Department of Corrections and Rehabilitation
2015 **SLAA REPORT**

December 31, 2015

Michael Cohen, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Mr. Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the Department of Corrections and Rehabilitation submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Bryan Beyer, Director, Division of Internal Oversight and Research, at (916) 323-6001, bryan.beyer@cdcr.ca.gov.

BACKGROUND

The California Department of Corrections and Rehabilitation (CDCR) operates California's incarceration system for the state's most serious adult and juvenile offenders. In total, CDCR oversees approximately 128,000 adult offenders and 700 juvenile offenders housed in various locations, along with over 44,000 offenders under community-based parole supervision. Most facilities are located within California, except for a few facilities, housing about 5,300 adult offenders, located in other states. CDCR accomplishes its mission with over 61,000 employees and a 2014-15 fiscal year budget of approximately $10.7 billion.

The mission of CDCR is to enhance public safety through safe and secure incarceration of offenders, effective parole supervision, and rehabilitative strategies to successfully reintegrate offenders into the community. Critical business functions are carried out by the Division of Adult Institutions, Division of Adult Parole Operations, Division of Rehabilitative Programs, Board of Parole Hearings, Council on Mentally Ill Offenders, and the Division of Juvenile Justice. In addition, CDCR has various support divisions which provide essential services, such as budgeting, accounting, human resources, facilities management, information technology, and legal services.

In partnership with CDCR, California Correctional Health Care Services (CCHCS) operates under the direction of a United States District Court, Northern District of California (court) appointed Receiver. In 2006, the Receiver took control of prison medical care and will retain control until the court finds that CDCR can maintain a constitutionally adequate prison medical care system. In January 2008, the Receiver submitted a "Turnaround Plan of Action" (Plan of Action) approved by the court and the State of California.

CCHCS is responsible for developing, implementing, and validating the health care systems within the State's correctional facilities to ensure patients receive constitutional medical care. In partnership with CDCR, CCHCS provides medical care to patients in all 35 adult institutions in California. The mission of CCHCS is to reduce avoidable morbidity and mortality and protect public health by providing patients timely access to safe, effective and efficient medical care, and integrating the delivery of medical care with mental health, dental, and disability programs. CCHCS has made significant progress in implementing the following strategic goals in the Receiver's Plan of Action.

1. Ensure timely access to health care services
2. Establish a prison medical program addressing the full continuum of health care services
3. Recruit, train, and retain a professional quality medical care workforce
4. Implement a quality assurance and continuous improvement program
5. Establish a medical support infrastructure
6. Provide for necessary clinical, administrative, and housing facilities

CCHCS has also made significant improvement in the following areas:

1. Population Health Management
2. Scheduling and Access to Care
3. Care Management
4. Continuity of Clinicians and Services
5. Medication Management
6. Resource Management

RISK ASSESSMENT PROCESS

CDCR is the largest State agency in California, responsible for overseeing one of the largest prison populations in the country. Inherently, with a complex organization of this magnitude, the risks are numerous. However, the first priority for CDCR's leaders and employees is always to enhance public safety through safe and secure incarceration and parole operations. In support of its complex operations are numerous internal controls, such as policies, procedures, and operational practices.

CDCR's risk assessment methodology involved executive management identifying its highest risks and the actions that will be taken to mitigate these risks in coming years. Its specific methodology included the following steps:

- CDCR's executive leadership received a general overview of the new SLAA requirements, and their role in identifying risks and corrective actions.
- Each CDCR division's executive management received a separate briefing on the SLAA process, including the new DOF categories, and monitoring framework; subsequently, executive management identified all material risks within their operating area.
- CDCR's executive leadership (Cabinet) then consolidated all identified risks and reviewed them for priority.

For CCHCS, the Health Care Policy and Administration Director initiated the risk assessment process. The Internal Audit Program (IAP) facilitated the risk assessment process by developing a Risk Assessment Questionnaire (questionnaire). The process aimed to identify and manage all foreseeable risks in a manner which is proactive, effective, and appropriate, in order to maximize the likelihood of CCHCS achieving its objectives, while maintaining risk exposure at an acceptable level.

