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December 6, 2001

Mr. Glenn S. Goord
Commissioner
Department of Correctional Services
Building #2, State Campus
1220 Washington Avenue
Albany, NY 12226-2050

Re: Report 2001-F-18

Dear Mr. Goord:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of the Department of Correctional Services (Department) as of September 19, 2001, to implement the recommendations contained in our audit report (Report 97-S-60), *Controls Over Medical Service Expenditures*. Our report, which was issued on June 21, 1999, reviewed the effectiveness of Department and Arthur Kill Facility (Facility) managers in overseeing and managing the Facility's medical service expenditures.

A. Background

The Arthur Kill Correctional Facility, which is part of the New York State Department of Correctional Services, is a medium security prison located on Staten Island. The Facility houses 970 male inmates (age 16 and older) and employs a staff of 450 employees. The Facility contains several dormitories to house the inmates, including eight units for treating alcohol, substance abuse, and a hemodialysis treatment center run by a private contractor. The Facility has academic, vocational, and volunteer service programs. The Facility's annual budget for the fiscal year ended March 31, 2001 was about \$21 million.

The Facility's medical services are classified as Class I, which means that there is a doctor on-site or on-call 24 hours per day. The Facility also has an on-site infirmary and at least one nurse available 24 hours per day. For the 2000-01 fiscal year, the Facility spent nearly \$1.2 million on medical services, including more than \$1 million on personal service.

The Department's Health Services Unit, in conjunction with the Facility Health Services Director, is responsible for overseeing and monitoring Facility health service efforts to ensure high-quality and cost-effective patient care.

B. Summary Conclusions

In our prior audit, we concluded that Department and Facility managers needed to improve their efforts toward developing and maintaining a system of internal controls to ensure that medical service expenditures were necessary and appropriate. The audit identified the need for utilization reviews of Diagnostic Related Groups (DRG) to eliminate overpayment and duplicate payments to outside health care providers. Along with utilization reviews, the Facility also needed to strengthen internal controls over payment of medical vouchers, time and attendance, and overtime. The audit found that the Facility had incurred and paid unnecessary medical costs totaling nearly \$300,000, of which about \$114,000 may have been recoverable from vendors. Also, the Facility needed to update its policies relating to training and monitoring of Medicaid payments and fee schedules. Finally, payroll controls needed to be strengthened to prevent employees from accruing leave that they were not entitled to, or being paid for time not worked.

In our follow-up review, we found that Department and Facility officials have implemented the recommendations contained in our prior audit report. The Facility has entered into a contract with Prison Health Services (PHS), a private approval and payment company that performs utilization reviews of all DRG's. In addition, payments to providers are now made based on updated Medicaid fee schedules. The Facility has also strengthened its time and attendance procedures, and overtime controls.

C. Summary of Status of Prior Recommendations

Department and Facility officials have implemented the ten prior audit recommendations.

Follow-up Observations

Recommendation 1

Monitor facility staff to ensure that they adhere to all Department requirements for the review and approval of hospital admissions, lengths of stay and payments in accordance with the appropriate DRG.

Status - Implemented

Agency Action - Facility staff no longer review and approve hospital admissions, lengths of stay, and payments. This function is now the responsibility of PHS, a private payment and approval service, under contract with the Facility. PHS reviews the DRG using the Department's

computerized Financial Management System (FMS); then it schedules the procedure and processes the payment.

Recommendation 2

Determine the amount of any overpayments to Staten Island University Hospital and request reimbursement from the hospital.

Status - Implemented

Agency Action - The Facility determined that \$35,944 was due from the Staten Island University Hospital, and recovered that amount.

Recommendation 3

Ensure that facility staff are trained on Medicaid/Medicare procedures, that they have updated fee schedules and that all medical vouchers are paid in accordance with the Medicaid fee schedules or approved DOB (Division of the Budget) waivers.

Status - Implemented

Agency Action - Subsequent to our audit, Facility staff were trained in the use of updated New York State Medicaid Management Information System (MMIS) Procedure codes and fee schedules to pay medical vouchers. Currently, PHS, using the MMIS procedure codes and fee schedules, pays these vouchers.

Recommendation 4

Ensure that consultation requests are processed in accordance with Department requirements.

Status - Implemented

Agency Action - Consultation requests are now processed by PHS in accordance with Department requirements. This process was examined as part of an ongoing audit, currently in progress. That audit included a reviewed of the controls over the system for processing medical claims, including consultations.

Recommendation 5

Require the facility to institute procedures to prevent duplicate payments.

Status - Implemented

Agency Action - The Facility updated FMS to include controls to prevent duplicate payments. As cited previously, PHS has access to FMS.

Recommendation 6

Recover the duplicate and overpayments cited in this report.

Status - Implemented

Agency Action - The Facility reviewed the potential duplicate and overpayments that we had identified in our prior audit. The Institution Steward indicated that some were found to be DRG discrepancies and not overpayments. The Facility did conclude and requested reimbursement for \$40,737 in overpayments. Of this amount, it has received \$40,151. The remaining amount (\$586), was disputed by the vendor. A letter dated July 11, 2001 was sent to the vendor from the Institution Steward re-requesting reimbursement.

Recommendation 7

Review facility timekeeping and payroll practices to ensure that established controls are adhered to, and that facility supervisors properly monitor employee time and attendance.

Status - Implemented

Agency Action - The Facility has strengthened its controls over monitoring time and attendance by monitoring sign-in logs that are verified with staff schedules. The Nurse Administrator signs off on staff schedules as well as time cards.

Recommendation 8

Recoup the overpayments identified in this report.

Status - Implemented

Agency Action - The Facility has recouped either the excess leave accruals or the overpayments from the employees, as appropriate.

Recommendation 9

Review the scheduling of facility nursing personnel to ensure it is efficient and in accordance with Department requirements.

Status - Implemented

Agency Action - According to the Nurse Administrator, nursing staff are scheduled on the basis of need. The Nurse Administrator identifies the daily need of nursing personnel and appropriately assigns staff. Reconciliations are performed to ensure that adequate staffs were assigned to meet the needs of the Facility. The Department does not require a specific

number of staff, although the need assessment process that the Nurse Administrator goes through appears to be an adequate procedure.

Recommendation 10

Monitor Facility overtime to ensure that it both is necessary and approved prior to the onset of the overtime hours.

Status - Implemented

Agency Action - All overtime has to be approved by the Nurse Administrator, the Nurse Administrator verifies worked overtime with the scheduled daily overtime. A memorandum from the Nurse Administrator to all nurses regarding overtime says: "I have noticed that most Nurses require overtime to complete their assignment for each day. However, overtime must be reasonable. In an event when overtime exceeds $\frac{1}{2}$ to 1 hour, all workload, which may be delegated, should be handed over to the next shift for completion. All overtime which may exceed 1 hour requires my approval." The overtime worked is compared with the scheduled overtime and the work that was to be completed is also verified.

Major contributors to this report were Joe Chesna and Ron Skantze.

We wish to thank the management and staff of the Department of Correctional Services for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

William P. Challice
Audit Director

cc: Don Felter
Deirdre Taylor