



A Report
to the
Board of
Supervisors

*Maricopa County
Internal Audit
Department*

Ross L. Tate
County Auditor

Countywide Contracts: Temporary Medical Personnel

*Invoices Do Not Receive Adequate
Scrutiny*

December ■ 2008

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The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

The mission of the Internal Audit Department is to provide objective, accurate, and meaningful information about County operations so the Board of Supervisors can make informed decisions to better serve County citizens.

The County Auditor reports directly to the Maricopa County Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.

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"Do the Right Things Right!"



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December 16, 2008

Andrew Kunasek, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Max W. Wilson, Supervisor, District IV
Mary Rose Wilcox, Supervisor, District V

We have completed our Fiscal Year 2008-09 review of the Temporary Medical Contract. This audit was performed in accordance with the annual audit plan approved by the Board of Supervisors. The specific areas reviewed were selected through a formal risk-assessment process.

Highlights of this report include the following:

- Contract invoices are not consistently reviewed
- User agencies paid higher contract rates than required

This report contains an executive summary, specific information on the contract reviewed, and the agencies' responses to our recommendations. We have reviewed this information with agency leadership and appreciate the excellent cooperation provided by management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Eve Murillo at 506-7245.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

Executive Summary

Overpayment and Noncompliance Issues (Page 4)

We found that County agencies using the Broadlane contract did not effectively monitor, review, and document registry vendor expenditures to ensure payment accuracy. These multiple vendors register and provide temporary medical staff through Broadlane, who negotiates labor prices with them. Our sample testing showed a thirty three percent error rate in agency payments for contracted hourly rates. Because Broadlane does not manage and therefore cannot produce requested invoice information and because of weak contract management procedures, the agencies could not sufficiently demonstrate that Broadlane had fulfilled its contract obligations or that registry vendors' invoices complied with contract requirements. County user agencies should strengthen controls over invoice payments and contract management procedures.

Introduction

Background

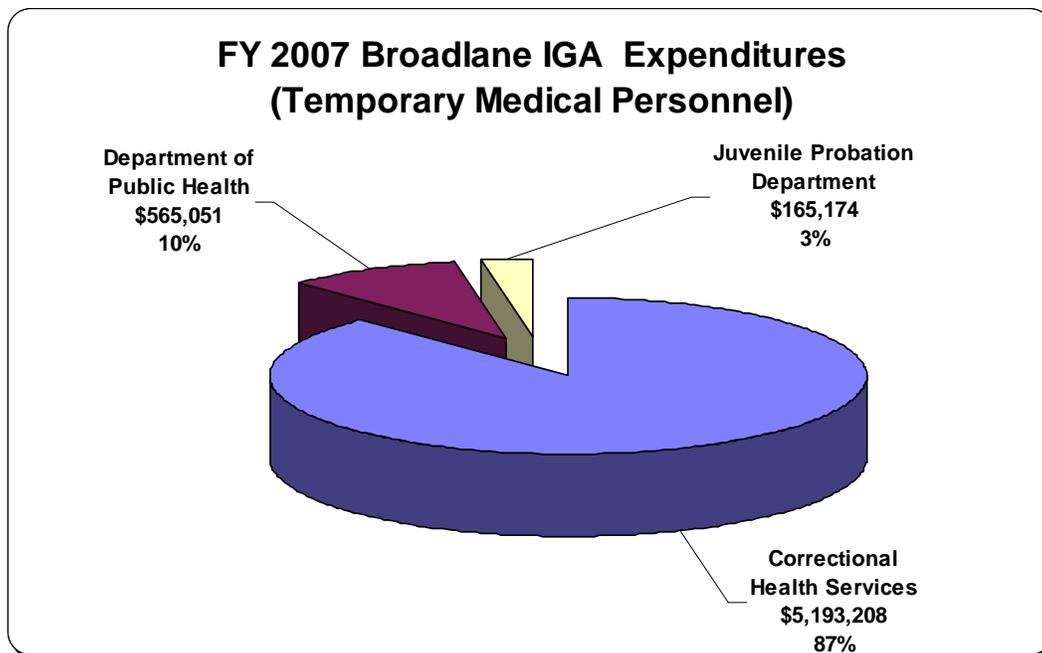
County departments may obtain temporary medical personnel to supplement their professional staff through a contract with Broadlane, a large vendor management company that negotiates contracts with temporary medical staff. Broadlane has agreements with various registry vendors who provide temporary medical personnel such as registered nurses, licensed practical nurses, and certified nursing assistants. The three primary contract users are:

- Correctional Health Services (CHS)
- Department of Public Health (DPH)
- Juvenile Probation Department (JPD)

Broadlane services include:

- Contracting Services - negotiating hourly rates with multiple temporary staffing vendors
- Vendor Management Services - providing ProSource, a web-based tool that can help users manage the ordering of credentialed staff from temporary agencies. Local Broadlane representatives are available to liaison between County agencies and vendors to ensure contract compliance. Some County user agencies have chosen to manage temporary medical vendor timekeeping and invoicing using alternative methods to ProSource, such as reverse invoicing.

