

New York State Office of the State Comptroller

Thomas P. DiNapoli

Division of State Government Accountability

Health Information Management Department - Selected Procurement and Human Resources Practices

Stony Brook University Hospital



Executive Summary

Purpose

To determine if the Health Information Management Department at Stony Brook University Hospital complied with applicable requirements related to procurement and human resources. The audit covers the period June 1, 2003 through June 12, 2013.

Background

Stony Brook University Hospital (Hospital), located in Suffolk County, New York, is Long Island's premier academic and regional medical center and, with 603 beds, the region's only tertiary-care center and level 1 trauma center. As part of Stony Brook University, one of the four University Centers of the State University of New York (SUNY), the Hospital's mission is to provide excellence in patient care, education, research, and community service. In fulfilling its mission, the Hospital is bound by certain federal, State, and SUNY policies and regulations governing, among other issues, electronic patient medical records, service procurement, patients' privacy rights, and hiring and promotion practices. The Hospital's Health Information Management Department (Department) is responsible for the collection, storage, and transmission of patient health records to meet the Hospital's legal, professional, ethical, and administrative requirements. Annually, the Department processes, on average, approximately 132,000 inpatient and outpatient medical records and archives more than 1.5 million records, accounting for roughly 42,000 cartons of stored materials. To manage its responsibilities, the Department utilizes both in-house and outsourced staff.

Key Findings

- The Department has demonstrated a pattern of non-compliance with applicable requirements related to procurement and human resources.
- SK, Inc. (SK) was awarded a contract for medical records storage services that costs approximately \$955,000 more than the lowest bid. We found inadequate evidence to support the Hospital's rejection of the lowest bidder.
- The Hospital does not adequately verify contract payments to SK and, therefore, has limited assurance that such payments are correct. SK was paid about \$701,000 for the period April 2010 to December 2012.
- The Department has not properly monitored vendor outsourcing of medical record transcription services to ensure compliance with the "no off-shore outsourcing" contract clause, which is intended to help safeguard the privacy of patient information.
- On multiple occasions the Hospital engaged in hiring and promotion practices that were not in compliance with requirements. For instance, a Department employee hired at an annual salary of \$43,000 was promoted three months later, and received a \$17,000 raise, despite not meeting the minimum qualifications for the position. Nine months later, she received another raise of \$12,900, for an annual salary of \$72,900, representing a 70 percent increase within 12 months of hire.

Key Recommendations

- Ensure all employees involved in the procurement process adhere to State and SUNY guidelines.
- Properly monitor the SK contract to ensure the vendor is paid only for services that are necessary and actually rendered, and there are no duplicate billings.
- Ensure key provisions of the Department's contracts are properly monitored.
- Establish a control environment that cultivates fair and competitive hiring and promotional practices and complies with the Hospital's policies such as the Waiver of Recruitment.

Other Related Audits/Reports of Interest

[State University of New York: Downstate Medical Center: Allegations of Procurement Fraud, Waste and Abuse at State University of New York \(2010-S-45\)](#)

[Office for Technology: Procurement and Contracting Practices \(2010-S-71\)](#)

**State of New York
Office of the State Comptroller**

Division of State Government Accountability

September 16, 2014

Samuel L. Stanley, Jr., MD
President
State University of New York at Stony Brook
The Office of the President
310 Administration Building
Stony Brook, NY 11794

Dear President Stanley:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of Stony Brook University Hospital entitled *Health Information Management Department - Selected Procurement and Human Resources Practices*. This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*

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State Government Accountability Contact Information:

Audit Director: Andrea Inman

Phone: (518) 474-3271

Email: StateGovernmentAccountability@osc.state.ny.us

Address:

Office of the State Comptroller

Division of State Government Accountability

110 State Street, 11th Floor

Albany, NY 12236

This report is also available on our website at: www.osc.state.ny.us

Background

Stony Brook University Hospital (Hospital), located in Suffolk County, New York, is Long Island's premier academic and regional medical center and, with 603 beds, the region's only tertiary-care center and level 1 trauma center. As part of Stony Brook University, one of the four University Centers of the State University of New York (SUNY), its mission is to provide excellence in patient care, education, research, and community service. In fulfilling its mission, the Hospital is bound by certain federal, State, and SUNY policies and regulations governing, among other issues, electronic patient medical records, service procurement, patients' privacy rights, and hiring and promotion practices.

The Hospital's Health Information Management Department (Department) is responsible for the collection, storage, and transmission of patient health records to meet the Hospital's legal, professional, ethical, and administrative requirements. Annually, the Department processes, on average, approximately 132,000 inpatient and outpatient medical records and archives more than 1.5 million records, accounting for roughly 42,000 cartons of stored materials. To manage its responsibilities, the Department utilizes both in-house and outsourced staff.

Audit Findings and Recommendations

Our audit revealed a pattern of non-compliance with both State guidelines and SUNY policies. Specifically, we found weak management oversight of service procurement, vendor and contract monitoring, and hiring and promotion practices.

An organization's control environment reflects the attitude toward internal control established and maintained by management and employees. It is the product of management's philosophy, style, and supportive attitude and employees' competence, ethical values, and integrity. The control environment is the foundation for an overall healthy and strong system of internal control; if the foundation is weak, the organization's internal control will be ineffective and vulnerable to exploitation. We believe the deficiencies we identified in basic internal controls and management oversight are indicative of a poor control environment within the Department.

