# Contract and Personnel Management Audit of the Emergency Medical Services and Injury Prevention System Branch

A Report to the Governor and the Legislature of the State of Hawaii

Report No. 02-14
October 2002

**THE AUDITOR**
STATE OF HAWAII

## Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.

2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.

3. *Sunset evaluations* evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.

4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.

5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.

6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds are existing funds meet legislative criteria.

7. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.

8. *Fiscal accountability reports* analyze expenditures by the state Department of Education in various areas.

9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawaii's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.

**THE AUDITOR**
STATE OF HAWAII
Kekuanaoʻa Building
465 S. King Street, Room 500
Honolulu, Hawaii 96813

# OVERVIEW

## *Contract and Personnel Management Audit of the Emergency Medical Services and Injury Prevention System Branch*

**Report No. 02-14, October 2002**

## Summary

The Department of Health, through its Emergency Medical Services and Injury Prevention System Branch, is responsible for the State's comprehensive emergency medical services system. With over $30 million in state funds allocated for emergency medical services contracts, the Department of Health and its Emergency Medical Services and Injury Prevention System Branch must implement appropriate management controls to ensure that state resources are protected and used effectively and efficiently. Instead, we found that the branch's failure to adequately administer these vital contracts has led to the inappropriate use of state funds and the potential that services were not provided effectively or efficiently.

We also found that the branch violated the Hawaii Public Procurement Code. In 1996, the branch improperly entered into a continuous agreement with a collection agency without going through a competitive award method as required by the code. In addition, the branch violated the code's requirements regarding small purchases when it procured its microfilming services and medical coding services. Finally, we found that the branch did not meet all notice requirements of the procurement code when it procured services for the statewide maintenance of its communication system through a sole source method.

The branch also disregarded sound contracting practices by allowing contractors to render services before contracts were fully and properly executed. We found that the branch's FY2000-01 contract for emergency ambulance services with the City and County of Honolulu was not signed until the last day of the contract period. In addition, its $17.21 million contract with the City and County of Honolulu for FY2001-02 was not signed until more than *eight months* into the contract period.

We also found that the branch made little effort to monitor the performance of many of its contracts. We found that required reports, including reports on drug utilization and service provision, were missing or unaccounted for. We also found that inadequate contract monitoring resulted in a number of questionable contract expenditures. For example, we found 94 incidents of poor controls over supplies and equipment purchases, totaling $390,000, under the City and County of Honolulu's FY2000-01 contract. We also found that the City and County of Honolulu inappropriately expended $400,000 in state funds for certain items without obtaining the required branch approvals. Finally, we found an inordinate number of transmission repairs and/or overhauls performed on ambulances in the City and County of Honolulu's fleet by one vendor—some of which might have been covered by the vendor's warranty on previous work.

We also found that lax controls over the branch's billing process for emergency transport services resulted in revenue loss to the State. We estimated that approximately $400,000 went uncollected for ambulance services provided by the City and County

of Honolulu during FY2000-01. Even more alarming, we estimate that the State lost approximately $1 million in uncollected fees for ambulances services provided in Maui, Hawaii, and Kauai counties during the same period. This loss is directly related to the branch's failure to adequately monitor or enforce its contracts for ambulance services, failure to follow proper billing and collection procedures, and failure to monitor the work performance of some branch personnel.

The Department of Health and branch management also neglected their responsibilities over the management of branch employees. We found that the branch failed to adequately document or reconcile branch employees' sick and vacation leaves, resulting in errors that could improperly inflate employee pay, vacation allowance payouts, and retirement allowances. In addition, we found suspicious patterns of sick leave use and excessive employee leave that could negatively impact productivity and employee morale.

Although employee performance reviews are integral to an entity's ability to account for its resources and to achieve effective results, branch employees' performance is not regularly evaluated. The department's personnel officer confirmed that only two branch employees received evaluations since they started work at the branch.

Finally, and of great concern, is the strong potential for workplace violence we found at the branch and the department's complacency in addressing employee concerns about this potential. During the course of our fieldwork, branch personnel reported that an allegedly hostile branch employee exhibited displays of anger that indicated the potential for serious violent behavior. Employees felt that the environment at the branch was "frightening" and "unsafe" and they felt "scared" and "intimidated." Despite these reports, the branch program manager generally believed that the potential for violence did not exist.

## Recommendations and Response

We made a number of recommendations to the director of health and the Emergency Medical Services and Injury Prevention System Branch program manager to correct the problems we identified.

In written comments on a draft of our report, the department's director recognized that the need exists for improved contract management for emergency medical services. The director also hopes to remedy the historic delays in executing the ambulance contract with the City and County of Honolulu. The director also reported that the department personnel office would conduct an audit of all branch leave records and that performance appraisals for all staff have been completed. The department also reported that the University of Hawaii Program for Conflict Resolution has conducted mediation among some branch staff and that all staff have undergone workplace violence and anger management training.

**Marion M. Higa**
**State Auditor**
**State of Hawaii**

Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813
(808) 587-0800
FAX (808) 587-0830

# Contract and Personnel Management Audit of the Emergency Medical Services and Injury Prevention System Branch

A Report to the Governor and the Legislature of the State of Hawaii

Submitted by

**THE AUDITOR**
STATE OF HAWAII

Report No. 02-14
October 2002

# Foreword

This is a report of our contract and personnel management audit of the Department of Health's Emergency Medical Services and Injury Prevention System Branch. This audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes, which requires the Office of the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

We wish to express our appreciation for the cooperation and assistance extended to us by the Emergency Medical Services and Injury Prevention System Branch and others whom we contacted during the course of the audit.

Marion M. Higa
State Auditor

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## List of Exhibits

# Chapter 1
## Introduction

The Department of Health's Emergency Medical Services and Injury Prevention System Branch is responsible for expanding and enhancing the State's comprehensive emergency medical services (EMS) system. The intent of this system is to reduce deaths, injuries, and permanent long-term disabilities occurring from medical emergencies. To accomplish this mission, the Department of Health contracts with various public and private entities to ensure statewide emergency services coverage. Recent statistics indicate that the State's emergency medical services system responds to about 70,000 events per year, the majority of which are for serious medical emergencies.

Due to recent public concerns regarding problems with the branch's contracting and personnel operations and management, the State Auditor initiated this audit pursuant to Section 23-4, Hawaii Revised Statutes (HRS). This section requires the Office of the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

## Background

Prior to 1978, Hawaii lacked a comprehensive emergency medical services system that served the entire state. Such a system, designed to protect and preserve the health of Hawaii's people, was created by the Legislature in 1978 through Act 148. The Legislature's intent was to expand the scope of advanced emergency medical services and to ensure that no one would be denied emergency medical services based on ability to pay.

Furthermore, Act 148 made the Department of Health responsible for the establishment, administration, and maintenance of the State's comprehensive emergency medical services system. The system's mission is to:

> Administer, maintain, and operate a State comprehensive emergency medical services system throughout Hawaii that is designed to reduce medical emergency deaths, injuries, and permanent long-term disability through the implementation of a fully integrated cohesive network of related components.

The Department of Health's specific functions and duties include:

- Establishing standards for emergency medical services and systems;
- Regulating ambulances and ambulance services;
- Coordinating and allocating emergency medical resources; and
- Collecting and evaluating data for the continued evaluation of the state system.