The questionnaire was designed to assist Executive Leadership in identifying and assessing risks and areas of greatest exposure, and evaluating how well risks are being addressed through current internal controls, policies, and practices. The questionnaire was also designed to meet the State Leadership Accountability Act requirement and to assist the IAP in developing its annual audit plan. The questionnaire was deployed department-wide to Directors, Deputy Directors, and Regional Health Care Executives. As owners of programs and processes, each executive leadership team member completed a questionnaire and subsequently met to discuss the risks and assign risk levels for each risk identified based on the severity of impact and the likelihood of occurrence. Once the risks were ranked, the executive leadership team identified the controls which serve to mitigate the risks. Risks were also identified through internal and external audits. IAP reviewed and recorded the results.

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- Physical Resources—Maintenance, Upgrades, Replacements, Security

Critical infrastructure systems (such as electrical, water, wastewater, and steam) at most prisons are 20 to 65 years old and are nearing or already past their expected service lives. These systems are at risk of failure, which can affect individual buildings or the entire prison. Also at risk of failure are many building roofing systems. The failure of infrastructure or roofing systems could lead to immediately unusable housing units and could disrupt the provision of basic services such as meals, health care, and

rehabilitative programming.

CDCR plans to perform a study of the prisons with the oldest infrastructure systems (constructed prior to 1965) to develop the scope and prioritization of repair and replacement projects.

Operations- Internal- Staff—Key Person Dependence, Succession Planning

Nearly half of CDCR's current employees will be eligible for retirement within 10 years. CDCR risks losing operational knowledge because it lacks a management succession planning program to develop its future leaders.

CDCR is working to establish a succession management planning program within its Office of Workforce Planning that will perform data analysis, develop a succession plan, and develop a monitoring and rotation program.

Compliance- External- Complexity or Dynamic Nature of Laws or Regulations

CDCR operates under a court-ordered population cap of 137.5 percent of design capacity in its 34 institutions. CDCR risks releasing inmates early if it does not develop durable measures that meet the court-ordered target. Complicating this is uncertainty over CDCR's ongoing use of contract beds, in both in-state and out-of-state private institutions.

CDCR will continue to monitor its population and identify policy and regulatory changes necessary to achieve the court-ordered benchmark.

Operations- Internal- Staff—Safety

Contraband, including drugs and cell phones smuggled into prisons, is a significant and ongoing problem in correctional facilities nationwide. Interrupting the introduction, distribution, and circulation of drugs, cell phones, and other contraband items represents a dynamic challenge for CDCR as smuggling methods change and the impacts, particularly from cell phones, grow larger. Modern cell phones can be used to record video, take photographs, record conversations, and access the Internet – all of which threaten security within an institution. Cell phones can also be used to coordinate assaults and threaten or harass innocent people in the community. Drugs and other contraband promote violence and other illegal activities within institutions and otherwise disrupt treatment or rehabilitative services.

In July 2014, CDCR implemented the Enhanced Drug and Contraband Interdiction Program (EDCIP) in 11 adult institutions (chosen for their high number of drug and contraband seizures). EDCIP is a comprehensive, multi-layered approach, focusing on all avenues of contraband interdiction in the institutions. The interdiction strategies include: implementation of a drug interdiction officer, implementation of x-ray machines at entrance areas, implementation of air scan (people search) canines, increased use of drug and contraband detection canines, increased use of ION mobility spectrometry technology, increased frequency of random drug urinalysis of inmates, increased disciplinary sanctions, and upgrading/installing video surveillance equipment in visiting rooms.

Operations- Internal- Physical Resources—Maintenance, Upgrades, Replacements, Security

CDCR has a large fleet of vehicles used for medical transportations and other operational needs. Although it has made progress in replacing old and inadequate vehicles, many still need replacement, and CDCR lacks dedicated funding to properly manage this fleet. CDCR risks unnecessary costs and missed or delayed medical appointments if it does not have the appropriate number of operational vehicles.

CDCR's Office of Business Services completes an annual inventory of fleet assets and

conducts a replacement analysis, based on factors such as mileage, age, condition, function, and type of vehicle. The analysis results in a replacement priority of high, medium, or low. In the past two budget years, CDCR has allocated approximately $10 million each year to replace a total of 440 fleet assets. CDCR will continue with this assessment and replacement strategy.

