



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

**Department of Human Services
Division of Developmental Disabilities
Administrative Support Services**

July 1, 2002 to June 25, 2004

**Richard L. Fair
State Auditor**



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES OFFICE OF THE STATE AUDITOR

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The Honorable Albio Sires
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Enclosed is our report on the audit of the Department of Human Services, Division of Developmental Disabilities, Administrative Support Services for the period July 1, 2002 to June 25, 2004. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair
State Auditor

October 28, 2004

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**Department of Human Services
Division of Developmental Disabilities
Administrative Support Services**

Scope

We have completed an audit of selected accounts of the Department of Human Services (DHS), Division of Developmental Disabilities (DDD)-Administrative Support Services for the period July 1, 2002 to June 25, 2004. The audit included administrative and support services, excluding Grants-In-Aid accounts, Education and Day Training, and the Developmental Disabilities Council. The audit included a review of the controls over Intermediate Care Facilities - Mental Retardation (ICF-MR) billings at the developmental centers. Activities reviewed are accounted for in the General Fund, the Developmental Disabilities Waiting List Reduction Fund, the Human Services Facilities Construction Fund, and the Public Purpose and Community-Based Facilities Construction Fund.

The DDD serves more than 33,000 people with developmental disabilities. These include disabilities such as mental retardation, cerebral palsy, autism, epilepsy, spina bifida, traumatic brain injuries and neurological impairments. People served by DDD live at home with their families, reside in living arrangements that are funded and licensed by the division, or live in developmental centers.

Annual revenues and expenditures are approximately \$31 million and \$42 million, respectively, with the major component of revenues being cost recoveries for care and maintenance. Revenues generated by the developmental centers are not included in these amounts.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the division's programs, were reasonable, and were

recorded properly in the accounting systems. We also tested for resolution of significant conditions related to administrative support services in our prior 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, federal regulation, and policies of the department. 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 read the budget message, reviewed financial trends, and interviewed department personnel to obtain an understanding of the programs and internal controls. Our audit included field visits to four developmental centers to review ICF-MR billings, and to one regional office to review client documentation.

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 for testing.

To ascertain the status of significant findings included in our prior report dated August 4, 2000, we identified corrective action, if any, taken by the division 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 division'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 meriting management's attention. We also found that the division has resolved the significant conditions noted in our prior report.

Client Accounts Receivable

CompuTrust should reflect accurate account receivable information.

The DDD uses an Oracle based system called CompuTrust as their client database. When DDD is the benefit payee for clients, their social security checks are received by the division and recorded on this system. Monthly, the division recovers the required percentage of the clients' disposable monthly income as per N.J.A.C. 10:46D for their contribution to the cost of their care and maintenance to be deposited as state revenue.

A private company was hired to assess each person's ability to pay towards the cost of care and maintenance. For those clients in which the state is not the benefit payee, the client's guardian is sent a coupon book indicating the amount of the monthly payments required for their care and maintenance. These billed amounts should be recorded on an accounts receivable subsystem of CompuTrust. Payments are to be sent to a bank lock box. These payments should be recorded against the receivable.

Collection of care and maintenance needs to be improved.

During our review we found numerous errors in the recording of information on the accounts receivable records. There were missing assessments and payments that were never posted to the receivable. As a result, the department is unable to determine the actual receivable amount. We further noted that many clients do not make any payments for their care and maintenance. From their records we determined that fiscal year 2003 billings per the accounts receivable system totaled \$20.7 million. Amounts collected through the bank lock box for that year were \$7.4 million. There was also \$10.8 million recorded on CompuTrust as automatic maintenance collections from state direct payees. Therefore, we estimate that \$2.5 million was not collected from non-state benefit payees for fiscal year 2003. This situation has been in effect since 1997. The DDD will establish a lien on the assets of their clients in accordance with N.J.S.A. 10:46D. However, the

clients do not usually have assets and there is no such lien on the client's representative payee. Until just recently there were no procedures or effort to pursue collection of the amount owed by clients with non-state benefit payees and those efforts are being directed to only the current year receivables and not the outstanding balances. The division is aware of the deficiencies of the current account receivable system and has begun the process of acquiring a new system that should resolve the current issues.

We also contacted representatives from the Social Security Administration (SSA) and the Office of the Attorney General (OAG) for solutions to the problem of representative payees who do not submit payments when billed for the clients' share of care and maintenance. It is the OAG's understanding that SSA will not make the state the representative payee as a matter of policy. However, if the state can provide documentation that the representative payee is not using the benefits as intended, SSA will investigate on a case-by-case basis and could make the state the representative payee. A representative of the OAG also noted that efforts to collect past due amounts may not be cost effective. They intend to continue researching this issue.

