Act (FLA) entitles an employee to leave time of 12 weeks in any 24-month period. The employee must have worked for, not less than, 1,000 base hours during the immediately preceding 12-month period to be eligible for FLA. The Federal Family and Medical Leave Act (FMLA) entitles the employee to 12 weeks of leave time in a 12-month period. The employee must have worked for the employer for at least 12 months for a minimum of 1,250 hours to be eligible for FMLA. If an employee qualifies under both FLA and FMLA, the leave used counts against both entitlements. We reviewed all 136 employees who took FLA or FMLA leave time from July 1, 2017 to September 17, 2019 and found 36 who took more than 12 weeks in the allowable time periods. A further review of these 36 employees noted the following:

- Twelve individuals exceeded 15 weeks in error, one of which was improperly approved for 27.71 weeks and another for 24.86 weeks.
- Two individuals improperly received FLA or FMLA approval prior to being employed for the minimum program requirements.

Ensuring the appropriate use of FLA and FMLA would increase the staff available on a daily basis and reduce the need for overtime.

Payroll timekeeping process not automated.

The payroll timekeeping process was not automated for all of the staff. Human Resources continues to maintain manual timekeeping for approximately 500 employees including security, nursing, maintenance, and food service staff. The manual process requires employees to complete weekly timesheets, which are sent to the timekeeping clerk for processing. The timekeeping clerk then records leave time on the official yearly timekeeping record for each employee. Those employees working within the Business Office, Treatment, and Rehabilitation areas are maintained on the electronic Cost Accounting and Timesheet System (eCATS).
During our review of the Calendar Year 2018 official yearly timekeeping record, we noted inconsistency in the symbols utilized by staff to identify leave time taken. We identified over 30 different symbols being utilized with no official legend. As a result, employees responsible for timekeeping utilized different symbols to identify the same type of leave taken.

Further review of the individual yearly timekeeping records noted 35 employees that exceeded their yearly allocation of sick, vacation, and administrative leave by a total of 1,533 hours. We brought these errors to the attention of facility management to ensure these employees will pay back the amounts owed. Our review of the recoupment process found there is no official policy/procedure for handling negative leave. This resulted in negative balances being inconsistently recouped through several means including payroll deductions, a reduction in subsequent year leave entitlements, and a reduction from the positive balance of a different leave type.

Our review of those employees whose overdrawn leave was submitted to the Department of the Treasury, Centralized Payroll for recoupment through payroll deductions noted one individual with overdrawn leave of $3,607 who was no longer employed at the time of submission. Payroll deductions for another employee with overdrawn leave of $2,549 were never taken.

Controls available through automated timekeeping systems can reduce the potential for costly errors. Decreasing excessive leave time use caused by errors can reduce the additional staff needed to cover shifts and improve overtime costs.

**Recommendation**

To maximize the available staff, we recommend AKFC enforce the rules established for the FLA and FMLA programs to ensure no employee exceeds the allowable time period. AKFC should establish an official policy for the handling of negative leave which includes recoupment procedures. We further recommend the facility implement an automated timekeeping system for all employees to reduce errors.

---

**Off-line Funds**

Controls need to be strengthened over all off-line funds and associated programs.

The Department of the Treasury Circular 10-19-OMB establishes guidelines for off-line funds (non-appropriated accounts) whose origin is not defined within the Annual Appropriations Act. If an off-line fund is needed, the Office of Management and Budget (OMB) within the Department of the Treasury (Treasury) is required to open the corresponding bank account upon request. The guidelines also require each agency to maintain adequate internal controls for each fund including proper accounting records and supporting documentation for all revenue and
expenditure transactions. In addition, based on the dollar value of annual fund disbursements, periodic audits of each off-line fund are required every two to four years.

Ann Klein Forensic Center (AKFC) maintains several off-line funds including the Patient Welfare Fund, the “Our Store” Fund, the Patient Payroll Account, the Occupational Therapy Fund, and a Petty Cash Fund. An additional off-line fund, the Patient Trust Account, is designated to receive deposits for individual patients. OMB established the funds and periodic audits of each fund have been completed and forwarded to OMB as required. Our review, however, found that AKFC has maintained an additional off-line fund in the amount of $300 since 2001 that OMB did not establish or approve. We were unable to perform a review of the fund’s activity since AKFC could not provide us with any records, however we did locate $300 cash in the Business Manager’s safe. The original source of the funds was undeterminable. The check establishing the fund was dated August 2001 with a note stating the funds are for patients to use for bus and train fares.