## *Organization*

Within the Department of Health, the Emergency Medical Services and Injury Prevention System Branch is responsible for the State's comprehensive emergency medical services system. A State Emergency Medical Services Advisory Committee was created to advise the department on all matters relating to the emergency medical services system. The committee is comprised of 20 members, including three nonvoting, ex-officio members and 17 members appointed by the governor to represent the state's four counties. Of the 17 members, five are physicians experienced in emergency medical services, four are health care consumers, four are allied health professionals, and four are emergency medical technicians (EMTs) or mobile intensive care technicians (MICTs) representing each of the four counties. Among other things, the committee:

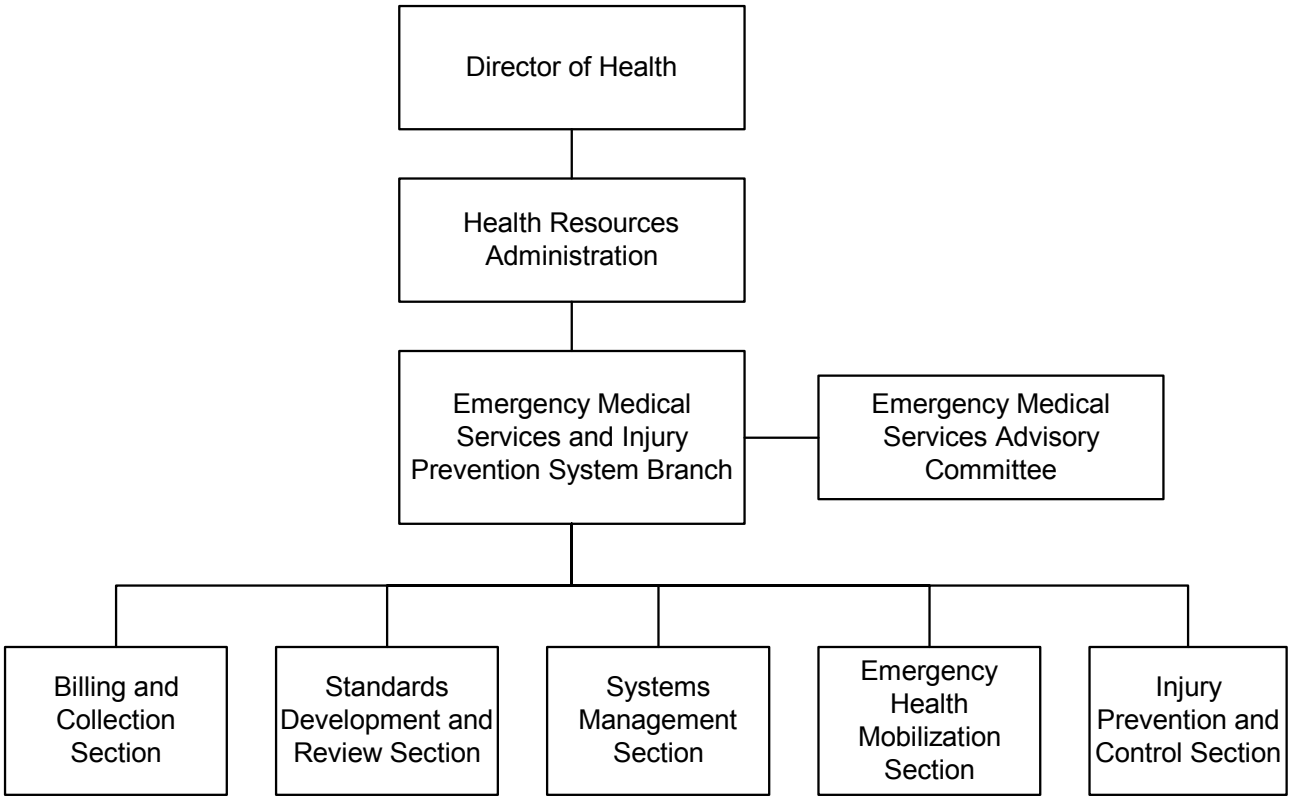
- Monitors, reviews, and evaluates on an ongoing basis the operations, administration, and efficacy of the State's EMS system;
- Prepares and submits periodic assessments relating to the State's EMS system; and
- Seeks public input to ensure the State's emergency medical service needs are fulfilled.

The branch is organized under the Department of Health's Health Resources Administration and is comprised of five sections as displayed in Exhibit 1.1. A program manager heads the branch and is responsible for:

- Administering contractual arrangements for the provision of emergency ambulance services statewide;
- Billing and collecting fees for emergency ambulance services statewide;

- Planning and developing fiscal plans and allocating resources for the effective and economical operation of the system; and
- Overseeing the branch's operations.

**Exhibit 1.1**
**Emergency Medical Services and Injury Prevention System Branch Organizational Chart**




Source: Department of Health.

The branch is funded primarily through the State's general fund. As shown in Exhibit 1.2, general fund appropriations for emergency medical services have increased by almost 16 percent over the past five years—from $31.5 million in FY1997-98 to $36.5 million in FY2001-02. The number of current general-funded positions appropriated for the branch is 13 full-time equivalent (FTE) positions, an increase of one position over the previous four fiscal years. Federal funds represent less than 2 percent of the total EMS funding for FY2001-02.

**Exhibit 1.2**
**Emergency Medical Services and Injury Prevention System Branch Appropriations**
**FY1997-98 through FY2001-02**

| | FY1997-98 | FY1998-99 | FY1999-00 | FY2000-01 | FY2001-02 |
|---|---|---|---|---|---|
| General funds | $31,535,906 | $32,509,624 | $35,521,864 | $35,688,037 | $36,513,275 |
| Federal funds | $295,786 | $295,786 | $295,786 | $295,786 | $552,286 |
| Total appropriation | $31,831,692 | $32,805,410 | $35,817,650 | $35,983,823 | $37,065,561 |

Source: Session Laws of Hawaii 1998, 2000, and 2001.

## *Functions*

Specific objectives of the Emergency Medical Services and Injury Prevention System Branch include:

- Developing an emergency medical services system master plan based on a state needs assessment;
- Administering all emergency medical services system funds;
- Coordinating the activities of existing state, county, and private sector services to avoid duplication of services; and
- Administering the system's various components, including but not limited to: communication, transportation, medical recordkeeping, and training.

To achieve these objectives, the branch operates the following five sections:

1. *Billing and Collection* –- bills, collects, and maintains accounts receivable for emergency ambulance services provided statewide.

2. *Standards Development and Review* –- inspects and licenses ambulances, ensures that standard forms are used for reporting emergency medical services, provides continuous monitoring and evaluation of the system and its components, identifies the readiness and capability of hospitals, assesses resources for critical care, and monitors and maintains the statewide medical communication system.

3. *Systems Management* –- assesses personnel requirements and resources for staffing ambulances, coordinates training and the development of emergency coresponse capability, ensures involvement of state and county emergency medical services advisory councils in planning, assists in the dissemination of public information and implementing emergency "911" telephone systems, and ensures continuous planning and evaluation of the system.

4. *Emergency Health Mobilization* –- assists public and private agencies with planning and developing to ensure a coordinated health response to disaster situations.

5. *Injury Prevention and Control* –- plans, implements, and evaluates targeted injury prevention strategies and interventions.

## *Resources*

Pursuant to Section 321-228, HRS, the Department of Health may contract to provide emergency medical services for the State's EMS system. Counties may apply to the State to operate ambulance services within their respective jurisdictions. If a county does not apply to provide its own ambulance services, the department must operate such services or contract with a private agency in that county. In all cases, the department retains the authority to determine the provider of emergency medical ambulance services throughout the state.

Statewide ambulance service contracts represent $34.3 million, or 94 percent, of the branch's $36.5 million in general fund appropriations for FY2001-02. As shown in Exhibit 1.3, the branch contracted with public and private entities to provide emergency medical services. The City and County of Honolulu and Hawaii County provided their respective ambulance services via contracts with the department. A private agency, American Medical Response (AMR), contracted to provide the ambulance services on Maui, Molokai, Lanai, and Kauai. In addition, the department had executed a number of other non-ambulance contracts. These included a $239,630 contract with Kokua Medical Claims to bill and collect fees for emergency medical services and a continuing agreement with Medcah, Inc. to manage bad debt accounts. Medcah retained a portion of its collections based on a variable commission rate. During FY2000-01, Medcah was paid about $360,000 in commissions for its services.

**Exhibit 1.3**
**Emergency Medical Services System Ambulance Service Contracts**
**FY2001-02**

| Contractor | Description | Contract Amount |
|---|---|---|
| City and County of Honolulu | Emergency ambulance service on Oahu | $17,209,274 |
| Hawaii County Fire Department | Emergency ambulance service on Hawaii | $7,592,033 |
| International Life Support Inc. dba American Medical Response* | Emergency ambulance service on Maui, Molokai, and Lanai | $5,887,992 |
| International Life Support Inc. dba American Medical Response* | Emergency ambulance service on Kauai | $3,631,827 |
| Total | | $34,321,126 |

*American Medical Response is the nation's largest private provider of medical transport.

Note: Contract amount for emergency ambulance services on Maui, Molokai, and Lanai is an estimate based on a multi-term contract.

Source: Emergency Medical Services and Injury Prevention System Branch.

