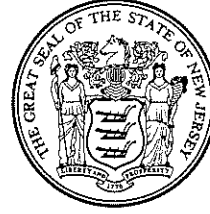


---

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



---

**Department of Human Services  
Division of Mental Health and Addiction Services  
Trenton Psychiatric Hospital**

July 1, 2009 to September 30, 2011

---

**Stephen M. Eells  
State Auditor**



ASSEMBLYMAN  
JOSEPH J. ROBERTS, JR.  
*Chairman*

SENATOR  
THOMAS H. KEAN, JR.  
*Vice-Chairman*

SENATE

ANDREW R. CIESLA  
RICHARD J. CODEY  
NIA H. GILL  
ROBERT M. GORDON  
SEAN T. KEAN  
JOSEPH M. KYRILLOS, JR.  
LORETTA WEINBERG

GENERAL ASSEMBLY

PETER J. BIONDI  
ION M. BRAMNICK  
JOHN J. BURZICHELLI  
ALEX DECROCE  
ALISON LITTELL MCHOSE  
JOAN M. QUIGLEY  
BONNIE WATSON COLEMAN

OFFICE OF THE STATE AUDITOR  
(609) 292-3700  
FAX (609) 633-0834

STEPHEN M. ELLS  
*State Auditor*

THOMAS R. MESEROLL  
*Assistant State Auditor*

JOHN J. TERMYNA  
*Assistant State Auditor*

# New Jersey State Legislature

## OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR  
125 SOUTH WARREN STREET  
PO BOX 067  
TRENTON NJ 08625-0067

ALBERT PORRONI  
*Executive Director*  
(609) 292-4625

The Honorable Chris Christie  
Governor of New Jersey

The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Sheila Y. Oliver  
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 and Addiction Services, Trenton Psychiatric Hospital for the period of July 1, 2009 to September 30, 2011. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
State Auditor  
January 9, 2012

## Table of Contents

	<b>Page</b>
Scope.....	1
Objectives .....	1
Methodology.....	1
Conclusions.....	2
Findings and Recommendations	
Timekeeping Controls, Records, and Procedures .....	3
Leave Balances .....	4
Collection Process for Outstanding Debt.....	5
Timekeeping System Information Technology Controls	6
Procurement .....	7
Expenditures .....	8
Internal Controls .....	10
Equipment Inventory .....	10
Auditee Response.....	12

---

## *Scope*

We have completed an audit of the Department of Human Services, Division of Mental Health and Addiction Services, Trenton Psychiatric Hospital (TPH) for the period July 1, 2009 to September 30, 2011. Our audit included financial activities accounted for in the state's General Fund.

Expenditures of the hospital for fiscal year 2011 were \$81.1 million. The hospital provides services for voluntary and legally committed mentally ill patients. Revenues of the hospital for fiscal year 2011 were \$16.2 million. The major components of revenue are recoveries from Medicare, Medicaid, and the counties. These revenues were excluded from the scope of this audit. We also excluded the non-appropriated funds, such as the patient trust and welfare funds, which are audited by the department.

## *Objectives*

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 systems. We also tested for resolution of the significant conditions noted in our prior report dated May 31, 2005.

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.

In preparation for our testing, we studied legislation, the administrative code, circular letters promulgated by the Department of the Treasury, and policies of the hospital. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing of financial transactions. We also read the budget messages, 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 performed tests 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 systems except for the timekeeping system. In addition, there is no state required equipment inventory system at the hospital. In making these determinations, we noted weaknesses related to payroll, timekeeping system controls, and procurement. We also found that the hospital has not resolved the significant issues noted in our prior report regarding certain procurement procedures and collection efforts. These issues have been updated in our current report.

## **Timekeeping Controls, Records, and Procedures**

The hospital employed approximately 1,200 individuals during calendar year 2010 and incurred \$66 million in payroll expenditures, of which \$7.6 million was overtime payments. Manual timesheets, overtime timesheets, and leave balances are maintained for all employees. These timesheets can be on various forms and can be daily, weekly, or bi-weekly. The employees record their time and submit a timesheet to their supervisor for review. The supervisor approves and forwards all timesheets to the payroll department to be entered onto the timekeeping system. In the absence of a timely submitted timesheet, the timekeeper will record an employee's time as a projected entry. The timekeeping system that is used by the hospital was developed by Ancora Psychiatric Hospital, which continues to use the system.

