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**INDEPENDENT STATE AUDITOR'S REPORT
ON THE UNIVERSITY OF MASSACHUSETTS
MEDICAL SCHOOL'S ADMINISTRATION OF ITS
CORRECTIONAL HEALTH SERVICES CONTRACT
JANUARY 1, 2004 THROUGH JUNE 30, 2005**

**OFFICIAL AUDIT
REPORT
JANUARY 16, 2007**

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INTRODUCTION**1**

On September 18, 2002, the state's Department of Correction (DOC) awarded to the University of Massachusetts Medical School (UMMS) a four-year contract, which commenced on January 1, 2003. Under the terms and conditions of the contract, UMMS is required to provide a comprehensive program of medical, mental health, dental, and forensic mental health services to all inmates, male and female, adult and minor, residing in facilities or committed to the care and custody of DOC. During fiscal year 2005, UMMS began negotiating for additional funding from DOC to help cover the net losses UMMS claimed to have incurred under this contract. Consequently, DOC's Commissioner requested that the Office of the State Auditor (OSA) conduct an audit of DOC's contract with UMMS, stating, in part; "Before the Department contemplates the commitment of additional public funds to the provision of prison health services, I wish to ensure that the current level of funding is being utilized as efficiently and effectively as possible."

Based on DOC's request, the OSA initiated a special-scope review of certain activities of UMMS relative to its administration of this comprehensive health services contract. Our review was conducted in accordance with applicable generally accepted government auditing standards for performance audits issued by the Comptroller General of the United States and included such audit procedures and tests as we considered necessary to meet these standards.

Our audit procedures consisted of (1) reviewing UMMS's response to DOC's Request for Responses for this contract, to assess the reasonableness of this proposal in terms of UMMS's proposed costs and provision of services; (2) assessing UMMS's system of internal controls relative to the administration of this contract, including UMMS's system for allocating contract costs to applicable prison facility sites; (3) testing UMMS's contract costs to ensure that expenses incurred under this contract were reasonable, allowable, and allocable to the contract; and (4) reviewing UMMS's requests for additional contract funding to determine the nature and validity of these requests.

Our audit identified that during the period covered by our audit, the controls UMMS had established over the administration of its contract with DOC needed to be improved. As a result, UMMS was unable to develop requests for additional funding from DOC that were fully supported by its financial records and was not able to substantiate some of the expenses it billed against this contract for the services of certain professional staff members.

In December of 2005, UMMS presented its most recent request for additional funding to DOC, which totaled \$10,251,615 covering fiscal years 2005 and 2006. Of this amount, UMMS was seeking reimbursement for \$2,124,444 of fiscal year 2005 expenses that it had already incurred above and beyond what was authorized by its contract with DOC. For fiscal year 2006, UMMS requested \$8,127,171, of which \$5,085,473 was used to continue paying for the additional expenses it incurred during fiscal year 2005, as well as cost of living adjustments for staff. The remaining portion of UMMS's fiscal year 2006 request, \$3,041,698, was for anticipated expenses needed for future DOC initiatives and other items. As detailed in this report, we tested \$2,071,767 of the \$2,124,444 in additional expenses that UMMS said it had incurred during fiscal year 2005, and were able to substantiate that UMMS

had in fact incurred at least \$1,281,146 of these expenses. Further, during the conduct of our audit work, UMMS made enhancements to its internal controls over this contract, which UMMS officials believe will provide better assurance that all future expenses billed and requests for additional funding made by UMMS will be fully substantiated by UMMS records.

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UMMS'S ADMINISTRATION OF ITS MEDICAL SERVICES CONTRACT WITH DOC LACKED CERTAIN CONTROLS THAT RESULTED IN UMMS NOT BEING ABLE TO DEVELOP REQUESTS FOR ADDITIONAL FUNDING THAT ARE FULLY SUPPORTED BY ITS FINANCIAL RECORDS AND TO SUBSTANTIATE SOME OF THE EXPENSES IT BILLED FOR THE SERVICES OF CERTAIN PROFESSIONALS UNDER THIS CONTRACT

According to Generally Accepted Accounting Principles (GAAP) and Chapter 647 of the Acts of 1989, entities such as UMMS are required to establish adequate internal controls over all aspects of their operations. However, during the period covered by our audit, we found that the internal controls that UMMS had established relative to the administration of its medical services contract with DOC could be improved. Specifically, UMMS could have developed more documentation relative to its original cost proposal for this contract, developed a cost allocation plan to ensure that all contract costs are properly identified and accounted for by program site, and established better controls over the reporting of hours worked by psychiatrists, doctors, and a nurse practitioner. As a result of the problems with UMMS's internal controls that we identified during our audit period, UMMS was not able to develop request(s) for additional funding from DOC that were fully supported by its financial records, and was not able to substantiate some of the expenses it billed against this contract for the services of certain professional staff members.

INTRODUCTION

Background

On September 18, 2002, the state's Department of Correction (DOC) awarded to the University of Massachusetts Medical School (UMMS) a four-year contract, which commenced on January 1, 2003. Under the terms and conditions of this contract, UMMS is required to provide a comprehensive program of medical, mental health, dental, and forensic mental health services to all inmates, male and female, adult and minor, residing in facilities or committed to the care and custody of DOC. These medical services include all medical, dental, laboratory, and hospitalization/inpatient care, including primary, secondary, and tertiary levels; outpatient/medical clinic care; and all other health care services.