Treasury guidelines also require agencies to notify OMB when individuals should no longer be authorized signatories on accounts. Currently, AKFC has six authorized signatories for their off-line funds. Our review found, however, that only three of the signatories are current AKFC employees. AKFC failed to notify OMB that three signatories had left employment between July 2016 and January 2019 and replacement signatories have not been established.

AKFC has established an internal policy for their off-line funds “to ensure adequate internal controls are defined to maximize benefit and to safeguard funds from misuse”. Our review, however, found various control weaknesses regarding implementation. Specifically, our limited review of each off-line fund noted the following issues.

**Patient Welfare Fund**

The Patient Welfare Fund receives net profits from “Our Store” sales which are only to be spent on amenities for the use, benefit, and general welfare of the population as a whole. Legislation further states that the Board of Trustees (Board) shall have power to control and determine the use of the patient welfare funds within the general regulation of the State Board.

During our review the Board was not active, resulting in fund expenditures being incurred without proper Board approval. We also noted payments for religious and musical services that were based on verbal agreements instead of written contracts. In addition, timesheets documenting these services were not always signed by the individual providing the service or AKFC staff as required.

Our review also noted inadequate segregation of duties over fund disbursements as one individual was able to approve a purchase from the welfare fund, order the item online, and receive the item at his personal residence.
“Our Store” Fund

The “Our Store” fund is designated to receive funds from the Patient Trust Account for patient store purchases and to provide funds from store profits to the Patient Welfare Fund. Cash sales are also generated from purchases by employees. Total sales receipts during our audit period were $432,985 including $28,867 in employee cash sales and $404,118 in patient sales. AKFC’s internal policy requires a physical inventory of “Our Store” assets to be conducted quarterly to ensure the assets are protected and properly accounted for. We noted, the last physical inventory was performed in December 2017. In addition, our review noted that AKFC does not maintain a perpetual inventory of its store items and items are only reordered after physical inspection. We also observed that all AKFC employees have access to the inventory. As a result of these weaknesses, there is an increased risk of items being taken without detection and desired items being unavailable.

We conducted a tour of the store on July 31, 2019 which disclosed a cash register is not used and cash receipts are not completed in sequential order. We also noted that store revenue is not deposited timely. Treasury Circular 12-02-OMB requires deposits to be made on the same day as received. The business office deposit log showed only two deposits were made in July 2019 with the most recent deposit occurring on July 19th. During our tour, we counted a total of $444 of cash on hand.

Patient Payroll Account

The Patient Payroll Account disburses patient worker wages from the State Treasury to the contracted bank. We found the Patient Payroll Account is being used for purposes other than intended. Specifically, we found the fund was utilized to reimburse patients $1,380 collectively for lost or stolen items and to correct a $50 maintenance fee error.

Occupational Therapy Fund

The Occupational Therapy Fund is designated to receive deposits from cooperative agreements with manufacturing companies for patient services. Funds are disbursed to the Patient Trust Account for the bi-weekly payroll amounts and to various vendors for sheltered workshop supplies. We found the fund was no longer active as of the end of Fiscal Year 2019 and a balance of $36,728 remains in the account. Management could not identify the original source or specify the future use of these funds.

Overall, due to a lack of oversight and noncompliance with governing legislation, treasury circulars, and internal policies, we determined AKFC’s off-line funds are at an increased risk of misuse.
Recommendation

We recommend AKFC adhere to state and internal policies regarding off-line accounts. We further recommend that all funds are utilized for their intended purposes and controls are strengthened to maximize benefits and safeguard funds from misuse.

Expenditures

Internal controls over procurement need to be strengthened.

Management is responsible for establishing and maintaining internal controls that safeguard assets from loss or unauthorized use. Proper segregation of duties, adherence to state regulations, and maintenance of accurate and complete documentation are necessary to assure the proper use of resources. Non-payroll expenditures totaled $5.8 million and $6.2 million for fiscal years 2018 and 2019, respectively. We judgmentally selected a sample of 39 expenditure transactions totaling $474,000 based on account and vendor dollar amounts. Our test identified the following internal control weaknesses over procurement.

