



FLORIDA
DEPARTMENT of
CORRECTIONS

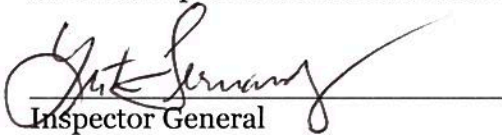
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TO: Julie L. Jones, Secretary
FROM: Lester Fernandez, Inspector General
DATE: November 22, 2016
SUBJECT: FOLLOW-UP AUDIT REPORT NO. A17012F – AUDITOR GENERAL’S INMATE TRUST ACCOUNTS, INMATE HEALTH CARE SERVICES CONTRACTS, AND PRIOR AUDIT FOLLOW-UP, OPERATIONAL AUDIT, REPORT #2016-179

The Bureau of Internal Audit performed a follow-up audit to the Auditor General’s Inmate Trust Accounts, Inmate Health Care Services Contracts, and Prior Audit Follow-Up, Operational Audit, Report No. 2016-179, issued in March 2016. The objectives of the follow-up were to determine if corrective actions were taken on reported audit findings and whether the actions taken corrected or should correct the findings identified in the original report. The scope of the follow-up consisted of obtaining from the Office of Health Services, Office of Administration and the Bureau of Finance and Accounting a written response along with documentation of corrective action taken to implement the audit recommendations.


Inspector General

LF/PS/dm
Attachment

FLORIDA DEPARTMENT OF CORRECTIONS

Follow-up of Auditor General's Report 2016-179
Inmate Trust Accounts, Inmate Health Care Services
Contracts, and Prior Audit Follow-Up, Operational Audit

Lester Fernandez, Inspector General

Report #A17012F

Paul R. Strickland, Chief Internal Auditor

November 22, 2016

BACKGROUND

State law specifies that the purpose of the Department of Corrections (Department) is to protect the public through the incarceration and supervision of offenders and to rehabilitate offenders through the application of work, programs, and services. According to Department records, the Department operates the third largest state prison system in the United States. The Legislature appropriated to the Department \$2.35 billion, including funds for 23,892 positions, and \$2.3 billion, including funds for 23,729 positions, for the 2015-16 and 2014-15 fiscal years, respectively. In addition to housing over 100,000 inmates, as of June 2015, the Department supervised over 139,000 offenders on community supervision.

In March 2016, the Office of the Auditor General published Report No. 2016-179, Inmate Trust Accounts, Inmate Health Care Services Contracts, and Prior Audit Follow-Up, Operational Audit.

OBJECTIVES

The follow-up objectives were to determine:

- if corrective actions were taken on reported audit findings; *and*
- whether the actions taken corrected or should correct the findings identified in the original report.

SCOPE AND METHODOLOGY

A request was made to the Office of Health Services, Office of Administration, and Bureau of Finance and Accounting for a written response along with documentation of corrective action taken to implement the audit recommendations.

RESULTS OF FOLLOW-UP

Finding No. 1: Department controls for monitoring inmate trust accounts for suspicious activity need enhancement

Recommendation: To better ensure that inmate trust accounts are not used in connection with unlawful activity, we recommend that Department management establish policies and procedures for routinely reviewing inmate trust accounts for suspicious activity.

Management's Original Response: *The Department concurs with the finding and has established procedures for routinely reviewing inmate trust accounts for suspicious activity and reporting any activity identified to the Office of the Inspector General.*

Management's Follow-Up Response: *Based on discussions and supporting documentation provided the Bureau of Finance and Accounting, the Department has established and implemented procedures for routinely reviewing inmate trust accounts for suspicious activity and reporting any activity identified to the Office of the Inspector General. No further follow-up will be conducted.*

Bureau of Internal Audit Comments: *A review of documentation provided by the Bureau of Finance and Accounting revealed that the Bureau has established and implemented procedures for reviewing inmate trust accounts for suspicious activity. Any suspicious activity identified is reported to the Office of Inspector General. No further follow-up will be conducted.*

Finding No. 2: Inmate health care service contract providers did not always timely correct performance deficiencies noted during Department on-site monitoring visits.

Recommendation: Department management ensure that inmate health care services providers timely correct noted performance deficiencies in accordance with appropriate contract requirements.

Management's Original Response: *The Office of Health Services adopted a rigorous system for implementing and monitoring Corrective Action Plans (CAPs) related to deficiencies identified in the monitoring visits. The lack of timely corrective action by the contractors was directly related to the number of findings in monitoring reports being much higher than anticipated. The high volume of deficiencies, combined with short time intervals between monitoring events, increased the likelihood that some deficiencies would not be corrected by the time of the next monitoring visit. The Office of Health Services has implemented a new monitoring plan that is designed to address these issues. In this plan, we amplify our oversight in problematic institutions through increased monitoring visits, and we have expanded the role of the contract monitors to provide onsite consultation and technical assistance.*

Management's Follow-up response: *OHS continues to implement the Corrective Action stated in its initial response. This is being addressed with current contractors as well as through the new Invitations to Negotiate (ITNs) for health care services. The new contracts will include financial consequences for failure to implement corrective action.*

Bureau of Internal Audit Comments: *Based on the response provided, the Office of Health Services has taken corrective action to address the finding. The Bureau of Internal Audit has both inmate health care service contracts on its work plan for this fiscal year. The Bureau's contract management review of these contracts will include an assessment of the timeliness of correction action in regards to performance deficiencies noted by the Department's on-site monitoring visits.*

Finding No. 3: The Department did not timely conduct monitoring of inmate health care service provider compliance with certain contract requirements.

