

OFFICE OF THE INSPECTOR GENERAL

STEVE WHITE, INSPECTOR GENERAL

**AUDIT OF THE
PRISON INDUSTRY AUTHORITY
OPTICAL PROGRAM AT THE
RICHARD J. DONOVAN
CORRECTIONAL FACILITY**



MAY 2000

STATE OF CALIFORNIA

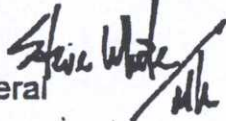
GRAY DAVIS, GOVERNOR

Memorandum

Date: May 18, 2000

To: ROBERT PRESLEY
Secretary, Youth and Adult Correctional Agency

From: STEVE WHITE
Inspector General



Subject: **AUDIT OF THE PRISON INDUSTRY AUTHORITY OPTICAL PROGRAM**

At your request, the Office of the Inspector General reviewed the Prison Industry Authority's optical laboratory program at the Richard J. Donovan Correctional Facility. The enclosed report presents the results of that review.

As a result of the review, we have concluded that the new procedures instituted by the Prison Industry Authority for the optical program at the R.J. Donovan facility will be adequate to prevent inmates from gaining access to personal information of Medi-Cal beneficiaries.

We therefore recommend that the Prison Industry Authority optical laboratory at R. J. Donovan be allowed to resume full operation.

OFFICE OF THE INSPECTOR GENERAL



AUDIT OF THE PRISON INDUSTRY AUTHORITY OPTICAL PROGRAM

REPORT

MAY 12, 2000

In response to a request from the Secretary of the Youth and Adult Correctional Agency, the Office of the Inspector General (OIG) has reviewed the corrective action taken by the Prison Industry Authority (PIA) as the result of an incident in the PIA's optical laboratory at the R. J. Donovan Correctional Facility (R. J. Donovan). Under contract with the California Department of Health Services (DHS), the PIA makes eyewear for Medi-Cal beneficiaries.

In May 1999, the optical laboratory operation at R. J. Donovan was closed because it was found that inmates had gained access to personal information of Medi-Cal beneficiaries. The OIG review was to assess PIA's corrective action plan to determine whether the optical laboratory should be re-opened.

The OIG's review determined that the PIA prescribed new policies and procedures for the optical laboratory at R. J. Donovan and that the new policies and procedures should effectively prevent inmate access to Medi-Cal beneficiary information in all areas of the optical program. Therefore, the OIG recommends that the optical laboratory at R. J. Donovan resume full operation.

BACKGROUND

The PIA is a semi-autonomous, fiscally self-supporting entity within the California Department of Corrections (CDC), whose mission is to use inmate labor to operate California's prison industries in a manner similar to that of private industry. The PIA was established to develop and operate manufacturing, agricultural, and service enterprises that provide work opportunities for inmates under the jurisdiction of the CDC. PIA work assignments support prison safety, help reduce violence, reimburse victims, provide career training, and offer productive activity for inmates. The PIA operates 70 programs at 23 correctional facilities statewide and employs approximately 7,000 inmates in various industries, such as license plate production, eyewear production, office furniture manufacturing, and food and printing services.

DHS, through an interagency agreement, has contracted with the PIA since 1988 to furnish and fabricate optical eyewear for the California Medical Assistance Program (Medi-Cal). The term of the current interagency agreement is July 1, 1997 through June 30, 2000, with expenditures not to exceed \$42,700,000.

Statewide, the PIA optical program has invested \$7.5 million in buildings and state-of-the-art optical equipment, and before the R. J. Donovan optical laboratory closed, was employing about 450 inmates and fabricating approximately 700,000 prescriptions annually. Currently, the PIA services Medi-Cal beneficiaries in 56 of California's 58 counties through providers such as optometrists and opticians. The PIA estimates that its laboratories collectively service 4,500 providers.

In May 1999, the optical laboratory operation at R. J. Donovan was closed because inmates were found to have gained access to personal information of approximately 230 Medi-Cal beneficiaries. In response to the incident, the CDC closed all five optical laboratories until corrective action was taken to eliminate future problems. Several days after the incident, the PIA developed new policies and procedures to prevent inmate access to sensitive information. Soon after, the CDC and the DHS authorized the re-opening of four of the five optical program laboratories. The manufacturing operation at R. J. Donovan remains closed pending further investigation. The laboratory is still maintaining a limited order-taking operation using non-inmate employees.