Questionable Procurement Practices

Medical Records Archive, Retrieval, and Storage Services

Due to poor internal controls, the Department Director was able to significantly influence the procurement decision and contract award process for selecting the vendor to provide medical records archive, retrieval, and storage (storage) services. This undue influence may have affected the awarding of the contract. We note that the low bid that was rejected by the Hospital was \$955,000 lower than the bid that was awarded the contract.

When procuring material, supplies, equipment, and services, all State-operated colleges must follow SUNY's Purchasing and Contracting (Procurement) policy and New York State Procurement Guidelines to ensure sufficient competition, preserve fair and open competition, and establish vendor responsibility. According to SUNY and State policies, contracts awarded solely on the basis of lowest price must be solicited through an Invitation for Bids (IFB). Colleges are required to verify that the winning bidder is both responsive (i.e., meets all mandatory requirements and specifications of the IFB) and responsible (i.e., possesses financial ability, legal capacity, integrity, and good past performance). If the lowest bidder is found to be non-responsive or not responsible, procurement officials must maintain documentation supporting this determination in the procurement record and begin its review of the next lowest bidder. The procurement record supporting the determinations of the procurement officials is sent to the Office of State Comptroller (OSC) Bureau of Contracts with the resulting contract for review and approval.

The Hospital's Purchasing Department (Purchasing) is the entity responsible for procuring goods and services and for overseeing the procurement process, including issuing IFBs, collecting and vetting bids, and making award decisions. In 2009, Purchasing issued an IFB to solicit bids for the Department's medical records storage contract for the period April 1, 2010 to March 31, 2015, and ultimately awarded a five-year \$2.21 million contract to SK, Inc. (SK). However, we found SK was not the lowest bidder. Another vendor, CitiStorage, submitted a proposal to provide the same services for \$1.25 million, approximately \$955,000 less than the bid by SK.

We reviewed the procurement files to understand the basis for the decision, but found inadequate evidence to justify Purchasing's rejection of the lowest bidder. Based on our review, it appeared that CitiStorage was responsive in that its proposal met all bid specifications, including properly submitted references, all of whom gave favorable recommendations. We did, however, uncover evidence that the Department Director improperly intervened in the procurement process and exerted significant influence with regard to the rejection of CitiStorage's bid, ultimately resulting in the award to SK, the next lowest bidder. In an e-mail to Purchasing officials, the Director offered her "professional opinion" that CitiStorage would not be a suitable vendor for the Hospital, based on negative feedback from three additional sources she consulted on her own accord and independent of the vendor's referrals.

When we asked about this deviation from standard procedure, Hospital officials stated that further referral inquiries were made because the references CitiStorage provided were procurement contacts, not the health information management personnel who were the actual end users of the services. However, we note the bid specifications did not stipulate that vendor references must identify health information management end users. We note also that Purchasing officials failed to follow up with these additional sources to verify the basis for the Director's recommendation. According to Hospital officials, after we issued our preliminary findings, the Internal Audit Department investigated the matter and interviewed the additional three references; however, we were not provided with results that satisfactorily documented the rejection of CitiStorage's bid.

We conducted our own follow-up with two of the three other sources (one had retired and was not reachable), and neither support the Director's characterization of CitiStorage as unsuitable to provide the services. One source stated they were very satisfied with CitiStorage's services and – while unable to confirm any contact by the Director for a referral – indicated that a satisfactory reference response would have been provided to any inquiries received in 2010. The second source denied having spoken to the Director and stated that it is not their practice to give references for vendors.

We found inadequate evidence to support the Hospital's determination that CitiStorage's bid was non-responsive to the IFB. Further, because of poor internal controls, the Director was able to play a significant role in contacting references and influencing the decision to reject CitiStorage's bid.

Medical Records Transcription and Editing Services

The Department is responsible for the transcription and editing of thousands of patient medical records each year. The Hospital contracts with a vendor for these services and, particularly when medical records are entrusted to non-Hospital personnel, must have proper controls in place to ensure patients' privacy rights are protected, as required by federal and State policies. As an added measure to help safeguard the privacy of patient information, a key clause in the Hospital's contract for these services specifically prohibits the vendor from outsourcing such responsibilities to off-shore transcriptionists. Compliance with this clause is monitored based on the IP (Internet Protocol) addresses that electronically access the files for transcribing and editing (e.g., non-U.S.

address location, unusual timing of file access).

We found the Department has not consistently monitored outsourcing of its transcription and editing services and, in fact, there is no assurance that they have monitored compliance since October 2008. In addition, the Hospital does not have proper controls in place to ensure vendor compliance with the “no off-shore outsourcing” clause and has no assurance of the integrity of the vendor information that is reported.

In May 2006, the Hospital contracted with Focus Informatics to provide transcription and editing services. In July 2007, the Hospital became aware of a compliance breach based on evidence supplied by eScription, the vendor the Hospital uses to monitor compliance and, as of November 2008, terminated the contract based on Focus Informatics’ repeated failure to comply with the “no off-shore outsourcing” clause. Hospital officials re-bid the contract, and in October 2008 awarded it to a new vendor: Deventure-Transcend (Transcend). When we inquired about the continuity of compliance monitoring with the new vendor, the Director initially told us the Department did not monitor Transcend after they were awarded the contract. A short time later, however, the Director retracted this statement, saying instead that she requested compliance monitoring of Transcend at the start of the contract, but discontinued monitoring when Transcend was purchased by the same company (Nuance) that owns eScription, which occurred in March 2012. We note, however, that we were provided with no evidence to support the Department’s compliance monitoring of Transcend after they were awarded the contract.

