



**STATE OF FLORIDA
DEPARTMENT OF CORRECTIONS**

**OFFICE OF THE INSPECTOR GENERAL
BUREAU OF INTERNAL AUDIT**

MEMO TO: Maureen Olson
Deputy Director of Health Services

FROM: Donald L. Miller
Chief Internal Auditor

DATE: December 15, 2006

SUBJECT: MANAGEMENT LETTER - LABORATORY CORPORATION OF AMERICA
(LABCORP) – CONTRACT # C2311

On August 14, 2006 the Bureau of Internal Audit issued an engagement letter to the Office of Health Services to begin an audit of the contract with Laboratory Corporation of America (LABCORP). After completion of the fieldwork, it is my decision not to issue an audit report, but rather issue a Management Letter to discuss weaknesses identified. Although identified for current business processes and transactions, I feel the current contract manager has not been afforded ample opportunity to address and correct the weaknesses.

We will conduct a follow-up on these weaknesses as well as LABCORP's and the Contract Managers responsibilities in the future to determine compliance with terms of the contract.

BACKGROUND

On June 1, 2006, the Department of Corrections (DC) entered into a three year contract estimated at \$13,500,000 with Laboratory Corporation of America (LabCorp). This contract provides for inmate clinical laboratory services for Regions I, II and III in 51 institutions.

The contract provides for specimen pick-up and delivery service to institutions on a daily basis, Monday through Friday. Weekend and holiday pick-ups are offered where there is sufficient demand or need determined by DC.

The Contract requires LabCorp to provide the following to each institution:

- Overview of services offered;
- Procedures and equipment for collection of specimen for each test;
- Instructions and any special precautions for handling, preserving and packaging specimens for submission to LabCorp's lab;
- Test methodology and;
- Normal values or expected therapeutic ranges.

The contract defines DC's Contract Manager or designee with the following responsibilities:

- Serve as liaison between the Department and LabCorp;
- Direct the Institutional Health Services Administrator (IHSA) to verify receipt of deliverables from LabCorp;
- Monitor LabCorp's progress;
- Evaluate LabCorp's performance;
- Direct the Contract Administrator to process all amendments, renewals and terminations of this contract;
- Direct the Institutional Health Services Administrator to review, verify, and approve invoices from LabCorp; and
- Evaluate LabCorp's performance upon completion of the overall contract. This evaluation will be placed on file and will be used as a reference for future procurements.

OBJECTIVES

Our fieldwork objectives were to evaluate whether LabCorp is meeting the terms and conditions of the contract; whether the contract payments are in accordance with the terms of the contract; and to confirm that the delivery of services is effectively verified and properly monitored by Health Services Management.

SCOPE AND METHODOLOGY

The scope of our fieldwork was for transactions and business practices for the current contract in place. In order to accomplish our objectives, we reviewed operations at three (3) institutions: Regional Medical Center (RMC), Central Florida Reception Center (CFRC), and Washington Cl. Utilizing a prepared questionnaire, information was obtained from Institutional Health Service Administrators (IHSA's) and LabCorp's representative. Judgmental samples of data (i.e. contractor invoices, LabCorp Manifest Logs, and clinical lab results) were collected for review and analysis.

RESULTS OF FIELDWORK

Overall, LABCORP is meeting the requirements of the contract, however DC's monitoring effort could be enhanced. During our fieldwork, the following weaknesses in the internal control structure were identified and warrant management's attention. If addressed we feel it should further enhance the effectiveness and efficiency of the LABCORP contract.

Issue # 1: Monitoring and Evaluation of LabCorp's progress and performance.

Section IV(A) (3), (4) and (7) require the contract manager to monitor the contractor's progress, evaluate the contractor's performance and evaluate contractor performance upon completion of the overall contract. The current Contract Manager was able to find an eight question monitoring tool that should have been used for the previous contract # C1877. This monitoring tool does not appear to have been used annually because there were no corrective action plans, written documentation or telephone calls placed in the contract file. Any monitoring or evaluation of the previous contract would have been useful during the procurement process for the current contract # C2311.

The current Contract Manager has redesigned and developed a more thorough and extensive monitoring tool. After reviewing this monitoring tool, it was determined that it was directed toward the entire contract and not LABCORP's deliverables. It was determined that the monitoring tool should address LABCORP's responsibilities rather than the whole contract since both the Department of Corrections (DC) and LABCORP have agreed to the terms of the contract. The current Contract Manager has scheduled a tentative review for December 2006.

Our attached proposed revision to the monitoring tool is an attempt to focus on the Contractor's responsibilities and assist the Contract Manager with future monitoring tool revisions.

We recommend that the contract be monitored as required by the contract.

Issue # 2: Inadequate Reports and Lack of Contract Monitoring.

LABCORP has not provided complete reports to the Office of Health Services nor has the contract manager requested or accurately monitored the following reports required by Section II-D (21):

- Monthly summary report of clinical laboratory services by institution and by region.