Since the R. J. Donovan laboratory operation was closed, the PIA has contracted with 16 private optical laboratories to manufacture most of the Medi-Cal eyewear. In addition, some Medi-Cal work has been diverted to the four other PIA optical laboratories.

SCOPE AND METHODOLOGY

The OIG evaluated the corrective action taken by the PIA in its optical program to determine whether procedures have been implemented and are working as intended. Because the R. J. Donovan optical laboratory operation was closed, the OIG conducted a site inspection of the optical laboratory operation at California State Prison, Solano. The PIA has required all of the optical laboratories, including the R. J. Donovan optical laboratory, to adopt the same corrective action plan as that of California State Prison, Solano. If the OIG judges the controls at California State Prison, Solano to be sufficient, and if the R. J. Donovan optical laboratory adopts and applies the same controls and procedures, the risk of inmates gaining access to personal information about Medi-Cal beneficiaries would be minimal.

The OIG conducted a site inspection of the R. J. Donovan optical laboratory and reviewed proposed additional control procedures for the laboratory. The OIG further evaluated new internal controls implemented by the optical programs inspected to prevent inmate access to Medi-Cal beneficiary and provider information.

The OIG also reviewed the classification of inmates eligible to work in the optical program at R. J. Donovan and the California State Prison, Solano by selecting a sample of inmates currently working in the California State Prison, Solano optical program and those who were former optical program inmates at R. J. Donovan before its closure.

The OIG did not audit the optical program computer systems containing Medi-Cal beneficiary and provider information. The OIG relied instead on audit and inspection reports issued by other entities that reviewed the optical program soon after the incident at R. J. Donovan. The reports attested to the evaluations performed by those entities in ensuring that Medi-Cal beneficiary and provider information was not accessible to inmates. The work of these other entities is explained below.

PIA Optical Program Reviewed by Other Entities

The CDC Office of Compliance performed security audits of the computer systems and networks of all five PIA optical programs from June through August 1999. The management letter issued by the Office of Compliance as a result recommended that all computer servers be reformatted to ensure that no sensitive information remained in electronic files and databases and that hardware and software for all five optical laboratories be standardized. On November 15, 1999, the PIA reported to CDC management that all but one of the recommendations listed in the management letter had been implemented. The one recommendation not implemented was judged to be impractical, but a suitable alternative was substituted.

Digital Vision Software and Consulting (Digital) provides the software used in the optical prescription manufacturing process at the PIA optical laboratories. In June and July 1999, Digital tested backup media from all five of the PIA optical laboratories. The databases and files provided to Digital by the PIA were also tested for personal information. A miniscule amount of personal information was identified by Digital and was deleted from the files.

In June 1999, a DHS Medi-Cal investigator conducted an inspection of the corrective action taken at R. J. Donovan. The DHS investigator informed the OIG that the PIA had quickly implemented corrective action, and that inmates no longer had access to personal information of Medi-Cal beneficiaries.

FINDINGS AND ANALYSIS

1. PIA-prescribed internal controls and procedures are in place at California State Prison, Solano.

Before the incident at R.J. Donovan, inmates working in the optical program production process had access to information on Medi-Cal optical program beneficiaries statewide. After the incident, the PIA developed and implemented an extensive corrective action plan to prevent inmate access to Medi-Cal beneficiary personal information at all optical laboratories. To verify that the corrective action plan developed by the PIA to prevent

inmate access to Medi-Cal beneficiary information had been implemented at California State Prison, Solano, the OIG confirmed that the following internal controls and procedures were in place:

- The receiving, order entry processing, and shipping functions are performed by free staff outside the secured inmate areas. Inmate access to these three functions is controlled and prohibited.
- Inmates currently assigned and working in the PIA optical program are screened in accordance with Penal Code Section 5071.
- All Medi-Cal billing is now performed by an outside private billing service.
- New prescription forms eliminate Medi-Cal beneficiary information from entering the optical laboratory where inmates work. Old prescription forms received are modified before being sent to the optical laboratory.
- Inmates no longer have access to PIA optical program computers containing sensitive information, whether connected to a network or stand-alone.
- All archived documents containing sensitive personal information are stored either off-site or in a secure location outside the secured perimeter of the institution.
- Code scanning equipment used in the optical laboratory locates the prescription order in each phase of the manufacturing process. The optical laboratory can track and determine the prescription order completion and delivery date.