Recommendation

We recommend that the system be improved to properly reflect the client accounts receivable. The department should establish and enforce delinquent account collection procedures, present necessary cases to the Social Security Administration for investigation of the representative payee, and continue to coordinate with the DAG for the collection of past due care and maintenance.



ICF-MR Billing

The DDD operates seven developmental centers which provide round-the-clock services to people with developmental disabilities. The supervisor of

Centers need to prepare accurate billings and verify and reconcile payments.

patient accounts (SPA) at a developmental center is responsible for billing the Intermediate Care Facility - Mental Retardation Medicaid program for eligible days. The monthly billing consists of the number of eligible client days multiplied by an approved rate. Based on daily population movement reports, the SPA updates the preprinted monthly Turnaround Document (TAD) which serves as the Medicaid billing document. Any eligible clients not appearing on the TAD should be manually added. The SPA is required to verify that the correct number of days are submitted for the ICF-MR billing. A few weeks later a Remittance Advice (RA) is received from Unisys, the Medicaid fiscal agent, which lists each client and the corresponding payment. The SPA should reconcile the TAD to the RA to assure that the proper payment was received. This process of tracking client movement, reviewing client records, and reconciling payments to billings is tedious and labor intensive. Most functions are performed manually which can result in errors.

During our audit we reviewed the billings at three developmental centers for the month of July 2003 and one developmental center for July and August 2003 and found the following:

- Errors by Unisys in coding and processing claims submitted by the centers for the period reviewed resulted in payment errors of 2,836 days totaling \$1,048,311. Of the noted errors, 2,777 eligible days were not paid totaling \$1,024,312 and 59 ineligible days were paid totaling \$23,999. The majority of the eligible days not paid occurred at one center because the July 2003 RA omitted payment of \$ 950,000 for patients with last names beginning with "S" to "Z". This center has not reconciled payments to claims since February 2003 and as a result did not detect and correct this error.

- Total errors by developmental centers reviewed in submitting claims to Unisys were 192 days totaling \$ 72,677. Of the noted errors, 154 eligible days were not billed totaling \$ 58,329 and 38 ineligible days were billed totaling \$14,348.
- One developmental center had a systematic problem in their methodology used to reconcile billable days. This reconciliation double counted billable days for discharged or deceased patients. We could not rely on their reconciliation. This same center did not bill for the day a patient returned from an infirmary or outside hospital. This practice was inconsistent with the other developmental centers and based on our review of July and August 2003 resulted in the non-billing of 51 days totaling \$ 22,000.

Prior audit reports note billing as an ongoing problem. Lack of monitoring increases the risk of potential revenue loss.

Recommendation

We recommend that management and the SPA's ensure that ICF-MR billings are submitted accurately. Payments from Unisys should be reconciled with claim information. Corrective action should be taken on billing and payment errors. The one center should review its procedures for processing and reconciling payments. The department should consider periodic review by its internal auditors.





JAMES E. MCGREEVEY
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October 21, 2004

Thomas R. Meseroll, Assistant State Auditor
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Dear Mr. Meseroll:

Thank you for the opportunity to respond to the Draft Audit Report of the Division of Developmental Disabilities' (DDD) Administrative Support Services for the period July 1, 2002 to June 25, 2004. I was pleased to note that your review disclosed the fiscal activities of DDD were reasonable and were properly recorded in the accounting systems.

Additionally, I was pleased to learn that DDD has resolved all the significant issues noted in its prior audit report.

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

Client Accounts Receivables

DDD agrees with this recommendation and as stated by the auditors, has begun the process, with assistance of the Department of Human Services of acquiring a new banking/assessment system that should resolve the current issues.

DDD continues to work with the Social Security Administration to become representative payee when appropriate. Additionally, DDD continues to review situations with the Attorney General's Office, on a case-by-case basis, to determine whether an action to collect past due SSI monies would be likely to be successful.

Thomas R. Meseroll, Assistant State Auditor
October 21, 2004
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ICF-MR Billing

DDD agrees with this recommendation and is pleased to report that all errors identified in this finding have been corrected and all appropriate billing amounts and collections have been recovered. Additionally, all reconciliations between Unisys payments and monthly claim information are up to date.

Sincerely,

A handwritten signature in black ink that reads "Carol Grant". The signature is written in a cursive style with a large initial "C" and a long, sweeping underline.

Carol Grant
Acting Director

CG:wlh

C: Joe Ochs
Terri Wilson
William Cutti
Thomas Kuchler