**Accuracy and completeness of regular and overtime timesheets and proper carry forward of information to the timekeeping system is needed.**

We found numerous mathematical errors and inconsistencies pertaining to the information recorded on the timesheets and entries onto the timekeeping system. We reviewed daily timesheets for 49 employees over one pay period and overtime timesheets for four pay periods for eight employees who earn high amounts of overtime payments. We found:

- Seven percent of the postings into the timekeeping system did not match the employee's daily timesheet.
- Ten percent of the overtime postings into the timekeeping system did not match the employee's overtime timesheet.
- Eight percent of overtime reviewed could not be supported by proper overtime documentation.

Further review disclosed instances of leave time recorded on the employee's timesheets not being posted to the timekeeping system, issues with employees not signing their own time documents and with supervisors not approving the timesheets. Also, the payroll department could not locate timesheets covering 40 days for one shift at the Travers Complex, 14 days for one shift at the Lincoln Complex, and timesheets for three employees from January through mid-April 2010. We also found that the projected entries in the timekeeping system are not being cleared in a timely manner, resulting in incorrect leave balances and payments. As of April 9, 2011, there remained 21,741 projected entries, of which 7,281 were from calendar year 2010.

### **Recommendation**

We recommend Trenton Psychiatric Hospital seek additional training for their payroll employees from the Ancora Psychiatric Hospital employees who created the timekeeping system. A standardized weekly or bi-weekly timesheet should be developed and used throughout the hospital to reduce the workload and confusion in the payroll department. The

unit supervisors should be given the responsibility of calculating the hours worked by their employees and certifying the time in a summary fashion. We also recommend enforcement of the timesheets being submitted timely and to follow up on projected entries.



## Leave Balances

### **Enhanced monitoring over leave balance allotments, usage, and calculations at termination should be instituted.**

Employees accrue sick and administrative leave along with varying amounts of vacation leave based on their years of service. Annual accruals are recorded at the beginning of the calendar year and adjusted as employees utilize their available time. During our review we found numerous errors related to the recording of leave time.

Per union contracts, unused sick time may continue to accrue from year to year, no more than one year's allotment of vacation time may be carried forward from one year to the next, and administrative leave time is not carried forward at year end. Our review of leave balances for all employees as of May 2011 showed 28 employees who carried forward more vacation time than is allowed. The excessive vacation time ranged between 0.2 hours and 248 hours and totaled 1,965 hours.

An employee that charges leave in excess of their balance or who does not work enough days during the year to earn the time credited will be in negative status. We found that the timekeepers were continuing to enter leave time taken into the timekeeping system even though the system showed the employee was already in a negative leave balance status. As of July 2011, there were 48 employees with overdrawn balances. In total, sick leave was overdrawn 2,279 hours and vacation leave 377 hours.

When an employee retires or is terminated, final leave balances are manually calculated by the responsible timekeeper. The balances are entered onto a leave balance form and forwarded to human resources for further action. We tested several attributes pertaining to leave balances for 7 of the 46 separated employees and 9 of the 33 retired employees in calendar year 2010 and noted the following errors.

- One retired employee was never credited with their beginning of the year leave allotments, which resulted in the employee's leave record improperly showing negative balances upon retirement. If the proper allotments were made, the employee would be owed a payment of \$286 for unused time.
- Three separated employees were overpaid a total of \$1,109.

- A separated employee was underpaid \$263 because of an incorrect vacation leave balance.
- Two of the 20 final leave balance forms could not be located.

Partly because there are projected entries that must still be cleared, there is a backlog of several years where employees have not yet been paid for their balances. Some payments for retirees are being generated for employee vacation leave balances, but not for their sick leave balances.

### **Recommendation**

We recommend management closely monitor leave balance record keeping, including the allotment of annual leave balances, researching an employee's balance upon reaching a negative status and preventing the accumulation of additional balances, and calculating final balances at separation/termination. Timekeepers should begin the process of calculating an employee's final balances once they receive notice of an employee terminating employment. All projected time should be cleared and unearned leave time should be docked. Consideration should be given to issuing quarterly and annual leave reports to employees as a means of correcting errors on an ongoing basis and notifying employees of their current balances. Consideration should also be given to modifying the leave balance forms by providing more detail of the timekeeper's calculations.



