Office of the Inspector General

Steve White, Inspector General

Special Review of the Local Assistance Program

Parole and Community Services Division
California Department of Corrections

January 2002

Gray Davis, Governor

Promoting Integrity

State of California

Office of the Inspector General
801 K Street, Suite 1900
Sacramento, CA 95814

Memorandum

Date: January 24, 2002

To: EDWARD S. ALAMEIDA, JR., Director
California Department of Corrections

From: STEVE WHITE
Inspector General

Subject: LOCAL ASSISTANCE PROGRAM

I am pleased to forward to you the enclosed report of the special review conducted by the Office of the Inspector General of the Parole and Community Services Division Local Assistance Program. The review was performed pursuant to the oversight responsibility provided to the Office of the Inspector General under California Penal Code Section 6126.

The Office of the Inspector General found that the department is not effectively managing the Local Assistance Program. Specifically, we found that the department has overpaid local jurisdictions by more than $8.2 million in the last two fiscal years by reimbursing for services provided to state parolees at rates that exceed the maximum daily amount allowed under the State Budget Acts. The reimbursements exceed the limits because the department does not require local jurisdictions to include the cost of non-routine medical care provided to parolees in calculating the daily limit.

We also found that the department does not adequately monitor non-routine medical care provided to state parolees in Los Angeles County, resulting in parolees receiving costly medical services that may be inappropriate under the circumstances. In addition, we found deficiencies in the department's procedures for processing invoices from local jurisdictions.

The Office of the Inspector General discussed these issues with the management staff of the Parole and Community Services Division, including Deputy Director Regina Stephens, Assistant Deputy Director Sharon Jackson, and Deputy Parole Administrator Jim L'Etoile. Asked to explain the legal basis for exceeding the daily maximum limit, the staff referred us to Kathleen Keeshen of the Department of Corrections Legal Services Division. We contacted Ms. Keeshen in December 2001 and were told that the division had no legal opinion on the issue, but that the matter would be referred to the legal staff to research. We have received no further response.

The Office of the Inspector General recommends that the Department of Corrections limit reimbursements to local jurisdictions for detention services provided to state parolees to the maximum rate allowed in the State Budget Acts. The department should also establish a process for monitoring cases involving non-routine medical care of state parolees in Los

Angeles County and institute specified improvements in its system for verifying invoices submitted by local jurisdictions for reimbursement of detention services.

Please call me if you have questions concerning this report.

cc: Robert Presley, Secretary, Youth and Adult Correctional Agency
Dave Tristan, Chief Deputy Director, Department of Corrections

OFFICE OF THE INSPECTOR GENERAL

STEVE WHITE
INSPECTOR GENERAL

SPECIAL REVIEW OF THE
LOCAL ASSISTANCE PROGRAM
PAROLE AND COMMUNITY SERVICES DIVISION
CALIFORNIA DEPARTMENT OF CORRECTIONS

REPORT

JANUARY 2002

GRAY DAVIS, GOVERNOR • PROMOTING INTEGRITY

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EXECUTIVE SUMMARY

This report presents the results of a special review conducted by the Office of the Inspector General of the management by the California Department of Corrections Parole and Community Services Division of the Local Assistance Program. The program is intended to provide reimbursement to local jurisdictions for the detention of state parolees in local facilities. The review was performed under the oversight authority assigned to the Office of the Inspector General in *California Penal Code* Section 6126. The review centered on the processes and controls employed statewide by the Parole and Community Services Division to monitor payments made to local jurisdictions. The review was performed at the Sacramento headquarters of the Parole and Community Services Division and at the four regional parole offices.

