



# CALIFORNIA STATE AUDITOR

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## FACT SHEET

Date: January 29, 2009

Report: 2008-501

The California State Auditor released the following report today:

### 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*

#### BACKGROUND

State law gives the Bureau of State Audits (bureau) the authority to audit contracts entered into by public entities that involve the expenditure of public funds in excess of \$10,000 whenever the public entities request such an audit to be performed. The United States District Court appointed a receiver to administer, control, manage, operate, and finance the health care system in California prisons. California Prison Health Care Services (Prison Health Services), the entity created by the receiver to perform those duties, requested that the bureau conduct an audit of contracts that it initiated for information technology (IT) goods and services. Prison Health Services, working with the Department of Corrections and Rehabilitation (Corrections), is required to make such acquisitions either in compliance with state contracting laws or by using one of three alternative contracting methods prescribed by the federal court.

#### KEY FINDINGS

Our review of Prison Health Services' IT contracts revealed the following:

- It may not be able to identify all IT contracts it initiates because it lacks reliable data—the databases that Corrections maintains often contain inaccurate and incomplete data.
  - We found that two IT contracts that together were valued at \$735,000 were incorrectly recorded as being for non-IT services. In another instance, a contract's value was underreported by \$425,000.
  - The new enterprise-wide business information system may contain inaccurate and incomplete data since it includes data from the existing databases we found were not sufficiently reliable.
- It failed to consistently adhere to state contracting requirements when entering into contracts for IT goods and services. Of the 21 contracts we reviewed, we found 24 instances of noncompliance in 16 of the contracts.
  - Eight contracts, or 39 percent of the contracts we reviewed, lacked required certifications justifying the purchase.
  - Four contracts did not comply with applicable bidding and evaluation requirements.
  - We could not determine that the appropriate individuals reviewed and approved 11 of the contracts.
- It has no written policies surrounding the rationale for using alternative contracting methods. Further, Prison Health Services did not comply with court-imposed requirements in executing five of six IT-related contracts, valued at almost \$28 million, which were approved using an alternative contracting method.

#### KEY RECOMMENDATIONS

We recommended Prison Health Services exercise proper internal controls over data entered into the new business information system and that it ensure the accuracy of key fields for all contract-related data that has already been migrated from its old databases to the new system. Also, Prison Health Services should ensure appropriate staff are aware of and adhere to applicable state contracting requirements and related policies and procedures for IT goods and services. Moreover, Prison Health Services should develop written policies for when and how to use alternative contracting methods. Further, we recommended that Prison Health Services develop a tracking system for contracts executed using alternative methods.

