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FOR IMMEDIATE RELEASE
October 18, 2017

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State Contractor Failed to Return Millions in Unspent Public Funds and Interest to the N.J. Department of Human Services

OSC Auditors Find Lack of Contract Oversight and Unauthorized Contract Modifications

TRENTON – An audit conducted by the Office of the State Comptroller’s (“OSC”) Medicaid Fraud Division (“MFD”) of New Jersey’s Personal Preference Program (“PPP”) has revealed that the state Department of Human Services, Division of Disability Services (“DDS”) did not adequately oversee the state’s contractor, Community Access Unlimited, Inc. (“CAU”). OSC also found that CAU violated the state contract by, among other things, retaining unspent public funds that it was required to return to the Medicaid program annually.

The state’s PPP, which serves clients with disabilities, allows DDS clients to access self-directed personal care assistance services. DDS served as the contract manager for the PPP contract and CAU, of Elizabeth, N.J., served as the PPP fiscal agent. As fiscal agent, CAU established bank accounts for program clients, acted as accounts custodian and performed bookkeeping and payroll services.

OSC auditors found that, during the audit period, CAU had retained millions in accumulated unspent program funds, including interest, that should have been returned annually to the Medicaid program. Moreover, CAU possibly derived benefits from these improperly retained PPP funds. Indeed, records reviewed by OSC auditors demonstrate that CAU transferred some of the retained PPP funds to investment accounts managed by the wife of CAU’s Executive Director. The report recommends that DDS and CAU address the return of any unspent program funds and related interest during the contract’s final close out period.

In addition, OSC found that CAU and DDS entered into at least five Memoranda of Understanding which modified the original contract without obtaining proper approvals, as legally required, from the Division of Purchase and Property in the state’s

Department of the Treasury. These unauthorized contract modifications increased CAU's responsibilities and the reimbursements it received and allowed CAU to perform functions that it had been precluded from performing under the original contract. Specifically, one Memorandum of Understanding allowed CAU employees to approve cash management plans that, by contract, only state personnel could approve, which created a potential vulnerability to the state. OSC believes that the unauthorized modifications weakened DDS' ability to administer the PPP contract and permitted CAU's employees to have inappropriate access to state systems.

OSC's auditors discovered numerous other contractual violations including: exceeding the maximum client caseload per employee; a change to contractually mandated billing practices for services rendered; failing to retain payroll processing documents; and failing to meet training and monitoring requirements.

"Our auditors identified serious contract deviations relating to a host of issues, including the failure to return unspent PPP funds annually. Accordingly, we have made specific recommendations to DDS and CAU regarding the repayment of these funds," State Comptroller Philip James Degnan said. "Moreover, we expect that DDS will enhance its oversight of the new PPP contractor and that any future contract modifications will comply with the specific requirements of the contract, state law, and the recommendations set forth in OSC's audit report."

The state contract for the services performed by CAU has been awarded to another vendor. CAU ceased performing these services after June 30, 2017. Accordingly, OSC's additional audit recommendations regarding programmatic changes are only directed to DDS as the state oversight body.

The Medicaid Fraud Division serves as the state's independent watchdog for New Jersey's Medicaid program and works to ensure that the State's Medicaid dollars are being spent appropriately. As part of its oversight role, MFD audits and investigates health care providers, managed care organizations and Medicaid beneficiaries to identify and recover improperly expended Medicaid funds.

Suspected Medicaid waste, fraud or abuse can be reported to the MFD by calling its toll-free hotline at 1-888-937-2835 or by submitting a complaint form located at <http://www.state.nj.us/comptroller/divisions/medicaid/complaint.html>.

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A copy of the audit can be viewed by clicking [here](#).