In return for these services, UMMS receives a per diem rate based upon the size of DOC's inmate population. Specifically, UMMS receives, on average, \$11.43 per inmate per day to serve a base inmate population of 10,000 inmates. Under this contract UMMS can also receive, on average, a \$2.23 per diem incremental rate adjustment whenever DOC's average monthly inmate population exceeds 10,400 inmates or falls below 9,600 inmates. For example, if DOC's average monthly inmate population rose to 10,410 inmates, UMMS would receive, on average, an additional \$22.30 per day for the month in question ($[10,410 - 10,400] \times \2.23). In addition, this contract provides UMMS, on average, \$126.04 per patient per day to serve patients at Bridgewater State Hospital. This rate is applied to a base population of 300 patients regardless of the actual number of patients admitted to the hospital. The table below summarizes the per diem rates UMMS was eligible to receive under this service contract for calendar years 2003 through 2006.

	Calendar Year 2003	Calendar Year 2004	Calendar Year 2005	Calendar Year 2006	Contract Average
Base Rate 10,000	\$10.89	\$11.24	\$11.60	\$11.98	\$11.43
Adjustment under 9,600	(\$2.05)	(\$2.16)	(\$2.28)	(\$2.41)	(\$2.23)
Adjustment over 10,400	\$2.05	\$2.16	\$2.28	\$2.41	\$2.23
Bridgewater State Hospital	\$120.40	\$124.08	\$127.88	\$131.79	\$126.04

During fiscal years 2004 and 2005, UMMS generated revenue totaling \$109,375,488 under this contract. In addition, UMMS generated supplemental revenue totaling \$1,656,368 as a result of

providing services and medical personnel that exceeded levels required under the terms and conditions of the contract. During this period, UMMS also received several state grants totaling \$873,038 from DOC to help serve the state's prison population. Finally, UMMS's reported contract expenses during the period totaled \$116,970,698. Consequently, as detailed in the table below, UMMS reported net contract losses for these two fiscal years totaling \$1,688,957 and \$3,376,847, respectively.

	Fiscal Year 2004	Fiscal Year 2005	Total
Revenue			
Per Diem Reimbursements	\$53,913,254	\$55,462,234	\$109,375,488
Supplemental Revenue	611,661	1,044,707	1,656,368
Grants	<u>246,448</u>	<u>626,590</u>	<u>873,038</u>
Total Revenue	<u>\$ 54,771,363</u>	<u>\$ 57,133,531</u>	<u>\$111,904,894</u>
Expenses			
Employee Salary/Benefits	\$ 37,619,200	\$ 39,131,917	\$76,751,117
Employee-Related Expenditures	166,250	224,668	390,918
Special Employees	2,386,780	2,087,583	4,474,363
Contract Services	13,822,936	16,453,941	30,276,877
Operating Services	2,217,692	2,420,997	4,638,689
Energy and Space	125,299	146,053	271,352
Equipment	122,163	45,219	167,382
Overhead	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$56,460,320</u>	<u>\$ 60,510,378</u>	<u>\$116,970,698</u>
Profit/(Loss)	<u>\$(1,688,957)</u>	<u>\$(3,376,847)</u>	<u>\$(5,065,804)</u>

Subsequent to the award of this contract, UMMS received additional funding from DOC totaling \$611,661 in fiscal year 2004 and \$1,044,707 in fiscal year 2005. Of this amount, UMMS received \$586,231 and \$709,466, respectively, for assuming responsibility for substance abuse services at the Massachusetts Alcohol and Substance Abuse Center (MASAC). DOC requested UMMS to take on these additional services, which were previously provided by another vendor. Moreover, a portion of the \$586,231 and \$709,466 was provided to UMMS to fund 2.9 full-time equivalent (FTE) positions to help accommodate an increase in civil commitments to MASAC. UMMS received the remaining amounts, \$25,430 and \$335,241, respectively, for providing additional medical staff at

DOC's Massachusetts Correctional Institution (MCI) Framingham facility beyond what was allowed under its contract. According to UMMS officials, due to an increase in the number of women who are civilly committed for detoxification services to MCI Framingham, DOC agreed that additional medical staff consisting of .5 FTE medical doctors, 3.3 FTE Licensed Practical Nurses (LPNs), and 4.2 FTE nursing assistants were necessary at this site to adequately provide program services.

During fiscal year 2005, UMMS began negotiating with DOC for additional funding to help cover the net losses UMMS claimed to have incurred under this contract. In this regard, UMMS officials stated that the changing medical complexity of inmates at the MASAC facility dictated the need for additional services. These additional services were not being funded either by the contract or the additional funding DOC was allowing UMMS to bill for staff and services at this facility. Because UMMS was not satisfied with the level of funding DOC provided for MASAC, in a letter dated March 31, 2005, UMMS notified DOC that it would no longer provide services to inmates at MASAC by stating:

You are hereby notified that effective May 1, 2005, the University of Massachusetts, through its office of Correction Health Services, will no longer provide health services to inmates at the Massachusetts Alcohol and Substance Abuse Center (MASAC).

As we previously advised you, we do not believe that health services for inmates committed to the MASAC unit are within the scope of services covered by the ISA between the Department and the University. The ISA requires that a written instrument agreed to and executed by the parties must document any amendment to the scope and the parties have not reached such an agreement. Our provision of these services does not constitute either acceptance of these services as additional contract terms, or a waiver of any rights we may have under the contract. The University reserves its right to seek reimbursement or compensation from the Department for any and all costs we have incurred to provide the MASAC services.