The County spent \$5.9 million in FY2007 to obtain temporary medical personnel through the Broadlane contract. The following chart shows the breakdown by agency:



Source: Advantage 2.0 FY2007 General Ledger

Scope and Methodology

Audit Objectives

The audit objectives were to:

- Verify that temporary medical personnel vendors affiliated with the Broadlane contract fulfilled their contract obligations
- Validate CHS' timekeeping and invoice generation system transactions to determine if controls were adequate to prevent unauthorized changes for hours worked
- Verify registry staff licensure during the invoiced period reviewed
- Verify invoice compliance with contracted rates and validated pay rates recorded in the CHS system; determine if the CHS system had adequate controls to prevent unauthorized changes to pay rate profiles

Audit Standards

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 that supports 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.

A Note Regarding Information System Controls:

The objective of this audit did not include performing an audit of the CHS information system. However, during our audit testing we did observe control weaknesses within CHS' timekeeping and invoicing system. As a result, we relied upon alternative sources of evidence to support our audit findings and conclusions relative to CHS generated rates, timekeeping, and credentialing information.

Overpayment and Noncompliance Issues

Summary

We found that County agencies using the Broadlane contract did not effectively monitor, review, and document registry vendor expenditures to ensure payment accuracy. These multiple vendors register and provide temporary medical staff through Broadlane, who negotiates labor prices with them. Our sample testing showed a thirty three percent error rate in agency payments for contracted hourly rates. Because Broadlane does not manage and therefore cannot produce requested invoice information and because of weak contract management procedures, the agencies could not sufficiently demonstrate that Broadlane had fulfilled its contract obligations or that registry vendors' invoices complied with contract requirements. County user agencies should strengthen controls over invoice payments and contract management procedures.

Criteria

The IGA (Serial 06129) "Temporary Medical Personnel, Broadlane Facility Binder" contains several key terms:

- A right to audit clause
- Billable service exclusions such as late shows, excess time, incomplete shifts
- Vendor oversight of professional qualifications, licensures, and certifications.
- Hourly rate schedules by occupation and experience level

The American Institute of Certified Public Accountant's State and Local Government Committee's guide on Audits of State and Local Government Units recommends the following internal controls over timekeeping and invoicing:

- Reviewing timekeeping and attendance records and procedures
- Ensuring that timekeeping records are appropriately segregated
- Reviewing invoices for completeness of supporting documents

Arizona statutes govern professional nursing standards and licensure requirements. These statutes make it unlawful for unlicensed or uncertified persons to practice professional nursing in Arizona, or to represent themselves as registered nurses. Arizona statutes also govern state participation in the National Licensure Compact.

Internal Audit uses the Information Technology (IT) Governance Institute's Control Objectives for Information and related Technology (COBIT) for IT best practices. COBIT guidelines recommend formally documenting the process of granting, and reviewing application access. This process should address the nature of user access, general access rules, and segregation of duties.

Condition

Licensure Reviews and Experience

While reviewing licensure status we found \$22,693 in FY 2007 payments CHS made to a temporary medical vendor not on this contract for the services of a registered nurse who was not licensed during the time she worked at CHS.

The Broadlane contract assigns each specialty (RN's, LPN's, etc.) various rates based on factors such as experience, traveler status, and shift worked. County user agencies may request acute level registered nurses (at \$54/hr.) or non acute (at \$47/hr.). Under the Broadlane contract terms, acute nursing providers (RN's) must have a minimum of two years experience. We noted several examples of acute care RN's who began working with CHS just prior to receiving their license, indicating they probably did not have the required two years experience.

Timekeeping Control Weaknesses

Although the terms of the contract are the same for each of the three user agencies, CHS has a unique contract management process for the Broadlane contract. CHS tracks time internally and prepares invoices on behalf of the vendor for temporary medical personnel using an internally developed timekeeping and invoicing system called the Registry Access Database (RAD). In order to review CHS invoices we needed to understand RAD's functionality. As a result of observing the control environment surrounding RAD, we noted the following weaknesses that contributed to overpayments:

- Modifications to detail transaction data is a manual process and subject to human error
- RAD does not track transaction changes, who performed them, and when (no audit trail).