## **Collection Process for Outstanding Debt**

**The hospital needs to utilize their collection process for the recovery of outstanding debt owed by former employees.**

During our prior audit, it was recommended that the hospital utilize the Set-Off of Individual Liability (SOIL) program to recover overpayments issued to employees who retired or terminated employment with negative leave balances. The hospital has established procedures for the recovery of outstanding debts owed by former employees. However, none of these procedures, including the use of the SOIL program, have been put into place since our prior audit was issued in May 2005. We noted the hospital has not initiated collection procedures for the 11 employees reviewed that were in negative status at the time of retiring/separating during calendar year 2010. These individuals owe \$13,500.

### **Recommendation**

We recommend, as stated in our prior audit, that the hospital follow their established procedures for the recovery of outstanding debts and utilize the SOIL program to recover overpayments to separated or retired employees.



## Timekeeping System Information Technology Controls

### **Timekeeping system controls need to be improved.**

In February 2008, Trenton Psychiatric Hospital adopted the Ancora Psychiatric Hospital timekeeping system as a temporary solution to the antiquated paper system they were using until a more sophisticated system could be implemented. However, the system is lacking some key features that would ensure compliance with the hospital's policies and procedures and would satisfy information technology standards. The potential for the misappropriation of leave time exists because duties may not be properly segregated and other internal control weaknesses were observed. We identified the following issues.

- The timekeeping system has a timekeeper role for entering time and a supervisor role for creating users, adding employees, and assigning employees to timekeepers without any additional approval. The application's failure to segregate the creation of users and supervisory timekeeping duties allows a supervisor to potentially create a temporary timekeeper ID and use the ID to alter employee time records.
- During our testing, it was noted that logons still existed for users who had separated employment. Because no one is performing a periodic review of users for appropriateness, these users continued to have access. This could allow unauthorized user access to the application.
- It was observed that the timekeepers were sharing passwords, the password complexity was minimal, and the system did not log off because of inactivity or incorrect logons. These controls are inadequate. Industry password standards require certain measures be put into place to ensure the integrity of the data and to protect users.
- The system does not finalize a pay period and lock out users from editing past periods, and the supervisor is not required to approve any prior period adjustments. While this allows users to correct prior records, since the supervisor is not approving such edits, leave balances could be altered without supervisory approval.
- We found instances where the system allowed employees to carry over leave balances in excess of a single year allotment. It also allowed individuals to incur negative balances. Additionally, a timekeeper showed us that they could grant an employee an exorbitant amount of leave time which would be accepted by the system. Absence of preventive edits in the timekeeping system could lead to inaccurate leave time balances and could result in a financial loss to the state.

## Recommendation

Until the hospital begins using an alternative timekeeping system, we recommend the following improvements to the current system be implemented.

- The ability to create users should be removed from the supervisor profile and should be given to either the Director of Human Resources or someone in the information technology department.
- A periodic review of users should be performed to ensure users are appropriate.
- Increased password securities such as more complex passwords, error/inactivity lockouts, password expirations, and staff training on appropriate password etiquette should be instituted.
- The application should be modified to lock out prior pay periods after an appropriate amount of time, so that changes cannot be made without supervisory approval.
- Additional system edits should be added to the existing application to restrict unallowable entries of leave time.



## Procurement

### **Regulations for Delegated Purchasing Authority need to be enforced.**

Treasury Circular Letter Delegated Purchasing Authority (currently 11-10-DPP) defines a Delegated Purchasing Authority (DPA) purchase as a transaction that cannot be procured through one of the four primary contracting methods and does not exceed the DPA threshold (\$29,000 in fiscal year 2010 and \$36,000 in fiscal year 2011). It further states that purchases or contracts should not be divided by vendor, dollar amount, or items to circumvent the dollar limit imposed. Additionally, for items and services that are not covered by one of the primary contracting methods, an agency should identify its purchase requirements and determine its anticipated fiscal year needs based upon its procurement history. If the anticipated fiscal year volume exceeds the DPA limit, the agency must request the Purchase Bureau to perform the procurement.

Trenton Psychiatric Hospital placed more than 2,500 orders in each of the past two fiscal years under the DPA privilege. Our review of 205 DPA transactions identified 82 purchases totaling over \$500,000 where the use of DPA was in violation of state purchasing regulations. These purchases were either circumventing one of the four primary contracting methods or were in violation of the DPA fiscal year dollar threshold for the vendor for similar items. We identified 18 vendors in fiscal year 2010 and 9 vendors in fiscal year 2011 that were paid through DPA in excess of the allowable fiscal year limit. In 11 of the 27 cases, with purchases totaling

\$618,000, the preceding year purchases had also exceeded the DPA limit so subsequent need should have been anticipated. A separate review of DPA purchase orders revealed 195 occurrences where one purchase was divided into multiple orders for the same vendor on the same date, and price competition did not occur when it was required, which could have resulted in overpayments for the product or services.