According to UMMS, on April 8, 2004, it received a letter from DOC that stated a MASAC withdrawal constituted a breach of contract, threatened a law suit against UMMS, and notified UMMS that DOC had requested a state audit of the Correctional Health program's finances. UMMS informed us that it deferred to the legal position that MASAC was not a segregable and separately cancelable engagement and welcomed the audit review to assist the parties in understanding the impact of the changed environmental conditions and appropriateness of additional reimbursement.

In March 2005, UMMS projected that it would incur an annual loss of approximately \$4.6 million for providing services under this contract during fiscal year 2005. UMMS subsequently reduced its

projected loss estimate to approximately \$3.7 million and, as detailed in the preceding table, eventually reported a \$3,376,847 loss in its internal financial statements for this contract for fiscal year 2005. However, DOC officials told us that they were not sure that the amount of losses that UMMS said it was incurring under this contract and its resulting requests for additional funding were accurate and reasonable. Consequently, DOC has not provided UMMS with any additional funding for fiscal year 2005 other than the per diem reimbursement amounts UMMS was entitled to receive under this contract and the agreed-upon additional funding for MASAC and MCI Framingham.

According to both DOC and UMMS officials, both agencies met throughout fiscal year 2005 and continue to meet to determine whether DOC should provide UMMS with any additional funding under this contract. However, as of the end of our audit fieldwork, this matter still had not been resolved. It should be noted that, according to UMMS officials, UMMS also plans to request an additional \$8.1 million from DOC for fiscal year 2006. According to UMMS officials, these additional funds would be used for cost-of-living adjustments, increased outpatient services for MASAC inmates, the hiring of additional clinical staff, the implementation of new DOC initiatives, increased support to the Lemuel Shattuck Hospital, and other changes in contract initiatives.

Audit Scope, Objectives, and Methodology

On April 1, 2005, DOC requested that the Office of the State Auditor (OSA) conduct an audit of DOC's contract with UMMS for the provision of comprehensive health services to the Massachusetts prison population. In the request, DOC's Commissioner stated:

Before the Department contemplates the commitment of additional public funds to the provision of prison health services, I wish to ensure that the current level of funding is being utilized as efficiently and effectively as possible. . . .

Based on DOC's request, we initiated a special-scope review of certain activities of UMMS relative to its administration of the contract with DOC for the provision of comprehensive health services to the Massachusetts prison population. Our review was conducted in accordance with applicable generally accepted government auditing standards for performance audits issued by the Comptroller General of the United States and included such audit procedures and tests as we considered necessary to meet these standards.

Our audit procedures consisted of the following:

1. Reviewing UMMS's response to DOC's Request for Responses for the provision of comprehensive health services to the Massachusetts prison population to assess the reasonableness of this proposal in terms of UMMS's proposed costs and the provision of services.
2. Assessing UMMS's system of internal controls relative to the administration of this contract, including UMMS's system for allocating contract costs to applicable prison facility sites.
3. Testing UMMS's contract costs to ensure that expenses incurred under this contract were reasonable, allowable, and allocable to the contract.
4. Reviewing UMMS's request(s) for additional contract funding to determine the nature and validity of these requests.

In order to achieve our objectives, we first assessed the system of internal controls UMMS had established over its operations relative to the administration of its contract with DOC. The purpose of this assessment was to obtain an understanding of management's attitude, the control environment, and the flow of transactions through UMMS's accounting system. We used this assessment in planning and performing our audit tests. We then held discussions with DOC and UMMS officials and reviewed various documents, including UMMS's original proposal for the contract, contract award documents, UMMS's internal policies and procedures, and all applicable laws, rules, and regulations. We examined UMMS's financial statements, budgets, cost reports, invoices, time and attendance records, and other pertinent financial records relative to this contract to determine whether expenses incurred by UMMS under its DOC contract were reasonable, allowable, allocable, properly authorized and recorded, and in compliance with applicable laws, rules, and regulations.

Our special-scope review was not made for the purpose of expressing an opinion on UMMS's general-purpose financial statements. Rather, our report was intended to report findings and conclusions solely on the reasonableness of expenditures being billed by UMMS under this contract; the reasonableness of the additional funding requests made by UMMS relative to this contract; and specific financial processes, methods, and internal controls relative to UMMS's administration of this contract that can be made more efficient or effective. Also, although we did not assess the overall quality and appropriateness of the program services being provided by UMMS under its contract with DOC, nothing came to our attention that would lead us to believe that there was a

problem with the overall quality of services UMMS provided under this contract. DOC did examine the quality of UMMS's staffing for all disciplines at all facilities during its evaluation of the proposal UMMS submitted for this contract. In fact, 20% of the overall points awarded by DOC during this process were attributable to the qualifications and credentials of each bidder's proposed staff. Of the three entities that submitted a proposal to DOC, UMMS received the highest number of points for staffing.