In response to our preliminary report, Hospital officials stated that, despite the lapse in compliance monitoring, the Department reported they had not found any quality or timing issues that would have led them to suspect work was being performed off-shore. In addition, they informed us that since April 2013 the Department has resumed its compliance monitoring using Nuance. Hospital officials, however, did not supply us with any documentation to support this, and, in fact, the Director provided information that was contradictory. When we asked the Director about compliance monitoring, she informed us she does not have the capability to monitor whether transcription services are outsourced overseas, nor was she able to provide documentation supporting the last time these services had been properly monitored. Further, we cannot attest to the effectiveness and objectivity of the compliance monitoring process that was reinstated in April 2013, since the compliance information is provided through Nuance, the parent company of Transcend, the transcription and editing services vendor. In essence, the Department relied on the vendor to monitor its own contract compliance.

The inability of Department officials to properly monitor the location of the transcription services and verify that only individuals within the United States are accessing medical records poses a risk to patient privacy and compromises the Hospital’s ability to comply with federal and State patient information privacy regulations.

Contract Monitoring and Payments

Department officials are responsible for verifying the accuracy of and approving all SK storage service invoices prior to payment. For the period reviewed, April 2010 to December 2012, the

Department paid SK approximately \$701,000. Based on our audit of a judgmental sample of invoices, we found the level of monitoring was insufficient to ensure that payments to SK were for qualified business expenses and that the vendor was paid only for services rendered.

The Department maintains its own electronic archive of patient medical histories. For all inpatient and most outpatient services, the Department scans patient medical records into its Eclipsys database, and Hospital personnel can access and, using various search functions, retrieve specific patient information as needed. Medical records are then processed by SK for storage.

SK's medical records storage contract requires the vendor to pick up and transport paper medical records from hospital locations and deliver them to a secure warehouse, where SK scans the medical records and enters patient data into a database. SK must have online record-tracking capability and provide secure access to Hospital records stored at its facility. Annually, SK processes approximately 132,000 inpatient and outpatient medical records and archives more than 1.5 million records, accounting for roughly 42,000 cartons of stored materials.

To verify that payments to SK were for qualified contract expenses, we judgmentally selected and reviewed three months (March–May 2012) of invoices. Among the expenses itemized on SK's monthly invoices for services rendered were data entry fees and fees for the storage of new and existing boxes ("box renewal fees"). We used these items as the basis for our audit, and interviewed the Department official in charge of reviewing and reconciling invoices to ascertain the reconciliation process used.

Data Entry Fees

The Department official reported she does not reconcile data entry fees and instead automatically approves the amount SK charges on its invoices. Since the Department does not have an independent process to verify SK's charges, we examined a 2012 inventory spreadsheet provided by SK officials and compared this with the corresponding invoices to determine the accuracy of the data entry fees. For the three-month period of our review, invoices show that SK billed the Department for 130,433 records, totaling \$32,608, whereas the inventory spreadsheet indicates 131,072 records were entered into the system. However, of these 131,072 records, 1,135 appear to be duplicate entries, reflecting records that had been previously entered, retrieved by the Hospital, and returned to SK during the time period. The actual number of records entered appears to be closer to 129,937. Given the discrepancy and no Department reconciliation to verify numbers against, we deemed SK's information unreliable and have no assurance the Department paid the correct amount in data entry fees.

Box Renewal Fees

The Department official stated she reconciles box renewal fees by adding the total number of new boxes sent to SK during the current invoice period to the previous months' totals. She relies on the pick-up slips generated by SK to determine the total number of new boxes. For purposes of our audit, we used the increase in total number of boxes from March to May 2012 – and invoiced in April to June 2012, respectively – as the basis for comparison. We found that SK charged the

Department for an increase of 4,368 boxes, whereas the 26 pick-up slips for the three-month period account for an increase of only 4,275. This overage of 93 boxes is charged as a renewal each month, and could result in an overpayment of \$893 by the end of the contract term in March 2015. Given the Department's loose oversight, we believe there are likely additional undetected overages "rolling" each month over the course of the 60-month contract period, potentially increasing the overpayment by a more substantial amount. We also question the accuracy of many of the pick-up slips since there was no indication that the Department approved the box totals and any alterations written on them. For example, of the 26 pick-up slips that accounted for the 4,275 new boxes shipped to storage, 16 (accounting for 2,339 boxes) were altered and/or unsigned. To illustrate, the computerized pick-up slips generated by SK had hand-written alterations to the number of boxes (e.g., increases to the number of boxes) to be billed by SK. Further, the altered pick-up slips were not signed, as required, by a Department employee indicating verification of the information on the pick-up slips.

In response to our preliminary report, Hospital officials stated that they have implemented a control that allows them to track and verify the actual number of boxes and data entry fees billed by SK each month.

Hiring and Promotion Practices

We reviewed the personnel files of 24 selected employees working in the Department to determine if they were qualified for their positions at the time of appointment and if the Department followed appropriate salary increase and hiring practice guidelines. We found that six of the 24 employees had questionable salary increases or were hired for or promoted into positions for which they did not meet the Hospital's established required qualifications, including two who currently serve in directorship roles. In addition, we found multiple instances where the Hospital circumvented proper hiring procedures and failed to follow State and SUNY hiring policies. We concluded that the Hospital engaged in hiring and promotion practices that were not in compliance with SUNY's Affirmative Action and Equal Employment Opportunity requirements.