In accordance with Section 321-232, HRS, the department has established fees for ambulance services rendered to the public. However, according to legislative intent, ambulance and other emergency medical services should not be denied to any person on the basis of his or her ability to pay for such services. The department charges from $375 to $2,250 per emergency transport, depending on the type and level of ambulance services provided.

The department may increase fees annually. The increase shall be based on projected revenue collected to equal at least half of the preceding fiscal year's ambulance services direct contract costs. However, fees may not be increased more than 10 percent per year.

All revenues are deposited into the State's general fund, except for amounts necessary to provide for collection services for bad debt accounts. During FY1999-00, revenues deposited into the general fund from ambulance fees totaled almost $12 million. Revenues deposited into the general fund during FY2000-01 totaled about $11 million, or 31.6 percent of the total ambulance services contract cost for the fiscal year.

## Objectives of the Audit

1. Assess whether the Department of Health's Emergency Medical Services and Injury Prevention System Branch ensures the effective and efficient use of state resources in its management of contract services.

2. Assess whether the branch manages its personnel resources in an efficient and effective manner.

3. Make recommendations as appropriate.

## Scope and Methodology

Our assessment of the Department of Health's Emergency Medical Services and Injury Prevention System Branch contract management included a review of its four contracts for emergency ambulance services for the City and County of Honolulu and counties of Hawaii, Maui, and Kauai during FY2001-02, FY2000-01, and previous years as necessary. We also reviewed the department's contracts with its current billings and collections contractor (Kokua Medical Claims) and its agreement with a collection agency (Medcah, Inc.). Our review of billings and collections focused on ambulance fee revenues collected during FY2000-01 and previous years as necessary. We also assessed whether the branch was able to account for all ambulance transports provided during FY2000-01 and previous years as necessary, and whether those transports were billed and collected as appropriate.

Our assessment of the branch's personnel management included a review of its position descriptions, its adherence to the Department of Human Resources Development's performance appraisal system (PAS) requirements, and its oversight of employees' sick and vacation leave requests and practices. We also determined whether adequate controls had been implemented or appropriate action taken to address employee concerns regarding alleged deficiencies in the branch's management of its personnel.

The Injury Prevention and Control Section of the branch was not included in the scope of this audit as this section was only consolidated within the Emergency Medical Services System Branch during FY2000-01.

We reviewed pertinent laws, statutes, audits, reports, and studies. Our fieldwork also included reviews of contract files, personnel files, and ambulance report forms at the branch; ambulance report forms and fiscal records at the City and County of Honolulu and County of Hawaii; and contract files at the State Procurement Office. We conducted interviews with branch staff as well as with representatives from the State

Emergency Medical Services Advisory Committee, ambulance service providers, billing and collection contractors, and department officials.

Our work was performed from January 2002 through May 2002 in accordance with generally accepted government auditing standards.

# Chapter 2

## Department of Health Officials Have Shirked Their Contract and Personnel Management Responsibilities

The Department of Health, through its Emergency Medical Services and Injury Prevention System Branch, is responsible for the State's comprehensive emergency medical services system. The mission of the system is to reduce deaths, injuries, and permanent long-term disabilities due to medical emergencies. To achieve its mission, the department has over $30 million in contracts with public and private entities designed to provide emergency medical services such as ambulance transport and emergency "911" communications. We found that branch management's failure to adequately administer these vital contracts has led to inappropriate uses of state funds by contractors and the potential for services not being provided effectively or efficiently. We also found that lax controls over billings and collections have resulted in a significant loss of revenue to the State.

As an employer, the State's greatest assets are its employees. To achieve the overall goals of personnel management such as increasing productivity and improving the quality of the work environment, managers must develop and implement appropriate management controls. These controls include performance appraisals, workplace assessments, clear and accurate position descriptions, and regular reviews and reconciliation of employee leave records. We found no such controls at the branch. In fact, we found recurring leave abuse by staff, inaccurate leave records, low staff morale, questionable employee performance, and the potential for workplace violence.

### Summary of Findings

1. The Emergency Medical Services and Injury Prevention System Branch's program manager has failed to adequately administer over $30 million in contracts. As a result, state funds are used inappropriately and the branch is unable to determine whether emergency medical services are delivered effectively or efficiently.

2. The program manager's lax controls over billings and collections have not ensured that significant revenues due the State are being recouped.

3. Grave deficiencies in the branch's personnel management, which the Department of Health has failed to address, have resulted in leave

abuse, inaccurate leave records, low staff morale, questionable employee performance, and a hostile work environment with the potential for violence.

## Poor Contract Management Practices Fail to Protect State Resources

Appropriate contract management ensures that contractors perform in accordance with contractual commitments and that all obligations are fulfilled. The contract management process includes, but is not limited to: (1) developing a performance-based work statement with measurable deliverables; (2) assuring the contract selection process is fair, open, and impartial; (3) linking payment to satisfactory contractor performance; and (4) evaluating contractors' performance after the contract ends. Monitoring and assessing contractor performance is vital to maintaining the quality of services.

With over $30 million in state funds allocated for emergency medical services contracts, the Department of Health and its Emergency Medical Services and Injury Prevention System Branch must implement appropriate management controls to ensure that state resources are protected and used effectively and efficiently. Instead, we found the absence of adequate contract oversight and management that resulted in a significant amount of state funds expended with inadequate feedback from contract providers on whether emergency services were provided efficiently or effectively. We also found that the branch procured its contracts inappropriately and with little justification. In addition, the branch's practice of not executing contracts in a timely manner opens the State to potential liability. Finally, the branch's failure to monitor or enforce its contracts does little to promote or assure optimum contractor performance or accountability.

### *Contracts are negotiated with little justification*

A principle of successful contracting is to maintain a record of the search for contractors. The contracting agency should keep accurate records of all meetings, conferences, oral presentations, evaluations, and decisions occurring during the evaluation-and-award stage of contracting. Equally important are written policies and procedures for contracting—a fundamental element of effective internal control. Among other things, contract policies and procedures define authority, responsibility, and procedures; standardize and communicate approved practices; and train and guide new personnel.

During FY2000-01, the Emergency Medical Services and Injury Prevention System Branch issued more than $34 million in contracts for emergency ambulance and other related services. We found that some of these contracts were entered into with inadequate justification. The branch's contract files for FY2000-01 lacked adequate documentation to

justify some contract awards and amounts. For example, the contract files for ambulance services for the counties of Kauai and Maui contained no information on how the contract amounts were determined. In addition, there was no budget or expenditure information from the contractors in the contract files. The branch program manager reported that this information was not reported because the contractor believes this information is proprietary and should not be released.

Compounding this problem, the branch lacks written policies and procedures to guide its staff in making contract management decisions. Instead, the branch program manager personally handles all contract negotiations for emergency medical services using "institutional knowledge" rather than any analytical cost/benefit review to contract for emergency medical services. Inadequate documentary support of the contract award process casts doubt as to the fairness of the process and leaves the branch open to question as to whether the State has received the best value for its dollar.

### *The State Procurement Code was violated*

Procurement laws and administrative rules are established to ensure that goods and services are obtained practically and advantageously for the State. The branch was required to follow Chapter 103D, HRS, Hawaii Public Procurement Code, for contracts solicited or awarded between July 1, 1994 and July 1, 1998, and Chapter 103F, HRS, Purchases of Health and Human Services, for contracts awarded after July 1, 1998. However, we found that the branch violated the procurement code in procuring the following: (1) the services of its collection agency, (2) small purchases for microfilming and medical coding services, and (3) maintenance services for the statewide MEDICOM communication system.

In 1996, the branch entered into a continuous agreement with a collection agency. However, the branch did not procure the services of this collection agency through a competitive award method as required by the State Procurement Code. By law, the agreement with the collection agency should have been procured through a competitive sealed proposal process. In a competitive sealed bidding process, contracts are awarded to the lowest responsible and responsive bidder who meets the State's requirements. Similarly, in a competitive sealed proposal process, contracts are awarded to the responsible offeror whose proposal is the most advantageous for the State. The branch program manager acknowledged that the current agreement with the collection agency was improperly procured.

Our examination also revealed that the State may not be getting the best commission rate for its collection services. The current collection agency charges various commission fees based on the amount of money it collects from debtors for emergency ambulance services. The agency

uses commission rates of 33.3 percent, 35 percent, and 50 percent, depending on the age of the debt and action required by the collection agency. During FY2000-01, the collection agency received fees in excess of $360,000—an average of approximately 41 percent in commission fees.