As noted above, one of the objectives of our audit was to review UMMS's response to DOC's Request for Responses for the provision of comprehensive health services to the Massachusetts prison population to assess the reasonableness of this proposal in terms of UMMS's proposed costs and the provision of services. However, our ability to conduct this assessment was limited. Specifically, during our audit, we requested UMMS to provide detailed information regarding the development of its contract proposal. We wanted to review this information to assess the reasonableness of the estimates UMMS used in developing its proposal for this contract. In response, UMMS initially provided an expense budget for the first year of the contract that detailed its estimated cost of providing services under the contract. This expense budget consisted of only eight cost components, and for many of these, UMMS could not provide detailed supporting schedules, analyses, or other documentation to further detail these anticipated costs or the methodology used to develop its contract rates. Subsequent to the end of our audit fieldwork, UMMS provided us with a second document that was represented as being an archived file showing the budgetary information that UMMS used in developing its response to the RFR. However, again UMMS officials did not indicate how some of the projected costs in this new document were calculated. Consequently, this limited our ability to determine whether or not some of the estimates that UMMS used in developing its cost proposal for the DOC contract were reasonable. While there is no statutory requirement that bidders maintain this type of information, it is a prudent management practice and would have provided documentation so that an independent reviewer such as the OSA could substantiate the reasonableness of the cost proposal submitted by UMMS for this contract.

At the conclusion of our audit fieldwork, we provided UMMS officials with a copy of our draft audit report for their review and comments. The comments provided by UMMS officials were considered in making revisions to our final report.

AUDIT RESULTS

UMMS'S ADMINISTRATION OF ITS MEDICAL SERVICES CONTRACT WITH DOC LACKED CERTAIN CONTROLS THAT RESULTED IN UMMS NOT BEING ABLE TO DEVELOP REQUESTS FOR ADDITIONAL FUNDING THAT ARE FULLY SUPPORTED BY ITS FINANCIAL RECORDS AND TO SUBSTANTIATE SOME OF THE EXPENSES IT BILLED FOR THE SERVICES OF CERTAIN PROFESSIONALS UNDER THIS CONTRACT

According to Generally Accepted Accounting Principles (GAAP), and Chapter 647 of the Acts of 1989, entities such as the University of Massachusetts Medical School (UMMS) are required to establish adequate internal controls over all aspects of their operations. However, during the period covered by our audit, we found that the internal controls that UMMS had established relative to the administration of its medical services contract with the state's Department of Correction (DOC) could be improved. Specifically, UMMS could have developed more documentation relative to its original cost proposal for this contract, developed a cost allocation plan to ensure that all contract costs are properly identified and accounted for by program site, and established better controls over the reporting of hours worked by psychiatrists, doctors, and a nurse practitioner. As a result of the problems with UMMS's internal controls that we identified during our audit period, UMMS was not able to develop request(s) for additional funding from DOC that were fully supported by its financial records, and was not able to substantiate some of the expenses it billed against this contract for the services of certain professional staff members.

According to GAAP, entities such as UMMS should establish and implement an adequate internal control system over all aspects of their operations to ensure that contracts are properly administered; goals and objectives are met; resources are used in compliance with laws, regulations, and policies; assets are safeguarded against waste, loss, and misuse; and financial data are accurately maintained, reported, and fairly disclosed in reports. In addition, an entity's internal control system should include a set of detailed subsidiary policies and procedures that would communicate responsibilities and expectations to subordinate staff throughout the organization. These policies and procedures would provide direction to employees on how to complete various business functions, such as budgeting, the allocation of costs, and the recording and processing of payroll. Further, Chapter 647 of the Acts of 1989 entitled; "An Act Relative to Improving Internal Controls Within State Agencies", requires all state agencies to

establish adequate internal controls so that all transactions and other significant events are clearly documented and properly classified.

As mentioned in the Background section of this report, in September 2002, DOC awarded a four-year contract to UMMS to provide a comprehensive program of health services for all of the inmates residing in DOC's facilities, to commence on January 1, 2003. During our review, we assessed the system of internal controls UMMS had in place relative to the administration of this contract. Based on our review, we noted several areas where the internal controls UMMS had established in this area could have been improved, as detailed below:

a. UMMS Was Unable to Adequately Support Some of the Costs in Its Requests to DOC for Additional Funding

During our audit, we identified some problems with the expenses that were included in the requests for additional funding that UMMS was developing and ultimately submitted to DOC. A description of these problems follows:

Analysis of UMMS's Fiscal Year 2005 Supplemental Funding Request Process

As previously noted, at the beginning of our audit, DOC officials informed us that UMMS indicated that it was going to be incurring a projected loss of approximately \$4.6 million under its contract with DOC as the result of additional contract expenses that UMMS said it incurred during fiscal year 2005. According to UMMS officials, the loss was based upon three factors that had created significant deficits for UMMS under this contract. First, nursing costs, including salary, fringe benefits, and hiring bonuses, had escalated beyond amounts the UMMS officials had originally anticipated. Second, certain DOC operating policies (an example of which is discussed below) had prevented UMMS staff from performing their contracted duties in a timely and efficient manner. Third, UMMS officials told us that UMMS's costs of providing services at DOC's Massachusetts Alcohol and Substance Abuse Center (MASAC) had increased beyond anticipated amounts due to an increase in civil commitments and the acuity levels of inmates at the facility.

As part of our audit, we conducted tests to determine the reasonableness of the explanations given by UMMS for this projected \$4.6 million loss. First, based on our testing, we determined that UMMS had in fact increased salaries and benefits for nurses during the

period January 1, 2003, through June 30, 2005. However, these increases did not appear to result from unanticipated changes to salary rates or fringe benefit levels, since UMMS budgeted a 3% annual increase in total contract costs for this contract. Based on our review, UMMS did not substantially increase nursing salaries and benefits above the 3% budgeted amount until fiscal year 2006. During that time, UMMS increased nursing salaries and benefits by approximately 16%. We also found that during this period, UMMS hired staff at a level above the amount required by DOC's contract, which was the most significant factor in the agency's increase in nursing costs during this period.