Stony Brook's Office for Diversity and Affirmative Action (ODAA), Human Resource Department (HR), and/or other offices should have questioned the hiring and promotion activities involved with the six employees we identified. Also, HR officials should have actively monitored the Department's hiring and promotion activities and ensured compliance with proper practices. Furthermore, HR should ensure that all staff involved with hiring and promotions are trained in the correct practices.

Improper Promotion Practices

The individual who currently serves as Teaching Hospital (TH) Medical Records Associate Director was hired as Coding Specialist SL-2 in January 2004, and within three months was promoted to Senior Coding Specialist SL-3, raising her annual salary by \$17,000 – from \$43,000 to \$60,000. We found this employee, who had only a high school diploma and less than five years' experience, fell far short of the qualifications for the new position, which required either a bachelor's degree

in health information management plus two years' experience or an associate's degree in health information management and five years' experience. Furthermore, in filling this position, Hospital officials failed to post the position, in violation of SUNY and Hospital policies, in effect denying all qualified candidates the opportunity to apply.

We also found the Hospital made inappropriate use of a Waiver of Recruitment to enable the improper promotion of this unqualified candidate. According to Hospital HR officials, the Waiver of Recruitment is a rarely used option that allows vacant positions to be filled by qualified candidates for circumstances deemed an emergency (i.e., critical positions that have been vacated as a result of emergency, death, untimely resignation, or other extraordinary or unusual situations in which a need arises) or unique (i.e., a candidate possesses truly unique and special qualifications that are described as world class, one of a kind, renowned) or if there are department goals (e.g., affirmative action) that must be achieved.

In response to our preliminary report, Hospital officials stated that the Department Director requested (and ODAA officials approved) a Waiver of Recruitment to promote this employee because the coding function was critical as it relates to revenue for the Hospital. They also stated the promotion was a unique/emergency situation, but provided no documentation to support this. Furthermore, even in unique/emergency situations, the Waiver of Recruitment requires that positions be filled with qualified candidates. The Hospital does not have a policy for waiving minimum education qualifications under any circumstance.

We also note that this employee continued to receive promotions and non-contractual increases despite never having met the qualifications for the first promotion. In fact, in the same year she was hired, she received a second non-contractual salary increase of \$12,900, raising her salary to \$72,900 (an increase of 70 percent, in less than 12 months, from her initial salary of \$43,000). The following table summarizes this employee's non-contractual salary history since her initial appointment.

Position Title	Date	Salary	Increase (See Note)		Comment
			Of:	To:	
Coding Spec. SL-2	1/20/04	\$43,000			New hire
Senior Coding Spec. SL-3	4/1/04	\$43,000	\$17,000 (39.53%)	\$60,000	Employee did not meet minimum education requirements. Waiver of Recruitment inappropriately used to allow promotion, which facilitated all subsequent increases.
	12/30/04	\$62,100	\$12,900 (20.77%)	\$75,000	For "increased duties"
	4/03/08	\$82,534	\$5,449 (6.60%)	\$87,983	For "increased duties"
TH Medical Records	4/15/10	\$97,840	\$10,160 (10.38%)	\$108,000	Promotion
Associate Director	2/16/12	\$114,534	\$10,000 (8.73%)	\$124,534	For "increased duties"

Note: During this timeframe, the employee also received several contractual salary increases totaling \$26,025, which are not itemized in the table.

In addition, in July 2005 the Department gave its TH Medical Records Assistant Director a temporary annual salary increase of \$10,000 for added project management responsibilities for a system rollout that was completed in August 2006. According to Hospital guidelines, temporary salary increases should not exceed a year and should be withdrawn when the temporary duties cease, and any changes should be processed through HR. However, the Department never rescinded the temporary increase after the related responsibilities ended. Responding to our preliminary report, Hospital officials stated that this employee's position was revised after the system rollout to justify making the \$10,000 increase permanent. We contacted HR for the required supporting documentation, but officials could not locate any record in the employee's file. Subsequently, Hospital officials provided us with a document indicating that the duties and responsibilities for this position had increased permanently. However, the document was dated May 10, 2007, nine months after the employee's temporary duties (and related salary increase) were scheduled to cease.

Improper Hiring Practices

SUNY's policy on Equal Opportunity requires all State-operated campuses to provide equal opportunity in employment for all qualified persons; prohibit discrimination in employment; and promote the full realization of equal employment opportunity through a positive, continuing program for SUNY as a whole and for each constituent unit of the University. The Hospital is

required to retain documents and correspondence accumulated during recruitment for three years, and these documents are to be made available to ODAA and designated committees in order to ensure compliance with the University's Affirmative Action and Equal Employment Opportunity requirements.

Two individuals were interviewed and hired (at salaries of \$51,000 and \$52,495, respectively) for coding positions, although they did not meet the minimum job specification of two years of acute-care experience. We found that, even though the Hospital does not have a policy for waiving minimum job requirements under any circumstance, a Department official requested waivers for these positions and received approval from ODAA officials. In response to our preliminary findings, Hospital officials stated they were advised by the Department that the acute-care requirement was inadvertently included in the postings for the positions. However, we found no evidence to suggest that the acute-care qualification was in error. In fact, the resumé rating sheets used for the interviews of these employees identified acute-care experience as a necessary qualification. Moreover, on the rating sheets for both employees, Department officials noted the employees lacked the prescribed acute-care experience.

Two other employees were promoted and received raises of \$14,560 and \$2,950, respectively, even though they did not meet the minimum job requirements for their new positions. One employee did not have the required supervisory experience and the other did not have two years experience transcribing acute-care hospital dictation. Hospital officials agreed with our findings, and stated that these employees should not have been promoted since they did not meet the minimum qualifications.