In addition to the findings detailed above, County user agencies overpaid temporary medical vendors through the Broadlane contract. The table below summarizes overpayments to registry vendors and error rates in FY 2007 and FY 2008 for the various types of contract payment reviews we performed.

County Agency Overpayments to Temporary Medical Vendors					
Issues	Items Reviewed	Errors Found	Error %	Error Cost	Agencies
Incorrect labor rate paid*	1048	345	33%	\$18,579	Public Health
	22	16	73%	\$1,163	Juvenile Probation
	829	20	2%	\$200	Correctional Health
"Sitters" paid at RN Rate	355	2	>1%	\$2,067	Correctional Health
Timekeeping discrepancies	408	37	9%	\$ 1,613	Correctional Health
Subtotal		420		\$23,622	

Source: IA analysis of contract information and agency provided data.

***Note:** (1) Public Health and Juvenile Probation engaged higher rate Acute RN's even though staff stated that lower rate Non-Acute nurses could have been used. (2) Correctional Health applied a new higher RN rate schedule too early.

Effect

County user agencies misapplied contract rates and overpaid Broadlane registry vendors by over \$23,000 in FY 2007 and FY 2008 for registry staff. Agencies cannot ensure payment accuracy when they do not effectively monitor, review, and document temporary medical vendor expenditures. Incomplete vendor data and insufficient contract management procedures resulted in undetected overpayments.

Cause

The following factors hinder effective management of the Broadlane contract:

- Broadlane does not ensure that temporary medical vendors consistently bill for medical providers based on the level of experience provided
- Broadlane does not enforce the contractual requirement that registry vendors submit all invoice data to the County upon request
- Six CHS employees are allowed access to all functions of RAD

- Some user agencies did not ensure that the invoices accurately reflected the amount and type of professional services rendered.
- User agencies inconsistently code invoice information into the County's financial system (Advantage 2.0), making reconciliations between timekeeping documentation, invoices, and expenditures difficult or impractical.
- User agencies do not maintain sufficient support documents (timesheets, schedules, etc.)

Recommendations

County user agencies should:

Recommendations	Correctional Health Services	Department of Public Health	Juvenile Probation Department
1a. Strengthen existing invoice review procedures to ensure billed rates are consistent with contract rates and staffing needs are met.		✓	✓
1b Ensure that Broadlane consistently monitors all contracted registry vendors for appropriate licensure and background checks.	✓	✓	✓
1c Ensure all agency contract users determine contracted service needs appropriate for their setting; ensure services provided comply with contracted experience levels and rates.	✓	✓	✓
1d Conduct a review of CHS timekeeping system controls to: 1) Identify existing data errors, improve application accuracy, and reduce manual system processes 2) Establish an audit trail for changes to key data fields and data processing errors 3) Ensure segregation of duties over system tables	✓		
1e Establish and implement formal written invoice reconciliation procedures to Advantage 2.0.	✓	✓	✓
1f Strengthen existing procedures to ensure that temporary registry staff accurately record time in RAD and strive to reduce manual timekeeping entries.	✓		
1g Obtain and reconcile timesheets to registry vendor invoices prior to payment approval.		✓	
1h Consider working with Broadlane to recover overpayments and review for additional overpayments not identified during the audit.	✓	✓	✓

Agency Response

AUDIT RESPONSE
Correctional Health Services December 08, 2008

Issue #1:

We found that County agencies using the Broadlane contract did not effectively monitor, review, and document registry vendor expenditures to ensure payment accuracy. These multiple vendors register and provide temporary medical staff through Broadlane, who negotiates labor prices with them. Our sample testing showed a thirty three percent error rate in agency payments for contracted hourly rates. Because Broadlane does not manage and therefore cannot produce requested invoice information and because of weak contract management procedures, the agencies could not sufficiently demonstrate that Broadlane had fulfilled its contract obligations or that registry vendors' invoices complied with contract requirements. County user agencies should strengthen controls over invoice payments and contract management procedures.

Recommendation B: Ensure that Broadlane consistently monitors all contracted registry vendors for appropriate licensure and background checks.

Response: Concur- Complete. CHS continues to hold Broadlane accountable for monitoring all contracted vendors to ensure that they will consistently verify temporary medical providers for licensure and background checks.