Second, we found that UMMS could not substantiate its assertion that certain DOC policies/practices adversely affected its delivery of services at prison facilities. For example, UMMS asserted that DOC does not replace correctional officers who are temporarily out on medical leave, which they claimed can occasionally prevent the timely transport of inmates and efficient delivery of health services. However, UMMS could not provide us with any specific details or documents relative to the effect, if any, that changes in DOC's policies/practices had upon service delivery. Therefore, the extent to which DOC's policies/practices contributed to UMMS's contract deficit during fiscal year 2005 could not be determined.

Third, UMMS and DOC officials agreed that MASAC's prison population had changed since DOC had issued its original Request for Responses. Specifically, the Department of Public Health had reduced the number of detoxification beds that it funded throughout the Commonwealth, which resulted in a greater number of civil commitments to MASAC. Also, the acuity level of prison inmates was changing and required an increase in chronic care visits, emergency room visits, hospital admissions, and outside specialty consults. These changes required UMMS to provide additional staff and services at this facility, which warranted some level of supplemental funding from DOC. In this regard, DOC negotiated with UMMS and agreed to provide \$709,463 and \$586,231, respectively, during fiscal years 2005 and 2004 to fund 7 FTEs for additional substance abuse staff and 2.9 FTEs for other medical staff at MASAC. However, as detailed throughout this report, UMMS believed that this additional funding was not sufficient to cover the resources needed to address the changing acuity level of inmates at MASAC. Consequently, we found that the additional staffing provided by UMMS at MASAC exceeded the level negotiated by the two parties.

Subsequent to assessing the reasonableness of UMMS's aforementioned assertions, we conducted testing to determine the accuracy of supplemental funding requests that UMMS made to DOC during fiscal year 2006. The results of our testing in this area are as follows:

Supplemental Funding Request

Subsequent to informing DOC that it was going to incur an approximate \$4.6 million deficit under its contract for fiscal year 2005, UMMS developed and submitted a formal supplemental funding request to DOC that totaled \$10,198,441. In this request, UMMS requested funding to cover its fiscal year 2005 cost overruns and also requested additional funding to cover its projected shortfalls for fiscal year 2006. This request included funding for additional staff, cost-of-living adjustments, increased third-party contract costs, and new service initiatives. During our audit, we reviewed the documentation UMMS was maintaining in support of the amounts it was requesting and noted several issues. First, this request included \$1,494,146 for additional staff that UMMS claimed (1) was utilized throughout DOC's prison facilities during fiscal year 2005 and (2) was based on nine months of actual costs projected over a year. However, we found that in this request, UMMS used staffing estimates provided by on-site managers, rather than actual payroll records, to develop this requested amount. In addition, UMMS's quarterly staffing reports, which it submitted to DOC, revealed inconsistencies between its estimated and reported staffing levels. In certain instances, UMMS overestimated employee hours at certain sites and underestimated hours at other prison sites. For example, our audit testing identified that at one DOC facility, the Massachusetts Treatment Center, UMMS represented that it was providing, on average, 35 hours per month of physician services above the contract requirement; however, according to staffing reports UMMS submitted to DOC, UMMS was actually providing, on average, only 11 additional hours per month at this facility. Similarly, for MCI Cedar Junction, UMMS's funding request indicated that, on average, 35 additional hours of Registered Nurse (RN) services per month were being provided. Yet, according to UMMS's staffing reports, UMMS was actually providing, on average, 179 additional hours per month. Consequently, the estimates used by UMMS to derive this \$1,494,146 figure may not reflect the actual cost overruns incurred by UMMS for these services during the period. The table below details the staffing discrepancies we found between UMMS's funding request and the monthly staffing

reports it submitted to DOC during fiscal year 2005 for Medical Doctors (MD), Registered Nurses (RN), and Licensed Practical Nurses (LPN) in the areas tested.

Facility	Position	Additional Hours Requested	Additional Hours Supported By Staffing Reports	Difference
Baystate/Norfolk Correctional Center	MD	0	(18)	(18)
MCI Cedar Junction	RN	35	179	144
	LPN	69	18	(51)
MCI Concord	MD	69	59	(10)
	NP	17	100	83
	LPN	312	218	(94)
	RN	173	318	145
MCI Framingham	NP	173	14	(159)
	RN	69	84	15
	LPN	329	773	444
MCI Gardner	MD	35	31	(4)
	RN	104	210	106
	LPN	43	166	123
MASAC	RN	260	622	362
	LPN	69	339	270
MCI Norfolk	RN	35	210	175
	LPN	208	470	262
Old Colony Correctional Center	MD	(17)*	38	55
	RN	485	462	(23)
	LPN	(69)*	39	108
MCI Plymouth	MD	17	1	(16)
Pondville Correctional Center	MD	17	17	0
MCI Shirley	RN	191	226	35
	LPN	243	345	102
Souza Baronowski Correctional Center	RN	(520)*	(112)	408
	LPN	520	774	254
Mass Treatment Center	MD	35	11	(24)
	LPN	173	124	(49)

* UMMS believed that it utilized fewer MDs, LPNs, and RNs at the Old Colony and Souza Baronowski facilities than required under the terms of the contract. Consequently, UMMS's request, in part, depicted a negative staffing request to DOC. Although this adjustment reflects a good faith effort by UMMS to submit a balanced staffing request to DOC, our review of UMMS's staffing reports found discrepancies with these amounts as detailed in the table.