The Office of the Inspector General found that the Department of Corrections is not effectively managing the Local Assistance Program. Specifically, the Office of the Inspector General found the following:

- **FINDING 1. The Department of Corrections has overpaid local jurisdictions by more than $8.2 million in the last two fiscal years by reimbursing for services provided to state parolees at rates that exceed the maximum amount allowed under the State Budget Acts.**

  Beginning in 1993, State Budget Acts have restricted local jurisdictions from recovering detention costs of more than $59 per day per parolee. Reimbursements paid by the Department of Corrections have exceeded this limit because the department pays local jurisdictions separately for non-routine medical care provided to state parolees and does not require local entities to include these costs in calculating the daily limit. If present overpayment patterns continue, Los Angeles County alone will receive approximately $6.3 million more than the legal limit in fiscal year 2001-02. Procedures prescribed by the Department of Corrections for figuring the reimbursement amounts appear to conflict with *California Penal Code* Section 406.5(d), which requires the department to reimburse cities and counties for the cost of services to state parolees based on the same cost factors used by the Department of Corrections to determine the cost of prisoner care in state correctional facilities. The department includes all medical costs, both routine and non-routine, in reporting prison care costs in the Governor's Budget.

- **FINDING 2. The Department of Corrections does not adequately monitor non-routine medical care provided to state parolees in Los Angeles County, resulting in parolees receiving costly medical services that may be inappropriate under the circumstances.**

  In fiscal year 2000-01, the department paid Los Angeles County $6.3 million for non-routine medical care of state parolees detained in county facilities—97 percent of the total paid to all cities and counties statewide for that purpose. Despite the high cost of non-routine medical care provided to parolees, the Department of Corrections has no process for monitoring cases to ensure that services provided are necessary or that the treatment methods are appropriate under the circumstances.

- **FINDING 3. The Department of Corrections has not established standard written procedures to ensure that invoices from local jurisdictions are accurate and are processed consistently.**

  The department has no written procedures for processing invoices submitted by local jurisdictions for services provided to parolees and does not provide the supervision necessary to ensure that invoices are accurate and are processed consistently by the regional parole offices. As a result, each regional office has devised its own informal procedures for processing invoices, often resulting in errors and delays in the payment process.

  FINDING 4. The Department of Corrections lacks an information system adequate to efficiently validate information reported on invoices submitted by local jurisdictions.

  To verify information submitted on invoices for detention services provided to state parolees, regional parole offices must access numerous department databases, county records, and manual logs in a cumbersome, time-consuming, and inconsistent process. As a result, payments often are made to local jurisdictions without adequate verification of the services provided. The recently implemented Revocation Scheduling and Tracking system may provide the capabilities needed for this purpose.

  RECOMMENDATIONS

  The Office of the Inspector General recommends that the Department of Corrections limit reimbursements to local jurisdictions for detention services provided to state parolees to the maximum rate allowed in State Budget Acts. The department also should establish a process for monitoring cases involving non-routine medical care of state parolees in Los Angeles County and develop statewide procedures for processing invoices submitted by local entities. In addition, the department should enhance its Revocation Scheduling and Tracking system to provide the capability of verifying the accuracy of information on invoices submitted for reimbursement of detention services.

INTRODUCTION

The Office of the Inspector General was established by *California Penal Code* Section 6125 to provide oversight of the Youth and Adult Correctional Agency and its subordinate departments. Pursuant to *California Penal Code* Section 6126, the Inspector General may, under policies developed by the Inspector General, initiate an investigation or an audit on his own accord. Such reviews are intended to identify areas of noncompliance with policies and procedures, specify deficiencies, and recommend corrective actions related to those deficiencies and areas of noncompliance. The review of the Local Assistance Program for the detention of state parolees in local facilities is being conducted to ensure the California Department of Corrections is administering the program effectively and to identify any areas of noncompliance to be addressed.

BACKGROUND

California Penal Code Section 4016.5 was enacted on July 1, 1975 to relieve cities and counties of the cost of detaining state parolees for parole violations. Under its provisions, the Department of Corrections reimburses local jurisdictions for costs incurred as a result of parolee detention and revocation proceedings when the detention or proceedings relate to violations of conditions of parole and do not involve new criminal charges.