These new controls and procedures are now a formal part of the standard operating procedures for the optical program statewide.

2. Stronger controls are needed for the R. J. Donovan optical program.

Although the R. J. Donovan optical laboratory manufacturing component remains closed, an order intake, processing, and shipping operation for Medi-Cal prescriptions is still performed by free staff outside the institution's secured perimeter.

If the corrective action the OIG examined at California State Prison, Solano is implemented at the R. J. Donovan optical facility, those procedures, along with the additional controls listed below, should effectively prevent inmate access to Medi-Cal beneficiary information at R. J. Donovan. Some of the additional controls have already been put in place by the PIA management at R.J. Donovan, while others will be implemented when the optical laboratory re-opens.

- At R.J. Donovan, the tray numbers assigned to each eyewear prescription order will be coded by free staff outside the secured perimeter. The tray numbers provide PIA management and Medi-Cal providers with information on the status of any eyewear prescription order. At California State Prison, Solano, inmates perform this task inside the optical laboratory. Although the process does not reveal personal Medi-Cal beneficiary information, having free staff perform this function outside the secured perimeter allows inmates to carry out more technical optical functions, thereby speeding the process.
- The R. J. Donovan operation will continue to use a more detailed optical breakage form than the form used at California State Prison, Solano. The more detailed form improves accountability and indicates where in the process (and why) the breakage occurred.
- The PIA management at Donovan has improved control of the blank prescription order forms sent to Medi-Cal providers. Under the new procedure, each prescription order form is pre-printed and consecutively pre-numbered, and each blank order form sent out to providers is printed with the provider's name, address, and telephone. Before the blank order forms are sent out, the provider's information and prescription order form numbers are entered into a database. The database tracks and calculates a lead time showing how many prescription order forms are normally used by each provider over a specified time period. This process alerts the PIA free staff to mail blank order forms before the provider runs out. The new procedure provides quicker service for Medi-Cal beneficiaries and provides better monitoring of each order.
- Eight strategically placed video cameras inside the optical laboratory at R. J. Donovan will help to secure the operation. The cameras will be used when inmates are inside the optical laboratory and a video monitor inside the PIA optical supervisor's office will monitor all eight camera views. The optical supervisor has the ability to zoom in from any camera and re-direct the camera view.

3. Inmates working in the optical laboratory program must be properly screened.

The OIG auditors reviewed a sample of seven inmates currently working in California State Prison, Solano optical program and a sample of seven former inmates who worked in the R. J. Donovan optical program before its closure. The OIG reviewed the classification of each inmate to determine whether each inmate was eligible to work in the optical program under Penal Code Section 5071. That section requires that an inmate not be assigned to employment that provides the inmate with access to personal information if the person has been convicted of a crime in any of the following categories:

1. An offense involving forgery or fraud.
2. An offense involving misuse of a computer.
3. An offense for which the person is required to register as a sex offender.
4. An offense involving any misuse of the personal or financial information of another person.

In the sample at California State Prison, Solano, the OIG found no inmates who had been convicted of the specified crimes. In the sample at R. J. Donovan, however, the OIG identified two inmates who had been arrested or convicted of one or more of these crimes. R. J. Donovan officials informed us that the two inmates had not been screened because Penal Code Section 5071 went into effect only on January 1, 1999.

CONCLUSION

The PIA optical program has implemented a corrective action plan to prevent inmate access to sensitive or personal Medi-Cal beneficiary information. The OIG's site inspections at the California State Prison, Solano confirmed that the procedures are in place and working. In addition, under the new PIA procedures, inmates are prohibited access to computers containing sensitive information. The OIG also found that the optical programs at California State Prison, Solano and R. J. Donovan are now screening inmate workers in accordance with Penal Code Section 5071.

If the procedures the OIG observed at California State Prison, Solano are applied at R. J. Donovan, and if the additional procedures described above are all implemented, inmates should no longer have access to Medi-Cal beneficiary information.

In addition, the OIG's review of various audit and inspection reports found independent verification that the remaining three PIA optical laboratories also had implemented the PIA's policies and procedures.

RECOMMENDATION

The OIG recommends that CDC re-open the optical program laboratory at R. J. Donovan. However, the PIA should implement the following additional corrective action:

- Management at all CDC institutions should continuously screen all inmates applying for job assignments in the optical laboratories. The process should confirm that inmates meet eligibility requirements set forth in Penal Code Section 5071.