Also included within UMMS's supplemental funding request to DOC was \$387,234 to cover what UMMS represented as being unanticipated services provided by outside contractors to the inmate population at MASAC during fiscal year 2005. In this regard, UMMS required services of outside contractors to provide hospitalization, laboratory work, ambulance services, and other related services to this inmate population. UMMS originally estimated the cost of these services based upon historical data provided by DOC during the RFR process. However, as previously reported, the acuity level of inmates at MASAC had undergone a significant change since UMMS was first awarded the medical services contract. According to UMMS officials, this change in the makeup of the inmate population required UMMS to rely more heavily upon third-party contractors to provide the required additional services. However, our review of the documentation UMMS was maintaining relative to these expenses revealed that UMMS incurred only an additional \$167,317 in expenses for these outside contractor services during fiscal year 2005, which was \$219,917 less than it was requesting from DOC.

During our review of this supplemental funding request, we also noted that UMMS requested funds for specific prison sites, although their accounting system did not identify and allocate costs attributable to each facility, but rather accounted for all expenses within a single fund. However, in this matter UMMS officials informed us that they had addressed this problem by stating in part:

In fiscal year 2005, The University of Massachusetts Medical School Commonwealth Medicine Correctional Health Program (UMMS) established site-based expense allocations for salary and wages based upon actual expenses incurred at each site for these resources. Subsequent to that time and based upon a robust history of site-based expenses, and the implementation of expense allocation methodologies based upon inmate service utilization, site-based budgets and financial reports were developed and launched in fiscal year 2006. These reports have been developed based upon the following assumptions:

- a. Revenue based on monthly/yearly inmate census*
- b. Salaries and wages tracked to location of hours worked*
- c. Contracted services*
- d. Inmate movement ("trips out") used as the basis for allocating capitated expenses by site (Lemuel Shattuck, e.g.)*

- e. *Claims paid by site used as the basis for all other contracted services*
- f. *Other operating expenses based upon location of actual expenses incurred*
- g. *Monthly financial reports are distributed to site leadership identifying budgeted allocations, actual expenditures and variances for each line item. Variance reporting is currently produced at the total program level for FY [fiscal year] 2006 and will be implemented at the site leadership level in FY 2007.*

Revised Supplemental Funding Request

During the conduct of our audit fieldwork, we brought the problems we found with UMMS's funding request to the attention of UMMS officials. As a result, UMMS revised its figures and in December 2005, submitted to DOC a revised supplemental funding request, which totaled \$10,251,615. As previously noted, under its original supplemental funding request, UMMS utilized estimates provided by facility managers to determine the amount of supplemental funding it would request from DOC to cover its expenses for additional medical staff. However, in this revised request, UMMS indicated that it used its actual staffing reports to determine that an additional \$1,859,963 for staffing was needed per year for fiscal years 2005 and 2006, or \$365,817 more than the amount previously requested. In this revised funding request, UMMS also corrected errors that we identified that it made in its calculations in its original supplemental funding request for outside contractor services at MASAC. Specifically, UMMS reduced the amount it was requesting for these services by \$196,610 to \$190,624 for fiscal year 2005, which is closer to the \$167,317 amount we calculated to be appropriate.

Although the majority of the funds requested by UMMS was for services that UMMS said were provided over and above levels required by the contract, UMMS also included within its fiscal year 2006 request approximately \$3 million for future DOC initiatives, Clinical Institute for Withdrawal Assessment (CIWA) standards, increased support to the Lemuel Shattuck Hospital, and other program-related costs. In addition, in order to reconcile amounts that UMMS owed to DOC for contract service penalties during fiscal year 2005, UMMS eliminated from its revised request \$394,396 for MCI Framingham and \$60,863 for a Hepatitis C coordinator and reduced its funding request for equipment purchases by \$52,924. The table below details the total adjustments UMMS made between its original and revised supplemental funding requests.

<u>Fiscal Year 2005 Supplemental Request</u>	<u>Requested Amount</u>	<u>Revised Amount</u>	<u>Adjustment</u>
Additional Medical Staff (Hired)	\$1,494,146	\$1,859,963	\$365,817
MASAC Third-Party Payments	387,234	190,624	-196,610
DOC Initiatives			
Cedar Junction Staff Support	21,180	21,180	-
Old Colony Special Housing Unit	9,262	9,262	-
MCI Framingham	394,396	-	-394,396
Hepatitis C Coordinator	60,863	-	-60,863
Equipment Purchases	<u>96,339</u>	<u>43,415</u>	<u>-52,924</u>
Total FY '05 Supplemental Requested	<u>\$2,463,420</u>	<u>\$2,124,444</u>	<u>-\$338,976</u>
<u>Fiscal Year 2006 Supplemental Request</u>			
Additional Medical Staff (Hired)	\$1,494,146	\$1,859,963	\$365,817
MASAC Third-Party Payments	458,120	458,120	-
Cost-of-Living Adjustments	2,767,390	2,767,390	-
CIWA Staffing - MCI Framingham (Not Hired)	150,824	150,824	-
CIWA Staffing – MASAC (Not Hired)	675,721	675,721	-
Other Staff Required (Not Hired)	422,407	422,407	-
DOC Initiatives			
MCI Shirley Special Housing Unit	181,051	181,051	-
Old Colony Special Housing Unit	205,063	205,063	-
Boston Pre-Release	17,537	17,537	-
N.E. Correctional Center (Concord Farm)	173,854	173,854	-
MCI Concord Increase 52A Admissions	50,407	50,407	-
Cedar Junction Staff Support	138,501	164,834	26,333
Additional Support to Lemuel Shattuck Hosp.	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Total FY 06 Supplemental Requested	<u>\$ 7,735,021</u>	<u>\$8,127,171</u>	<u>\$392,150</u>
Total Supplemental Request	<u>\$10,198,441</u>	<u>\$10,251,615</u>	<u>\$ 53,174</u>

