



Department of Legislative Services
Office of Legislative Audits

Department of Public Safety and Correctional Services

Incarcerated Individual Healthcare Contracts (November 25, 2024)

Central Operations (September 17, 2024)

Maryland Correctional Enterprises (June 20, 2024)

Presentation to Joint Audit and Evaluation Committee

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Summary of Recent DPSCS Audits

Report	Report Date	Number of Findings	Repeat Findings
Incarcerated Individual Healthcare Contracts	November 25, 2024	9	0
DPSCS – Central Operations	September 17, 2024	4	3
Maryland Correctional Enterprises (MCE)	June 20, 2024	1	0
DPSCS – Regional Operations	July 20, 2023	5	2

This presentation focuses on the Healthcare Contracts report and select findings from the Central Operations and MCE reports.



Healthcare Contracts Report - Overview

- DPSCS uses third-party contractors to provide healthcare services to its incarcerated population. OLA audits dating back to February 2007 have identified issues with these contracts.
- This report focused on the procurement and monitoring of the medical, mental health, and pharmaceutical contracts.

DPSCS Healthcare Contracts Reviewed (\$ in millions)

Type	Original Contract Term	Original Contract Amount	Contract Modifications	Modified Contract Term	Total Contract Amount	Payments as of June 30, 2024
Medical	January 2019 - December 2023	\$680.0	\$160.0	January 2024 - December 2024	\$840.0	\$732.7
Mental Health	January 2018 - December 2023	155.6	26.4	January 2024 - December 2024	182.0	157.3
Pharmaceutical	January 2020 - December 2024	250.0	-		250.0	161.5



Healthcare Contracts Report - Key Findings

- DPSCS did not properly structure the medical and mental health contracts.
- DPSCS awarded the medical and mental health contracts despite concerns with the contractors and did not disclose the concerns to BPW or develop a contingency plan.
- DPSCS did not monitor the contracts to ensure
 - ☐ critical health exams were conducted
 - ☐ required staffing was provided
 - ☐ all pharmaceuticals paid for were received
- DPSCS could not document the basis for a contract settlement and did not assess liquidated damages in accordance with the contracts.



Healthcare Contracts Report Finding 1 - Procurements

Structure of the Medical and Mental Health Contracts

- DPSCS could not justify the use of a fixed fee payment structure.
- DPSCS could not support that the staffing levels were sufficient to provide all required services.
- DPSCS did not establish adequate hourly rates to ensure the contractors could recruit and retain enough staff.
- DPSCS did not require the contractors to obtain performance bonds.



Healthcare Contracts Report Finding 2 - Procurements

DPSCS Concerns with Medical and Mental Health Contractors

- Prior to the contract awards, DPSCS expressed concerns with the contractors' ability to recruit and retain the required level of staff.
- DPSCS could not document that it disclosed these concerns to the Board of Public Works (BPW).
- DPSCS did not establish a contingency plan in case the contractors were unable to meet contract requirements.
- Rates paid by the contractors for key positions were significantly below the statewide average. For example, in calendar year 2023, a registered nurse employed by the medical contractor would have been paid \$25,500 less than the statewide average.



Healthcare Contracts Report Finding 3 - Monitoring

DPSCS Monitoring of Critical Health Examinations

Contractor	Exam Type	Exam Must be Conducted Within
Medical	Intake Screening	2 hours of arrival at a DPSCS facility
Medical	Physical Exam	7 days of admission to a DPSCS facility
Mental Health	Suicide Risk Evaluation	24 hours of admission to a DPSCS facility or 72 hours of placement in special confinement
Mental Health	Mental Health Exam	7 days of admission to a DPSCS facility

- DPSCS did not adequately ensure the medical contractor completed intake screenings, properly performed physical exams, or ensured missing or incomplete screenings and exams were completed.
- DPSCS did not follow up with the mental health contractor to ensure that missing screenings and incomplete physical exams were completed. Between July and September 2023, the mental health contractor did not complete 548 required Suicide Risk Evaluations and 682 required Mental Health Exams.



Healthcare Contracts Report Finding 4 - Monitoring

DPSCS Monitoring of Medical Related Complaints

- State regulations require complaints to be investigated and resolved within 45 days of the date filed.
- Our test of 18 complaints filed between May and October 2023 disclosed DPSCS could not document that 17 complaints were investigated in accordance with State regulations.
- DPSCS also could not document that it followed up with the contractor to address the untimely resolution of 10 of the 18 complaints that were resolved between 1 to 6 months late.



