



State of New Jersey

CHRIS CHRISTIE
Governor
KIM GUADAGNO
Lt. Governor

OFFICE OF THE STATE COMPTROLLER
MEDICAID FRAUD DIVISION
P.O. BOX 025
TRENTON, NJ 08625-0025
TELEPHONE 609-826-4700

A. MATTHEW BOXER
State Comptroller
MARK ANDERSON
Director

FINAL AUDIT REPORT
PROVIDER NAME: MORRIS HALL
PROVIDER ID [REDACTED]
August 18, 2011

Background

Morris Hall (MH) is a licensed residential and skilled nursing facility located in Lawrenceville, New Jersey. MH enrolled in the Medicaid program effective January 1, 1976. MH is a not-for-profit corporation whose sole corporate member is the Roman Catholic Diocese of Trenton.

This audit was referred to the Medicaid Fraud Division of the Office of the State Comptroller (MFD) by the Department of Health, Office of Nursing Rate Setting and Reimbursement (DOH). Agreed upon procedures performed by the State's independent auditors, revealed the following: In the March 2007 audit report which covered the 2004 cost report, related party transactions were not properly accounted for in the cost report and dietary management fees were misclassified in the food cost center. Based on the audit findings, the cumulative effect of the adjustments made from the audit and per diem recalculation performed by DOH in January 2009, resulted in a Medicaid overpayment in the amount of \$40,725 (excluding interest) which MH has repaid.

Objective

The objective of the audit is to determine whether internal controls were strengthened subsequent to the audit and to determine if additional adjustments are warranted should control weaknesses persist in the preparation of the Cost Report.

Scope

The MFD performed a limited scope audit of MH. The review included an evaluation of internal controls over Medicaid cost report preparation as well as certain procedures for settlement of the Medicaid cost reports for the fiscal years ended (FYE) December 31, 2005 – December 31, 2009. Our examination was conducted under the authority of the *Medicaid Program Integrity and Protection Act* (N.J.S.A. 30:4D-53 *et seq.*).

Medicaid Fraud Audit Personnel

Supervising Auditor – Yonette Morrison

Auditor in Charge – Richard Goldin

Audit Finding

Based on the audit work performed, MFD determined that MH failed to include related party transactions and dietary management fees adjustments on their FYE December 31, 2005 cost report. This failure resulted from MH filing their FYE December 31, 2005 cost report in May 2006 which was prior to receiving the results of [REDACTED] December 31, 2004 audit which was completed in March 2007. MFD subsequently performed a review of the FYE December 31, 2006 thru December 31, 2009 cost reports. MFD determined that the provider did incorporate the adjustments recommended by [REDACTED] into these cost reports.

Overall, MFD referred the findings of the FYE December 31, 2005 cost report to the DOH to determine if there was any change in reimbursement to the provider. Based on the recalculated cost report and update to the per diem the adjustments resulted in an overpayment of \$50,705 (excluding interest) related to the 2005 cost report.

Recommendation:

We recommend the provider file amended cost reports, whenever they are notified by the audit contractor of any material prior year adjustments noted in their audit reports. Additionally, we recommend that MH repay \$50,705 overpayment (principle) and interest of \$16,079.

Auditee Response:

The provider agrees with the proposed audit adjustments. The 12/31/05 adjustments are consistent with adjustments to the 12/31/04 Medicaid cost report. However, they were not incorporated into the 12/31/05 cost report which was required to be filed before the prior year adjustments were received by the facility. These adjustments have been incorporated into subsequently filed cost reports. The provider also agrees with the recommendation that it file amended cost reports to incorporate material prior year adjustments.

Conclusion

Based on the audit work performed, MFD determined that subsequent to receiving [REDACTED] 2007 audit report, MH's internal controls over the preparation of cost reports appear adequate.