Operations- External- Business Interruption, Safety Concerns

Many key applications lack disaster recovery equipment, locations, and processes, potentially putting CDCR at risk for interruptions of critical processes and high financial costs. Severe lapses in the delivery of services the systems provide could diminish confidence in CDCR and/or impact accomplishment of CDCR's strategic goals. In the event of a disruption, there would be a significant delay in real-time processing of inmate information. A paper process would be necessary to bridge the gap until the system could be restored. Decision making could be hindered resulting in compromised health and safety of inmates and staff.

Enterprise Information Systems (EIS) is in the process of establishing disaster recovery plans across its IT portfolio. This includes the Strategic Offender Management System (SOMS), Business Information System (BIS), an improved state email solution, redundant storage to shorten recovery times to appropriate levels, and deployment of new telephone and radio systems.

Operations- Internal- Technology—Outdated, Incompatible

Enterprise infrastructure systems (information technology network components, radios, and phone systems) across the department's facilities are 6 to 25 years old. Due to the age of equipment, these systems are at risk of failure and lack the capacity to implement the increasing number of modern technology solutions. Failure could affect individual buildings, sites, or the entire department. These infrastructure components form the backbone upon which CDCR mission-critical functions perform. Failure in radio systems will leave institution and parole staff without the critical communication tools they need. Failures in institution phone systems would put staff and offenders at risk by interrupting communication and eliminating the functionality of "off the hook" alarms. Failure of the IT infrastructure will leave CDCR staff at institution, parole, and administrative locations without mission critical systems which contain the information and tools necessary to conduct safe, secure business.

EIS is in the process of planning a proactive maintenance and enhancement program for technology infrastructure. This includes establishing an annual maintenance and refresh budget for enterprise infrastructure systems, and planning and designing the network infrastructure necessary to support juvenile justice locations, as well as the network infrastructure improvements necessary to support modern technology implementation at all other CDCR locations (dependent upon identifying a funding strategy).

Operations- Internal- New System Implementation (Other Than FI$Cal)

CCHCS' deployment of its Electronic Health Records System (EHRS) has presented challenges to the delivery and provision of health care. As EHRS is implemented, CCHCS will need a strong partnership with contract technical experts at Cerner, project management, training, testing and monitoring the effectiveness of the system and implementation of the EHRS maintenance and operation requiring collaboration with all internal/external stakeholders.

CCHCS' EHRS Project Leadership team monitors and has Consultant Project Managers and a thorough testing environment with controls in place to ensure project execution so potential problems can be identified and corrected in a timely manner.

Operations- Internal- Staff—Key Person Dependence, Succession Planning

Clinicians and health care professionals are critical to maintaining a correctional health care system that provides constitutionally adequate health care to its patients. The turnover in the Chief Executive Officer

(CEO) classification; the challenges in recruiting and retaining qualified Primary Care Providers (predominantly Physicians) and Psychiatrists across the state and, in particular, remote locations; and the difficulties in recruiting and retaining critical support personnel in various professions lending support to the CCHCS mission (i.e., nursing, information technology, administration) could adversely impact the delivery of health care.

Effective July 2015, CCHCS received additional positions through a Budget Change Proposal to augment the recruitment and retention function within the Workforce Development Unit. The staff is responsible for developing targeted recruitment strategies, navigating clinicians through the hiring process, and ensuring an efficient and effective retention program.

ONGOING MONITORING

Through our ongoing monitoring processes, the Department of Corrections and Rehabilitation reviews, evaluates, and improves our systems of internal controls and monitoring processes. As such, we have determined we comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of Department of Corrections and Rehabilitation, Bryan Beyer, Director, Division of Internal Oversight and Research, is responsible for the overall establishment and maintenance of the internal control system. We have identified Bryan Beyer, Director, Division of Internal Oversight and Research, Scott Kernan, Secretary, Diana Toche, Undersecretary, Healthcare Services, Kenneth Pogue, Undersecretary, Administration &Offender Services, Patrick McKinney, General Counsel, Office of Legal Affairs, Kelly Harrington, Director, Division of Adult Institutions, Brantley Choate, Director (A), Division of Rehabilitative Programs, Bobby Haase, Director (A), Division of Adult Parole Operations, Michael Minor, Director, Division of Juvenile Justice, Deborah Hysen, Director, Division of Facility Planning, Construction &Management, Russell Nichols, Director, Division of Enterprise Information Services, Alene Shimazu, Director, Division of Administrative Services, Kristoffer Applegate, Assistant Secretary, Legislative Affairs, Katherine Tebrock, Deputy Director, Mental Health Services, Devin Fong, Chief, Office of Labor Relations, Yulanda Mynhier, Director, Health Care Policy and Administration (CCHCS), Steven Tharratt, Statewide Chief Medical Executive, as our designated agency monitor(s).