The July 2006 monthly report provided to the auditor by the Contract Manager was by institution and region; however it did not contain any cost information for the current month or year-to-date. No monthly reports for institutions from Region II were part of the monthly reports provided except for the Regional Medical Center (RMC). On the other hand, there were monthly invoices for lab services provided to Region II facilities for July 2006.

- Monthly summary report of clinical laboratory services within the department.

No monthly summary report of clinical laboratory services within the Department was provided by the Contract Manager. LABCORP confirmed that this report had not been sent out for distribution. There was some confusion regarding the information required in the report. Clarification on the reports content was provided to LABCORP and this report will be forthcoming.

Failure to receive accurate and complete reports will distort cost information and the ability to track laboratory testing services reported by the Health Services Department.

We recommend the Office of Health Services ensure institutions are receiving the required monthly report by spot checking different institutions or by developing a tracking system that keeps the Contract Manager informed of whether LABCORP is providing reports as required by the contract.

Issue # 3: Contract Management.

Section IV(A), (2) and (6) of the contract requires the Contract Manager to:

- Direct the Institutional Health Services Administrator to verify receipt of deliverables, and
- Direct the Institutional Health Services Administrator to review, verify, and approve invoices.

We determined that the IHSA's in the field were receiving all the goods and services per the contract and were very satisfied. It was stated by all IHSA's that LABCORP continues to improve upon past identified weaknesses, thereby providing a better service.

Directions to the IHSA to verify receipt of deliverables and to review, verify, and approve invoices is understood. However, there is no tracking system or procedure to inform the Contract Manager that these tasks have been completed by the IHSA's.

We recommend the Office of Health Services devise a reporting procedure that informs the contract manager that all deliverables have been received as well as all monthly invoices have been reviewed, verified, approved and forwarded for payment by the IHSA's.

Issue # 4: Accessible/Institutional coordinator.

Section II-D (12) requires the contractor to provide DC with an accessible coordinator responsible for all aspects of the contract. Additionally, a coordinator shall be designated specifically for each correctional institution to refer any questions regarding laboratory test results for immediate resolution. **These coordinators are one in the same.**

Not all institutions are familiar with the name of their institutional coordinator responsible for solving problems or providing assistance because LABCORP did not provide such list to DC. We obtained a copy of this list which is attached for your use.

We recommend the Office of Health Services monitor this area to ensure an accurate list is maintained by the institutions.

Issue # 5: Training.

Section II(D), (6) and (14) requires the contractor to:

- Provide centrifuges to all facilities and appropriate in-service training on use and maintenance of equipment. Refresher in-service training shall be provided annually by the contractor.

We determined that there was no need for annual refresher training on centrifuges by LABCORP. The nursing staff employed at the institutions is trained on its use and operation and can provide this annual training.

- Provide in-service training to all institutional health services staff at institutions. The contractor shall coordinate the date and time of the training with each institutional HSA.

There is no specification as to the frequency of training and LABCORP admits that they have never contacted the HSA to set up training. However, they have volunteered training and informational updates for distribution at Regional Health Service meetings and will provide any additional training regarding LABCORP computer software.

We recommend the Office of Health Services discuss with LABCORP's representative what type of training is available, then canvas the institutions that require training and have them coordinate with their institutional coordinator for the training.

Issue # 6: Licensing Documentation.

Section II-D (9) states that LabCorp shall provide pathologists who are licensed in the State of Florida. A copy of LabCorp's pathologist's certification, licensure and DEA registration shall be provided to the Contract Manager within thirty days of execution of the contract.

The contract Manager possessed only three certifications. During our meeting with LABCORP, a copy of all pathologist certifications was requested and received. They are attached for your use.

We recommend the Office of Health Services verify that all licensures, certifications, insurance coverage and permits held by LABCORP have been received and are on file with the contract.

Issue # 7: Contract Deletions.

Section II-C, **Medical Records and Documentation**, delete in its entirety. LABCORP personnel are never allowed to document healthcare encounters in the inmate's health record nor enter anything into DC's medical computer system (OBIS).

Section II-D (4), **Data transmission equipment** is no longer installed at the institutions. A laser jet printer provided by LABCORP has taken its place for receiving reports and performing print functions.

Section II-F (1) **Staff Conduct** should be reviewed because LABCORP personnel basically provide a pick up and delivery service with an occasional maintenance call on the equipment. Their staff never has contact with any inmate, so there is no chance for preferential treatment; any type of business relations; contact with the inmate's family; or the possibility of engaging in criminal conduct with an inmate.

Section II-F (3), **Contractor's Staff Training and Education**. Since LABCORP provides a pick up and delivery service with minimal to no contact with Institutional personnel, the need for training and education is nonessential for LABCORP employees.

Chief Internal Auditor

cc: Attachments