



FACT SHEET

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Report: 2006-501

The California State Auditor released the following report today:

California Department of Corrections and Rehabilitation
It Needs to Improve Its Processes for Contracting and Paying Medical Service Providers as Well as for Complying With the Political Reform Act and Verifying the Credentials of Contract Medical Service Providers

BACKGROUND

Approximately 172,000 adult inmates in the State's prisons rely on the California Department of Corrections and Rehabilitation (Corrections) to provide adequate and timely medical care when needed. A court-appointed receiver is currently managing Corrections' health care delivery system as a result of a lawsuit alleging that the medical services provided to California inmates were "deliberately indifferent" to their medical needs in violation of their constitutional rights.

KEY FINDINGS

Three years ago we reported deficiencies in Corrections' contracting and payment processes. In this report, we identified many of the same issues. We reviewed 21 medical registry services contracts for fiscal year 2005-06 and found that Corrections:

- Did not properly award half of the competitively bid contracts.
- Awarded two competitive contracts without justifying its inability to receive three bids and awarded two noncompetitively bid contracts, with a maximum award amount of \$80 million, without proper justification.
- Allowed contractors to commence work under four contracts prior to receiving final approval.
- Did not always include contract terms that would better protect the State's interest.

We further reported that Corrections:

- Did not adequately monitor some of the medical service invoices of its registry contractors and prisons did not comply with procedures and contract terms related to invoicing.
- Does not verify the credentials of all providers who treat inmate patients and unnecessarily spends time on other credentialing activities.
- Lacks adequate controls to ensure designated employees file the required financial disclosure statements on time. Of 124 statements we reviewed, 78 were filed after the deadline—21 of which were filed almost one year late. Further, 14 employees did not file statements. Additionally, we referred a former contract pharmacist-in-charge to the Fair Political Practices Commission for further inquiry and possible enforcement action, and referred some potential conflicts of interest to our Investigations Division for further analysis.

RECOMMENDATIONS

We made numerous recommendations to Corrections in this report, including the following:

- Comply with contracting laws and regulations, policies and procedures, and contract terms and conditions to protect the State's interests and ensure appropriate medical services at the most competitive prices.
- Ensure that medical service contracts contain terms that, at a minimum, call for the standard of care required to protect the constitutional rights of inmates.
- Track whether its designated employees, including consultants, file their financial disclosure statements timely and identify potential conflicts of interests.
- Verify the credentials of contracted providers.

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