We reviewed certain portions of UMMS's revised funding request to determine the reasonableness of the requested amounts. For fiscal year 2005, our review focused on the additional medical staff (hired), MASAC third-party payments, and the MCI Cedar Junction staff support line items. We did not review the Old Colony Special Housing Unit or equipment purchases because the amounts involved were not material in relation to the total amount UMMS requested for fiscal year 2005. For fiscal year 2006, we reviewed only UMMS's request for additional medical staff funding, which was the same amount as fiscal year 2005 and was included in our analysis of fiscal year 2005 information. UMMS officials indicated that most of the remaining fiscal year 2006 line items represent staffing increases necessary to meet DOC initiatives, which had not yet been incurred, or Clinical Institute for Withdrawal Assessment (CIWA) standards. Since UMMS had not incurred any actual costs relative to either of these line items, we did not conduct testing of these figures. The results of our analysis in this area are detailed below:

Additional Medical Staff (Fiscal Years 2005 and 2006)

In its revised request for supplemental funding, UMMS requested an additional \$1,859,963 per year for fiscal years 2005 and 2006 for additional staffing, including doctors, nurse practitioners (NP), and other nursing staff, Registered Nurses (RN), Licensed Practical Nurses (LPN), and Clinical Nursing Assistants (CNA) at all of DOC's facilities except MASAC and Bridgewater State Hospital (BSH). During our audit, we reviewed UMMS's staffing reports and were able to substantiate only \$1,102,134 of the \$1,859,963 that UMMS was requesting for additional medical staff, which represented the direct payroll costs relative to the RNs, LPNs, and CNAs. The remaining \$757,829 could not be substantiated because UMMS (a) used a fringe benefit rate that was greater than the rate included within its original cost proposal to DOC and failed to apply this rate on a prorated basis when dealing with existing staff, (b) made mathematical errors within its request, and (c) included 6.27 FTEs totaling \$295,138 for doctors/internists and certain nursing staff that could not be completely substantiated because UMMS's system for tracking hours worked by doctors was deficient.

In this regard, UMMS utilizes the Kronos automated workforce monitoring system to track hours worked by its employees at each prison facility. In order for Kronos to generate

accurate reports, employees must swipe their ID cards through a reading device as they enter or leave a facility. The information generated through Kronos is used to manually prepare time card reports, which UMMS used as a basis for requesting the additional \$295,138 for doctors/internists and nurse practitioners.

However, our review found that neither the Kronos system nor the time card reports properly reflected the actual level of contracted services provided by certain doctors because Kronos utilizes the same job code for physicians, internists, and psychiatrists who also serve as an associate professor, assistant professor, or lecturer for UMMS. Consequently, UMMS staff responsible for preparing time card reports made recording errors when trying to distinguish the type of services provided by these doctors. Adding to this problem is the fact that UMMS had not prepared a detailed set of policies and procedures for staff to follow when preparing time card reports.

Regarding this matter, UMMS officials provided the following response:

Psychiatry and other physician time in FY 2006 above-matrix staffing projections and the supplemental funding request may have been skewed based upon the above referenced Kronos timekeeping issue. The FY 2006 above-matrix supplemental funding request was recalculated incorporating FY 2006 Q1 and Q2 psychiatry and medical physician actual hours worked by site. In no case was the number of hours found less than the hours presented for additional funding. In every case, hours were above the established matrix. Results of the recalculations were provided to the SAO on March 30, 2006.

During the audit, we analyzed Kronos reports, time card reports, and individual time records for January and March 2005 for selected prison facilities and found that 616 hours worked by doctors, internists, and psychiatrists under this contract were not properly classified. For example, during January 2005, an internist worked 129 hours under this contract. UMMS's time card reports properly reflected 61 of these hours. However, we found that 54 of the internist's hours were improperly classified as psychiatric services, and that the remaining 14 hours were not even included on the applicable time card report. Since the systems utilized by UMMS to capture and report services provided by doctors, internists, and psychiatrists under this contract were flawed, DOC cannot be assured that all of the \$295,138 requested by UMMS represents reasonable costs. Further, under the terms and conditions of this contract, UMMS is subject to penalties for staffing deficiencies at any of the 16 prison facilities. Since UMMS's time card reports are the basis for determining applicable staffing

penalties, any inaccuracies within these reports could result in improper assessments of penalties by DOC. During our audit, we brought this matter to the attention of UMMS officials, who provided the following response:

A small number of physicians performing different services shared the same job code within the Kronos timekeeping system. This created difficulty in distinguishing psychiatry hours from medical physicians and directly impacted the tracking of hours within the Department of Correction (DOC) penalty system. In July of 2005 another job category was created to identify these two physician groups. This categorization only resides in the Kronos system and does not impact the payroll processing system. This new category was implemented and guidelines for monitoring were established. Monthly reports are reviewed and occurrences affecting reporting are measured and corrected. In July of 2005 there were 14 occurrences affecting reporting, compared to December of 2005, where there were 2 incidences reported.