- Department of the Treasury Circular 19-10-DPP (circular) defines a delegated purchase authority (DPA) transaction as one that cannot be procured through one of the four primary contracting methods and does not exceed the DPA threshold of $40,000. At least three telephone quotes are required for purchases over $1,000 and up to $17,500 and three written quotes are required for purchases greater than $17,500 and less than $40,000. We found the circular was not complied with for 8 of 16 sampled DPA transactions. A current state contract was available and not used for one transaction, and the required quotes were not obtained for seven transactions. For four of the sampled DPA transactions, we noted AKFC’s internal policy requiring three quotes be obtained for purchases of $500 or more was not complied with.

- Of 39 expenditure transactions tested, we found 5 (13 percent) were not mathematically accurate, 5 (13 percent) were assigned the incorrect accounting system object code, and 4 (10 percent) lacked adequate supporting documentation. We also found 2 (5 percent) purchase orders lacked the required approvals and 23 of 30 (77 percent) applicable transactions had incomplete or missing receiving reports.

- Our review also noted that 11 of the 39 transactions were New Jersey Purchasing Card Program (P-Card) transactions. The P-Card program was established to provide governmental agencies a convenient method to purchase goods and services. Department of the Treasury Circular 17-07-DPP requires agencies to establish written internal policies and procedures to ensure usage is consistent with Treasury regulations. AKFC has not established any such procedures. In addition, available state contracts were not utilized for two of the sampled P-
Card transactions as required, and quotes were not obtained for 3 of the P-Card transactions over $500.

- A confirming order is the ordering of goods or services before an authorized purchase order is approved, thus bypassing the procurement process. Our review of 32 applicable transactions found 15 confirming orders. Confirming orders should only be used in emergency situations and AKFC does not have a standard procedure to document emergency purchases.

- Our review also found that the same person who requests an item also verifies receipt. Although purchased items are delivered to a central location, they end up being forwarded directly to the requester without independent verification. Proper segregation of duties requires someone other than the requester to certify receipt of the goods. Items received should be verified at the first point of entry into the facility.

**Recommendation**

We recommend AKFC adhere to state procurement laws, policies, and procedures before purchasing goods or services. AKFC should also establish an internal P-Card policy to comply with Treasury regulations and ensure someone other than the requester verifies the receipt of goods.

**Observation**

**Potential Overtime Abuse**

Employees are taking paid leave time and working overtime on the same day.

Ann Klein Forensic Center (AKFC) management allows employees to use leave time (i.e., sick, vacation, personal leave) for their regular shift and then work another shift at an overtime rate on the same day. While there may be instances where this would be a needed solution to a difficult staffing coverage scenario, it could be a sign of overtime abuse. We requested any union agreement that allows overtime pay on the same day that leave time is taken, however AKFC could not provide one.

We performed a review of leave time for 366 Medical Security Officers (MSOs) employed during calendar year 2018. Our review identified 350 instances in which an MSO used a full day of leave time (8 hours) and on the same day worked an overtime shift. These 350 instances were attributed to 124 of the 366 MSOs.

The financial advantage of this practice from the employee’s perspective is that the employee is paid for the leave time shift at the usual rate for that day and is also paid for the overtime shift at
1.5 times the usual rate of pay on the same day. The financial effect on the state, however, is that not only does the state pay the employee at the overtime rate for the shift worked in addition to the regular rate for the leave time taken, but the state must also pay another employee overtime to cover the shift for which the leave time was used. Preventing employees from working overtime on the same day that a full day of leave is used may reduce overtime costs.
July 24, 2020

Robyn Boyer  
Administrative Assistant to Stephen M. Eells, State Auditor  
Office of the State Auditor  
Office of Legislative Services  
125 South Warren Street  
PO Box 067  
Trenton, NJ 08625-0067

Dear Ms. Boyer,

I am writing in response to your July 8, 2020 correspondence in which you enclosed the audit report of the Department of Health (DOH), Division of Behavioral Health Services (BHS), Ann Klein Forensic Center (AKFC).

Below you will find responses to the findings listed in the draft audit report, for the period July 1, 2017 through January 31, 2020.

**Temporary Worker's Compensation**  
AKFC will implement controls to ensure all required documentation is obtained and retained in the individual’s file to ensure the claim is properly supported. In addition, AKFC will utilize the security camera system, when available, to supplement documentation of the injury occurrence. AKFC will update its Temporary Worker's Compensation policy for the required documentation.