Target Completion Date: Complete

Benefits/Costs: Increased control over accuracy and accountability.

Recommendation C: Ensure all agency contract users determine contracted service needs appropriate for their setting; ensure services provided comply with contracted experience levels and rates.

Response: Concur- In Process

Target Completion Date: 02/28/09

Benefits/Costs: Improved process.

Recommendation D: Conduct a review of CHS timekeeping system controls to:

- 1) Identify existing data errors, improve application accuracy, and reduce manual system processes
- 2) Establish an audit trail for changes to key data fields and data processing errors
- 3) Ensure segregation of duties over system tables

Response: Concur- In Process.

Target Completion Date: 2/28/09

Benefits/Costs: Increased accuracy and meaningfulness of RAD data.

Recommendation E: Establish and implement formal written invoice reconciliation procedures to Advantage 2.0.

Response: Concur-Complete

Reconciliation is done with Advantage and Business Objects for every warrant paid. Written Procedures are being revised.

Target Completion Date: Complete

Benefits/Costs: Increased accuracy and improved process.

Recommendation F: Strengthen existing procedures to ensure that temporary registry staff accurately record time in RAD and strive to reduce manual timekeeping entries.

Response: Concur- In process

Target Completion Date: 02/28/09

Benefits/Costs: Increased control over accuracy and accountability, potential cost savings.

Recommendation H: Consider working with Broadlane to recover overpayments and review for additional overpayments not identified during the audit.

Response: Concur- Partially completed on 9/25/08 by recouping \$2,067. The total amount identified to recoup in this audit was \$3,880 out of a total paid amount of \$5.2 million for FY07.

Target Completion Date: Partially complete

Benefits/Costs: Increased control over accuracy and accountability.

Approved By :	<u>Betty Adams</u>	<u>12/8/08</u>
	Department Head/Elected Official	Date
	<u>Samuel W. Win</u>	<u>12-14-08</u>
	Deputy County Manager	Date
	<u>D.R. Smith</u>	<u>12/10/08</u>
	County Manager	Date

AUDIT RESPONSE

Temporary Medical Personnel

Department of Public Health - December 2, 2008

Issue #1:

We found that County agencies using the Broadlane contract did not effectively monitor, review, and document registry vendor expenditures to ensure payment accuracy. These multiple vendors register and provide temporary medical staff through Broadlane, who negotiates labor prices with them. Our sample testing showed a thirty three percent error rate in agency payments for contracted hourly rates. Because Broadlane does not manage and therefore cannot produce requested invoice information and because of weak contract management procedures, the agencies could not sufficiently demonstrate that Broadlane had fulfilled its contract obligations or that registry vendors' invoices complied with contract requirements. County user agencies should strengthen controls over invoice payments and contract management procedures.

Recommendation A: Strengthen existing invoice review procedures to ensure billed rates are consistent with contract rates and staffing needs are met.

Response: Concur- Completed. It has been determined that all Public Health users are now aware of and utilizing the established Broadlane procedures.

Target Completion Date: 11/6/08

Benefits/Costs: Potential cost savings, deter overbilling.

Recommendation B: Ensure that Broadlane consistently monitors all contracted registry vendors for appropriate licensure and background checks.

Response: Concur- In process. Discussions with Broadlane personnel are in process to ensure they are consistently monitoring contracted registry vendors for appropriate licensure and background checks.

Target Completion Date: 02/28/09

Benefits/Costs: Increased control over accuracy and accountability.

Recommendation C: Ensure all agency contract users determine contracted service needs appropriate for their setting; ensure services provided comply with contracted experience levels and rates.

Response: Concur- Completed. It has been determined that all Public Health users are now aware of and utilizing the established Broadlane procedures.

Target Completion Date: 11/6/08

Benefits/Costs: Improved process.

Recommendation E: Establish and implement formal written invoice reconciliation procedures to Advantage 2.0.

Response: Concur- In process. Accounts Payable will establish and implement formal written reconciliation procedures to Advantage 2.0. With the implementation of the On-Base pilot program, this should dramatically improve the accuracy of matching invoice amounts to what is entered into Advantage.

Target Completion Date: 2/28/09

Benefits/Costs: Increased accuracy and improved process.

Recommendation G: Obtain and reconcile timesheets to registry vendor invoices prior to payment approval.

Response: Concur-In Process. Individual programs will begin to reconcile the timesheets prior to payment of invoices.

