

LBA Financial Audit Report Summary:
Department of Health and Human Services, New Hampshire Hospital For The Fiscal Year Ended June 30, 2003

Reporting Entity And Scope

The reporting entity and scope of this audit and audit report is the financial operations of the New Hampshire Hospital for the fiscal year ended June 30, 2003. The New Hampshire Hospital is a component of the New Hampshire Department of Health and Human Services, Division of Behavioral Health.

The report describes the financial activity of the Hospital as it existed during the period under audit.

Unless otherwise indicated, reference to the Hospital or NHH refers to the New Hampshire Hospital.

Auditee responses, comments on observations, auditee corrective action plan statements, and date of anticipated completion were provided by the Hospital in coordination with the Division of Behavioral Health.

Organization

The Hospital is a component of the Division of Behavioral Health, a division of the Department of Health and Human Services. Hospital operations are under the direction of the Superintendent who reports to the Division Director. The Division Director reports to the Commissioner of the Department of Health and Human Services.

The Hospital was established in 1842 as the state's public hospital for the care and treatment of the mentally ill. The Hospital is located at 36 Clinton Street, Concord, NH. Facilities include the Acute Psychiatric Services building (APS), Anna Philbrook Center (APC), and eight community Transitional Housing units. The APS is the main Hospital building and is the primary care facility providing treatment and boarding primarily to adult patients. The APS building also houses the administrative offices of the Hospital. The APC facility is used for providing treatment and board to children and adolescents.

At June 30, 2003, the Hospital employed 791 permanent full-time and 101 part-time employees, including 18 unclassified positions.

Responsibilities

The Hospital's mission states, "The Hospital advocates for and provides psychiatric services, which support an individual's recovery toward an authentic sense of personal meaning and optimum health. Work is directed toward evaluating innovative treatment methods and sharing outcomes, which improve the mental health of individuals served."

The Hospital is a State-operated, publicly funded hospital providing a range of specialized diagnostic and therapeutic psychiatric services. The Hospital provides psychiatric and neurological care in two program areas. The objective of both programs is the placement of all patients and residents into the community.

- The first area is acute treatment services for children, adolescents, and adults and elders with severe mental illness.
- The second program is transitional housing services where individuals with limited community placement options live in a residential setting with appropriate treatment.

At June 30, 2003 the APS patient capacity was 184 and actual patient census was 171. At the same point, APC patient capacity was 28 and actual patient census was 19. Transitional Housing resident capacity was 43 and actual residents numbered 39. The average census for fiscal year 2003 for the three facilities was 156, 16, and 34 for the APS, APC, and Transitional Housing, respectively.

Most of the Hospital's admissions are involuntary in nature with the patients found to be dangerous to themselves or others. Many of the remaining voluntary cases meet these criteria and recognize their need for treatment, agree to it and are admitted.

Funding

The Hospital is funded primarily by appropriations from the General Fund. Financial activity of the Hospital is accounted for in the General and Permanent Funds of the State of New Hampshire. A summary of the Hospital's General and Permanent Funds revenues and expenditures for the fiscal year ended June 30, 2003, is in the following table.

Summary Of Revenues And Expenditures

Fiscal Year Ended June 30, 2003

(expressed in thousands)

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
Total Revenues	\$ 42,971	\$ 169	\$ 43,140
Total Expenditures	\$ 57,874	\$ 199	\$ 58,073
Excess (Deficiency) Of Revenues Over (Under) Expenditures	\$ (14,903)	\$ (30)	\$ (14,933)

The auditor's report on the financial statements of the New Hampshire Hospital included a disclaimer of opinion as the New Hampshire Hospital did not have sufficient systems in operation to account for and report revenues from services provided to patients and residents or to report and account for its agency funds.

The audit report included the auditor's reports on compliance and internal control over financial reporting and on management issues. The following is a list of the comments in the report.

Internal Control Comments

Material Weaknesses

- Control Environment Over Financial Operations Needs To Be Improved
- Patient Billing System Needs Improvement
- Controls Should Be Improved Over The Calculation Of Disproportionate Share Revenues

Other Reportable Conditions

BOARD AND CARE REVENUE

- Policies And Procedures Should Be Established For Billing Patient Accounts
- Documented Policies And Procedures Should Be Established For Setting Board And Care Rates
- Segregation Of Duties Should Be Established In The Processing Of Board And Care Invoices
- Policies And Procedures For The Accrual Of Accounts Receivable Must Be Established
- Charges For Transitional Housing Services Should Be Subject To Periodic Reviews
- Transitional Housing Billing Practices Should Be Reviewed
- Controls Over Food Allowances For Transitional Housing Residents Should Be Improved
- Income Of Residents In Federally Supported Housing Should Be Reviewed At Least Annually
- Recovery Of Costs For Patients On Visitation Status At Transitional Housing Should Be Considered
 - Policies And Procedures Should Be Established For Recovery Of Costs Of Educational Services

PAYROLL AND EMPLOYEE RELATIONS

- Effectiveness Of The Time And Attendance Recording Should Be Reviewed
- Weekend Pay Differential Should Be Paid As Negotiated
- Policies For Payment Of Overtime Should Be Consistent And Documented
- All Formal Agreements Between Employee And Employer Should Be Documented
- Payment Of Temporary Salary Increases Should Be Made Only When Authorized
- Propriety And Efficacy Of Having Employees Provide On-Call Medical Physician Services Through Medical Services Contract Should Be Considered
- Necessity And Extent Of On-Call Coverage Should Be Reviewed

OTHER CONTROL COMMENTS

- Formal Fraud Prevention, Deterrence, And Detection Program Should Be Established
- Formal Fraud Reporting Policy Should Be Established
- Controls Over Preparation Of Medicare Cost Report Should Be Improved
- Budgetary Controls Should Not Be Avoided
- Controls Should Be Improved In The Pharmacy
- Policies And Procedures For Making Payments On Medical Services Bills Should Be Established
- Medical Services Should Be Documented According To The Contract Provisions
- Access To Computerized Applications And Data Should Be Restricted To That Necessary To Perform Job Functions
- Controls Over The Receiving Of Purchased Supplies Should Be Improved
- Use Of Numeric Document Controls Should Be Reviewed

HOSPITAL TRUST ACCOUNTS

- Controls Over Client Banking System Must Be Improved

- Estate Monies Held For The Division Should Be Coordinated With The State Treasurer
- Controls Over Disbursements From The Investment Account Should Be Improved
- Trust Fund Expenditures Should Benefit The Purpose Of The Trusts
- Private-Purpose Trust Fund Accounts Should Be In The Custody Of The State Treasurer
- Controls Over Gift Store Operations Should Be Implemented

CAFETERIA OPERATIONS

- Analysis Of Cafeteria Costs Should Include Costs For Labor And Overhead
- Cafeteria Meal Pricing Policies And Procedures Should Be Established
- Accountability Over Cafeteria Cash Register Receipts Should Be Improved
- Food Inventory Should Be Subject To An Inventory Control System

PROPERTY AND EQUIPMENT

- Effective and Efficient Controls Should Be Established For Long-Term Assets And Equipment
- Responsibility For Power-Plant Building And Associated Equipment Should Be Established

Management Issues Comment

- NHH Should Review Continued Performance Of Building And Grounds Maintenance And Other Services Provided To Campus Buildings Operated By Other State Organizations