



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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Comptroller

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December 3, 2014

Richard Gray, Director  
Public Safety Department  
1200 Market Street  
Room 130  
St. Louis, Missouri 63103-2804

RE: Review of Correctional Medical Services, Inc. Contract

Dear Mr. Gray:

Enclosed is the Internal Audit Section's report on the review of the contract with Correctional Medical Services, Inc. The purpose of the contract is to provide comprehensive healthcare services for the inmate population of the Division of Corrections. The period under examination was from July 1, 2012 through June 30, 2013. A description of the scope of our work is included in the report.

This review was made under the authorization contained in Section 2, Article XV, of the Charter, City of Saint Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Mohammad Adil, CPA, CGMA  
Internal Audit Supervisor

Ron Steinkamp, CPA, CIA, CFE, CRMA, CGMA  
Internal Audit Advisor

Enclosure:

CC: Charlene Deeken, Deputy Director  
Dale Glass, Commissioner of Corrections



# CITY OF ST. LOUIS

**DEPARTMENT OF PUBLIC SAFETY**

**DIVISION OF CORRECTIONS**

**CORRECTIONAL MEDICAL SERVICES, INC.**

**CONTRACT REVIEW**

**JULY 1, 2012 THROUGH JUNE 30, 2013**

**PROJECT #2014-CN08**

**DATE ISSUED: DECEMBER 3, 2014**

**Prepared by:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
DIVISION OF CORRECTIONS  
CONTRACT REVIEW  
CORRECTIONAL MEDICAL SERVICES  
JULY 1, 2012 THROUGH JUNE 30, 2013**

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**SUMMARY**

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**Background**

The contract was awarded to the Correctional Medical Services, Inc. (the Contractor) effective July 1, 2005 for eight (8) years. Our scope period of July 1, 2012 through June 30, 2013 is covered under amendment number three (3). The Department of Public Safety was the City department responsible for managing this contract. The service provided was comprehensive healthcare services for Division of Correction's inmates. The contract amount for the review period was \$6,949,704.

**Purpose**

The purpose of Internal Audit's review was to determine if the Contractor complied with the terms, conditions, and various provisions of the contract.

**Scope and Methodology**

Inquiries were made and testing procedures were performed regarding the Contractor's compliance with the contract. The scope of the review was from July 1, 2012 through June 30, 2013.

**Conclusion**

The Contractor did not fully comply with the terms, conditions and provisions of the contract.

**Summary of Current Observations**

We noted the following observations and opportunities for improvement:

1. Staffing Shortages
2. Contractor's Risk Sharing Calculations Not Reviewed
3. Assets Accountability
4. Missing Physician Signatures
5. Lack of a Performance Bond

These observations are discussed in more detail in the *Detailed Observations and Recommendations* section of this report.

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**SUMMARY**

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**Management Response**

An exit conference was held with the Department of Public Safety on Monday, October 27, 2014. In attendance from the Department of Public Safety were:

- Charlene Deeken - Deputy Director
- Dale Glass - Commissioner of Corrections
- Kim Cole - Executive Assistant II

Internal Audit was represented by:

- Mohammad Adil – Internal Audit Supervisor
- Roderick Malone – Auditor II

The report observations and recommendations were discussed in detail at the exit conference.

Management of the Department of Public Safety subsequently provided a written response to Internal Audit on November 24, 2014 which has been incorporated into this report.

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

**1. Staffing Shortages**

Appendix A of the contract stipulated a total of 2,152 man-hours per week of medical services by the Contractor. We reviewed the Contractor's payroll reports for the weeks ending April 13, May 18, and June 29, 2013, and noted that the contractor provided less than the required hours of medical services each week. The shortages are listed in the table below:

A	B	C	D
Date	Man-Hour Shortage	Payback Rate	Dollar Shortage (B*C)
April 13, 2013	557	\$34.10	\$18,993.70
May 18, 2013	526	\$34.10	\$17,936.60
June 29, 2013	376	\$34.10	\$12,821.60
<b>Grand Totals</b>	<b>1,459</b>	-	<b>\$49,751.90</b>

These shortages were significant and might have adversely affected the adequacy and efficiency of the services provided.