The Hawaii State Public Library System (HSPLS), which also uses the same collection agency, awarded its contract to the agency through a competitive sealed proposal process in March 1997. According to the HSPLS contract, the collection agency charges a single commission rate of 35 percent. Accounts that are referred to an attorney for legal action or to another agency are charged a 50 percent commission. If the branch had competitively obtained a similar flat commission rate, the State could have saved up to approximately $54,000 during FY2000-01.

We also found that the branch violated the procurement code's requirements regarding small purchases of less than $25,000. For expenditures between $5,000 and $15,000, the branch is required to try to obtain a minimum of three quotations from different vendors and to record and keep the quotations in a procurement file. If three quotations are not obtained, the reason must be recorded and kept in the procurement file. We found the branch failed to obtain three quotations for microfilming services and for medical coding services; it also failed to provide adequate justification for obtaining fewer than three quotations. For example, the branch's justification for obtaining only one quotation for medical coding services was that there is only one vendor in the state that provides coding services. However, we found several medical billing services on Oahu alone that were listed in the August 2001 VerizonHawaii telephone directory.

Finally, we found that the branch did not meet all the notice requirements when it procured services for the statewide maintenance of its communication system through a sole source method. The branch should have completed and submitted a "notice of sole source" to the chief procurement officer to serve as the written determination to issue a sole source contract. In addition, administrative rules require the branch to post a notice of sole source in an area accessible to the public at least seven days prior to the award of a sole source contract. However, we found no evidence that the branch complied with this notice requirement. Without the notice, the public's right to question or object to the reasonableness of the sole source purchase was denied.

### *Emergency ambulance service contracts favor contractors*

The branch has entered into poorly written contracts that do not allow it to evaluate and monitor its emergency ambulance service contracts or to monitor contractors' expenditures of state funds. A properly planned and well-written contract clearly defines the scope of services and describes expected outcomes. However, the contracts for emergency

ambulance services in Maui and Kauai counties—totaling approximately $9.5 million annually—do not require the contractor to submit routine expenditure information.

In addition, the contract for emergency ambulance services in Maui County has no reporting requirements. Without quality improvement reports, service reports, drug utilization information, or other similar information, the branch is unable to determine whether emergency ambulance services in Maui County are being provided efficiently or effectively. Additionally, the contractor is not required to submit financial reports. The contract requires the contractor to submit invoices, but does not specify how often the invoices should be submitted.

Furthermore, the contract does not require the contractor to submit itemized expenditure reports to account for how it spends state funds. The branch program manager stated that the contractor for Maui and Kauai County does not submit detailed expenditure reports because the contractor feels that the information is proprietary. We disagree. The failure to obtain detailed expenditure information is tantamount to the State giving the vendor a "blank check." The program manager's failure to pursue the issue further with the contractor places the branch and the State in an untenable position of not knowing whether state funds are being used appropriately. The branch should mandate detailed expenditure reports in all future contracts for emergency ambulance services in Maui and Kauai counties.

### *Contracts are not executed in a timely manner*

Allowing contractors to render services before contracts are fully and properly executed is not a sound contracting practice. However, the branch has disregarded sound contracting practices. Without properly executed contracts, the branch has failed to ensure that the roles and responsibilities of the State and its contractors are clearly delineated to avoid confusion or misunderstanding.

We found that the branch's FY2000-01 contract for emergency ambulance services with the City and County of Honolulu was not signed until June 30, 2001—the *last day* of the contract period. In addition, its $17.21 million contract with the city and county for FY2001-02 was not signed until more than *eight months* of the contract period had elapsed. Although no contract was in place, the City and County of Honolulu continued to provide emergency ambulance services by using city and county funds to cover costs.

We asked the branch program manager to explain the delays in signing contracts. The manager did not provide us an answer; instead, she referred us to the city and county for an explanation. According to the city and county, there are several reasons why the FY2000-01 and

FY2001-02 contracts were signed late. First, it cannot develop a line-item budget for the contract until it knows exactly how much money the Legislature has appropriated. Therefore, for example, the city and county could not begin to develop its FY2001-02 line-item budget until April 2001, when the FY2001-02 contract amount was appropriated. Second, it takes time for the city and county and the branch to negotiate the line-item budget. The FY2001-02 contract was not ready for the appropriate signatures until December 2001. Since, the Honolulu City Council must approve all intergovernmental agreements and because the council did not meet until February 2002, the FY2001-02 contract was not signed until March 2002.

While the reasons for the delays in signing the contracts appear to have some rationale, taking 8 to 12 months to sign a contract, by any business standard, is totally inexcusable. Since the state appropriations for emergency medical services have fluctuated only slightly over the past three fiscal years (less than 3 percent), the branch could have started negotiations with the city and county months before the end of the legislative session. With this approach, the branch could have easily made any fiscal adjustments to the proposed contract after the legislative session ended in early May, and worked on the approvals before the start of the fiscal year in July.

### *Inadequate contract monitoring does not ensure services are delivered effectively or efficiently*

The key to minimizing contracting difficulties is a strong monitoring system. An appropriate contract monitoring system ensures that services are being provided effectively and efficiently. Although the branch's public health administrative officer (PHAO) is responsible for monitoring contracts, he reported that the branch program manager has limited his authority to monitor many of the contracts. As a result, we found little to no effort made by the branch to monitor its contracts and ensure that all requirements are met. Without monitoring, the branch cannot guarantee the effective and efficient performance of contractors or that state funds are being used appropriately.

#### Contractor performance is uncertain

Improper contract monitoring of emergency medical services leaves contractor performance uncertain. The branch oversees approximately $34.3 million worth of contracts that provide emergency medical services for the City and County of Honolulu and for Maui, Kauai, and Hawaii counties.

During our review, we found that contractually required reports were missing or unaccounted for. These reports include quality improvement, drug utilization, and services provided. Although Kauai and Hawaii counties are required to submit monthly quality improvement reports, we found only one report for each county (though Hawaii County compiled

three months into that one report) during the period FY2000-01. Similarly, the City and County of Honolulu is required to submit quarterly quality improvement reports; however, we found no such reports for FY2000-01.

Although the branch program manager informed us that these reports had been submitted and that they were filed somewhere at the branch office, she was unable to produce them at the time of our fieldwork. Quality improvement reports help to measure, maintain, and improve the effectiveness and efficiency of emergency services and pre-hospital care. Without such reports or their proper evaluation, the branch cannot analyze trends or improve individual emergency medical services that impact patient care or system requirements.

## Expenditures are questionable

We also found that inadequate contract monitoring by the branch has resulted in a number of questionable contract expenditures. Our review of the City and County of Honolulu's FY2000-01 contract expenditures for emergency ambulance services found that the contractor lacked adequate controls over its expenditures. As a result, expenditures using state contract funds may have been made inappropriately.

In our sample of fiscal records at the City and County of Honolulu, we found 94 incidents of poor control over supplies and equipment purchased under the city and county's FY2000-01 contract for emergency transport services. For example, some purchase orders for supplies and equipment were not properly authorized. This places the appropriateness of those purchases in question. We also found that the city and county did not properly confirm whether or not it received some supplies and equipment purchased with state funds. Short of a physical inspection of those items, the branch cannot be assured the supplies and equipment purchased with state contract funds were actually delivered or received. The questionable expenditures in our sample totaled about $390,000.

We also found that the City and County of Honolulu inappropriately expended more funds for certain items than was allowed. According to the branch program manager, the city and county must obtain approval and report whenever it shifts money between object codes (i.e., line-items in its contract budget) if the amount shifted is 10 percent or more of the object code. However, we found that the city and county shifted $400,000 between object codes without obtaining branch approval. The branch program manager reports she is informed of these shifts only after they occur, generally at the end of the year.

We also found an inordinate number of transmission repairs and/or overhauls performed on ambulances in the City and County of

Honolulu's fleet by one vendor. Many of these transmission repairs seemed excessive; many were paid for by the city and county when they might well have been covered by the vendor's warranty. For example, one ambulance had three transmission overhauls over just a one-year period. However, according to the vendor, all transmission overhaul work is covered by a 12-month or 12,000 mile warranty. Although the ambulance was still covered under the vendor's warranty for the initial transmission overhaul, the city and county paid for a second transmission overhaul. The total cost for the three repairs over the one-year period was about $9,000. Another ambulance was sent to the same vendor for transmission repair work six times in a three-year period at a total cost of over $9,000. Yet another ambulance had two transmission overhauls in a 13-month period again with the same vendor.