The circular letter also outlines the requirements for the procurement procedures for various dollar thresholds. Our review of the 205 DPA transactions revealed 122 transactions where price competition did not occur in accordance with the circular letter requirements.

The purchasing function at Trenton Psychiatric Hospital is highly decentralized. Management has delegated the purchasing function and solicitation of competitive bids to the requesting departments. The departments' purchasing agents sometimes forgo the bidding process on the grounds of perceived emergency or claim that the vendor used is a sole supplier of the good or service. The review of DPA transactions revealed that only a few of these justifications were warranted. On one occasion, management requested a waiver of advertising because of an emergency for an \$80,000 project that took two years between first quote and the delivery of the product.

Violations of purchasing procedures and the state circular letter on DPA were a reported finding in our prior audit dated May 31, 2005. The hospital has not improved its procurement process and is still in violation of the state circular letter.

### **Recommendation**

We recommend the hospital enforce the required bidding procedures and request term contracts where necessary, as well as consider assigning a centralized purchasing agent. Compliance with the DPA circular letter is essential to avoid inefficient or improper disbursements.



### **Expenditures**

During our expenditures testing we found several items presented below that warranted attention.

#### **Pastoral service payments should be based on hours worked.**

Our review of four contracts for pastoral services, where payments totaled \$54,294, identified overpayments of \$15,755. Trenton Psychiatric Hospital paid these vendors based on the hours that vendors were contracted to work and not based on the services actually provided and recorded on their timesheets.

### **Doctors accepting Medicaid should be used for all outpatient services.**

Trenton Psychiatric Hospital paid \$54,000 in fiscal year 2011 to nine vendors for outpatient medical services not available at the hospital. The hospital compensated these vendors at rates significantly higher than the maximum allowable Medicaid rates. For example, the hospital paid between \$150 and \$300 for an initial patient evaluation which would have a Medicaid rate of \$91, and paid between \$95 and \$150 for a follow-up office visit which would be covered by Medicaid for up to \$24. All hospital clients have institutional Medicaid until discharged. The hospital staff informed us that there were no Medicaid doctors in the area in the specialties under review. However, we were able to identify at least one Medicaid provider in each of these specialties. These vendors were Medicaid eligible providers who were billing Medicaid for other non-Trenton Psychiatric Hospital patients during our audit period.

### **Fire alarm services payments should be scrutinized.**

The hospital has incurred an average annual expense of \$560,000 for the last three fiscal years related to fire alarm and access security services provided by one vendor. A waiver of advertising was obtained for this service for fiscal years 2010 and 2011 and no competition occurred. The waiver was granted as a matter of public safety and on the basis of the vendor's comprehensive knowledge of the system. The vendor is responsible for the system maintenance, which includes annual and quarterly inspections, evaluations of the condition of the system components, and all subsequent repairs. However, there is no written contract. The hospital does not require the vendor to provide the hospital with project estimates, scope of work performed, or price lists for materials. The hospital cannot properly evaluate the costs incurred and billed by the vendor without establishing a clearly defined scope of the services to be received and rates for these services.

### **Recommendations**

We recommend the hospital's business office establish procedures that include the review of timesheets for pastoral services prior to making payments. A review of all available timesheets for prior pastoral service contracts should be performed to determine possible overpayments and reimbursement should be pursued.

We recommend Trenton Psychiatric Hospital notify the current vendors that Medicaid should have been billed for these services and reimbursements should be sought for the payments. The hospital also needs to build relationships with other Medicaid eligible providers in the area that will provide these services.

We recommend the hospital institute an agreement with the vendor who services the fire alarm system that defines the scope of services to be provided and their costs, and require itemized supporting documentation for vendor billings prior to processing payments. We also recommend the hospital obtain a competitively awarded contract specific to this hospital for fire alarm and/or security services.