It appears that the Contractor did not have a system of control in place to ensure compliance with the man-hour requirements of the contract.

**Recommendation**

We recommend that the Department of Public Safety develop and implement a system of internal control to monitor the adequacy of the coverage at all times of the medical services provided by the Contractor. This should include regular reviews of Contractor payroll reports.

***Management Response***

*The contract under review was in effect from July 1, 2005 – June 30, 2014 as a result of four amendments and extensions. Under the contract terms Corizon delivered safe and effective health services that met the rigorous accreditation standards of the American Correctional Association. However, throughout the term of the contract, it*

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**1. Continued...**

*became increasingly evident that the agreement did not provide the performance measures necessary to evaluate Corizon's effectiveness in areas other than patient care.*

*Providing health care services in general is unique and complicated. Providing these services in a jail setting adds to the complexity. Consequently, in April 2013 the Division of Corrections began consulting with Health Management Associates to draft a Request For Proposal that would provide safe and effective health services to this unique population, address potential Medicaid expansion, provide for discharge planning, expand mental and women's health services, and enable staff to provide vastly improved fiscal oversight. The winning bid was submitted by Corizon and the resulting contract contains terms that address all of these objectives.*

*In addition, the Division of Corrections requested and received an FY15 budget allocation for third party review of the health care contract to include consultation, technical support, and review of clinical and financial reporting and billing.*

*Consequently, the Division of Corrections is confident that the issues identified in the DETAILED OBSERVATIONS AND RECOMMENDATIONS have been addressed and will not be re-occurring.*

*Specifically, with regard to staffing shortages and questioned dollar loss, the contract under review anticipated staff absences due to vacation, sickness, and separations. Part-time, temporary, agency, locum, PRN, and overtime could be used to fill these absences. However, if the absence was not filled for 30 consecutive days by a part-time, temporary, agency, etc. staff, Corizon was required to reimburse the Division of Corrections. Consequently, while the man hour shortages listed on the chart may be accurate, they may not reflect shortages in actual coverage. Given the terms of the contract, a listing of man hours short by position is necessary to determine if there was any dollar loss to the City.*

*Terms of the new contract require Corizon to credit to the City all positions vacant in excess of 15 consecutive days and to provide the City with a monthly summary of vacant positions. The new contract monitor reviews the monthly summary and audits any reimbursement amounts for consistency and accuracy.*

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**2. Contractor's Risk Sharing Calculations Not Reviewed**

For off-site medical treatment of the inmates, such as inpatient hospitalization and outpatient and other related services, the contractor was responsible for payment of all contracted services up to an aggregate total of \$750,000. Per the contract, should the amount incurred be in excess of \$750,000, the following risk sharing formula applied:

Amount	Paid By Contractor	Paid By Department of Corrections
First \$750,000	100%	0%
\$750,001 - \$100,000	35%	65%
\$1000,001 and above	10%	90%

The Contractor prepared a monthly report of the City's portion of the claims that exceeded the \$750,000 limit. For the period of this review, \$1,142,000 was paid for services rendered off-site. We tested invoices for off-site services totaling \$557,000 or 50% of the total on a random basis, and noted that the payments and the risk sharing calculations appeared to be appropriate. However, we noted that the Department of Public Safety did not have adequate internal controls in place to review and verify the adequacy of the Contractor's risk sharing calculations.

Sound business practices dictate that the Department of Public Safety independently review and verify the Contractor provided information.

If the Contractor's contract related activities are not independently monitored, errors and irregularities may occur and not detected.

**Recommendation**

We recommend that the Department of Public Safety establish and implement internal control procedures to review the Contractor's monthly risk sharing reports to ensure the accuracy of the information.