Healthcare Contracts Report Finding 5 - Monitoring

DPSCS Monitoring of Staffing Levels

- The contractors provided monthly staffing reports which DPSCS used to determine their compliance with the contract staffing requirements and any liquidated damages.
- DPSCS did not attempt to verify the reported staffing on the medical contract.
- DPSCS only attempted to verify the staffing for the mental health contract once and did not resolve discrepancies it identified. For example, DPSCS noted instances in which the employees and hours worked on the monthly staffing report did not agree to the contractor's timekeeping system.



Healthcare Contracts Report Finding 6 - Monitoring

DPSCS Monitoring of Pharmaceutical Contractor Invoices

- According to DPSCS records, payments to the pharmaceutical contractor totaled \$161.5 million as of June 30, 2024.
- Our test of 10 payments totaling \$7.6 million made between October and December 2023 disclosed that DPSCS could not readily verify that these 10 payments corresponded to pharmaceuticals provided by the contractor.



Healthcare Contracts Report Finding 8 - Contract Settlement

Support for Medical Contactor Contract Settlement

- DPSCS could not document the basis for a \$20 million settlement with the medical contractor and its decision to waive \$40.5 million in liquidated damages.
- DPSCS could not support its decision to reduce the contract staffing levels by 132 positions (15 percent) and did not obtain BPW approval for the change.



Healthcare Contracts Report Finding 9 - Liquidated Damages

Liquidated Damages for Failing to Provide Required Staffing

- The mental health and medical contractors failed to provide all the required staff in any month of their respective contracts.
- DPSCS did not assess the mental health contractor liquidated damages totaling approximately \$10.5 million between March 2022 and January 2024.
- DPSCS assessed the medical contractor liquidated damages based on the statewide staffing levels instead of on a per-position basis as specified in the contract which resulted in reduced damages. For example, DPSCS failed to assess liquidated damages totaling \$809,000 between October and December 2023.



Select Findings from Other DPSCS Reports

DPSCS – Central Operations Report

- DPSCS did not ensure employees were removed from payroll timely and adjustments to payroll and leave were proper.
- DPSCS procurements circumvented certain approvals, limited its leverage as a high-volume purchaser, and were not published.

DPSCS - Maryland Correctional Enterprises (MCE) Report

- MCE did not adequately pursue the collection of delinquent accounts receivables.



Central Operations Report Findings 1 & 2 - Payroll

- **Finding 1** - DPSCS did not ensure employees were removed from the payroll timely. We identified 154 employees that were on the payroll from 10 to 860 days after their separation date. Our test of payments to 7 of these employees disclosed \$173,000 in improper payments.

- **Finding 2** - DPSCS did not review manual payroll adjustments prior to submission to DBM, and did not have any independent review of leave adjustments. DPSCS also did not use available system output reports of these adjustments to ensure that only authorized adjustments had been processed. Our review of certain payroll adjustments disclosed that DPSCS overpaid 4 employees and lacked required support for 3 others. **Repeat Finding**



Central Operations Report Findings 3 & 4 - Procurement

- **Finding 3** - DPSCS issued 1,051 purchase orders totaling approximately \$4.3 million to 9 vendors without a formal competitive procurement process. Our review disclosed that certain of these purchases appeared to be artificially split. As a result, DPSCS did not maximize its leverage as a high-volume purchaser and circumvented enhanced oversight, controls, and transparency required of higher cost contracts. **Repeat Finding**

- **Finding 4** – Our test of 10 contracts totaling \$249 million disclosed that for 9 contracts totaling \$248.2 million, DPSCS did not publish the awards on *eMaryland Marketplace Advantage* as required. **Repeat Finding**



MCE Report Finding 1 - Accounts Receivable

MCE did not adequately pursue delinquent accounts receivable.

- MCE did not always issue dunning notices to State agencies or address delinquent State accounts with senior leadership. MCE also continued to provide goods and services despite the longstanding delinquent accounts.
- MCE had not referred any delinquent accounts from non-State customers to the State's Central Collections Unit since August 2018.

**Accounts Receivables
Delinquent Over 90 Days
as of June 30, 2023**





Conclusions

Our audits of DPSCS identified numerous weaknesses in the procurement and monitoring of its incarcerated individual healthcare contracts, as well as inadequate pursuit of delinquent accounts receivable.

We made detailed recommendations to DPSCS and we will assess the status of the recommendations during the course of our next audits.

We are happy to answer any questions.