

California Prison Health Care Services

It Lacks Accurate Data and Does Not Always Comply With State and Court-Ordered Requirements When Acquiring Information Technology Goods and Services

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California Prison Health Care Services' response as of August 2009

State law gives the Bureau of State Audits (bureau) the authority to audit contracts involving the expenditure of public funds in excess of \$10,000 entered into by public entities at the request of the public entity. The current court-appointed receiver requested that the bureau conduct an audit of contracts for information technology (IT) goods and services initiated by California Prison Health Care Services (Prison Health Services) for the improvement of prison medical health care services.

Finding #1: Prison Health Services does not have accurate data for contracts it initiates.

Prison Health Services does not have sufficiently reliable data to allow it to identify all contracts it initiates, including IT contracts, and related information. When entering into contracts through the state contracting process, Prison Health Services typically performs all necessary work to identify the preferred vendor for its IT contracts. The contracting office of the Department of Corrections and Rehabilitation (Corrections) executes the contract with the preferred vendor, and its accounting office is responsible for making payments on these contracts. While Corrections maintains two databases that contain various information related to contracts, including those initiated by Prison Health Services and approved through the state contracting process, these databases often contain inaccurate and incomplete data. Prison Health Services noted that its staff use reports generated from these databases to identify the number of contracts it initiates and to assess appropriate future staffing levels to support its operational efforts internally instead of relying on Corrections. Its chief information officer stated that Prison Health Services was in the process of implementing a new enterprise-wide business information system that would house future contract information and would have appropriate controls to limit inaccurate data. Corrections noted that data related to some existing contracts has been migrated to the new system from the existing contracts database. Therefore, even though Prison Health Services intends to limit inaccurate data, the new system may already contain inaccurate or incomplete data.

We recommended that Prison Health Services ascertain that the internal controls over the data entered into the new enterprise-wide business information system work as intended. We further recommended that for contract-related data that has already been migrated from old databases to the new system, Prison Health Services needs to ensure the accuracy of key fields such as the ones for contract amount, service type, and the data fields that identify contracts initiated by Prison Health Services by comparing the data stored in its new database to existing hard-copy files.

Audit Highlights . . .

Our review of California Prison Health Care Services' (Prison Health Services) contracts for information technology (IT) goods and services revealed the following:

- » *Prison Health Services does not have reliable data to identify all IT contracts it initiates—current databases contain inaccurate or incomplete data.*
- » *The new enterprise-wide business information system may already contain inaccurate or incomplete data, migrated from the old databases.*
- » *Eight of 21 contracts we reviewed lacked required certifications justifying the purchase and four service contracts did not have evidence of compliance with all bidding and contract award requirements.*
- » *Prison Health Services has not complied with all provisions of the federal court's order when using alternative contracting methods—two contracts did not contain justification for an expedited formal bid method.*

Prison Health Services' Action: Corrective action taken.

Prison Health Services stated that it has implemented the processes required to ensure complete and accurate contract information. It has also established one certified trainer and two certified power users to ensure the new enterprise-wide system is used to its highest potential. Further, according to Prison Health Services, to ensure that complete and accurate IT contract information has been migrated to the new enterprise-wide system, it has established various internal controls such as comparing the hard-copy contracts to an internal tracking log in the enterprise-wide system and reviewing key fields in the new enterprise-wide system upon receiving a copy of an executed agreement.

Finding #2: Prison Health Services does not consistently follow state contracting requirements to purchase information technology goods and services.

Prison Health Services failed to consistently adhere to state contracting requirements, including Corrections' and its own internal policies, when entering into contracts for IT goods and services. State laws and regulations outline the process that Corrections must follow when making such purchases. Because the receiver acts in place of the secretary of Corrections for all matters related to providing medical care to adult inmates, Prison Health Services must adhere to the same contracting requirements as Corrections, except to the extent that the federal court has waived those requirements. Our review of 21 contract agreements related to IT goods and services executed between January 1, 2007, and June 30, 2008, found that Prison Health Services did not have required documentation to justify the purchases for eight contracts, failed to ensure the contractor agreed to the various required provisions for one contract, and could not demonstrate it complied with appropriate bidding and bid evaluation requirements for four contracts. Prison Health Services' failure to comply with these requirements could be attributed to its lack of adequate controls to ensure that appropriate individuals reviewed these contracts.