Other Human Resource Issue

We found the Department Director not only inappropriately corresponded with a job candidate prior to her employment interview, but also provided this individual with internal information that might have given her an unfair advantage over other qualified candidates. This candidate was ultimately hired for the position.

Recommendations

1. Develop policies and procedures that effectively separate the duties between end users involved in the procurement process and Purchasing officials. Take steps that help ensure all employees involved in the procurement process adhere to this and all applicable State and SUNY guidelines.
2. Reassess the Department's contracts to ensure key provisions are properly monitored, including the "no off-shore outsourcing" contract clause.
3. Properly monitor the SK contract to ensure the vendor is paid only for services that are necessary and actually rendered. Such steps should include, but not be limited to, ensuring there are no duplicate billings and independently tracking medical records sent to SK for storage rather

than relying entirely on information provided by the vendor.

4. Perform a comprehensive review of payments made to SK during our audit period (and thereafter, as appropriate). Recoup any payments for services not provided by SK.
5. Conduct periodic reviews independent of the Department to ensure payments made to all vendors are properly reconciled.
6. Change the control environment within the Department to one that cultivates fair and competitive hiring and promotional practices and fully complies with the Hospital's policies, such as the Waiver of Recruitment.
7. Require HR and ODAA to carefully monitor transactions submitted for their approval, including those submitted by the Department, to ensure they fully comply with relevant hiring policies.
8. Train all staff involved in the hiring and promotion processes on the appropriate policies and procedures, including the appropriate way to complete and maintain required forms and the proper use of the Waiver of Recruitment.

(Auditor's Note: In their formal response to the draft audit report, Hospital officials generally agreed with our recommendations. However, their response to Recommendation 1 and the related findings overstates the depth and scope of the OSC Bureau of Contracts' involvement in the contract award process. The Bureau is not actively engaged throughout an agency's procurement process; but rather may provide assistance at the request of the agency and, after the agency enters into a contract, reviews the procurement record to ensure the bidding process, the contract, and the selected contractor meet State standards. Further, much of the Bureau's review relies on information compiled by the agency procurement officials, with the expectation that the information and representations made by those officials are accurate and have been thoroughly and properly vetted.)

Audit Scope and Methodology

Our audit objective was to determine if the Hospital's Health Information Management Department complied with applicable requirements related to procurement and human resources. Our scope period covered June 1, 2003 through June 12, 2013.

To accomplish our objectives, and assess the internal controls related to our objectives, we met with Hospital officials to confirm and enhance our understanding of their procurement and human resource policies and procedures. We reviewed pertinent sections of State and SUNY procurement and employment policies as well as the Hospital's human resource guidelines. We examined personnel records, procurement files, and payments to vendors. Additionally, we interviewed Hospital staff, vendors who performed work or bid on work at the Hospital, as well as individuals who acted as references for vendors.

We conducted our 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members (some of whom have minority voting rights) to certain boards, commissions, and public authorities. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements

We provided a draft copy of this report to Hospital officials for their review and formal comment. We considered the Hospital's comments in preparing this report and have included them in their entirety at the end of it. In their response, Hospital officials generally agreed with our recommendations and indicated that certain actions have been and will be taken to address them. Our rejoinder to certain Hospital comments is included in the report's State Comptroller's Comments.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the President of the State University of New York at Stony Brook shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Contributors to This Report

Andrea Inman, Audit Director
Dave Fleming, CISA, Audit Manager
Diane Gustard, Audit Supervisor
Cheryl May, Examiner-in-Charge
Jean-Renel Estime, Staff Examiner
William Gomes, Staff Examiner
Marzie McCoy, Senior Editor

Division of State Government Accountability

Andrew A. SanFilippo, Executive Deputy Comptroller
518-474-4593, asanfilippo@osc.state.ny.us

Tina Kim, Deputy Comptroller
518-473-3596, tkim@osc.state.ny.us

Brian Mason, Assistant Comptroller
518-473-0334, bmason@osc.state.ny.us

Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Agency Comments



Stony Brook University

Office of the President
Stony Brook, NY 11794-0701

TEL: 631.632.6265
FAX: 631.632.6621
stonybrook.edu

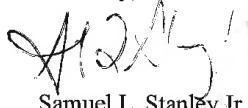
August 4, 2014

Andrea Inman, Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street - 11th Floor
Albany, NY 12236-0001

Dear Ms. Inman:

I enclose a response to your draft audit report titled: Stony Brook University Hospital – Health Information Management Department - Selected Procurement and Human Resources Practices.

Sincerely,



Samuel L. Stanley Jr., MD
President

Cc: Dr. Kaushansky
Dr. Pasternak
Mr. Panico
Mr. Abbott/System Administration



Stony Brook University Hospital
Response to Draft Report 2012-S-38: Health Information Management
Department – Selected Procurement & Human Resources Practices

Audit Findings & Recommendations

While we agree that the audit of this department, over its ten-year scope period, identified a limited number of instances of noncompliance we question whether there is basis for the conclusion that these limited instances constitute a “pattern”.

Questionable Procurement Practices

Medical Records Archiving, Retrieval and Storage Services – Additional information is needed to put the observations made by the Comptroller’s staff into the proper perspective.

The procurement of this contract occurred beginning in the fall of 2009 and the State Comptroller’s Bureau of Contracts approved the contract on May 7, 2010. As the Comptroller’s staff should be aware from their detailed review of this procurement (IFB 09/10-1890), the Hospital Purchasing Department worked closely with the State Comptroller’s Bureau of Contracts to assure that applicable procurement requirements were followed.