A Human Resources (HR) Representative has been trained and is now assigned to contact supervisors when documentation is missing and upon its receipt, ensures it is filed with the injury packet. This HR Representative will include compliance data in the monthly report to the HR Director. The HR Office notifies several offices of all sustained injuries, to include the Safety Office. The Safety Office will view, verify the claim or injury circumstances, and burn video for major injuries/significant time lost cases, provide and/or implement recommendations for improvement and notify the Deputy Chief Executive Officer (CEO) of findings.

*New Jersey Is An Equal Opportunity Employer*
**Payroll**
Management will establish and enforce internal controls that safeguard assets from loss or unauthorized use. To maximize the available staff, AKFC will enforce the rules established for the FLA and FMLA programs to ensure no employee exceeds the allowable time period.

To ensure FLA/FMLA entitlements are compliant with established regulations, Human Resources has created an HR Peer review process in which a trained peer will review the completed FLA/FMLA packet for accuracy and compliance prior to it being submitted into PMIS and before notifying employee of approval. A cover sheet will document this peer review.

In an effort to reduce and or eliminate payroll mistakes, the Payroll Department has established and shared a uniform legend of symbols used to identify time taken by staff. An audit of leave balances will be conducted quarterly. The time-keeping policy has been revised to include a notification form that will be issued by Payroll to any/all employee notifying said employee of current leave balance and or corrections made to leave balance. The monies from the identified 35 employees with negative leave balances have since been recouped. An automated time keeping system would be beneficial in reducing the errors identified above.

**Off-line Funds**
AKFC will adhere to state and internal policies regarding off-line accounts. AKFC will ensure that all funds are utilized for their intended purposes and strengthen controls to maximize benefits and safeguard funds from misuse.

Authorized signatories have been rectified and remain current. Expenditures from the Patient Welfare Fund get approval from the Business Manager, the Deputy CEO, and the CEO for any major expenses before doing the purchase order. Religious services will be paid out of appropriations moving forward. Contracts and timesheets for related programs to include music events and religious services will be established. To strengthen segregation of duties over fund disbursements, we will revise policy to reflect changes made for adequate segregation of duties, as well as establish that all merchandise will only be delivered to AKFC.

Our Store operations have been reviewed and revised to include forthcoming implementation of perpetual inventories, mandatory use of cash register, timely deposits, and finalization of a formal Our Store policy. The Office of Chief Operating Officer (COO), in conjunction with the Business Manager, shall provide program oversight to ensure regulatory and policy compliance.

With the recent closure of the Sheltered Workshop the monies remaining in the Occupational Therapy Fund will be now be used for a new program in its incipient stage, development of a “Business Center.” Upon relief from current COVID restrictions, it is our intent to commence phase one of this project.

The COO in conjunction with the Business Manager will provide routine oversight and compliance monitoring to newly established initiatives and revised policies to ensure all accounts are used and managed in accordance with Treasury circulars and internal policies/procedures.

**Expenditures**
AKFC will adhere to all state procurement laws, policies, and procedures before purchasing goods or services. AKFC will also establish an internal P-Card policy to comply with Treasury regulations and ensure someone other than the requester verifies the receipt of goods.

*New Jersey Is An Equal Opportunity Employer*
To strengthen internal controls over procurement, the Business Office staff have been retrained in quoting requirements; revised hospital policy to reflect quoting requirement change from $500 to $1000; retrained Business Office staff in all areas of math accuracy, coding, and supporting documentation and approvals; establish a new policy dedicated to P-Card policy and procedure, to include increasing limit from $500 to $1000; implementing a new Emergency Request form for all "emergency purchases" that will provide approval oversight and ensure appropriateness; and, revised hospital policy and procedure so that the Storeroom Staff are now responsible for the generation of all receiving reports.

**Potential Overtime Abuse**
This finding has been taken under advisement. AKFC will attempt to adjust policies and procedures to reduce this from happening, unless it is an emergent situation.

Thank you for the opportunity to comment on the audit findings. It was a pleasure to work with the auditors you provided, and we appreciate the recommendations noted.

Sincerely,

Joseph Canale  
Deputy Assistant Commissioner, BHS  
Fiscal Management & Operations

C: Deborah Hartel, Deputy Commissioner, DOH  
Christopher Morrison, Assistant Commissioner, BHS  
Eric Anderson, Director, Management & Administration  
David Kensler, CEO, AKFC  
Karen Alloway, COO, AKFC  
Eileen Lonergan, Acting Business Manager, AKFC