



PERFORMANCE AUDIT

**STATE CORRECTIONAL INSTITUTION
AT GRATERFORD**

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF CORRECTIONS**

OCTOBER 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

October 18, 2013

Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Corbett:

This report contains the results of a performance audit of the State Correctional Institution at Graterford (SCI Graterford) of the Department of Corrections for the period July 1, 2009, to June 30, 2012. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

The report details the audit objectives, scope, methodology, and findings. The report indicates that the institution maintained effective controls over the monitoring of contracted medical, mental health, and pharmacy services. The report also notes that the institution implemented our prior audit recommendations for the four prior audit findings.

We discussed the contents of the report with the management of the institution, and all appropriate comments are reflected in the report.

Sincerely,

A handwritten signature in cursive script, reading "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

**State Correctional Institution at Graterford
Department of Corrections**

**Background
Information**

*History, mission,
and operating
statistics*

Department of Corrections

The Pennsylvania General Assembly created the Bureau of Corrections under the authority of the Pennsylvania Department of Justice with the passage of Act 408 of July 29, 1953, P.L. 1428 Section I. In December 1980, responsibility moved from the Pennsylvania Department of Justice to the Office of the General Counsel under the Governor. On December 30, 1984, the Governor signed Act 245 of 1984,¹ elevating the Bureau of Corrections to cabinet level status as the Department of Corrections.

The mission of the Department of Corrections is as follows:

Our mission is to reduce criminal behavior by providing individualized treatment and education to offenders, resulting in successful community reintegration through accountability and positive change.²

The Department of Corrections is responsible for all adult offenders serving sentences of two or more years. As of June 30, 2013, it operated 26 correctional institutions, 1 motivational boot camp, 1 training academy, and 14 community pre-release centers throughout the Commonwealth of Pennsylvania. In addition to the 14 community pre-release centers, the Department of Corrections also had oversight of nearly 40 contracted facilities, all part of the community corrections program.³

State Correctional Institution at Graterford

The State Correctional Institution at Graterford, which we refer to as SCI Graterford or the institution in this report, opened in 1929 and is currently a level 4 facility⁴ for adult male offenders. SCI Graterford also houses capital case inmates. It is located in Skippack Township, Montgomery County, approximately 35 miles northwest of Philadelphia.

SCI Graterford is situated on 1,714 acres of land. Thirteen general living units, an infirmary, two restricted housing units, and a mental health unit provide housing for inmates within the institution's 62 acre walled

¹ 71 P.S. § 310.1.

² http://www.portal.state.pa.us/portal/server.pt/community/about_us/20857, accessed July 22, 2013.

³ Ibid.

⁴ The Department of Corrections classifies the security level on a scale from 1 (community) to 5 (maximum). As a security level 4 facility, the SCI Graterford population is designated as "close custody" level, which means it requires a high degree of supervision.

**State Correctional Institution at Graterford
Department of Corrections**

complex. The administration building, warehouse, and outside service unit are located outside of the walled perimeter. The Department of Correction's Bureau of Correctional Industries also operates five manufacturing cost centers within the institution utilizing inmate labor.

In early 2012, the Department of Corrections began construction on two new prisons to replace SCI Graterford. The new prisons, to be named SCI Phoenix East and West, are planned to be open by July 2015 and will house up to 4,100 offenders.

The table below presents unaudited SCI Graterford operating statistics compiled from Department of Corrections' reports for the fiscal years ended June 30, 2010, through June 30, 2012. Although Graterford increased its inmate capacity, at times it still exceeded capacity. Cost per inmate decreased approximately 10% from 2011 to 2012.

	SCI Graterford Operating Statistics for Fiscal Years Ending June 30		
	2010	2011	2012
Operating expenditures ⁵			
State	\$118,015,442	\$120,166,055	\$121,722,980
Federal	<u>15,030</u>	<u>12,697</u>	<u>0</u>
Total operating expenditures	\$118,030,472	\$120,178,752	\$121,722,980
Inmate population at year end	2,983	3,005	3,446
Inmate capacity at year end	2,800	2,800	3,361 ⁶
Percentage of capacity at year end	107%	107%	103%
Average monthly inmate population	3,502	2,942	3,300
Average cost per inmate ⁷	\$33,704	\$40,849	\$36,886

⁵ Operating expenditures were recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation expense. In addition, regional level and indirect charges were not allocated to the totals reported here.

⁶ The increase in capacity was due to SCI Graterford reopening previously closed cells on existing cell blocks.

⁷ Average cost per inmate was calculated by dividing total operating expenditures by the average monthly inmate population.

**State Correctional Institution at Graterford
Department of Corrections**

**Objectives,
Scope, and
Methodology**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our performance audit of SCI Graterford had three objectives, each related to contract monitoring. The specific audit objectives were as follows:

- One: To determine if SCI Graterford maintained effective controls over the monitoring of contracted medical services.
(Finding 1)
- Two: To determine if SCI Graterford maintained effective controls over the monitoring of contracted mental health services.
(Finding 2)
- Three: To determine if SCI Graterford maintained effective controls over the monitoring of contracted pharmacy services.
(Finding 3)

The scope of the audit was from July 1, 2009, through June 30, 2012, unless indicated otherwise.

To accomplish our objectives, we obtained and reviewed records and analyzed pertinent policies, procedures, and agreements of the Commonwealth of Pennsylvania, the Department of Corrections, and SCI Graterford, and we interviewed various facility management and staff. The audit results section of this report contains more details on the specific inquiries, observations, tests, and analyses for each audit objective.