The concerns the Comptroller’s staff express about the award of this contract are based on the decision to contact additional references to assess the performance of CitiStorage and their opinion that the Director of HIM “improperly intervened” in the procurement process and “exerted significant influence” with regard to the decision to reject CitiStorage’s bid.

The decision to contact individuals at the organizations that CitiStorage provided as references who were more familiar with the service provider’s day to day performance than those in the purchasing departments of those organizations was entirely reasonable and a proper exercise in due diligence prior to the award of the contract.

The technical expertise and knowledge of the requirements of the work possessed by end-user departments is essential to ensure that the procurement process results in the selection of a service provider that meets the Hospital’s functional and operating requirements. The Hospital strives to achieve the proper balance between end-user participation in the process and the duties of the purchasing function. In the single case cited by the auditors, the Hospital Purchasing Department remained engaged in the process.

The Hospital Purchasing Department also worked closely with OSC’s Bureau of Contracts throughout the procurement to make certain that State requirements were met. In the communications between Hospital Purchasing and the Bureau of Contracts the decision to contact additional personnel at the organizations named as references by CitiStorage was fully disclosed and the level of involvement of the Director of HIM in the process was clear.

The following timeline traces history of the procurement and the Hospital’s contacts with the Bureau of Contracts leading up to the approval of the contract with SK Archiving by the State Comptroller’s Office on May 7, 2010.

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Comments
5 and 2

* See State Comptroller’s Comments on Page 24.

Date	Event
10/27-12/15/2009	Telephone conversations between Hospital Purchasing and the OSC Bureau of Contracts re: IFB 09/10-1890
12/15/2009	Hospital Purchasing transmitted IFB 09/10-1890 to OSC Bureau of Contracts via e-mail for review. Covering e-mail states: "I have made all the changes we spoke about on Friday. Please let me know if this is good to be sent out to the vendors."
12/18/2009	OSC Bureau of Contracts responded to Hospital Purchasing. OSC requested changes to the presentation of the removal fee on the pricing sheet for the IFB.
12/22/2009	IFB mailed to all twelve vendors who requested a packet. OSC-requested changes were included in the IFB.
1/25/2010	Bids Opened – three vendors responded to the IFB. CitiStorage was the apparent low bidder followed by SK Archiving.
1/25-1/26/2010	Director of HIM attempted to contact references CitiStorage provided and found that the phone number for one was incorrect and the phone number for a second reference just rang with no voice mail pick up. Director of HIM notified Hospital Purchasing and suggested that the numbers be verified with CitiStorage.
1/29/2010	Director of HIM notified Hospital Purchasing that the references provided by CitiStorage were purchasing contacts and that we also needed to speak with the end users. She said she obtained the HIM directors' names and phone numbers for each of the organizations. The director of HIM informed Hospital Purchasing that the purchasing representatives generally gave an acceptable reference and all three HIM directors expressed varying degrees of dissatisfaction with the vendor. She discussed the references in greater detail and provided the notes from her reference checks. The director of HIM recommended award of the contract to SK.
2/11/2010	Hospital Purchasing forwarded the reference materials provided by the director of HIM to the OSC Bureau of Contracts via e-mail. The supporting documentation transmitted with the e-mail clearly indicated that the reference checking was expanded to end users and the e-mail clearly stated that the references were checked by the Hospital's director of Health Information Management.
2/11/2010	The OSC Bureau of Contracts responded, stating: "The Office of Court Administration (OCA) has been successfully using CitiStorage for a number of years. I know your records are slightly different than theirs but can you please contact them as another reference. If they are having similar difficulties it will strengthen your [HIM] director's argument."
2/22/2010	HIM director transmitted to Hospital Purchasing the results of the reference check with OCA.
2/23/2010	Hospital Purchasing transmitted to the OSC Bureau of Contracts the e-mail sent by the HIM director with the results of the OCA reference. The documents sent clearly indicated that the reference check was completed by the HIM director.

Date	Event
2/25/2010	OSC Bureau of Contracts asked that the Hospital provide CitiStorage with an opportunity for a debriefing and a letter explaining the reason for the rejection of their low bid and to provide CitiStorage with an opportunity to respond. The Bureau of Contracts also asked Hospital Purchasing to canvass the vendors that did not provide bids to determine why some vendors did not provide a bid.
2/25/2010	Hospital Purchasing sent a letter to CitiStorage explaining the reason they are not being recommended for contract award and giving them with an opportunity to provide additional supporting information so that it can be considered in the Hospital's final determination.
2/26/2010	CitiStorage responded to the Hospital's 2/25/2010 letter.
3/3/2010	Hospital Purchasing forwarded copies of the Hospital's 2/25/2010 letter and CitiStorage's 2/26/2010 letter to the Bureau of Contracts
3/4/2010	OSC Bureau of Contracts asked Hospital Purchasing to work with legal counsel to give CitiStorage proper due process.
3/5/2010	Hospital Purchasing officials and the Director of HIM participated in a conference call with CitiStorage to discuss the findings and the decision.
3/8/2010	Hospital Purchasing sent a letter to CitiStorage informing them that they will not be awarded the contract.
3/22/2010	Hospital Purchasing received signed and notarized contract from SK Archiving.
3/29/2010	Contract package received in the Office of the Attorney General. Hospital Purchasing informed Bureau of Contracts of receipt.
3/29/2010	OSC Bureau of Contracts asked Hospital Purchasing to provide documentation from counsel concerning the due process provided to the vendor regarding their questioning of the reference check.
3/30/2010	Hospital Purchasing responded to the Bureau of Contracts informing them that because CitiStorage did not file a bid protest there was nothing for counsel to provide input on. Hospital Purchasing also provided the Bureau of Contracts with a summary of the 3/5/2010 conference call with CitiStorage officials.
4/1/2010	Contract C010895 with SK Archiving approved by the Office of the Attorney General.
5/4/2010	Hospital Purchasing responds to a 5/4/2010 request from the OSC Bureau of Contracts for documentation from the March 5, 2010 meeting with CitiStorage regarding the rejection of their bid.
5/4/2010	OSC Bureau of Contracts informed Hospital Purchasing that they had "no further issues" after receiving the information provided concerning the March 5, 2010 meeting with CitiStorage and they will recommend the transaction for approval.
5/7/2010	OSC Bureau of Contracts approved contract C010895 with SK Archiving.