Although it is difficult to determine whether these repairs were actually necessary, repair shops we contacted in Hawaii and California stated that the number of transmission repairs on these city and county ambulances was unusually high. One other emergency ambulance provider also said that the number of transmission repairs was high compared to its fleets' repairs.

The city and county's EMS division chief told us that the branch does not have access to information on the repairs and maintenance of the city and county's ambulance fleet. In addition, the city and county does not maintain a repair and maintenance log for its ambulance fleet. Therefore, there is no comprehensive record of all repairs and maintenance performed on each ambulance in the fleet. This lack of oversight makes it impossible to determine whether all repairs were warranted and state contract funds were used appropriately.

## Lax Controls Over Billings Result in Revenue Loss to the State

State law requires the Department of Health to collect fees for emergency medical services. Fees range from $400 for advanced life support emergency transport to $2,250 for emergency aeromedical helicopter transport on the island of Hawaii. These revenues are deposited into the state general fund. The ambulance report form (ARF) is the key document needed to bill individuals who receive emergency transport services through one of the branch's contract providers. An ARF, which is considered a medical record, is completed for each emergency ambulance transport call. We found, however, that the branch has failed to ensure that all missing ARFs are pursued and that all ARFs are properly logged at the branch upon receipt from providers. We also found that the branch does not process billing forms in a timely manner. As a result of these many shortcomings, the branch has failed to collect all the revenues to which the State is entitled. Finally, the branch does not monitor the efforts of its collections agency so it cannot

determine if the agency is aggressively pursuing all revenues or whether it is properly accounting for the revenue it does collect.

### *Key billing documents are missing or unaccounted for*

The branch relies on ambulance report forms as the key document to bill patients and collect fees for emergency ambulance services. Ambulance units must account for and complete an ARF for each call for ambulance services. Ambulance providers then send completed forms to the branch for processing. Without a form, the branch is unable to bill individuals who were transported by the ambulance providers. Despite the importance of these forms, we found that the branch has failed to implement adequate controls to ensure that all forms are accounted for and processed in a timely manner. We also found a number of forms were missing or unaccounted for (meaning received by the branch but not logged), representing lost revenues to the State.

#### Management does not ensure the vigorous pursuit of all revenues

Based on our estimates, approximately $400,000 went uncollected for ambulance services provided by the City and County of Honolulu during FY2000-01. Even more alarming, a potential $1 million went uncollected for ambulance services provided in Maui, Hawaii, and Kauai counties during FY2000-01. This loss of potential revenue is directly attributable to the branch's failure to adequately monitor or enforce its contracts.

For example, we found 495 missing or unaccounted for ambulance report forms for the City and County of Honolulu during a four-month period in FY2000-01. The program admitted that the branch has not followed up with the city and county on these forms. Estimating that about two-thirds of all forms are billable, and the minimum amount billed for each ambulance report form is $400, the branch failed to pursue approximately $132,000 in potential revenue during a four-month period.

We also found that the branch does not adequately monitor the efforts of its two billings and collections contractors—Kokua Medical Claims, which handles regular billings, and Medcah Inc., which handles the collection of bills over 150 days old. First, the branch does not track the dates the ambulance report forms that it forwards to its billing contractor or the accuracy of the forms forwarded to the collection agency. In addition, the branch does not review the reports it receives from the two contractors for accuracy. As a result, the branch cannot determine how much money it is owed for emergency medical services and whether this money is being collected in a timely manner.

Finally, we found that the branch has not assessed liquidated damages against ambulance providers for missing ARFs due to its lax contract

enforcement. Ambulance providers must account for all ARFs, which are pre-printed in numerical order. For example, if a provider submits forms numbered 50 through 100, but is missing form number 75, the branch may assess the contractor for that missing form. According to the branch's records, the City and County of Honolulu failed to submit 280 ARFs during four months in FY2000-01. Although the contract permits the branch to assess $100 for each missing form, which would result in a total fine of $28,000, the program manager reports that the branch has never assessed liquidated damages. In addition, the branch employee responsible for these forms admitted that the branch has never pursued the missing forms.

### Untimely performance by branch personnel hinders billing efforts

When the branch receives ambulance report forms from various ambulance providers, the branch's "custodian of records" logs their receipt. The custodian's informal policy is to review and log the forms within three days of receipt by the branch. After logging receipt of the forms, the custodian forwards them to the branch's billing clerks for processing. However, we found that the custodian does not log forms in a timely manner, thus delaying the billing process.

We reviewed a sample of Hawaii county's ambulance report forms from six ambulance units and found that the branch logs these forms an average of 28 days after the county mails them via priority mail. Priority mail items are expected to reach their destination in about two days. None of the forms in our sample were logged within the custodian's informal timeframe of three days after receipt. In some cases, it took about *two months* for the custodian to log the forms and forward them to the billing clerks for processing.

## *The branch is unable to determine whether the State is receiving all revenues it is entitled to*

In addition to the custodian of records' log, the branch maintains a number of other logs to track the processing of ambulance report forms. However, we found that these logs are inaccurate and hamper the branch's ability to determine if its contractors properly bill and collect all revenues due to the State. In addition, the branch does not review or monitor reports it receives from the collection agency or the billing contractor. This lack of oversight opens the billing and collection processes to potential waste and fraud.

### Revenue recoupment efforts are not monitored

The branch does not effectively monitor collection efforts by the billing contractor. The billing process for the billing contractor begins when the branch codes the ambulance report forms with ICD-9 codes. ICD-9 is the official system of assigning codes to diagnoses and procedures

associated with hospital utilization in the United States. After the forms are coded, the branch separates forms by service month, batches them into groups of 50, and records the total number of forms sent to the billing contractor. The batched forms are sent to the billing contractor on a weekly basis. However, the branch does not track when the forms were sent and is therefore unable to determine whether the billing contractor bills each claim for reimbursement in a timely manner. While the billing contractor is required to prepare and submit a reimbursement claim for each form within ten working days of receipt, the branch does not track the forms sent to the contractor and is unable to determine whether or not the claim was processed within the required ten days.

We also found discrepancies between three sets of ARF records, all vital to securing revenue due to the State. For example, the branch's records show that it sent 3,461 forms to the billing contractor for transports that occurred in January 2001. However, the billing contractor's records indicated it processed 4,054 forms for that service period—593 more than the branch reportedly sent. Furthermore, the custodian of records logged—i.e. received—yet another number of forms for the same service period, 3,846. Without an accurate monitoring system, the branch cannot explain these discrepancies or verify whether forms are lost or remain unbilled.

## Contractor collection reports are ignored

Although the branch receives reports from its collection and billing contractors, the branch does not monitor information in these reports. For example, the collection agency sends a monthly statement of collections and the commission charged for each account. However, the branch does not verify whether the appropriate commission rate was charged. The collection agency also reports to the branch when it receives new accounts for collection. However, the branch does not review this report to verify whether the accounts have been appropriately assigned to the collection agency in a timely manner. If accounts are incorrectly sent to the collection agency, the State loses revenue because the collection agency charges a higher commission rate than the billing contractor.

The branch also receives monthly reports from the billing contractor showing collections and billings by island. The branch uses this report to prepare a cumulative report of activity for the fiscal year. However, inconsistencies in the branch's cumulative report are not researched. For example, in a seven-month period, we found a $200,000 difference between the amount the billing contractor deposited in the State's account and the deposit amount recorded by the State. The branch program manager stated that this discrepancy may be due to the time difference between when the billing contractor made the deposit and when the State recorded the deposit. However, we found that the

program manager never confirmed the actual reason for the difference. In fact, the difference may have resulted from the billing contractor depositing revenues in the wrong bank account, or the State may have failed to record a deposit. Regardless, the branch's inattentive attitude could result in lost revenues for the State.