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**2. Continued...**

***Management Response***

*The complexity, volume of claims, report format, and carry over from previous years made routine auditing of the monthly Client Reports impracticable. Consequently, terms of the new contract require Corizon to submit an Off-Site Referral Report and a Monthly Statistical Report that detail off-site services in a user-friendly format in addition to the previously provided Client Reports. The new contract monitor reviews these reports monthly for consistency and accuracy.*

**3. Assets Accountability**

The medical equipment purchased by the Contractor under the contract was considered the property of the City. The Contractor maintained an inventory of this equipment. However, the inventory did not differentiate between the purchased and leased equipment and did not provide the cost of the purchased equipment.

Sound business practices dictate that the Department of Public Safety independently account for the medical equipment that it owns and their cost. Without independent accountability, assets could be lost, stolen, or damaged without the City's knowledge.

**Recommendation**

We recommend that the Department of Public Safety:

- Periodically verify the equipment on the Contractor's inventory list by performing a physical count.
- Investigate and resolve any discrepancies and document the results.
- Require that the Contractor indicate on the inventory of equipment which was purchased and which was leased along with cost.

***Management Response***

*The responsibility for maintenance of the FAMS report and physical inventories was re-assigned to the Inventory Coordinator following the retirement of the employee previously tasked with these responsibilities. In addition, a second employee was*

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**3. Continued...**

*assigned as back-up and cross trained. Since the reorganization, a physical inventory of medical assets listed on the FAMS report has been conducted and the appropriate paperwork has been submitted to the Comptroller. Currently, staff is coordinating efforts with Corizon to identify purchased and leased equipment to complete the FAMS update and develop an internal property listing. Going forward, physical inventories are tentatively scheduled to be completed semi-annually in January and July.*

**4. Missing Physician Signatures**

In many instances, the on-site physicians did not sign the inmates' Physical Health Assessment Form. The purpose of this form was to document the results of the inmates' physical examination at the conclusion of the intake process. A space is provided at the bottom of the Physical Health Assessment Form for the medical practitioner's signature. We reviewed thirty (30) Physical Health Assessment Forms and noted that fifteen (15) or 50% of them were not signed by the medical practitioner.

The signature of the medical practitioner on the Physical Health Assessment Form establishes accountability. If the signature is missing, potential legal issues may arise.

**Recommendation**

We recommend that the Department of Public Safety inform the Contractor of the importance of the Medical Practitioner signing the Physical Health Assessment Form. To ensure compliance, the Department of Public Safety should randomly review the Forms to verify that they are appropriately signed.

***Management Response***

*The final DETAILED OBSERVATIONS AND RECOMMENDATIONS will be shared with Corizon and the importance of the medical practitioner's signature on the Physical Health Assessment Form will be emphasized. In addition, we will request that the new contract monitor verify Physical Health Assessment Forms are appropriately signed when they conduct chart review during their quarterly site visits.*

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**5. Lack of a Performance Bond**

The contract did not require the Contractor to maintain a performance bond during the term of the contract. A performance bond protects the owner (the City) against the risk of default on the contract. It provides available funds to complete the contract should the contractor default on the performance of the contract.

**Recommendation**

We recommend that the Department of Public Safety establish and implement internal control procedures to ensure that all of its future contracts include the requirement of an adequate performance bond.

***Management Response***

*Corizon did not maintain a performance bond for the contract under review or for the new contract. The Division of Corrections deliberately eliminated the requirement of a performance bond after a cost-benefit decision. A performance bond would significantly increase the cost of the contract without a corresponding benefit to daily operations. Instead of requiring a performance bond in the new contract, the Division of Corrections opted for additional personnel to include a part-time nurse practitioner for women's health cases, additional clerical support to perform reception duties and eliminate the need for correctional officers to staff this function, an additional mental health professional, and a discharge planner. Given the Division of Correction's long term relationship with Corizon as well as Corizon's favorable and publicly recognized reputation, we determined the risk of default to be nominal.*