Medical Records Transcription and Editing Services - We disagree with the inclusion of this finding as a "questionable procurement practice" as the finding does not address the procurement of this contract.

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Comment
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The draft report states monitoring of IP addresses has not occurred since October 2008. HIM's records indicate that the monitoring continued through the third quarter of 2009 and was reinstated in the fourth quarter of 2012. In November 2013 this work was awarded to a different service provider and monitoring of this contract provision has continued uninterrupted.

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Comment
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Hiring & Promotion Practices

Improper Promotion Practices

In the first case identified in this section of the report, the Comptroller's staff states that this individual had "only a high school diploma". The report does not recognize the full extent of her education and training. At the time of her promotion she had completed relevant continuing education courses in anatomy, physiology, pharmacology, medical terminology, basic and advanced ICD-9 coding, Medicare coding and fraud, successful implementation for APC/CPT/E&M coding, APC basics, APC coding and documentation issues and completed a coding internship at a local hospital. She also had completed her AHIMA CCS certification. The report also states that this individual "fell far short of the qualifications for the new position". The report does not consider all the posted requirements for the position. Although the employee did not meet the degree requirement she did have at least 4½ years of outpatient coding experience and met all other credential, knowledge and skill requirements. She had the knowledge and skills necessary for the position and has exhibited continued excellent performance.

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Comment
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In the second case identified in this section of the report, while the documentation to make the temporary increase in duties permanent was not handled in a timely fashion, the employee nevertheless continued to perform these duties.

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Comment
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Improper Hiring Practices

The two individuals hired into coding positions had appropriate levels of experience in ambulatory coding and were hired into ambulatory coding positions. However, had the Department dropped the words "acute care" from the qualifications and reposted these positions, the search could have yielded the same outcome and been consistent with guidelines.

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Comment
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It is important to note that in the cases of the two individuals who were promoted, had the Department followed alternative procedures, the search could have yielded the same outcome and been consistent with guidelines.

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Comment
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Other Human Resource Issue

As stated in the Hospital's response to the preliminary audit findings, the basis for the conclusion that the contact was inappropriate remains unclear. The correspondence in question has been reviewed and it also remains unclear what information contained therein could have given the candidate an "unfair advantage". This position was originally offered to another candidate who declined it. The candidate who was hired was one of the 24 HIM employees for whom the audit team reviewed the personnel file and recruitment documentation and apparently had no concerns about her qualifications or the recruitment process.

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Comment
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Recommendations

1. Develop policies and procedures that effectively separate the duties between end users involved in the procurement process and Purchasing officials. Take steps that help ensure all employees involved in the procurement process adhere to applicable State and SUNY guidelines.

Response: The Hospital agrees that these duties should be properly segregated. However, the technical expertise possessed by end-user departments is essential to ensure that the procurement process results in the selection of a service provider that meets the Hospital's functional and operating requirements. The Hospital strives to achieve the proper balance between end-user participation in the process and the duties of the purchasing function. The report states that in the single case in question, the Department director "improperly intervened in the procurement process"; however, as previously stated, the Hospital Purchasing Department remained engaged in the process and worked closely with OSC's Bureau of Contracts throughout the procurement to make certain that State requirements were met. The Hospital will nevertheless review procedures and make appropriate changes if necessary.

2. Reassess the Department's contracts to ensure key provisions are properly monitored, including the "no off-shore outsourcing" contract clause.

Response: The Department's monitoring of key contract provisions will be reassessed. Monitoring of the "no off-shore outsourcing" clause in the Focus Informatics contract resumed in the fourth quarter of 2012. In November 2013 the contract was awarded to a different service provider and monitoring has continued uninterrupted.

3. Properly monitor the SK contract to ensure the vendor is paid only for services that are necessary and actually rendered. Such steps should include, but not be limited to, ensuring there are no duplicate billings and independently tracking medical records sent to SK for storage rather than relying entirely on information provided by the vendor.

Response: Department leadership implemented a new procedure effective July 1, 2013 for the reconciliation of SK Archives invoices.

4. Perform a comprehensive review of payments made to SK during our audit period (and thereafter, as appropriate). Recoup any payments for services not provided by SK.

Response: The Hospital will conduct a review of payments made to SK.

5. Conduct periodic reviews independent of the Department to ensure payments made to all vendors are properly reconciled.

Response: The Hospital agrees that periodic reviews of payments to SK Archiving are warranted by the findings of this audit until such time as there is assurance that the

improvements to controls management implemented in 2013 are effective. The Comptroller's staff conducted a review of payments on at least one other contract monitored by the Department and reported no deficiencies. The recommendation to review payments to all vendors in the Department therefore seems excessive.