We also performed inquiries, observations, and tests as part of, or in conjunction with, our current audit to determine the status of the implementation of the recommendations made during our prior audit. Those recommendations addressed the work order system, automotive activity reports, Community Corrections Centers' resident accounts, and advancement account transactions.

SCI Graterford management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that SCI Graterford is in compliance with applicable laws, regulations,

**State Correctional Institution at Graterford
Department of Corrections**

contracts, grant agreements, and administrative policies and procedures. In conducting our audit, we obtained an understanding of SCI Graterford's internal controls, including any information systems controls, as they relate to those requirements and that we considered to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

**State Correctional Institution at Graterford
Department of Corrections**

Audit Results

The audit results are organized into three sections. Each section is organized as follows:

- Statement of the objective
- Relevant laws, policies and agreements
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of our audit
- Methodologies used to gather sufficient and appropriate evidence to meet the objective
- Finding(s)

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results
for
Objective
One**

The objective

Objective one of our performance audit was to determine if SCI Graterford maintained effective controls over the monitoring of contracted medical services.

*Contract for
Medical Services*

Relevant contracts, policies, and procedures

State correctional institutions must provide basic necessities to inmates incarcerated in their facilities. Among these basic necessities is health care. The Department of Corrections policy outlines the medical services, such as physical examinations and specialty services that must be provided to every inmate.⁸

The Department of Corrections entered into a contract with a medical contractor⁹ to provide medical services to inmates under a department-wide contract effective from September 1, 2003, and renewed through December 31, 2012.¹⁰ During our audit period, SCI Graterford paid approximately \$19.8 million for these contracted medical services.

This contract specified the allowable services as well as the number of hours of services that the contractor will provide. The agreement also specified that the contractor will participate in committee meetings with Department of Corrections' staff.

The Department of Corrections also established policy and procedures that designate each institution's corrections health care administrator (administrator) with the responsibility to ensure that the medical contractor complies with the terms of the contract.¹¹ Department of Corrections' procedures state the following:

⁸ Department of Corrections, Policy and Procedures Manual Number 13.2.1, *Access to Health Care*, effective June 28, 2004. Within the procedures manual, section 1 addresses the inmate health care plan and section 3 addresses physical examinations.

⁹ Contract #4000005143 between the Commonwealth of Pennsylvania, Department of Corrections and Prison Health Services, Inc., which effectuated a legal name change to Corizon Health, Inc., effective November 15, 2011.

¹⁰ On November 15, 2011, the Department of Corrections notified the provider (Corizon Health, Inc.) that it was terminating the agreement effective December 31, 2012. The new contract for medical services, Contract #4400010454 between the Commonwealth of Pennsylvania and Wexford Health Sources, Inc., became effective January 1, 2013, and runs through December 31, 2017. Please refer to <http://www.emarketplace.state.pa.us/FileDownload.aspx?file=4400010454\ContractFile.pdf>

¹¹ Department of Corrections, Policy and Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring.

**State Correctional Institution at Graterford
Department of Corrections**

*The corrections health care administrator shall be responsible for ensuring that the contracted health care provider complies with the contract and verify and approve the hours of service submitted as stipulated in the contract.*¹²

In addition, the Department of Corrections' procedures¹³ required the contracted medical provider to participate in quality improvement programs at each facility.

We audited SCI Graterford's controls over its monitoring of contracted medical services related to proper receipt and payment of services provided under the medical services contract.

Scope and methodologies to meet our objective

The scope of this audit objective was the time period July 1, 2009, through June 30, 2012, unless indicated otherwise.

To satisfy this objective, we performed the following:

We reviewed the contract between the Department of Corrections and the medical contractor. We focused our review on the sections related to the types of medical services, number of hours of service, and committee participation that the contractor was to provide.

We also reviewed Department of Corrections' policies and procedures related to medical services that must be provided to inmates, such as physical exams and specialty services; medical contract monitoring; and the contractor's participation in a quality improvement program.

We interviewed SCI Graterford's corrections health care administrator, who was responsible for medical contract monitoring and for ensuring inmates received the required health care services; the administrative assistant to the corrections health care administrator, who was responsible for reviewing hours of service billed by the medical contractor; and the

¹² Department of Corrections, Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring. Within section 3, section A addresses general contract performance and section B addresses hours of service.

¹³ Department of Corrections, Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring. Section 3 refers to Attachment 3-A: Medical Contract Compliance Manual.

**State Correctional Institution at Graterford
Department of Corrections**

administrative officer who was responsible for processing inmate grievances relating to medical services.

Further, we reviewed six of the 36 monthly staffing reconciliations¹⁴ over our audit period, July 1, 2009, through June 30, 2012.¹⁵ From each of the six monthly staffing reconciliations, we selected three contracted employees and traced hours recorded on the reconciliations to the hours recorded on the employee's time records.

Specifically, we verified the accuracy of the hours of service listed on the staffing reconciliations by obtaining documentation of the contracted employee's entry and exit at the secured perimeter of the institution. We used documentation such as sign in and out sheets¹⁶ and biometrics sheets¹⁷ to confirm that the contracted medical employees were physically present at SCI Graterford and that the contracted employees worked the number of hours recorded on the staffing reconciliations.

We reviewed copies of the Monthly Correctional Health Care Administrator Reports that documents quality improvement, contracted vendor issues, and internal reviews conducted on the medical department for the time period January 2010, through May 2013.

We then verified that management from the medical services contractor participated in meetings with SCI Graterford management as required in both the contract¹⁸ and DOC procedures.¹⁹

We reviewed a list of medical grievances filed by SCI Graterford inmates for health related issues during the period January 1, 2013, to June 30, 2013. From the list, we examined the records for the 35 substantiated

¹⁴ Staffing reconciliations are prepared by the contractor and then reviewed and approved SCI Graterford's corrections health care administrator. The administrator's assistant compares invoice charges for hours billed by the contractor with time records of contracted employees maintained by SCI Graterford

¹⁵ Staffing reconciliations are documents prepared by the contractor that summarize the total hours each contracted medical employee worked during the month and are utilized for billing purposes.