Frequency of Monitoring Activities

CDCR conducts monitoring activities regularly. The executive leadership team (Cabinet), consisting of directors from all of CDCR's program areas, meets weekly and monitors various operational and programmatic areas, in an effort to achieve the goals of its strategic plan. CDCR also continuously monitors operational and administrative functions, identifies areas of concern, and uses data-driven decision making to correct deficiencies. In addition, the executive leadership uses an internal quarterly statistical report to monitor comprehensive operational, demographic, and fiscal information and trends. The designated agency monitors, consisting of cabinet members, will begin meeting twice each year to monitor the risks reported in the SLAA document and related corrective action. For CCHCS, the Receiver's Tri-Annual Report is filed three times per year reflecting the status of compliance with the Turnaround Plan of Action, remaining gap items, and specific programmatic status. As part of the Performance Improvement Plan (PIP) process, health care performance will be measured using a performance index. The PIP's specific performance objectives are monitored for the duration of the plan in the monthly Health Care Services dashboard.

Reporting and Documenting Monitoring Activities

CDCR management reviews COMPSTAT reports on a frequent basis and raises notable questions and concerns. Members of CDCR's cabinet hold ongoing discussions regarding concerns with their respective program areas and identify and assess risk areas. On at least a biannual basis, CDCR's Cabinet will meet to discuss these risks and the corresponding corrective action plans. Their decisions and/or concerns will be communicated in writing to the CDCR Agency Secretary. For CCHCS, the Internal Audit Program (IAP) performs an annual risk assessment designed to assist Directors, Deputy

Directors, and Regional Health Care Executives in assessing internal controls, identifying risks, evaluating and monitoring how well risks are being addressed through current internal controls, policies, and practices. Additionally, meetings are held monthly at the headquarters and local levels to ensure priorities and objectives are communicated to appropriate levels within the organization.

Procedure for Addressing Identified Internal Control Deficiencies

Internal control deficiencies identified in the SLAA report will be monitored by CDCR's Cabinet. Part of its monitoring responsibilities will include assessing corrective action. Other internal control deficiencies, outside of SLAA-reported areas, will be addressed through separate corrective action plans via existing CDCR processes. CDCR typically receives numerous external and internal reviews each year. These corrective action plans are reviewed by the CDCR Agency Secretary and appropriate program director. For CCHCS, the IAP tracks and monitors the status of control deficiencies discovered during internal and external audits. Through audit follow-up activities, IAP will test control procedures that have been developed and implemented. Additionally, at headquarters and at each institution, staff maintain a network of committees that provide oversight and management of improvement activities. While the Receiver is ultimately responsible for mitigating significant deficiencies and risk, each Director, Deputy Director, and Regional Health Care Executive has responsibility for keeping their program on course toward achieving the department's mission, complying with policies, state rules and regulations, and minimizing risks.

CONCLUSION

The Department of Corrections and Rehabilitation strives to reduce the risks inherent in our work through ongoing monitoring. The Department of Corrections and Rehabilitation accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

CDCR constantly monitors itself and takes aggressive corrective actions to resolve internal deficiencies while maximizing compliance in all areas. Through CDCR's executive leadership team and with the assistance of internal and external oversight, CDCR continually updates processes to mitigate high-risk factors, including those described in this report. As necessary, executives will allocate resources to best evaluate and monitor the goals, objectives, and strategies targeted. Similarly, CCHCS strives to reduce risks inherent in its work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies.

Bryan Beyer, Director, Division of Internal Oversight and Research

cc: Department of Finance
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State Auditor
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