## Neglect of Personnel Management Responsibilities Has Fostered a Dysfunctional and Hostile Work Environment

Effective personnel management ensures that organizations are productive, employees are provided a working environment conducive to improving productivity, and legal requirements are met. Personnel management activities include establishing and maintaining effective work relationships, monitoring and assessing the work environment, and appraising employee behavior. We found, however, that Department of Health and branch management have neglected their responsibilities regarding the branch's human resources. Specifically, we found that controls over employee leave are inadequate and affect operational efficiency of the branch; the lack of accurate position descriptions and performance appraisals fails to ensure that employees are achieving the branch's mission and objectives efficiently or effectively; and management's indifference to the branch's working environment creates a hostile work environment for staff.

### *Some employees may have received pay for hours not worked*

Lack of controls over employee leave (e.g., vacation, sick, etc.) has resulted in errors in branch employees' leave records. These errors have the potential to impact employees' pay, vacation allowance payouts, and retirement allowances. Despite the importance of tracking employee leave, we found a myriad of problems. Problems included little to no management control over employee time, lack of adequate documentation of employee leave, and no reconciliation to ensure that employee leave is accurately accounted for.

When a branch employee takes leave, he or she must fill out a Form G-1 (Application for Leave of Absence). If the application is approved, then the leave hours are posted to the employee's Form 7 (Leave Record). Form 7 tracks sick and vacation hours an employee has earned, used, and accrued. If a request is made for leave without pay, the approved Form G-1 is forwarded to the Department of Health's personnel office. The personnel office must process Form G-1s for leave without pay because it affects employees' pay. However, we found several instances of leave without pay recorded on employees' Form 7s but the corresponding Form G-1s not forwarded to the personnel office. One employee's Form 7 had 71.5 hours of leave without pay logged in early 2001, but we could not verify 39.5 of those hours at the personnel office. Another employee had about 96 hours of leave without pay in 2000 and 2001 logged on his Form 7, but the requisite Form G-1s were not

forwarded to the personnel office. Therefore, these two employees may have inappropriately been paid for about 17 days they did not work.

Some branch employees' retirement allowance may be impacted due to the branch's poor recordkeeping of employee sick leave. Any public employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the retirement system. For example, an employee with 60 days of unused sick leave will have his or her years of service increased by three months when computing the employee's retirement allowance. Form 7 is the official record used to determine the amount of unused sick leave accrued by the employee. However, we found that branch employees' Form G-1s did not reconcile with their Form 7s. For example, one employee submitted a Form G-1 requesting eight hours of sick leave on December 31, 2001. Although the employee's supervisor signed the Form G-1, the eight hours were not recorded on the employee's Form 7. As a result, that employee's sick leave amount is overstated by eight hours. Over time, this could enable the employee to have a greater retirement allowance than warranted.

Documentation and recording deficiencies also impact an employees' vacation allowance. When an employee terminates service with the State, he or she is paid for all unused accrued vacation hours. The amount paid is equal to the amount of compensation the employee would be entitled to or would be allowed during the vacation period if the employee had taken the vacation. Form 7 is also used to determine pay for vacation allowance. However, we found a number of discrepancies with branch employees' Form 7s overstating the amount of entitled vacation for employees. For example, one employee filled out a Form G-1 requesting eight hours of vacation on March 5, 2001. The employee's supervisor approved the request, but the leave was not reflected on the employee's Form 7. As with the sick leave example above, that employee's accrued vacation hours are similarly overstated.

We also found instances where leave may have been inappropriately recorded on employees' Form 7. For example, according to one employee's Form 7, the employee took 10 hours of vacation leave over two days and 10 hours of sick leave over two days. However, the corresponding Form G-1s for these two leave requests were neither signed by the employee nor the supervisor to indicate approval. Because the branch does not maintain a record of employees' daily attendance, such as a sign-in sheet or timecards, we were unable to determine whether the leaves were actually taken by the employee or whether the leave requests were posted to the employees' Form 7s in error.

Finally, we found instances where employees took vacation leave or sick leave to which they were not entitled. Over the course of each month branch employees may take as many leave hours as they accrued the

month before. Therefore, if a branch employee has 20 hours of sick leave as of May 31, 2002, that employee may take a maximum of 20 hours of sick leave over the month of June 2002. Although the employee earned 14 hours of sick leave during May 2002 and was still employed by the State in May 2002, those 14 hours could not be used until the next month. We found, however, that employees were taking "advances" on leave hours not yet earned. For example, one branch employee had a balance of 18.5 hours of sick leave at the end of March 2001; however, that employee took 26.5 hours of sick leave during April 2001. Another branch employee used 22 hours of vacation leave during May 2000 but had only 14 hours of accumulated vacation leave.

### *Amount of leave taken by branch employees is high*

Although there are no guidelines regarding what constitutes excessive leave, we found that branch employees were taking an inordinate amount of sick leave, vacation leave, and leave without pay. We also found suspicious patterns of sick leave. Patterns include absences due to sickness occurring before or after holidays, weekends, days off, paydays, or specific days of the week or of short durations. With only 13 full-time branch employees, excessive leave and sick leave abuse impact productivity and employee morale.

#### Suspicious patterns of sick leave use have been detected

Improper use of sick leave can present serious organizational problems. Sick leave abuse may cause work delays, deterioration of services, and morale problems. The branch's program manager admits there may be possible abuses of leave by at least one branch employee. During 1999, one branch employee took 130.45 hours of sick leave, or roughly 16 days. Of those 16 days, 11 were on days adjacent to holidays or weekends. In 2000, the same employee took 105 hours (about 13 days) of sick leave. Of those approximately 13 days, nine were taken on Mondays. Another employee, who took a total of 135 hours (17 days) of sick leave, took 87 of those hours (about 11 days) adjacent to weekends or holidays.

Without accurate time or leave records, the branch's program manager is unable to monitor the use of paid leave. In addition, although the program manager supposedly conducts regular reconciliations of records, she has not guarded against excessive or inappropriate use of paid leave. Because incidents of potential abuse of sick leave have been neither investigated nor addressed, the program manager has failed to enhance the productivity and efficiency of the branch or assure the equitable treatment of its employees.

### Excessive employee leave may impact the delivery of services

Though a relatively small organization, the branch is responsible for a system that aims to reduce disability, injury, and death. Among other things, employees are responsible for monitoring emergency ambulance service contracts, inspecting ambulances, managing the emergency medical services communication system, and billing and collecting fees for ambulance services. When employees take excessive amounts of leave, the level and quality of these services are impacted. Based on the information available, we estimated that branch employees took a total of about 428 days of paid and unpaid leave in 2001 (an average of 33 working days per employee) and 339 days in 2000 (an average of 26 working days per employee).

We also found that four employees were responsible for 65 percent of the 428 leave days taken in 2001. One branch employee took a total of 92 days of leave in 2001—18 for sick leave, 18 for vacation leave, and 56 days for leave without pay. That same year, another employee took about 16 days of sick leave, 16 days of vacation leave, and 42 days of leave without pay for a total of 75 days of leave. Significantly, these two employees rarely took sick leave or leave without pay on five or more consecutive days. Employees are required to submit a licensed physician's certificate for absences of five or more consecutive working days to substantiate that the absence was due entirely to sickness and that the employees were physically and/or mentally unable to resume their duties.

### *Position descriptions are inaccurate or nonexistent*

Position descriptions help ensure that an organization operates effectively. They create an understanding of the requirements of the position, serve as a tool for staff orientation and training, and establish performance standards and goal statements for future staff performance evaluations. To ensure that staff clearly understand their job duties and responsibilities, position descriptions should be current and accurate. Inaccurate descriptions can reduce the effectiveness of training and result in unrealistic performance standards.

Despite the importance of current and accurate position descriptions, we found that branch employees have outdated or inaccurate position descriptions or have none at all. In February 2002, we asked the branch's program manager to provide us with a copy of all employees' current position descriptions. Position descriptions for nine out of the 13 full-time branch employees were not available. The descriptions the program manager did provide were in some cases outdated or inaccurate. For example, the branch program manager's position description states that it is under the direction of a no longer existing position. One

employee's job description states that the position is responsible for monitoring contracts, whereas, the employee reported that he does not actually monitor many of the contracts.

### *Employee performance is not regularly evaluated*

A positive control environment provides discipline, structure, and a climate that influences the quality of internal control. One factor that affects the control environment is management's commitment to competence. All personnel need to possess and maintain a level of competence that allows them to accomplish their assigned duties. Therefore, management needs to provide employees with performance appraisals. Performance review is also integral to an entity's ability to account for its resources and to achieve effective results.