¹⁶ Prison Health Services/Corizon Health, Inc. employees were required to sign in and out on sheets maintained at the entrance to the secured perimeter of the institution, to track evidence of their entry and exit out of the institution.

¹⁷ SCI Graterford uses a security system that captures evidence of each person's entry and exit at the secured perimeter of the institution using "biometrics," which identifies individuals through their employee identification card issued by SCI Graterford and their thumb print.

¹⁸ Contract #4000005143 between the Commonwealth of Pennsylvania, Department of Corrections and Prison Health Services, Inc., which effectuated a legal name change to Corizon Health, Inc., effective November 15, 2011.

¹⁹ Department of Corrections, Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring. Section 3 refers to Attachment 3-A: Medical Contract Compliance Manual.

**State Correctional Institution at Graterford
Department of Corrections**

grievances²⁰ in order to identify any significant concerns related to the medical services provided to SCI Graterford's inmates.

Finally, we reviewed an executive summary containing the results of the Department of Corrections' Bureau of Health Care Services' annual management review audit of SCI Graterford's medical department conducted in March 2012. In addition, we reviewed SCI Graterford's corrective plan of action submitted in August 2012 and the Bureau of Health Care Services' acceptance of SCI Graterford's plan in October 2012.

Finding 1 SCI Graterford effectively monitored contracted medical services.

The audit found that SCI Graterford effectively monitored services received under the medical contract.

We found that SCI Graterford had procedures in place to monitor the medical services received by the inmates and also ensure that billings from the contractor were accurate.

We found that SCI Graterford's corrections health care administrator (administrator) monitored the medical contract. The administrator's assistant verified the accuracy of the hours of service provided by the contracted employees by ensuring the hours recorded on the monthly staffing reconciliations, which were prepared by the contractor, matched the hours worked on the sign in and out sheets maintained at SCI Graterford. In the event that there were questions with the information recorded on the sign in and out sheets, biometric reports²¹ were utilized to determine the time the employee entered and exited the institution on the day in question.

The administrator signed the staffing reconciliations to show approval and forwarded the documents back to the contractor for payment processing.

²⁰ Substantiated grievances are grievances found to be legitimate by SCI Graterford and corrective action is taken by SCI Graterford to follow up on the complaint.

²¹ An added control in place at SCI Graterford is the security measure that all persons, including the contracted medical employees, must undergo in order to enter and exit the secured perimeter of the institution. The biometric security system at SCI Graterford captures evidence of each person's entry and exit at the secured perimeter of the institution in the form of biometrics sheets.

**State Correctional Institution at Graterford
Department of Corrections**

Furthermore, based on our review of sign in and out sheets, we found that for the contracted employees tested, the hours recorded on the sign in and out sheets matched the hours recorded on the staffing reconciliations.

In accordance with the contract and Department of Corrections' procedures, we found that members of the contractor's staff met with SCI Graterford's corrections health care administrator, along with other SCI Graterford management, such as the superintendent and registered nurse supervisors during monthly quality improvement meetings. The monthly meetings, which are documented in a Monthly Correctional Health Care Administrator Report, provide the opportunity for attendees to discuss the operations of the facility's medical department and any problems and/or issues related to the medical services provided by the contractor's staff. Also, the status of inmates' physical examinations and specialty service consults, which are required by Department of Corrections' policy, was discussed during the meetings.

During our review of the Monthly Correctional Health Care Administrator Reports for the time period January 2010, through May 2013, we noted that each month SCI Graterford's registered nurse supervisor conducted a quality improvement review of an area selected by the Department of Corrections' Bureau of Health Care Services or by SCI Graterford's corrections health care administrator. The results of this review were discussed at the monthly quality improvement meetings. These reviews provided the corrections health care administrator with another means to monitor medical services being provided.

Our interview with the administrative officer, who was responsible for processing inmate grievances, did not disclose any significant issues that affected the health and well-being of the inmates at SCI Graterford. Additionally, our review of the 35 substantiated grievances on file for the period January 1, 2013, to June 30, 2013 found no significant concerns relating to medical services being provided and in all cases, the inmates' grievances were reviewed and responded to by SCI Graterford.

Finally, we confirmed that the Department of Corrections' Bureau of Health Care Services conducted an annual management review audit of SCI Graterford's medical department. This audit is conducted to determine whether contracted medical staff and Department of Corrections' medical staff were following medical standards established by the Department of Corrections. This annual audit provides the institution's corrections health care administrator with an additional tool to monitor contracted medical services.

**State Correctional Institution at Graterford
Department of Corrections**

Our review of the executive summary prepared by staff from the Bureau of Health Care Services after the conclusion of their annual audit of SCI Graterford in March 2012 found that there were areas of deficiencies related to the medical record keeping by nurses and contracted medical staff and logging temperatures of the medication room. Each of the deficiencies were listed as low priority. Although deficiencies were reported, it was noted by the review team that the medical department staff was “working diligently to provide quality medical care to all the inmates.”

Through a review of the corrective plans of action developed by SCI Graterford to address the deficiencies cited, we determined that the deficiencies were appropriately addressed and the plans were accepted by the Bureau of Health Care Services.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Results
for
Objective
Two**

The objective

Objective two of our performance audit was to determine if SCI Graterford maintained effective controls over the monitoring of contracted mental health services.