## **Internal Controls**

### **Internal accounting controls need to be enforced.**

State agencies are required to maintain financial records for a period of seven years. For three years the records need to remain at the agency and for the remaining four they may be archived. Trenton Psychiatric Hospital was not able to locate any supporting documentation for 58 expenditure transactions totaling \$160,000 of the 346 reviewed. Seventy-two of these transactions had incomplete documentation. The hospital needs to exercise better care in obtaining and organizing supporting documentation. Failure to maintain supporting documentation for transactions leads to insufficient audit trails, which hinder the hospital's ability to justify the expenditures.

The hospital's internal accounting policies require that a B9 requisition form be prepared and approved prior to all purchases. Failure to enforce proper approvals for all transactions could lead to unnecessary or unjustifiable expenditures. We identified 43 of 221 requisitions where authorizations were signed after the goods were delivered or services were performed and the state had already incurred the liability. Management asserts that verbal approvals were obtained for all transactions prior to purchases.

### **Recommendation**

We recommend management ensure that state and internal accounting controls be enforced. Proper approvals should be obtained prior to every purchase and required supporting documentation should be complete prior to payment.



## **Equipment Inventory**

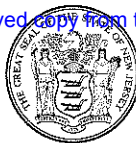
### **Equipment inventory records need to be established and maintained.**

Treasury Circular Letter 11-19-OMB requires that all state agencies maintain an inventory record of property in the custody of the agency. All assets, both tangible and intangible, with an original cost of \$1,000 or more and an expected useful life of three years or more must be maintained on an equipment inventory record. Trenton Psychiatric Hospital does not maintain asset inventory records, does not record usage, and does not perform any cycle inventory counts. A complete and up-to-date inventory file is required to identify theft, loss and/or misappropriation of assets. The management at Trenton Psychiatric Hospital is aware of the violation but cites a staffing shortage as the primary reason for noncompliance. The hospital is now in the process of establishing an electronic inventory system for the items delivered to the hospital's storeroom.

## **Recommendation**

We recommend the hospital establish and maintain an equipment inventory record to account for all inventory purchases and usage in compliance with the circular letter.

»»<<««



**State of New Jersey**  
DEPARTMENT OF HUMAN SERVICES  
PO Box 700  
TRENTON NJ 08625-0700

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

JENNIFER VELEZ  
*Commissioner*

January 4, 2012

John J. Termyna, Assistant State Auditor  
Office of the State Auditor  
Office of Legislative Services  
125 South Warren Street  
PO Box 067  
Trenton, NJ 08625-0067

Dear Mr. Termyna,

I am writing in response to your December 2, 2011 correspondence in which you enclosed the audit report of the Department of Human Services, Division of Mental Health and Addiction Services, Trenton Psychiatric Hospital (TPH).

Below you will find responses to the findings listed in the draft audit report for the period July 1, 2009 through September 30, 2011.

**Timekeeping Controls, Records and Procedures**

In September, the Department of Human Services (DHS) issued a Request for Information (RFI) regarding the development of an electronic timekeeping system to be implemented at our psychiatric hospitals and developmental centers. The due date for responses was October 14, 2011. Several vendors responded to the RFI and the Department is currently vetting through the merits of each response. In the Spring of 2012, the Department hopes to move forward with an RFP with the goal of implementing a timekeeping system in the next 1-2 years, depending on available fiscal resources. The TPH Deputy CEO, along with senior level management at the Department, are part of a project team that will ultimately select/purchase an automated timekeeping system vendor, which can function in a 24/7 environment. Acquisition of a new system would offer the best solution to many of these issues raised in the audit. Two feasibility studies of the State's eCATS system were performed during a period prior to and during the audit. In its current form, eCATS lacks the functionality necessary to work effectively in a 24/7 environment. Both of the feasibility studies were proactive attempts to address the payroll/timekeeping issues that management was aware of prior to the audit. Auditors were made aware of this project and its progress throughout the length of the audit. While TPH is awaiting the purchase and installation of a new timekeeping system, it will take or has already taken the following measures:

1. TPH will provide for payroll staff additional training from Ancora Psychiatric Hospital employees who created the timekeeping system.
2. Current standardized weekly/daily timesheets will be converted to uniform weekly timesheets and used throughout the hospital to reduce the workload and confusion in the payroll department.
3. A new timekeeping policy is being published to better inform supervisors/staff of their responsibility in this process.
4. Additional timekeeping staff were hired as well as a new supervisor of payroll and timekeeping to address volume and knowledge deficit issues. An assessment will be performed as to whether adequate staffing levels now exist to maintain current work volume.
5. A new Human Resources Director with extensive payroll and timekeeping experience was hired to provide vision and leadership in rebuilding this unit.
6. TPH will meet with the DHS eCATS team to assess using the eCATS system for non-direct care staff. This has the potential to reduce the volume of work the timekeepers have and allow them more time to focus on efficiently and accurately processing the direct care staff timesheets.