We recommended that Prison Health Services ensure that all responsible staff are aware of and follow processing and documentation requirements, including evidencing the review and approval of contracts.

Prison Health Services' Action: Corrective action taken.

Prison Health Services stated that it has developed policies, procedures, guides, checklists, and flowcharts related to proper processing, execution, and documentation of service agreements and made them available to all staff involved with contract practices. In addition, its policies require that contracts are routed through various internal stakeholders to ensure compliance. According to Prison Health Services, it provides training to its staff on the processing of all purchase and service agreements on a continuous basis.

Finding #3: Prison Health Services cannot be assured that it met all court-ordered provisions related to alternative contracting methods.

Although Prison Health Services uses the alternative contracting methods authorized by the federal court that established the receivership, it has not fully complied with all provisions of the court's order for using such methods. To better fulfill Prison Health Services' mission to raise the quality of inmate medical care, the court approved the receiver's request to use streamlined alternative contracting methods in lieu of the state contracting process. The court outlined specific requirements that are to be met when applying any one of the three alternative methods and affirmed that the underlying principles of accountability and transparency called for in state contracting law should be maintained. However, Prison Health Services has not developed internal policies and procedures to ensure the appropriate implementation of the court-approved alternative contracting methods. We found that Prison Health Services did not comply with the explicit requirements imposed by the court in executing five of six IT-related contracts approved since January 1, 2007, that used

alternative contracting methods. In addition, Prison Health Services cannot support that it reported all required information to the court because of weak internal controls and poor record keeping and retention practices.

We recommended that Prison Health Services develop policies to support its use of alternative contracting methods. These policies should include a requirement that Prison Health Services develop clear and specific criteria and guidelines for determining when the waiver authority should be used and how the requirements of the waiver are to be met and documented. Further, Prison Health Services should clearly identify the value of all contracts it executes and ensure that all contracting documents are maintained in a central location. We also recommended that Prison Health Services develop a system of tracking all contracts executed under alternative contracting methods and retain all bids it receives for each contract. To better track its contracts, Prison Health Services should assign a sequential contract number or other unique identifier to each contract executed using alternative contracting methods.

Prison Health Services' Action: Corrective action taken.

Prison Health Services has developed a policy that outlines when the waiver authority may be used for entering into new contracts. The policy includes identifying which distinct project efforts such contracts may support and provides specific guidance on obtaining approval for using alternative contracting methods. The procedure includes specific criteria for the selection of contractors using one of the three processes authorized by the federal court. It also contains a checklist for ensuring that certain requirements are met and guidance for the retention of appropriate documentation in a centralized contract file, including all solicitations and bids. Prison Health Services stated that it has distributed the policy and procedure to management and staff and it has provided related training.

Prison Health Services noted that all contracts processed using standard state contracting procedures clearly identify the value of the agreement by the use of standard forms. It has instructed staff to ensure that contracts developed without the use of standard forms contain all pertinent information found on the standard forms. Further, Prison Health Services noted that it identifies the value of all executed contracts by the establishment of an internal tracking log that identifies key data elements for each executed agreement.

Prison Health Services maintains a log for tracking key data elements, such as funding amount and vendor name, for each executed contract using the alternative methods. In addition, Prison Health Services maintains a tracking log of the type of agreement to be executed, services to be solicited, bidders list for solicitation purposes, bidder responses, and awarded vendor information. Further, solicitation and bids for acquisitions using alternative contracting methods are centrally housed. Prison Health Services also noted that it assigns a unique identifier to contracts executed using the alternative methods.