*Contract for Mental
Health Services*

Relevant law, contracts, policies, and procedures

State correctional institutions must provide basic necessities to inmates incarcerated in their facilities. Among these basic necessities is health care, which includes mental health services. The Department of Corrections policy outlines the mental health services that must be provided to every inmate.²²

The Department of Corrections entered into a contract with a mental health contractor²³ to provide services to inmates under a statewide contract effective from January 1, 2009, through August 31, 2013. During our audit period, SCI Graterford paid approximately \$7.0 million for contracted mental health services such as psychiatric evaluations and treatment of inmates, writing treatment plans, documenting services provided, and twenty-four hour on call coverage for psychiatric emergencies.

This contract specified the allowable services as well as the number of hours of service that the contractor will provide. The agreement also specified that the contractor will participate in committee meetings with Department of Corrections' staff.

As previously cited in Finding No. 1, the Department of Corrections established policy and procedures that designate each institution's corrections health care administrator (administrator) the responsibility for

²² Department of Corrections, Policy and Procedures Manual Number 13.1.1, Management and Administration of Health Care, effective July 17, 2004. Attachment 3-A addresses psychiatric services.

Policy Number 13.2.1, *Access to Health Care*, effective June 28, 2004. Within the procedures manual, section 1 addresses the inmate health care plan.

Policy Number 13.8.1, *Access to Mental Health Care*, effective June 5, 2013. Within the procedures manual, section 2 addresses the delivery of mental health services.

²³ Service Purchase Contract #1181000376 between the Commonwealth of Pennsylvania and MHM Correctional Services, Inc., effective January 1, 2009.

**State Correctional Institution at Graterford
Department of Corrections**

ensuring that the mental health contractor complies with the terms of the contract.²⁴

In addition, the Department of Corrections' procedures²⁵ required the contracted mental health provider to participate in quality improvement programs at each facility.

We audited SCI Graterford's controls related to the monitoring of services provided by the mental health services contractor to ensure proper receipt and payment of services.

Scope and methodologies to meet our objective

The scope of this audit objective was the time period July 1, 2009, through June 30, 2012, unless indicated otherwise.

To satisfy this objective, we performed the following:

We reviewed the contract made between the Department of Corrections and the mental health contractor. We focused our review on the sections related to the types of mental health services, number of required hours of service, and committee participation that the contractor was to provide.

We also reviewed Department of Corrections' policies and procedures related to mental health care services that must be provided to inmates, such as psychiatric evaluations, mental health contract monitoring; and the contractor's participation in a quality improvement program.²⁶

We interviewed SCI Graterford's corrections health care administrator, who was responsible for mental health contract monitoring and ensuring inmates received the required mental health care services; the administrative assistant to the corrections health care administrator, who is responsible for reviewing hours of service billed by the mental health

²⁴ Department of Corrections, Policy and Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring.

²⁵ Department of Corrections, Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring. Section 3 refers to Attachment 3-A: Medical Contract Compliance Manual.

²⁶ Department of Corrections Policy Number 13.2.1, *Access to Health Care*, effective June 28, 2004. Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring. Section 3 refers to Attachment 3-A: Medical Contract Compliance Manual.

**State Correctional Institution at Graterford
Department of Corrections**

contractor; and the administrative officer who acts as the grievance coordinator and is responsible for processing inmate grievances.

Further, we reviewed six of the 36 monthly summary time detail reports over our audit period, July 1, 2009, through June 30, 2012.²⁷ From each of those six reports, we selected three contracted employees and traced hours recorded on the summary time detail reports to the hours recorded by the employee on the sign in and out sheets.

Specifically, we verified the accuracy of the hours of service listed on the summary time detail report by obtaining documentation of the contracted employee's entry and exit at the secured perimeter of the institution. We used documentation such as sign in and out sheets²⁸ and biometrics sheets²⁹ to confirm that the contracted mental health employees were physically present at SCI Graterford and that the contracted employees worked the number of hours recorded on the summary time detail reports.

We reviewed copies of the monthly correctional health care administrator reports which document quality improvement meetings, contracted vendor issues, and inspections conducted on the mental health department for the time period January 2010, through May 2013.

We then verified that management from the mental health services contractor participated in meetings with SCI Graterford management as required in both the contract³⁰ and Department of Corrections' procedures.³¹

We reviewed a list of grievances filed by SCI Graterford inmates for health related issues during the period January 1, 2013, to June 30, 2013. From the list, we examined records for the 35 substantiated grievances in order to identify any significant concerns related to the mental health services provided to SCI Graterford's inmates.

²⁷ Summary time detail reports are documents prepared by the contractor that summarize the total hours each contracted employee worked during the month and are utilized for billing purposes.

²⁸ MHM Services, Inc. employees were required to sign in and out on sheets maintained at the entrance to the secured perimeter of the institution, to track evidence of their entry and exit out of the institution.

²⁹ SCI Graterford uses a security system that captures evidence of each person's entry and exit at the secured perimeter of the institution using "biometrics," which identifies individuals through their employee identification card issued by SCI Graterford and their thumb print.

³⁰ Service Purchase Contract #1181000376 between the Commonwealth of Pennsylvania and MHM Correctional Services, Inc., effective January 1, 2009

³¹ Department of Corrections, Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring. Section 3 refers to Attachment 3-A: Medical Contract Compliance Manual that addresses psychiatric services requirements.

**State Correctional Institution at Graterford
Department of Corrections**

Finally, we reviewed the summary statement from the Department of Public Welfare's Office of Mental Health and Substance Abuse Services annual survey of SCI Graterford's mental health department that was conducted on May 1, 2012.

Finding 2 SCI Graterford effectively monitored contracted mental health services.