When an individual is arrested by a local jurisdiction for a violation of law and is identified as a California parolee, the Department of Corrections is notified and given the opportunity to place a hold on the parolee, commonly referred to as "Our Hold Only," under *California Penal Code* Section 3056. The hold establishes that the parolee is to remain under the legal custody of the Department of Corrections and is subject at any time to return to custody. Once the parolee is cleared of any local charges and becomes eligible for release by the local jurisdiction, if the Department of Corrections elects to continue the hold, the parolee becomes the financial responsibility of the Department of Corrections, which reimburses the cities and counties for the costs of incarceration.

The Parole and Community Services Division is responsible for management of the program, including local assistance and contract payments to the counties. Beginning in the 1990s, the Department of Corrections supplemented the local assistance payments by negotiating contracts with the counties to set aside a given number of beds for state inmates and parolees under the authority of *California Penal Code* Section 2910. Currently, the State has such contracts with three local entities—Santa Rita Jail in Alameda County, Peter Pitchess Detention Center in Los Angeles County, and Rio Cosumnes Correctional Center in Sacramento County.

The State Budget Act of 2001 includes $32.1 million for local assistance payments and $45.3 million for contract payments. In fiscal year 2000-01, 53 percent of the state reimbursements for detention services provided to state parolees was paid to Los Angeles County. Cities and counties are responsible for submitting invoices to regional parole offices for local assistance and contract reimbursements. All four parole regions have staff members assigned to review and approve the claims before forwarding invoices for payment.

OBJECTIVES, SCOPE AND METHODOLOGY

The review examined the policies and procedures established by the Parole and Community Services Division to effectively monitor the program for detaining state parolees in local facilities.

The scope of the review included the following:

- Procedures and information used to validate invoices;
- Tracking and monitoring of invoices;
- Process for addressing billing discrepancies;
- Oversight of the process of reviewing and approving invoices; and
- Monitoring of health care costs for parolees requiring medical services while detained in local facilities.

The review procedures included, but were not necessarily limited to the following:

- Interviews with management and staff from the Department of Corrections headquarters and regional parole offices;
- Interviews with parole staff at the Santa Rita Jail and Rio Cosumnes Correctional Center;
- Interviews with management and staff from the California Department of Corrections Fiscal and Business Management Audit Unit;
- Review of the procedures and information used to validate invoices submitted by cities and counties;
- Review of invoices submitted by cities and counties;
- Review of the Department of Corrections procedures for validating daily jail rate proposals of cities and counties; and
- Review of Department of Corrections budget and expenditure data.

The review was performed from October to December 2001 at the headquarters and regional offices of the Parole and Community Services Division. Additional work was performed at the Department of Corrections Fiscal and Business Management Audits Unit and Accounting Management Branch. The Office of the Inspector General received excellent cooperation from the management and staff of the Department of Corrections.

FINDINGS AND RECOMMENDATIONS

FINDING 1

The Office of the Inspector General found that the Department of Corrections has overpaid local jurisdictions more than $8.2 million in the last two fiscal years by reimbursing for detention services provided to state parolees at rates that exceed the maximum amount allowed under the State Budget Acts.

The State Budget Act of 1993 and all subsequent State Budget Acts have restricted local jurisdictions from recovering detention costs of more than $59 per day per parolee. The restriction is intended to limit reimbursements to the average daily cost of incarcerating inmates at state prisons. The Office of the Inspector General found, however, that reimbursements paid by the Department of Corrections to Los Angeles County and five other counties have exceeded this limit because the department pays local jurisdictions separately for non-routine medical care provided to state parolees and does not include these costs in calculations of the daily limit. If present overpayment patterns continue, Los Angeles County alone will receive approximately $6.3 million more than the legal limit in fiscal year 2001-02.