Target Completion Date: 1/31/09

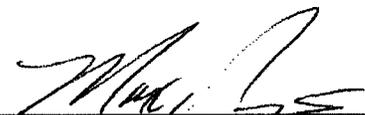
Benefits/Costs: Increased control over accuracy and accountability, deter overbilling.

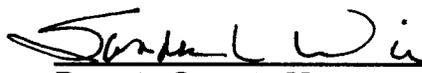
Recommendation H: Consider working with Broadlane to recover overpayments and review for additional overpayments not identified during the audit.

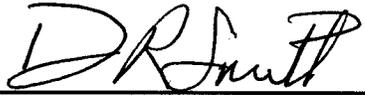
Response: Concur- implementation in not currently possible but procedures have been implemented to prevent future overbillings. Public Health has had discussions with Materials Management and with Broadlane on recovering the overpayments, the ability to recover overpayments is doubtful at this time due to the confusion regarding acute vs non-acute rates.

Target Completion Date: 12/2/08

Benefits/Costs: Increased control over accuracy and accountability.

Approved By :  Deputy Director 12-2-08
Department Head/Elected Official Date

 12-14-08
Deputy County Manager Date

 12/10/08
County Manager Date

SUPERIOR COURT • JUVENILE PROBATION DEPARTMENT

Maricopa County

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SOUTHEAST FACILITY – 1810 South Lewis Street Mesa, AZ 85210-6234 – (602) 506-2619 – (602) 506-2260 (TTD)

CAROL L. BOONE – Chief Juvenile Probation Officer

AUDIT RESPONSE

County Contracts: Temporary Medical Personnel

Issue #1:

We found that County agencies using the Broadlane contract did not effectively monitor, review, and document registry vendor expenditures to ensure payment accuracy. These multiple vendors register and provide temporary medical staff through Broadlane, who negotiates labor prices with them. Our sample testing of rates and timekeeping showed payment errors exceeding \$108,000. Because Broadlane did not have the invoice information for half of the requested vendors and because of weak contract management procedures, the agencies could not sufficiently demonstrate that Broadlane had fulfilled its contract obligations or that registry vendors' invoices complied with contract requirements. County user agencies should strengthen controls over invoice payments and contract management procedures.

Recommendation A: Strengthen existing invoice review procedures to ensure billed rates are consistent with contract rates and staffing needs are met.

Response: Concur- In Process

Target Completion Date: 1/31/09

Benefits/Costs: Potential cost savings, deter overbilling.

Recommendation B: Ensure that Broadlane consistently monitors all contracted registry vendors for appropriate licensure and background checks.

Response: Concur-In Process. Juvenile Probation Health services provide non-acute care services to all detained juveniles. Currently, the nurse supervisors request nurses from Broadlane to provide non-acute care services to our detained population. Should our level of care change, Broadlane will be informed to ensure that the nurses from Broadlane have the appropriate level of experience and that we receive appropriate rates for the rendered service. For efficiency purposes, we try to utilize nurses with previous work experience in our setting which translates into a very small pool to draw from.

Target Completion Date: 02/28/09

Benefits/Costs: Increased control over accuracy and accountability.

Recommendation C: Ensure all agency contract users determine contracted service needs appropriate for their setting; ensure services provided comply with contracted experience levels and rates.

Response: Concur- In Process Juvenile Probation Health services provide non-acute care services to all detained juveniles. Currently, the nurse supervisors request nurses from Broadlane to provide non-acute care services to our detained population. Should our level of care change, Broadlane will be informed to ensure that the nurses from Broadlane have the appropriate level of experience and that we receive appropriate rates for the rendered service. For efficiency purposes, we try to utilize nurses with previous work experience in our setting which translates into a very small pool to draw from.

Target Completion Date: 2/28/09

Benefits/Costs: Improved process.

Recommendation E: Establish and implement formal written invoice reconciliation procedures to Advantage 2.0.

Response: Concur-in-process.

Target Completion Date: 2/28/09

Benefits/Costs: Increased accuracy and improved process.

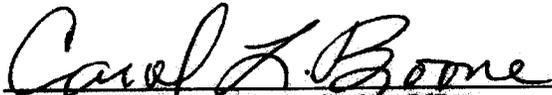
Recommendation H: Consider working with Broadlane to recover overpayments and review for additional overpayments not identified during the audit.

Response: Concur-in-process.

Target Completion Date: 2/28/09

Benefits/Costs: Increased control over accuracy and accountability.

Approved By :


Chief Juvenile Probation Officer

12-08-08
Date


Court Administrator

12/11/08
Date