The audit found that SCI Graterford effectively monitored services received under the mental health services contract.

We found that SCI Graterford had procedures in place to monitor the mental health services received by the inmates and also to ensure that billings from the contractor were accurate.

We found that SCI Graterford's corrections health care administrator (administrator) monitored the mental health contract. The administrator's assistant verified the accuracy of the hours of service provided by the contracted employees by ensuring the hours recorded on the monthly summary time detail reports, which were prepared by the contractor, matched the hours worked on the sign in and out sheets maintained at SCI Graterford. In the event that there were questions with the information recorded on the sign in and out sheets, biometric reports³² were utilized to determine the time the employee entered and exited the institution on the day in question.

The administrator prepared an email to document approval of monthly hours and forwarded the paperwork back to the contractor for payment processing.

Furthermore, based on our review of sign in and out sheets, we found that for the contracted employees tested, the hours recorded on the sign in and out sheets matched the hours recorded on the summary time detail reports.

In accordance with the contract and Department of Corrections' procedures, we found that members of the contractor's staff met with SCI

³² An added control in place at SCI Graterford is the security measure that all persons, including the contracted mental health employees, must undergo in order to enter and exit the secured perimeter of the institution. The biometric security system at SCI Graterford captures evidence of each person's entry and exit at the secured perimeter of the institution in the form of biometrics sheets.

**State Correctional Institution at Graterford
Department of Corrections**

Graterford's corrections health care administrator, along with other SCI Graterford management, such as the superintendent and registered nurse supervisors, during the monthly quality improvement meetings in order to discuss the operations of the facility's mental health department and any problems and/or issues related to the mental health services provided by the contractor's staff. Our review of the reports during the period January 2010, through May 2013, revealed that there were no significant issues noted and that the contractor's staff addressed the items that were discussed during the monthly meetings.

Our review of inmate grievances and an interview with the inmate grievances coordinator did not disclose any issues regarding mental health services being provided to the inmates at SCI Graterford. According to the coordinator, if there were any grievances filed by an inmate regarding mental health services, they would have been forwarded to the corrections health care administrator for review. Our review of the 35 substantiated grievances on file for the period January 1, 2013, to June 30, 2013 did not disclose any mental health services related grievances.

Finally, we confirmed that the Department of Public Welfare's Office of Mental Health and Substance Abuse Services conducted an annual survey of SCI Graterford's mental health department to determine whether it is in compliance with the Inpatient Forensic Psychiatric Program Guidelines that apply when psychiatric services are provided to inmates. This annual survey provided SCI Graterford's corrections health care administrator with an additional tool to monitor contracted mental health services.

Our review found that the survey statement form prepared by staff from the Office of Mental Health and Substance Abuse Services after the conclusion of their annual survey of SCI Graterford in May 2012 reported no deficiencies and found SCI Graterford to be in full compliance with regulations.³³

³³ Chapter 5320 Regulations for Inpatient Forensic Psychiatric Programs (Draft). We confirmed with a representative from the Department of Public Welfare's Office of Mental Health and Substance Abuse Services, Bureau of Community and Hospital Operations that although in draft form, these are the regulations currently being used when conducting their survey of SCI Graterford.

**State Correctional Institution at Graterford
Department of Corrections**

Audit Results
for
Objective
Three

*Contract for
Pharmacy Services*

The objective

Objective three of our performance audit was to determine if SCI Graterford maintained effective controls over the monitoring of contracted pharmacy services.

Relevant law, policies, and contract

The Department of Corrections has issued a policy statement to ensure all inmates have access to health care including pharmaceutical services.³⁴ Because the state's correctional institutions do not have pharmacies and pharmacists on-site, pharmaceutical services must be provided through a contracted vendor.

Under the authority of the Commonwealth Procurement Code,³⁵ the Department of General Services (DGS) issued the *Procurement Handbook*, which provides the policies, procedures, and guidelines for state agencies to use when procuring supplies, services, and construction off of statewide contracts.

DGS entered into a contract with a pharmaceutical company to provide prescribed and non-prescribed medications and related services at all of the state's correctional institutions.³⁶ The contract is effective from June 15, 2010, through July 31, 2015.

SCI Graterford paid \$13,123,481 to the contracted pharmaceutical vendor during the period of July 1, 2009, through June 30, 2013. According to a report prepared by the contractor, this expense included the purchase of 448,699 prescriptions. The contract specifies that each institution is charged the contractor's actual acquisition cost for each medication plus a service fee that varies depending on the medication category. The medication categories include, patient specific medications, patient specific intravenous compounds, and over the counter products.

³⁴ Department of Corrections, Policy Number 13.2.1, *Access to Health Care*, effective June 28, 2004. Within the policy document, section 12 addresses pharmacy guidelines.

³⁵ 62 Pa.C.S. § 101 *et seq.* Hereafter, we refer to this law as the Procurement Code.

³⁶ Contract #4400007074 between the Commonwealth of Pennsylvania and Diamond Drugs, Inc. Please refer to <http://www.emarketplace.state.pa.us/FileDownload.aspx?file=4400007074\ContractFile.pdf>, accessed on March 18, 2013.

**State Correctional Institution at Graterford
Department of Corrections**

There were also 62,534 prescriptions returned to the contractor by SCI Graterford for a total credit of \$534,228.