### **Leave Balances**

Most of the issues with leave balances, as well as the solutions, are interchangeable with the previous sections. Thus, only additional items beyond what was previously mentioned will be stated. Solutions discussed below will be applied in advance of the purchase of a fully automated timekeeping system.

Hospital staff are scheduled to send out new year time balances to all staff on or about January 15, 2012 and will continue to provide current balances on a quarterly basis. With four check points per year, TPH will be able to quickly identify errors and address them immediately. In addition, HR will use an exit interview process as a trigger to begin the process of calculating the employee's final balance once they receive notice of the employee's separation from employment. An HR staff will meet with all employees upon separation and complete a checklist of items to ensure a smooth, efficient completion of all separation processes, including leave balances calculation. Finally, leave balance forms will be modified to include more detail for the timekeepers' calculations and used as part of this process.

TPH has hired a Personnel Assistant 2 who will be responsible for supervising the payroll and timekeeping units, as well as the leave staff. She is scheduled to transfer to TPH on January 17, 2012. One of her first assignments will be to train the payroll and timekeeping staff on the proper methods of payroll processing and timekeeping rules and regulations and ensure that a system of checks and balances is implemented.

The hospital has already begun taking the necessary steps to ensure that as soon as they are notified of an employee separating, a flag is placed in the Ancora timekeeping system and their time is immediately prorated. This will allow staff to identify if the employee is overdrawn, so that they can adjust their last pay check. Also, two payroll staff members were trained in the processing of separations and lump sum payments for vacation and sick time in PMIS in order to increase the number of individuals available to assist in this process.

### **Collection Process for Outstanding Debt**

TPH will follow established procedures to recover outstanding debts and utilize the SOIL program to recover overpayments of separated or retired employees. Updated training had been provided to payroll and timekeeping staff to ensure they are aware of the requirements and procedures for using the SOIL program. The newly hired Personnel Assistant 2 mentioned in the previous section will monitor compliance with this program.

### **Timekeeping System Information Technology Controls**

IT system internal controls will be referred to the designer of the system to see whether it is both feasible and practical to make the coding changes in the existing system. The best solution remains to be for one of the fully compliant computerized timekeeping systems that have been identified by the DHS RFI to be purchased and implemented.

### **Procurement**

TPH will comply with all DPA, DPP and Treasury circular letters. Affected staff will be trained/re-trained in proper procedures. The TPH Business Office will review contemplated acquisitions to assure that procurements conform to required circulars prior to the purchase. TPH will enforce the required bidding procedures and use term contract vendors as required.

### **Expenditures**

During this audit period, TPH established procedures to review all Pastoral Services' timesheets for accuracy before processing any payments. An internal audit is being done of all pastoral service contracts to determine if overpayments were made and reimbursement can be pursued.

TPH will notify all current vendors that should have billed Medicaid for services that were performed and seek reimbursements. TPH is also in the process of contacting local Medicaid eligible providers to obtain needed services.

The hospital currently has an agreement with the fire alarm vendor that defines their scope of service and costs. The vendor will also provide an itemized list of services provided on every invoice prior to receiving any payments for services rendered. The hospital currently has a two year waiver for the vendor that performs the fire alarm and security services at the facility.

### **Internal Controls**

TPH will ensure that the internal controls are enforced and prior approval will be obtained by using supporting documentation before any purchases are made. Additionally, record retention schedules will be followed. The Business Manager will only approve purchases based on the full completion, review and approval of all necessary requisition forms. In addition, the Business Manager will review and update the relative operating procedures to Business Office staff in regard to the proper maintenance and status of transactions and financial records. Staff will be trained to ensure they are following proper documentation schedules.

### **Equipment Inventory**

During this audit period, the hospital has purchased, under state contract, an inventory control system, "Arrival." They are currently in the process of implementing the system for everything purchased at the facility. To date, they have entered most of the items with a cost of \$1,000.00 or more, per Treasury circular letter 11-19-OMB.

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,



Jennifer Velez  
Commissioner

JV:jc

c: Lynn Kovich  
Christopher Bailey  
Teresa McQuaide  
Christopher Morrison  
Stephen Adams