Amounts to be reimbursed to local jurisdictions are calculated in a "daily jail rate," which is unique to each local jurisdiction. Procedures for figuring daily jail rates, which are based on actual expenses from previous fiscal years, are set forth in the *Department of Corrections and California Youth Authority Daily Jail Rate Manual.* The procedures instruct local jurisdictions to include such items as salaries and benefits, services and supplies, and overhead costs, but provide that non-routine medical costs are to be billed to the department separately. Non-routine medical costs are defined in the *Daily Jail Rate Manual* as costs for "medical services provided to an individual for a specific condition or specialized care, such as those that typically require a specialized physician (i.e., dermatology, psychiatry, cardiology, endocrinology, neurology, oncology, etc.)."

The procedures prescribed in the *Daily Jail Rate Manual* appear to conflict with *California Penal Code* Section 406.5(d), which requires the Department of Corrections to reimburse cities and counties for the cost of services to state parolees based on the same cost factors used by the Department of Corrections to determine the cost of prisoner care in state correctional facilities. The department includes all medical costs, both routine and non-routine, in reporting prisoner care costs in the Governor's Budget.

As a result of the exclusion of non-routine medical care from daily jail rate calculations, reimbursements paid to counties have exceeded the $59 daily limit set out in the State Budget Acts. For fiscal year 2000-01, for example, Los Angeles County was reimbursed a total of $15.4 million at a weighted average daily cost of $77.37 per parolee. If the maximum allowable daily rate of $59 per day had been applied, Los Angeles County would have been limited to $11.7 million—$3.7 million less than it received.

The chart below illustrates the overpayment to Los Angeles County for fiscal year 2000-01. The chart shows that the Department of Corrections reimbursed Los Angeles County at five different daily rates for the detention of state parolees, and that, in addition, the University of Southern California Medical Center directly billed the Department of Corrections for medical services provided to state parolees in the county.

TYPE OF SERVICE	PAID BED DAYS	DAILY JAIL RATE	TOTAL COST
Male jail maintenance	143,152	$46.85	$6,706,671
Female jail maintenance	44,884	$53.37	$2,395,459
Male jail hospital	9,731	$444.47	$4,325,138
Female jail hospital	727	$450.99	$327,870
Security at the University of Southern California Medical Center	643	$368.07	$236,669
Direct billings from the University of Southern California Medical Center			$1,415,726
Totals	199,137	$77.37	$15,407,533

The overpayment pattern has continued at least since fiscal year 1999-00. In that year, similar calculations show that Los Angeles County was overpaid $4.4 million. For claims scheduled for payment in the first five months of fiscal year 2001-02, the weighted average daily cost has been $75.54 per detained parolee, for an overpayment of $2.9 million. If this payment pattern remains consistent for the entire 2001-02 fiscal year and the Department of Corrections has adequate funding, Los Angeles County would receive approximately $6.3 million more than the legal limit for the current fiscal year. Five other counties exceeded the $59 maximum in fiscal year 2000-01, for a combined overpayment amount of $96,000. In fiscal year 1999-00, four other counties exceeded the $59 maximum reimbursement rate, for a combined overpayment of $48,000.

An issue related to the question of overpayments is that the current daily cost of incarcerating prisoners in state correctional facilities actually exceeds $59. The cost to house a prisoner in a state facility in fiscal year 1999-00 came to more than $62 per day and, in fiscal year 2000-01, to more than $69 per day. The Department of Corrections estimates that in 2001-02 the cost per day will exceed $73.

RECOMMENDATION

The Office of the Inspector General recommends that the Department of Corrections:

- **Limit reimbursements to the maximum daily rate allowed in the State Budget Act;**
- **Amend the *Daily Jail Rate Manual* to include non-routine medical costs in the daily jail rate calculation;**
- **Include in the 2002 State Budget Act and future Budget Acts the actual cost of prisoner care in state correctional facilities.**

FINDING 2

The Office of the Inspector General found that the Department of Corrections does not adequately monitor non-routine medical care provided to state parolees in Los Angeles County, resulting in parolees receiving costly medical services that may be inappropriate under the circumstances.