We focused our review on the pharmaceutical services received at SCI Graterford and whether SCI Graterford monitored these contracted services in accordance with Chapter 54 of the Commonwealth's Procurement Handbook which states the following:

Monitoring and control are essential to ensure the contractor uses and manages its resources in a manner that will provide the agency exactly what it has contracted for in terms of quality, timeliness, and economy of cost.³⁷

Specifically, we audited SCI Graterford's controls over its monitoring of contracted pharmacy services related to the proper receipt and payment of medications and services provided by the contractor.³⁸

Scope and methodologies to meet our objective

For this objective our audit covered the period July 1, 2009, through June 30, 2013. To satisfy this objective, we performed the following:

We reviewed the Department of Services' statewide contract for pharmaceutical services.

We also reviewed Department of Corrections' policies and procedures related to monitoring pharmacy operations.

We interviewed SCI Graterford's corrections health care administrator, who was responsible for monitoring services provided under the pharmacy contract, the corrections health care administrator's administrative assistant who was responsible for reviewing the invoices from the contractor, and SCI Graterford's licensed practical nurse who was responsible for overseeing the institution's day-to-day pharmacy operations.

We selected three monthly contractor invoices received by SCI Graterford during the audit period for a detailed review of charges. The months we selected were as follows: April, May, and June of 2013.

³⁷ Commonwealth Procurement Handbook, Part 1 Chapter 54 titled "Contact Person Responsibilities."

³⁸ Diamond Drugs, Inc.

**State Correctional Institution at Graterford
Department of Corrections**

Specifically, for each selected month, we obtained the monthly invoices,³⁹ monthly billing reports,⁴⁰ and related packing slips.⁴¹ We then selected nine days (three days per month) and reviewed all drug charges.

We then traced each of those drug charges to the medications recorded on the packing slip to ensure that medications invoiced were received.

For the same three months, we obtained the credit statements⁴² prepared by the contractor that showed the amount of credit given to SCI Graterford for returned medications.⁴³ We then selected 60 medications (20 from each month) to confirm the accuracy of the amount of credit that SCI Graterford received for each. Specifically, we obtained the billing reports that showed the original acquisition cost and recalculated the amounts for accuracy based on criteria as specified in the contract.

In addition to the testing conducted on the accuracy of the credit amounts, we also obtained a list from SCI Graterford of all the medications that their records show were returned on four days within our audit period. We then traced each medication on their list to the contractor's credit statements in the respective months to ensure that each returned medication was accounted for and that SCI Graterford received credit for the returned medication in accordance with contract specifications.

Finally, we selected 24 medications that SCI Graterford was invoiced for during the audit period to confirm the accuracy of the amount billed. The contract stipulates that SCI Graterford will be charged the contractor's acquisition cost plus a service fee for each medication. We obtained copies of the contractor's invoices for the medications selected for testing to determine the acquisition cost. We then confirmed, for each of the 24 medications, that the contractor accurately charged SCI Graterford an amount equal to the acquisition cost plus the applicable service fee.

³⁹ Monthly invoices are documents received by SCI Graterford from Diamond Drugs which list the total cost SCI Graterford was billed for drugs during the month.

⁴⁰ Monthly billing reports are extensive reports which itemized every drug received per day for each day of the month.

⁴¹ Packing slips are an itemized listing of all drugs shipped which are included in the shipment received by SCI Graterford for each specific day.

⁴² Credit statements list each drug returned by SCI Graterford and the amount of credit issued by the contractor for each item.

⁴³ The credit process as specified in the contract is as follows: Credit will be issued on full or partial prescription at 100 percent of actual acquisition cost less a \$1.00 processing fee. Credit will not be issued on medications with a return value of \$2.95 or less.

**State Correctional Institution at Graterford
Department of Corrections**

We reviewed copies of the monthly correctional health care administrator reports, which document quality improvement, contracted vendor issues, and statistics on medication errors for the time period January 2010, through May 2013.

We reviewed copies of SCI Graterford's quarterly pharmacy inspection reports for the inspections conducted by the contractor's pharmacist during the period January 2011, through May 2013.

We reviewed copies of the quarterly pharmacy and therapeutic meeting minutes for the period January 2010, through May 2013. The meetings are held to discuss topics such as medications being prescribed to SCI Graterford inmates, the cost of those drugs, and the results of pharmacy inspections.

Finding 3

SCI Graterford effectively monitored contracted pharmacy services.

Our audit found that SCI Graterford effectively monitored the services it received under the pharmacy contract.

Our audit found that the corrections health care administrator was responsible for reviewing and approving monthly pharmacy invoices. Weekly, the contractor emails SCI Graterford a list of the medications shipped and the amount charged for each. An administrative assistant reviewed the list for any medications or charges that appeared to be out of line with previous orders. The dollar amounts charged for medications shipped that were recorded on the weekly lists were then used to confirm the monthly invoice totals. After this review was completed, the monthly invoice was forwarded to the corrections health care administrator for approval.

Our review of three months of invoices and related documents noted adjustments made to the monthly invoices by the administrative assistant indicating that a review was conducted. Additionally, we found that the contractor fulfilled the requirements as stipulated in the contract. We found that invoices contained the following information as specified in the contract: prescription number, inmate name, quantity dispensed, price of medication, medication name, fill date, and the name of the doctor who prescribed the medication.

**State Correctional Institution at Graterford
Department of Corrections**

We found that all medications were ordered by doctors through the contractor's computerized medication system. The contractor shipped the medications to SCI Graterford along with packing slips that listed all of the items shipped and any items that were ordered but not shipped and the reason why the item was not shipped. Once received, each medication was scanned into the computerized medication system by SCI Graterford's pharmacy staff and matched to the items listed on the packing slips.

We also verified that a licensed practical nurse, employed by SCI Graterford, was responsible for ensuring all medications listed on packing slips were actually received. This process ensured the accuracy of monthly billings by the contractor.