Recommendation: Department management ensure that monitoring of inmate health care services provider compliance with contract requirements is timely conducted.

Management's Original Response: *The Office of Health Services prepares its annual monitoring plan in May for the upcoming fiscal year. The Corizon contract was not included in the FY 13/14 monitoring plan because Corizon did not take over operations at the institutions listed in their contract until September-October 2013. The annual monitoring of the Corizon contract was conducted in FY 14/15 as that was their first full year of operation. Wexford Health Sources assumed operations at nine (9) institutions in South Florida in March 2013. The Department agrees that an annual monitoring of the Wexford contract should have been completed during FY 13/14. The Department performed the annual monitoring of the Wexford contract during FY 14/15. Both of these providers are on the FY 15/16 monitoring work plan and will be monitored during this fiscal year. The Department will ensure that the comprehensive health care contracts continue to receive the required annual monitoring.*

Management's Follow-up response: *OHS continues to implement the corrective Action stated in its initial response. All contract monitoring is being conducted in accordance with contractual requirements.*

Bureau of Internal Audit Comments: *Based on the response provided, the Office of Health Services has taken corrective action to address the finding. The Bureau of Internal Audit has both inmate health care service contracts on its work plan for this fiscal year. The Bureau's contract management review of these contracts will include an assessment of the timeliness of monitoring.*

Finding No. 4: The Department did not submit statutorily required contract performance reports to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

Recommendation: Department management timely prepare and submit reports detailing contract performance to the Governor, the President of the Senate, and the Speaker of the House of Representatives as required by State law.

Management's Original Response: *During the process of preparing Amendment 5 to the Corizon and Wexford contracts, the Department overlooked the requirement to submit a written report concerning contract performance to the Governor, the President of the Senate, and the Speaker of the House of Representatives at least 90 days before execution of the renewal or amendment. This was simply an oversight. The Office of Health Services will work with the Office of Administration to ensure this requirement is met as applicable in future health services contract amendments.*

Management's Follow-up Response: *OHS continues to work with the Office of Administration to ensure that all applicable legislative requirements are met for future health services contract amendments.*

Bureau of Internal Audit Comments: *The Bureau of Internal Audit is currently working with the Office of Administration to determine if the Department has other contracts that would require performance reports to be sent to the Governor, the President of the Senate, and the Speaker of the House of Representatives and to determine if the reports were submitted. Therefore, this finding requires further follow-up.*

Finding No. 5: Contrary to contract terms, the Department did not reduce provider payments for the cost of non-formulary pharmaceuticals totaling approximately \$741,000.

Recommendation: Department management adjust inmate health care services provider payments for the cost of non-formulary drugs dispensed to inmates in accordance with contract terms or otherwise ensure adequate contract provisions are established exempting providers from payment reductions when specified conditions are met.

Management's Original Response: *The decision to exempt non-formulary drug charges was made to ensure continuity of care for our inmate patients during the transition to the new contractors. This was especially critical for inmates on cancer and rare disease medications. The contractors needed time to evaluate each inmate patient before making any decisions regarding the use of formulary vs. non-formulary medications. Without this transition period, the contractors could have made changes in medications based solely on costs and not on clinical rationale and continuity of care. The Office of Health Services will address the continuity of care issues in all future solicitations in a manner that ensures contract(s) contain appropriate language to address continuity of care issues as well as methods for recuperation of pharmaceutical costs.*

Management's Follow-up Response: *The Department continues to implement the Corrective Action stated in its initial response. The new ITNs for health services contracts also address the issue of payments for non-formulary drugs. OHS is deducting the cost of non-formulary medications from the monthly invoices for the contract with Wexford Health Sources. The Contract with Corizon, LLC was terminated by the contractor, effective May 31, 2016. The new contract with Centurion of Florida, LLC, is a cost-reimbursement model (rather than a per diem model), so the Department pays for non-formulary drugs as a pass-through cost.*

Bureau of Internal Audit Comments: *Based on the response provided, the Office of Health Services has taken corrective action to address the finding. The Bureau of Internal Audit has the Wexford Health Sources contract on its work plan for this fiscal year. The Bureau's contract management review of this contract will include an assessment of reducing provider payments for the cost of non-formulary pharmaceuticals.*

Finding No. 6: The Department did not reduce provider payments for certain costs incurred by the Department as specified by the inmate health care services provider contracts.

Recommendation: Department management ensure that all applicable costs are identified and timely and properly recovered from inmate health care services providers in accordance with contract terms.