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Comment
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6. Change the control environment within the Department to one that cultivates fair and competitive hiring and promotional practices and fully complies with the Hospital policies such as the Waiver of Recruitment.

Response: The Department will receive training on the Hospital's policies and procedures for hiring and promotion. The Hospital will ensure that the Department complies with such procedures.

7. Require HR and ODAA to carefully monitor transactions submitted for their approval, including those submitted by the Department, to ensure they fully comply with relevant hiring policies.

Response: These units will continue to carefully monitor transactions submitted for their approval for compliance with relevant hiring policies and to look for areas where additional tightening of control is needed.

8. Train all staff involved in the hiring and promotion processes on the appropriate policies and procedures, including the appropriate way to complete and maintain required forms and the proper use of the Waiver of Recruitment.

Response: The Hospital will continue to reinforce hiring and promotion policies and procedures with appropriate staff.

State Comptroller's Comments

1. Our audit identified numerous instances of non-compliance by Stony Brook's Health Information Management Department (Department) in regard to procurement, contract monitoring, and hiring and promotion practices. Based on the range of deficiencies we identified, we concluded the Department's overall control environment was poor. We encourage Stony Brook University Hospital (Hospital) officials to react positively to our audit findings and recommendations and to implement the necessary corrective actions.
2. While the Hospital's Purchasing Department worked with the State Comptroller's Bureau of Contracts during the contract award process, in making the decision to award the contract to the next lowest bidder (SK, Inc.), both the Purchasing Department and the Bureau of Contracts relied on information that was provided exclusively by the Department Director. However, the information provided by the Department Director was not properly vetted by the Purchasing Department before providing it to the Bureau of Contracts. As we state on page 7 of our report, we found no evidence to support the Director's conclusion that the lowest bidder (CitiStorage) was unsuitable. Due, in large part, to the Department Director's influence, SK, Inc. was awarded the contract for medical records storage services, which cost about \$955,000 more than the lowest bidder.
3. Contacting references who are familiar with a service provider's daily performance is appropriate, if made part of the bid specification and evaluation methodology, and if administered fairly and consistently for all bidders prior to the bid opening. However, as stated on page 7 of our report, the bid specifications did not stipulate that vendor references must identify health information management personnel. Further, the Director contacted the additional references for CitiStorage after the bid opening process. Also, Purchasing Department officials failed to exercise due diligence by not following up with the additional references to verify the basis for the Director's determinations.
4. Hospital officials state the Hospital strives to achieve the proper balance between end user participation and the purchasing function. We acknowledge the technical expertise of end users is often necessary in the procurement of services. However, due to poor internal controls, including inadequate separation of duties, the Department Director (as "end user") played a substantial role in virtually every facet of the procurement process, significantly influencing the decision to reject CitiStorage's bid. For example, the Director: assisted in drafting the bid specifications; participated in the bid opening process; drafted the questionnaire used for the references; personally contacted the references provided by CitiStorage; determined additional references were needed for CitiStorage; selected the additional references to be contacted and personally contacted them; and participated in the debriefing with CitiStorage. Particularly given the significance of the procurement in question, these functions are incompatible when placed with only one person.
5. The Hospital Purchasing Department did not notify the State Comptroller's Bureau of Contracts of the decision to contact additional references until after the Department Director had already contacted the references.
6. The information presented in the timeline is misleading. As detailed in Comment No. 2, the Hospital's Purchasing Department and the State Comptroller's Bureau of Contracts relied on information provided exclusively by the Department Director. This information

included feedback from the three additional references (for CitiStorage) who were purportedly contacted by the Department Director. However, based on our audit work, we questioned the veracity of the information provided by the Director. As stated on page 7 of our report, the Hospital's Internal Audit Department investigated the matter and interviewed the three additional references. However, the Internal Audit Department did not provide us with evidence, derived from its review, which supported the rejection of CitiStorage's bid. As detailed in our report, we contacted two of the three references, and neither of them confirmed the Director's conclusion that CitiStorage was unsuitable. Although one of the references indicated that its standard practice was to withhold comment, the other indicated that CitiStorage performed satisfactorily.

7. Both the Department Director and State Comptroller auditors contacted OCA, and received favorable responses from OCA regarding CitiStorage's performance.
8. Hospital officials did not provide us with any evidence that monitoring took place beyond 2008. We encourage Hospital officials to react to our audit findings and recommendations objectively and to take appropriate actions to implement corrective actions.
9. As acknowledged by Hospital officials, this employee did not have the required college degree, and thus did not meet the minimum job requirements. Further, as stated on page 11 of our report, the Hospital does not have a policy for waiving minimum education qualifications under any circumstances.
10. The Hospital's statement is incorrect. The employee's temporary salary increase was for added project management responsibilities. The employee's temporary increase in duties related to the system rollout ended in August 2006.
11. The Hospital's comment is speculative. Had the Department dropped the acute-care experience from the minimum job requirements, the impact on the candidate pool for these positions may have resulted in a different hiring decision.
12. As stated on page 13 of our report, Hospital officials agreed the two employees should not have been promoted since they did not meet the minimum qualifications.
13. As we stated on page 13 of our report, the information the Department Director provided may have given the job candidate an unfair advantage over other qualified candidates.
14. Given the errors detailed on pages 9 and 10 of our report, as well as the pattern of non-compliance by the Department identified throughout our audit, we believe periodic reviews of vendor payments are warranted.