We found that for the nine days tested all 3,557 medications listed on the daily billing reports matched medications received as recorded on the packing slips, and that the daily totals for all medications received matched the day's charges on the monthly billing reports. Additionally, we also verified the daily totals per the billing reports matched the total amount charged per the monthly invoices.

We found that for the three monthly credit statements tested the contractor provided SCI Graterford with the correct billing credit.

We also verified that the medications listed on SCI Graterford's return list for the four days selected for testing were present on the contractor's credit statements.

Additionally, we confirmed that the contractor charged SCI Graterford amounts equal to the acquisition cost of the medications plus the applicable service fee as stipulated in the contract.

We also verified that a pharmacist on staff with the contractor also visited SCI Graterford's pharmacy on a quarterly basis, conducted an inspection of the pharmacy, and also participated in pharmacy and therapeutic meetings. The corrections health care administrator received copies of the results of the pharmacy inspections and minutes of the pharmacy and therapeutic meetings. The quarterly inspection reports are in the form of a checklist that was used by the pharmacist to ensure the quality of operations. Some key areas of inspection included: medication administrative records, refrigerated medications, emergency medications and supplies, and narcotics/controlled medications. These reports, in addition to statistical data provided by the contractor regarding the number of prescriptions filled and their costs, are utilized by the corrections health

**State Correctional Institution at Graterford
Department of Corrections**

care administrator to ensure SCI Graterford is receiving services as required by the contract. Pharmacy operations and any issues or concerns are also discussed each month at the quality improvement meeting held by the corrections health care administrator which is attended by SCI Graterford management and contracted medical staff.

**State Correctional Institution at Graterford
Department of Corrections**

**Status of
Prior Audit**

The prior audit report of SCI Graterford covered the period July 1, 2006, through November 12, 2009, and contained eight findings. However, only four of the findings contained recommendations. A summary of the findings, their accompanying recommendations, and the status of SCI Graterford's implementation of the recommendations are presented below.

Scope and methodologies of our audit work

To determine the status of the implementation of the recommendations made during the prior audit, we reviewed the Department of Corrections' written response dated February 15, 2012, replying to the Auditor General's report for the period July 1, 2006 to November 12, 2009. We also held discussions and made inquiries with appropriate institution personnel and performed tests as part of, or in conjunction with, the current audit.

Prior Finding 3 SCI Graterford's maintenance department did not utilize the work order system to its full potential. (Resolved)

During our prior audit found that SCI Graterford failed to monitor and process work orders as stipulated by the Department of Corrections. Required information was not recorded in the maintenance management system. Information such as the date the work was completed, the number of hours needed to complete the project, and materials used was not consistently recorded on the work orders that we reviewed.

We recommended that SCI Graterford management should ensure that the number of man hours, the material used to complete the project and the date the work is completed is recorded on the work order system. We also recommended that management should regularly monitor open work orders to ensure that the work order status reflects current information necessary for an effective decision support system.

In response to our recommendations, Department of Corrections' management stated on February 15, 2012, that it agreed with the finding and recommendation and that SCI Graterford had implemented the audit recommendations. At the current time, all work orders are being completed with the information recommended by this audit. The supervisor is inspecting the work upon completion and forwarding the work order to the office of

**State Correctional Institution at Graterford
Department of Corrections**

the Facility Maintenance Manager.

Status as of this audit. During our current audit, we reviewed reports generated from the work order system. The reports documented information for completed work orders that was entered into the system, during January and February 2013, by the tradesmen that completed the work or by the maintenance managers. We found that the reports confirmed management comments and that the maintenance staff is now including the number of man hours and the cost of materials used to complete the project in the work order system. The inclusion of this information provides management the ability to review maintenance work completed, the amount of labor hours, and the cost of materials required to complete the project. Furthermore, SCI Graterford's management stated that its maintenance managers review work orders and inspect jobs as needed. The status of work is reviewed with the facility maintenance manager at weekly manager meetings.

As a result of our discussions and review in the current audit, we concluded that SCI Graterford implemented our prior audit recommendations.

Prior Finding 4 SCI Graterford did not maintain accurate automotive activity reports and supporting documents. (Resolved)

During our prior audit we found that automotive activity reports were not regularly completed to reflect the usage of the vehicle, which included the driver of the vehicle, beginning and ending odometer readings, location of where the vehicle was driven, and gas usage. As a result, management did not have the information needed to effectively assess or monitor the efficiency and proper use of the institution's automotive pool.

Our review of four months of automotive activity reports for 14 vehicles during the 2009-10 fiscal year found that only 14 of the 56 reports contained all of the required information such as accurate odometer readings, drivers' names and destinations, and gas purchase information. In addition, the facility automotive officer did not complete and forward to the central office a monthly summary of all vehicles used.

We recommended that SCI Graterford management instruct all users of vehicles to document all required information on the monthly automotive activity reports. A record of the use of a vehicle should be maintained for

**State Correctional Institution at Graterford
Department of Corrections**

each time a vehicle is utilized during a day. These measures will aid SCI Graterford in ensuring the proper use of vehicles. We also recommended that management analyze automotive cost and usage data and review the monthly automotive activity reports for completeness and accuracy. Finally, a summary of the use of institution vehicles should be completed and forwarded to the Department of Corrections' central office automotive officer.

In response to our recommendations, Department of Corrections' management stated on February 15, 2012, that the Department agrees with this finding. SCI Graterford management has put into place a procedure whereby monthly usage is analyzed for accuracy, and to ensure that vehicles are only used for official business purposes. All reporting of vehicle information is submitted to Central Office on a monthly basis.

