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OFFICE OF THE STATE COMPTROLLER

March 18, 2004

Mr. Glenn Goord
Commissioner
NYS Department of Correctional Services
State Office Campus, Building 2
Albany, NY 12226

Re: Report 2003-F-38

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 followed up on the actions taken by the Department of Correctional Services (Department) to implement the recommendations contained in our audit report, *Health Care Services Provided to Inmates Outside of Correctional Facilities* (Report 2001-S-21).

Background, Scope and Objectives

The Department is responsible for providing comprehensive health care services to approximately 68,700 inmates residing in more than 70 correctional facilities located throughout the State. The services may be provided by Department physicians who tend to inmates at correctional facility infirmaries, or they may be provided by specialist physicians who tend to inmates at hospitals, clinics and other medical facilities located outside correctional facilities (such as one of DOCS' five Regional Medical Units). For fiscal year 2002, the total cost to the Department for all the medical services provided to inmates was about \$216 million.

Our initial audit report, which was issued on May 16, 2002 determined whether: (1) services were provided in a timely manner consistent with the referring physicians' guidelines with evidence of appropriate follow-up; (2) controls are in place to protect the integrity of the data on the inmate health care services system (FHS1); and (3) claim payment system controls are sufficient to provide reasonable assurance that only proper payments are made to providers for authorized medical services that were actually provided. Our report identified a number of areas that could be improved. In particular, outside medical services were not always provided in a timely manner, and may not always have been followed up on by the referring physicians. We also found that improvements were needed in the referral process and controls over the FHS1 system and the

process to pay bills also needed improvement. The objective of our follow-up, which was conducted in accordance with Generally Accepted Government Audit Standards, was to assess the extent of implementation, as of February 25, 2004, of the 14 recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Department officials have made some progress in correcting some of the problems we identified. However, additional improvements are needed. Of the 14 initial audit recommendations, seven recommendations have been implemented, three recommendations have been partially implemented, and four recommendations have not been implemented.

Follow-up Observations

Recommendation 1

Take steps to improve the extent to which outside medical services are provided to inmates within the time frames indicated by facility physicians. One way to accomplish this objective would be, when feasible, to send inmates to other clinics when the contracted providers are unable to accommodate the inmates within the requested time frames.

Status - Implemented

Agency Action – Department personnel showed us how they adjusted their scheduling practices to improve the timeliness of outside medical services to inmates. When an appointment cannot be obtained within the specified timeframe, facilities are permitted to send the inmate to other locations if the delay is determined to be medically unacceptable. Department staff retrospectively review specialty care service specific FHS1 reports on scheduling activity to identify services in need of attention.

Recommendation 2

If the urgency level of an outside medical service is changed from the level indicated by the referring facility physician, document the reason for the change.

Status - Implemented

Agency Action – We confirmed that Central Office/Nursing Services staff can no longer change the level of service once the facility physician inputs the data.

Recommendation 3

Monitor facilities' compliance with the requirement that the referring physician sign the referral form after the outside service is provided.

Status - Implemented

Agency Action – We observed that the Department's Quality Improvement Program Review now

includes verifying facility compliance with the requirement that the referring physician sign the referral form after the outside service is provided.

Recommendation 4

Consider the feasibility of establishing a process in which the referring facility physician enters referral information directly on the FHS1 system. If this is not feasible, improve accountability over the referral forms by having them logged or pre-numbered.

Status - Partially Implemented

Agency Action - The Department is currently in the first year of a three-year plan to install equipment in facility exam rooms and physician offices that allow physicians to directly input the referral form information onto the FHS1 system.

Recommendation 5

Document the design and development of the FHS1 system.

Status - Not Implemented

Agency Action - While extensive supporting documentation for all changes made to the system is maintained by the Department, it has maintained little supporting documentation for the original design and development of the system and related software applications. Department officials do not believe it is necessary, in light of other undertakings, to document the initial design and development of the FHS1 System.

Recommendation 6

Establish controls which prevent unauthorized users from accessing the FHS1 system. Deny access to users who have not used the system for an extended period of time.

Status - Partially Implemented

Agency Action - The Department has refined the FHS1 system to track all employees that access it. Department officials use reports produced by the system to monitor employee access to the system. However, this process is not timely, as the reports and associated monitoring only occur quarterly.

Recommendation 7

Establish controls that restrict FHS1 system users to the functions in the system that are needed to perform their duties.

Status - Implemented

Agency Action - The Department changed the FHS1 system access protocols to restrict users to only those functions that they need to perform their duties. Department officials provided us with a demonstration of how these controls work.

Recommendation 8

Establish controls which log off users of the FHS1 system after a designated period of inactivity.

Status - Partially Implemented

Agency Action - While the FHS1 system is designed to log off a user after a period of inactivity, usually 15 minutes, this control has not yet been implemented in all correctional facilities. Instead, the Department relies on its quarterly review (see Recommendation 6) of user activity.

Recommendation 9

Add automated edits to the FHS1 system that enhance the system's ability to identify possible errors in the billing information entered on the system.

Status - Not Implemented

Agency Action - According to Department officials, it is not feasible, at this time, to invest the additional time and resources that would be needed to gather and maintain the data required to incorporate these edits into the claim entry process of the FHS1 system.

Recommendation 10

Establish batch controls over referral forms for as long as such forms are the source of the referral information that is entered on the FHS1 system.

Status - Implemented

Agency Action – We verified that batch controls over referral forms have now been established.

Recommendation 11

Prior to approving payment, verify billed services against medical reports or other documentation from the medical provider indicating that the services were actually provided.

Status - Not Implemented

Agency Action - According to Department officials, the verification of services would have to be done at the facility level where the medical records are maintained. Instead, the Department uses the FHS1 automated scheduling system, which links clinic appointments to the date of service, to verify services. Department officials believe this system provides appropriate documentation, and allows for centralized oversight and prompt payment to providers for services rendered. However, this process does not provide verification from the provider that the billed services were actually rendered.

Recommendation 12

Obtain medical reports for the 21 instances where documentation of services provided were missing. (As of March 10, 2002, DOCS [Department of Correctional Services] was able to provide us with four of the requested reports.)

Status - Implemented

Agency Action - The Department provided us with the documentation related to the remaining 17 instances of missing medical service records.

Recommendation 13

Recover the overpayment of \$764.

Status - Implemented

Agency Action - The Department provided documentation that it recovered this overpayment.

Recommendation 14

Provide Training to Budget and Finance Office staff regarding the proper completion of DRG [Diagnostic Regional Group] Worksheets.

Status - Not Implemented

Agency Action - The Department did not provide the recommended training. As an alternative, Department officials said that the Office of the State Comptroller (OSC) reviews these expenditures since January 2003, which it believes ensures the proper coding of DRGs. However, OSC relies on the accuracy of the data it receives from the Department's Budget and Finance Office.

Major contributors to this report were Richard Sturm, Donald Wilson, and Michael Filippone.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Department for the courtesies and cooperation extended to our auditor during this process.

Very truly yours,

William P. Challice
Audit Director

cc: Leo Bisceglia
Deirdre Taylor