In fiscal year 2000-01, the department paid Los Angeles County $6.3 million for non-routine medical care of state parolees detained in county facilities—which amounted to 97 percent of the total paid to all cities and counties statewide for that purpose. The Office of the Inspector General found that some of the non-routine medical care provided to state parolees and paid for by the Department of Corrections to Los Angeles County may be inappropriate under the circumstances and that the costs may be excessive.

A 1997 audit by the State Controller's Office also questioned the payment amounts to Los Angeles County, finding significant overpayments for non-routine medical services to state parolees. As a result, the daily jail hospital rates were reduced from more than $600 per day to $447.47 per day for male prisoners and to $450.99 per day for female prisoners requiring medical care. After the State Controller's audit, and because Los Angeles County represents such a large proportion of the amount paid by the State to local jurisdictions for services provided to state parolees, a staff position was established in Parole Region III solely to review every Los Angeles County invoice. The purpose of the review is to verify that the parolee in question is a Department of Corrections parolee, to determine whether the county had criminal charges pending against the parolee during the detention period reported, and to establish the beginning and ending dates of the detention period.

Although these steps may have been appropriate, the process still is not sufficient to prevent payment of inordinately high amounts to counties by the State for non-routine medical care of parolees. In a review of medical billings from Los Angeles County for the period January 1, 2001 through October 31, 2001, for example, the Office of the Inspector General found three instances in which parolees incurred medical expenses in excess of $200,000 and four other

instances in which expenses exceeded $100,000. The cases involving costs of more than $200,000 are described below:

- A parolee being held on charges of prostitution was provided with intensive care treatment because of complications from AIDS. Over a period of three months, the parolee was in and out of the hospital, incurring medical expenses of nearly $300,000 that were eventually paid by the Department of Corrections. Because of her medical condition, which eventually resulted in her death, the parole revocation process was never completed.
- A parolee detained on a violation of using cocaine was sent to the University of Southern California Medical Center and treated for congestive heart failure. After a month and a half of hospital treatment, which resulted in a medical bill of $233,284, he was released and sent to the county jail to continue the parole revocation process. A month later the parolee was released to continue on parole.
- A parolee booked on a violation of parole under *California Penal Code* Section 3056 was sent to the University of Southern California Medical Center for a tooth extraction, a CAT scan, and numerous other procedures. After more than a month of hospital treatment, resulting in a medical bill of $203,792, he was released and sent to the county jail to continue the parole revocation process. Two months later the parolee was released from custody.

Despite the potentially high cost to the State of non-routine medical care of parolees in Los Angeles County, the Department of Corrections has no process for monitoring cases to ensure that services provided are necessary or that the treatments are appropriate. Nor does the department have a means of exploring options less costly to the State. In the three cases described above, the Office of the Inspector General found no evidence that the department had considered other alternatives, such as moving the parolee to an institution for treatment or releasing the parole hold.

As a partial solution to the problem, the department has proposed a change in the *Daily Jail Rate Manual* for fiscal year 2002-03 that would require cities and counties to notify the parole unit supervisor within 24 hours if a state parolee requires hospitalization for non-routine medical care. That requirement may help the department monitor medical expenditures, but it does not establish a process for assessing the appropriateness of the care provided or identifying less expensive alternatives.

RECOMMENDATION

The Office of the Inspector General recommends that the California Department of Corrections establish a process to more closely monitor cases involving non-routine medical care in Los Angeles County. The process should include consulting with the department's medical personnel to evaluate treatment options for state parolees in Los Angeles County. Consideration should also be given to transporting state parolees requiring long-term medical care to state correctional medical facilities.

FINDING 3

The Office of the Inspector General found that the Department of Corrections lacks established written procedures and managerial oversight to ensure that invoices from local jurisdictions are accurate and are processed consistently.