Hawaii law recognizes the importance of performance appraisals. According to Section 76-41, Hawaii Revised Statutes, a system of performance ratings is to be established and maintained to appraise civil service employees and to improve employees' performance. The performance appraisal should also be used to determine if performance expectations are being met and to bring about constructive changes in work performance. In addition, a departmental "Violence in the Workplace" directive asserts that having performance evaluation processes and evaluations contribute to diffusing stress and potentially violent confrontations.

The law also requires that original performance ratings be filed in employees' official personnel files. However, we found *no* performance appraisals in any of the branch employees' personnel files at the Department of Health's personnel office. The department's personnel officer confirmed that only two branch employees have ever received evaluations since they started at the branch—one in January 2002 and the other during 1993. Eight employees have been with the branch for over five years and have *never* received performance evaluations. Without evaluations, the department cannot assess its employees efficient performance in achieving the branch's mission and objectives.

### *A strong potential for workplace violence exists*

According to the National Institute for Occupational Safety and Health, workplace violence includes any physical assault, threatening behavior, or verbal abuse occurring in the work setting. Workplace violence includes, but is not limited to, stabbings, shootings, and psychological traumas such as threats or an intimidating presence, and harassment of any nature. Employers in Hawaii have a legal responsibility to provide a safe work environment for all workers.

To protect its employees, the State as an employer has adopted a zero-tolerance policy for any work-related or workplace violence. The Department of Health has acknowledged that violence in the workplace

is increasing and has developed a directive regarding workplace safety. However, we found that the potential for workplace violence continues to exist at the branch. Moreover, this potential was identified by both the department and branch's management as a concern, but little has been done to address this serious situation.

## The department has been complacent in addressing employee concerns

Management is responsible for taking reports of unsafe work practices seriously and seeing that they are dealt with as a high priority. If management allows conflicts between employees to remain unresolved, the conflicts could escalate into serious incidents of workplace violence. Despite this important responsibility, Department of Health officials have been lax in adequately addressing branch employees' concerns regarding workplace violence. Although management has taken some steps to deal with this situation, those steps have done little to diffuse the fear that still exists among many branch employees.

In April 2001, an independent Department of Health investigator (an employee from another branch within the department) interviewed all branch employees to determine whether there was a hostile environment within the branch. The investigation was prompted by staff concerns about an employee that they thought was hostile to them. According to the branch program manager, the investigator concluded that a hostile work environment did not exist. While the branch program manager did counsel the allegedly hostile employee, the manager generally believes there is no potential for violence. We disagree.

Branch employees reported that in December 2001 there was an incident between the allegedly hostile branch employee and a co-worker. At one point during the incident, the allegedly hostile branch employee blocked the door to prevent the co-worker from exiting the branch office. As a result of the incident, the co-worker filed a police report. The Department of Health has acknowledged the incident occurred, and reports the allegedly hostile branch employee received an oral warning regarding the incident. We believe the oral warning and previous in-house counseling were inadequate solutions to a serious situation. As recently as March 2002, a branch employee reported that the same allegedly hostile branch employee displayed anger by slamming his drawers for a period of time and slamming a photocopier cover—indicators of potentially serious violent behavior. Although other options exist to address the situation, such as conflict resolution and mediation, the department has not utilized them.

Additional concerns remain regarding the allegedly hostile branch employee because this employee handles several million dollars worth of

ambulance billings annually. As discussed earlier, we found that key billing-related documents are missing or unaccounted for without explanation.

### Employees remain fearful

Our interviews with all branch employees in March 2002 confirm that several employees still fear for their personal safety. One employee responded that the department has not been supportive, noting nothing had been done to address the potential workplace violence situation. This same employee reported being scared that one of the branch employees will "stab" or "shoot" someone at the branch. A different employee echoed this sentiment and reported that the environment at the branch is "frightening" and "unsafe." Another employee reported feeling "scared" and "intimidated."

Although not all employees reported that they fear for their personal safety, they acknowledge that fear exists among their co-workers.

## Conclusion

The Emergency Medical Services and Injury Prevention System Branch is responsible for the State's comprehensive emergency medical services system. Recent public concerns regarding problems with the operation and management of the state's Emergency Medical Services System prompted a review of the branch's personnel and contract management. Our audit confirmed that the public's concerns were merited.

Management problems at the Emergency Medical Services and Injury Prevention System Branch amount to an evasion of management duties and responsibilities. The program manager's failure to adequately administer and manage over $30 million in contracts means the branch cannot ensure that state funds are being using appropriately or that emergency medical services are being delivered effectively and efficiently. In addition, because of an absence of management controls, the branch has failed to potentially recoup millions of dollars due the State. Finally, poor personnel management has resulted in the existence of suspicious employee leave patterns and possible abuse, and a probable decline in productivity. Perhaps most troubling is the lingering potential for workplace violence, a real and current fear among employees.

## Recommendations

1. The director of health should ensure that:

    a. The Emergency Medical Services and Injury Prevention System Branch develop written policies and procedures regarding contracting;

b. All branch contracts are appropriately procured under the State Procurement Code;

c. Contracts for emergency medical services are executed in a timely manner;

d. Contracts for emergency medical services are tied to deliverables and are monitored and enforced;

e. The branch chief updates staff position descriptions, implements appropriate and adequate controls over leave, and conducts timely employee performance appraisals;

f. The departmental personnel officer conducts a thorough audit of branch employees' leave records to ensure their accuracy; and

g. The departmental personnel officer and staff from the Department of Human Resources Development investigate and address problems with office morale, potential leave abuse, and workplace violence.

2. The branch chief should implement a comprehensive system of controls over ambulance report forms that includes, but is not limited to:

a. Requiring ambulance service providers to maintain a log of ambulance report forms sent to the branch;

b. Establishing and enforcing a policy that requires all ambulance report form batches received by the branch be date-stamped upon receipt;

c. Establishing and enforcing a policy that requires all forms be forwarded to the branch's billing section within seven days of receipt;

d. Establishing and enforcing a policy that requires the billing section to maintain an appropriate log of the ambulance report forms sent to the billing contractor; and

e. Conducting routine verification and reconciliation of all ambulance report forms and deposits.

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# Response of the Affected Agency

## Comments on Agency Response

We transmitted a draft of this report to the Department of Health on September 17, 2002. A copy of the transmittal letter to the department is included as Attachment 1. The department's response is included as Attachment 2.

In its response, the department generally concurred with most of our recommendations and noted that it would be implementing improvements to the management of the Emergency Medical Services and Injury Prevention System Branch. The department also recognized the need to improve its contract management practices for emergency medical services. It concurred with our finding that delays in executing the ambulance contract with the City and County of Honolulu does not provide for prudent fiscal accountability and it hopes to remedy the situation. In addition, the department noted that the maintenance arrangement for ambulance vehicles between the City and County of Honolulu's Emergency Services Department and Fire Department has been a concern. The department believes that the recent transfer of maintenance services to the city and county's Automotive Services Department will improve the cost efficiency of services.

The department also indicated in its response that the purchase order for the procurement of microfilm service did have three quotes. However, we found no evidence to support this. One purchase order dated August 6, 2001 had on record only two quotes and a second purchase order dated February 7, 2002 had only one quote on record. In fact, the branch program manager signed both records as the employee who had solicited the quotations. In addition, the department felt that the restrictive purchase for repair and maintenance of the statewide communication system was justified. However, the department did not address our concern that the system was not procured in compliance with state procurement rules. The department also believes that our estimates of $400,000 and $1 million of uncollected revenues are not based on verifiable data. However, we used four months of actual data from FY2000-01 and conducted a detailed review of one month of billing data in FY2000-01 to develop our estimates. We stand by the information provided in our report.

The department also reported that concerns for the potential for workplace violence are being addressed. It noted that since May 2002, the University of Hawaii Program for Conflict Resolution has conducted mediation among some branch staff and all staff have received training on workplace violence and anger management.

Finally, the department reported that its personnel office would conduct an audit of all branch staff leave records to ensure that the records are reconciled and accurately reflect leaves taken by employees. The personnel office will also work with the branch program manager in enforcing leave absence reporting procedures and in updating position descriptions. The department also reports that performance appraisals for branch staff have been completed.