Status as of this audit. During our current audit, we confirmed that in addition to the procedure implemented in February 2012, SCI Graterford management implemented a new procedure for documenting vehicle usage in April 2013. We also reviewed the April, May, and June 2013 monthly automotive reports for accuracy and completeness. Our review of the April reports, the first month of reporting under the new procedure, found that reports contained errors with daily odometer readings and 24 of the 57 reports were missing. However, the review of May and June reports found improvements in the accuracy and completeness of the reports. For example, in June, only four of a total of 53 reports were not completed, and only two had errors relating to the vehicle usage information reported. Additionally, we confirmed through an interview with the Department of Corrections' central office automotive officer that SCI Graterford was submitting monthly vehicle usage summary reports to his office. As a result of our interviews and review, we concluded that SCI Graterford implemented our prior audit recommendations but we may continue to evaluate SCI Graterford's progress in this area in future audits since the reports reviewed continued to contain errors.

Prior Finding 1 Department of Corrections' operated Community Corrections Centers did not consistently reconcile resident accounts. (Resolved)

During our prior audit found that the Philadelphia Community Corrections Centers No. 2 and No. 3 were not reconciling the resident wage accounts to the bank statements. Therefore, the accuracy of the wage account balances continued to be questioned since the failure to reconcile resident wage accounts at these centers was noted in the four previous audits.

**State Correctional Institution at Graterford
Department of Corrections**

We recommended that the Department of Corrections' Bureau of Community Corrections should ensure that Community Corrections Centers perform monthly reconciliations of the resident wage accounts to the bank statements, and identify and correct any discrepancies.

In response to our recommendation, Department of Corrections' management stated on February 15, 2012, that the Department concurs with the Auditor General finding and comments. The Bureau of Community Corrections has implemented policy changes to ensure that monthly reconciliations of resident wage accounts are done to identify and correct any discrepancies. SCI Graterford will work with Community Corrections Regional offices to ensure inmate accounts are reconciled monthly.

Status as of this audit. During our current audit, we were informed that Community Corrections Center No. 3 closed in September 2012. SCI Graterford's previous business manager informed us that she was working with the Bureau of Community Corrections' previous Regional Director to ensure that resident wage accounts were reconciled monthly. The current Acting Regional Director assigned the task of reconciling Community Corrections Center No. 2's (Center) resident wage account to an administrative officer. We reviewed the administrative officer's reconciliations performed on the Center's resident wage account for June and July 2013 and noted that she was able to determine the adjusting entries needed to balance the accounts. The administrative officer is currently working at the center training the director and staff on procedures to keep the accounts in balance. As a result of our interviews and review, we concluded that the Bureau of Community Corrections implemented our prior audit recommendations but we may continue to evaluate the Center's progress in this area on future audits to ensure that the resident wage account is being reconciled monthly.

Prior Finding 6 Advancement Account transactions were not processed in accordance with Commonwealth policies. (Resolved)

SCI Graterford makes payments for goods and services with a value less than or equal to \$1,500 through an advancement account check. During

**State Correctional Institution at Graterford
Department of Corrections**

our prior audit found the following 22 exceptions with the 42 transactions tested during the period of July 1, 2007, through April 30, 2009:

- Sixteen transactions did not have an approved invoice;
- Two transactions did not have the approved purchase request documents;
- Two transactions did not have an approved invoice or receiving document; and
- Two transactions did not have gasoline receipts available to confirm purchases.

The lack of approved invoices, purchase requests, receiving documents, or receipts increased the risk that inappropriate payment for goods and services could be made. Management stated that although some invoices were not signed and some were missing documents, all transactions were reviewed for propriety before being processed for payment.

We recommended that SCI Graterford management ensure that all payments made through the advancement account are properly approved and documented in compliance with commonwealth and Department of Corrections' policies and procedures.

In response to our recommendation, Department of Corrections' management stated on February 15, 2012, that they concur with the AG findings and comments. To comply with the audits recommendation, SCI Graterford management implemented procedures so that all transactions through the advancement account are properly approved and documented in compliance with Commonwealth and Department of Corrections' policies and procedures. All advancement account transactions will be approved by the Business Manager and will be supported with the proper documentation of a purchase order, approved invoice or receiving documents.

Status as of this audit. During our current audit, SCI Graterford management stated, and we confirmed, that the number of transactions processed through the advancement account significantly decreased due to the increased use of the purchasing card. Furthermore, the prior control deficiencies noted in regards to the lack of gasoline receipts are no longer an issue because gasoline invoices are now paid with the purchasing card instead of through the advancement account.

SCI Graterford management further stated that procedures were implemented in January 2012 to ensure that all payments made through the advancement account are properly approved and documented. To

**State Correctional Institution at Graterford
Department of Corrections**

confirm statements made by SCI Graterford management, we examined six transactions processed during the period of July 1, 2012, through March 12, 2013. Our review showed that the six transactions were properly approved and that documentation was on file to support the transactions in compliance with commonwealth and Department of Corrections' policies and procedures.

Based upon actions taken by SCI Graterford, we concluded that SCI Graterford implemented our recommendation.

**State Correctional Institution at Graterford
Department of Corrections**

**Audit Report
Distribution
List**

The Honorable Tom Corbett
Governor

The Honorable Robert M. McCord
State Treasurer
Pennsylvania Treasury Department

The Honorable John E. Wetzel
Secretary
Pennsylvania Department of Corrections

John Kaschak
Director of Audits
Office of Comptroller Operations
Office of the Budget

State Correctional Institution at Graterford
Michael Wenerowicz
Superintendent

*This report is a matter of public record and is available online at www.auditorgen.state.pa.us.
Media questions about the report can be directed to the Pennsylvania Department of the Auditor
General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to:
news@auditorgen.state.pa.us.*