MASAC Third-Party Payments

In its revised request for supplemental funding to DOC, UMMS requested \$190,624 for payments to third parties for services (e.g., ambulance services) provided to inmates at MASAC. However, as previously noted, we reviewed all of the documentation UMMS was maintaining relative to these expenses and found that it only incurred an additional \$167,317 of such expenses during fiscal year 2005. We brought this matter to the attention of UMMS officials, who agreed with our analysis and further modified their request to DOC for these expenses.

MCI Cedar Junction Staff Support

In its revised request to DOC for supplemental funding, UMMS included \$21,180 for additional staffing for security services that it claimed to have provided at MCI Cedar Junction from July through August 2005. During our audit, DOC officials specifically asked us to review the reasonableness of this request. Consequently, we reviewed all of the documentation UMMS was maintaining relative to the expense and noted that UMMS records would support only \$11,695 for additional security services at this facility during the period of time in question.

Conclusion

During the period of our audit, UMMS needed to improve its internal controls relative to its administration of its contract with DOC. As a result of the lack of effective controls, UMMS was unable to generate accurate supplemental funding requests to DOC. Furthermore, we

found numerous errors in both the methodology and figures used by UMMS in the supplemental funding requests it submitted to DOC. As a result, we were able to substantiate that UMMS incurred only \$1,281,146 of the \$2,071,767 in funding that it was requesting from DOC for additional medical staff hired, MASAC third-party payments, and MCI Cedar Junction staff support expenses for fiscal year 2005. The table below summarizes our audit test of UMMS's requests for additional funding for fiscal year 2005.

<u>Fiscal Year 2005 Supplemental Request</u>	<u>Revised Request Amount</u>	<u>Tested</u>	<u>Substantiated</u>	<u>Difference</u>
Additional Medical Staff (Hired)	\$1,859,963	\$1,859,963	\$1,102,134	\$757,829
MASAC Third-Party Payments	190,624	190,624	167,317	23,307
DOC Initiatives				
Cedar Junction Staff Support	21,180	21,180	11,695	9,485
Old Colony Special Housing Unit	9,262	-	-	-
MCI Framingham	-	-	-	-
Hepatitis C Coordinator	-	-	-	-
Equipment Purchases	<u>43,415</u>	-	-	-
Totals FY 05	<u>\$2,124,444</u>	<u>\$2,071,767</u>	<u>\$1,281,146</u>	<u>\$790,621</u>

b. Unallowable Nurse Practitioner Expenses Charged to DOC

As noted in the Background section of this report, UMMS received \$586,231 and \$709,466 in fiscal years 2004 and 2005, respectively, from DOC for additional substance abuse services and medical staff that UMMS agreed to provide at MASAC. Included within this amount was approximately \$250,000 for a nurse practitioner, a registered nurse supervisor, and funds to help cover the cost of hours worked by UMMS's existing nurses at MASAC that exceeded the contract requirements. In order to obtain this additional funding, UMMS was required to submit invoices to DOC based on actual expenses. However, we found that UMMS had not established sufficient controls to ensure that the amounts it billed were supported by adequate documentation and reflected actual hours worked by the nursing staff.

Our review of invoices submitted by UMMS to DOC during fiscal year 2005 identified charges totaling \$97,660 for two separate nurse practitioners at MASAC. One nurse practitioner provided services from July 1, 2004, through May 28, 2005, for a total cost of \$90,568. The second nurse practitioner worked at MASAC from May 29, 2005, through June

30, 2005, at a total cost of \$7,091. However, based upon actual time reports maintained for these two individuals, UMMS over-billed DOC for these services. Specifically, the first nurse practitioner did not work at MASAC from November 5, 2004, through April 3, 2005. Moreover, she only worked four days per week at MASAC from April 4, 2005, to May 28, 2005. Although this resulted in UMMS's over-billing DOC for the nurse practitioner position, due to deficiencies within UMMS's accounting system, the actual amount over-billed by UMMS could not be determined.

Regarding this matter, on April 26, 2006, UMMS's Associate Program Director of Administration and Finance provided us with a letter that stated, in part:

As far as MASAC invoicing for NP [Nurse Practitioner] hours from November 2004 through February of 2005, we acknowledge that during this period provider hours did not match expected matrix hours as determined by the DOC and our invoicing was incorrect. Representatives from DOC were contacted in regard to the reassignment of the Nurse Practitioner during this time and staffing penalties were waived as a result. This does not excuse the business practice related to how we invoiced for these services during that time. However, from March 2005 through June 2005 it appears that all expected hours were covered. Please note that while the invoice submitted was inaccurately presented, in total DOC was actually under billed for the staffing provided during this period of time.

Since July of 2005 controls have been implemented at the Central Office to monitor closely provider hours worked and the location of hours worked by MD category.

Recommendation

As noted above, our review determined that during fiscal year 2005, UMMS did in fact incur additional expenses totaling at least \$1,281,146 for services it provided under its DOC contract that exceeded those required by DOC's staffing matrix and the additional authorized staffing at MASAC and MCI Framingham. Because UMMS provided this staffing without prior approval from DOC, DOC should decide whether UMMS should be reimbursed for these additional costs. We also recommend the following:

- If UMMS wants to provide services in excess of those established within the contract, it should seek approval from DOC prior to providing such services.
- UMMS should maintain an effective accounting system and controls that allow it to verify the accuracy of the hours worked at the MASAC location prior to submitting invoices to DOC and accurately account for revenues and expenses by cost centers, or in the case of its contract with DOC, by DOC facility.