Effective administration of the $77.4 million Local Assistance Program requires sound business practices; yet, the Department of Corrections has no standard written procedures for processing invoices submitted by local jurisdictions and lacks effective oversight to ensure that the program operates consistently throughout the state. As a result, each parole unit has devised its own informal procedures for processing invoices, often resulting in errors and delays in the payment process. For example, the Office of the Inspector General found the following problems:

- ***Excessive delay in processing invoices.*** The unit supervisor in the Concord parole unit office delayed processing more than $1 million in invoices that had been submitted by Contra Costa County for a period of up to 20 months. The county had assumed that the delay was caused by funding deficiencies at the Department of Corrections. The problem came to light and the payment to the county was made only after a county representative finally telephoned the Department of Corrections accounting office to inquire about the status of the payment.

- ***Payments made in violation of the State Budget Act requirement.*** The Department of Corrections improperly approved more than $463,000 in invoices submitted by Contra Costa County for costs incurred between seven and 16 months earlier. The invoices should have been submitted to the Board of Control for payment and did not comply with State Budget Act requirements that claims be filed by local jurisdictions within six months of the end of the month in which the costs are incurred. The Office of the Inspector General found that the parole office staff did not fully review the invoices before approving them for payment.

- ***Failure to detect over-billings.*** The Department of Corrections paid Contra Costa County for erroneous over-billings for the months of January 2000 through June 2000. In fiscal year 1999-00, the Contra Costa County sheriff's office had housed state parolees at two separate facilities with different approved daily jail rates. The approved daily jail rate at one facility was $59 per day, while the approved rate at the other facility was $53.77. During the period in question, the county billed the department at the higher rate of $59 per day for parolees at both facilities. The county's error resulted from a new computer billing system that did not identify the facility where the parolees were housed. Beginning in fiscal year 2000-01, the daily jail rate for both facilities was approved at $59, but the overpayment for the months of January 2000 through June 2000, was never discovered or corrected by the Department of Corrections. The Office of the Inspector General estimates the overpayment at $9,000.

RECOMMENDATION

The Office of the Inspector General recommends that the Parole and Community Services Division develop written statewide procedures for administering and monitoring the Local Assistance Program.

FINDING 4

The Office of the Inspector General found that Department of Corrections has not established an information system adequate to verify information reported on invoices submitted by local jurisdictions.

The Office of the Inspector General found that the process for reviewing and validating information on invoices submitted by local jurisdictions is so cumbersome and time-consuming that some parole offices approve payments to local jurisdictions without fully verifying the services provided. While the parole staff in Region III verifies the entire claim, for example, in Regions I, II, and IV, the staff reviews only a sample of the information on the invoice. In Parole Region I, the parole staff member who verifies information for the Sacramento County jail reviews only 10 percent of the invoices, and approves the remaining 90 percent for payment without review—yet the method used to select the 10 percent of invoices reviewed is not adequate to ensure that the remaining 90 percent of invoices are correct.

Central to the problem is the need for the parole staff to consult numerous department databases, county records, and manual logs in order to verify the information on the invoice. In Parole Region I, for example, to verify a single line item on an invoice, the staff person who verifies the information for the Sacramento County jail, may have to access four separate database systems and three other documents in a process that may take as long as an hour. The databases consist of the Offender Based Information System, the Revocation Scheduling and Tracking System, the Inmate Parolee Tracking System, and the Criminal Justice Information System/Jail Information Management System. In addition, the staff uses the Sacramento County Sheriff's jail housing list, the transportation list of prisoners being moved to state institutions, and the schedule of completed revocation hearings to verify information.

One possible solution lies with the Revocation Scheduling and Tracking System, which the Parole and Community Services Division recently implemented statewide to monitor and track the parole revocation process from start to finish. Although the system was not designed to provide invoice review capabilities, the system does contain most of the data needed by the parole staff to validate invoices submitted by local entities. Additional information might be added to this system to enable the parole staff to review invoices without the need to use multiple databases and other documents. Depending on the report-generating capabilities of the system, it may be possible for reports to be developed to further enhance review capabilities and oversight.

RECOMMENDATION

The Office of the Inspector General recommends that the California Department of Corrections develop enhancements to the Revocation Scheduling and Tracking System to allow reports to be generated to help parole staff fully verify invoices submitted by cities and counties for reimbursement of parole retention services.