STATE OF HAWAII
**OFFICE OF THE AUDITOR**
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

**MARION M. HIGA**
State Auditor

(808) 587-0800
FAX: (808) 587-0830

September 17, 2002

***COPY***

The Honorable Bruce S. Anderson
Director of Health
Department of Health
Kinau Hale
1250 Punchbowl Street
Honolulu, Hawaii 96813

Dear Dr. Anderson:

Enclosed for your information are three copies, numbered 6 to 8 of our confidential draft report, *Contract and Personnel Management Audit of the Emergency Medical Services and Injury Prevention System Branch.* We ask that you telephone us by Thursday, September 19, 2002, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Thursday, September 26, 2002.

The Governor and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa
State Auditor

Enclosures

ATTACHMENT 2

BENJAMIN J. CAYETANO
GOVERNOR OF HAWAII

BRUCE S. ANDERSON, Ph.D., M.P.H.
DIRECTOR OF HEALTH

**STATE OF HAWAII**
DEPARTMENT OF HEALTH
P.O. BOX 3378
HONOLULU, HAWAII 96801

In reply, please refer to:
File:

September 26, 2002



The Honorable Marian Higa
State Auditor
Office of The Auditor
465 S. King Street
Honolulu, Hawaii 96813-2917

Dear Ms. Higa:

Thank you for the opportunity to respond to the draft report Contract and Personnel Management Audit of the Emergency Medical Services and Injury Prevention System Branch.

## Review of the Report Objectives

1. **Assess whether the Department of Health's Emergency Medical Services and Injury Prevention System Branch ensures the effective and efficient use of state resources in its management of contract services.**

### Poor Contract Management Practices Fail to Protect State Resources

We recognize the need for improved contract management for emergency medical services are warranted. We do, however, believe that the negotiations and execution of contracts for emergency ambulance services for Maui County and Kauai were in compliance with State of Hawaii Administrative Rules, Chapter 103 F, Competitive Purchase of Services of Health and Human Services.

Detailed EMS personnel cost were available but audit staff did not request the information.

There is a limited market for ambulance services providers with the experience and resources to establish and operate emergency ambulance services in Hawaii. The Department has used the competitive bid process for procurement of emergency ambulance services when suppliers are identified and they submit intent to bid. Prospective contracts will be asked to submit rationale for determining contract dollar amount as part of the bid process.

"State Procurement Code was Violated"

The Department feels the restrictive purchase of services for repair and maintenance of the statewide MEDICOM communication system with Pacific Wireless Communications was justified. In the early 1970's when the communication system was developed, Motorola equipment was selected. In order to maintain the systems operational integrity, Motorola communications equipment must continue to be purchased and maintained. Pacific Wireless Communications is the sole company with repair services on each of the major islands that are certified by Motorola to purchase and repair Motorola equipment. Services are required twenty-four hours per day, seven days a week to ensure that the communication system is maintained for dispatch and medical direction of emergency ambulance services statewide. The co-mingling of different brands of communication equipment would have serious implications for system reliance and operational integrity. If there were a system failure, we would have to call all the companies who have installed equipment to identify and repair the problem. This would be impractical and costly.

The Purchase Order for microfilm services did have three quotes. One vendor was not selected because of previous poor quality work; the other two vendors submitted the same cost. The vendor selected was based upon the resources and experience in management of medical information for microfilm processing. The Purchase Order for back-up coding of disease classification was never used, as the vendor failed to obtain trained personnel to code the ambulance medical records. The coding of ambulance report forms for billing purpose is different from hospital and physician billing codes. Coders must be able to identify whether a paramedic assessment was done and the level of treatment provided. To date we have not found a back-up vendor with ambulance coding experience.

The comparison of the collection agency commission fees against the commission fees of the Hawaii Public Library was inequitable. The Library fees are usually small amounts and do not require a collection agency to file claims to health or no-fault insurance companies. The administrative overhead and larger amounts assigned for emergency ambulance services impact the commission rates. Comparison with a hospital emergency department or emergency physician group would have been a more accurate comparison. I understand your staff was informed that a RFP was being drafted for competitive purchase of bad debt collection services.

"Contracts are not executed in a timely manner:"

Historically there have been delays in executing the ambulance contract with the City and County of Honolulu. Repeated requests to the Honolulu Emergency Service Department for their operating budget were sent without a timely reply. We hope to remedy this situation. We concur that this does not provide for prudent fiscal accountability. The maintenance arrangements for ambulance vehicles by the Honolulu Emergency Services Department

with the Honolulu Fire Department have been a concern. We believe services will be improved and more cost effective with the recent transfer of the maintenance services to the City & County Automotive Services Department.

"Lax Controls Over Billing Result in Revenue Loss to the State"

The billing and collection of ambulance fees is a complex system and to state that the Emergency Medical Services and Injury Prevention Branch does not monitor the billing contractor and billing activities is inaccurate. Reports are submitted by the billing contractor monthly, reviewed by the Program Manager, and as necessary, follow-up to address any areas of concern. Frequent reviews of the ambulance report forms are conducted to determine the accuracy of the coding and billing processing. We believe that the audit report stating that an estimated $400,000 and $1 million went uncollected is not based on verifiable data. We acknowledge that reports were not submitted by the Honolulu Emergency Services Department in early 2001. There were safeguards put in place, accounting for all ambulance reports at the end of each month. The establishment of systems to account for each ambulance report when submitted to the contractor may exceed workload capacity. The billing clerks frequently check account ledgers and report to the billing contractor and the Program Manager when there are omissions or errors.

**2. Assess whether the branch manages its personnel resources in an efficient and effective manner.**

"Neglect of Personnel Management Responsibilities Has Fostered a Dysfunctional and Hostile Work Environment"

Policies and procedures have been put into effect that conform with State requirements for hours of work, lunch periods, break periods, leave of absence, overtime and payment compensation.

The concerns for the potential for workplace violence have and continue to be addressed. Since May, 2002, the University of Hawaii Program for Conflict Resolution was engaged to conduct mediation among some of the EMS staff. The purpose of the mediation was to identify and discuss conflicts between the parties and develop mutually agreed upon resolutions. Two mediators have been involved in this process and the priority for both was to address the potential for workplace violence. Based on their initial assessment, they did not believe that there was an immediate threat of violence and recommended that Workplace Violence and Anger Management training be held in abeyance until the first phase of mediation was completed. Mediation was commenced and is on-going. Training on Workplace Violence and Anger Management has been provided to all staff.

"Control Over Employee Leave Records and
Amount of Leave Taken by Branch Employees is High"

The Departmental Personnel Office (DPO) will conduct an audit of all of the EMS staff leave records to assure that the records are reconciled and accurately reflect leaves taken by the employees. In regards to the allegation that the employee's leave records reflect "suspicious patterns" of leaves, there is no retroactive remedy to address this allegation since the leaves have already been approved and the absences have been authorized. Nonetheless, the leave records will be examined during the audit by the DPO. Moreover, the DPO will provide guidance to the EMS Branch Chief, in the enforcement of state policies and leave absence reporting procedures to more effectively manage employee absences.

"Position Descriptions are Inaccurate or Nonexistent"

In order to establish a new position, a position description must be written and submitted to the DPO. All positions in the EMS branch have an official position description which is maintained by the DPO. While the branch may not have been able to provide the Auditor with copies of all of the position descriptions, the Auditor failed to ask the DPO for the position descriptions. If they were asked, the DPO would have provided the Auditor with the most current position description, on file, for all of the EMS positions. To address the Auditor's concern that the position descriptions they reviewed were inaccurate or outdated, the DPO will work with the EMS branch to update position descriptions, as necessary, to reflect the current organizational structure and is an accurate description of the duties and responsibilities assigned to the position.

"Employee Performance is not Regularly Evaluated"

The performance appraisals for all of the EMS staff have been completed and submitted to the DPO. There are no outstanding performance appraisals for incumbents under the control of the EMS Branch Chief.

**Conclusion**

The Department of Health remains committed to ensuring that the people of Hawaii receive quality and cost effective emergency medical services. The system has many dedicated men and women that strive to prevent the loss of life or disability from

illness and injury. The department will address all legitimate concerns raised by the auditor. Recommendations will be implemented to improve the management of the Emergency Medical Services and Injury Prevention System.

Sincerely,

Bruce S. Anderson, Ph.D., M.P.H
Director of Health