Management's Original Response: *The Office of Health Services has processes in place to minimize opportunities for error. These processes include multiple reviews by separate individuals. When financial errors are discovered, they will be addressed immediately, and the necessary adjustments will be made in an expeditious manner.*

Management's Follow-up Response: *The OHS continues to implement the Corrective Action stated in its initial response, and is currently recovering all applicable costs from its contractors.*

Bureau of Internal Audit Comments: *Based on the response provided, the Office of Health Services has taken corrective action to address the finding. The Bureau of Internal Audit has both inmate health care service contracts on its work plan for this fiscal year. The Bureau's contract management review of these contracts will include an assessment of recovering all applicable costs from the contractors.*

Finding No. 7: The Department did not recover contract monitoring costs in accordance with the inmate health care services provider contracts.

Recommendation: Department management ensure that actual contract monitoring costs are recovered in accordance with contract terms.

Management's Original Response: *The Department established a preliminary budget of \$2.333 million to cover the costs of 25 contract monitor positions. During the RFP protest period, this amount was reduced to \$1.7 million. This is a fixed cost that applies for the life of the comprehensive health care contracts, and is not subject to further negotiation. The Office of Health Services will ensure that all future contracts will contain clear language that allows the Department to recover monitoring costs as specified in the terms of the contract.*

Management's Follow-up Response: *OHS continues to work with the Office of Administration to ensure that all applicable legislative requirements are met for future health services contract amendments.*

Bureau of Internal Audit Comments: *The Bureau of Internal Audit has both inmate health care service contracts on its work plan for this fiscal year. The Bureau's contract management review of these contracts will include an assessment of recovering all applicable costs from the contractors.*

Finding No. 8: As similarly noted in our report No. 2014-066, the Department did not always ensure that a complete physical inventory of tangible personal property, including the accurate update of Department property records for the inventory results, was timely performed.

Recommendation: Department management enhance tangible personal property controls to ensure that a complete annual physical inventory of Department tangible personal property is timely performed and that property records are accurately maintained in accordance with DFS rules.

Management's Original Response: *The Department concurs with the finding and is implementing enhanced internal controls to ensure that a complete annual physical inventory of Department tangible personal property is timely performed and that property records are accurately maintained in accordance with DFS rules.*

Management's Follow-up Response: *As indicated in the agency response, the Department has implemented enhanced internal control to ensure that a complete physical inventory of Department tangible personal property is timely performed and that property records are accurately maintained in accordance with DFS rules.*

Bureau of Internal Audit Comments: *Based on discussion with the Bureau of Finance and Accounting, the Bureau has implemented a fiscal year reconciliation to make sure all property items have a valid inventory date. At the conclusion of fieldwork for this follow-up the Bureau stated that it was in the process of performing the reconciliation. This finding requires further follow-up to ensure that the reconciliations are being performed.*

Finding No. 9: As similarly noted in prior reports, most recently in our report No. 2014-066, the Department could not always demonstrate that Department records accurately reflected motor vehicle usage and cost information.

Recommendation: Department management ensure that all required information is accurately recorded on Vehicle Record forms and input into FLEET.

Management's Original Response: *Vehicle Record forms are completed and entered in the FLEET system by the various drivers of the Department's 3,179 vehicles. To ensure that the forms are accurately completed and entered in the FLEET system, the Department intends to send a directive from Senior Management on the expectation that all relevant documentation be recorded accurately on the required Vehicle Record forms and updated in the FLEET system, as required. Additionally, the Office of Administration, Bureau of Support Services is currently in the process of centralizing the fleet management functions conducted in the Department into one team that reports to a Fleet Administrator within our Bureau. This will assist in ensuring that we have consistent vehicle expense tracking processes throughout the Department. We are also filling two additional positions to assist in FLEET system data entry and enhancing tracking of vehicle usage and expenditures. Finally, the Department is investigating better ways to track work orders and associated vehicle expenditures in a Microsoft*

Access database or third party software. These records would then be input into FLEET, as required.

Improvements to both the manual recording of data through a communication effort, and improvements in the processes and systems used for vehicle expenditure tracking, should improve the consistency of vehicle information included in the FLEET system.

Management's Follow-up Response: In May 2016, the Department's fleet management staff were centralized to report through the Office of Administration, Bureau of Support Services. In June 2016, the Office of Administration issued the Statewide Fleet Assessment to better understand the condition, utilization, and primary use of all the Department's fleet. This will ensure that records within the FLEET management system are accurately updated with current assignment and location information.

In July 2016, the newly formed Fleet Administration team took on oversight of the Department's fleet maintenance and repair budget. This allows transparency into the expenditures that the Department is making, both through PCard and through traditional invoices. Each purchase will be documented and sent to the FDC Fleet Administrator for budget tracking, in addition to the required FLEET reporting. Each month, the team will conduct a reconciliation of our expenditure records with FLAIR and with the FLEET system. This will enable our team to identify issues with FLEET system data more timely.

Additionally, Senior Management has continued to direct staff to ensure they submit FLEET vehicle logs in a timely manner. We are also evaluating electronic work order and inventory tracking systems that will assist in ensuring that maintenance and repair records are accurately recorded and reduce the potential for error in our current manual process.

Bureau of Internal Audit Comments: The Office of Administration has taken steps to address the finding. No further follow-up will be conducted.