



**Audit of the Sheriff's Office Administration
of Fiscal Provisions for Inmate Medical
Services Contract 7281 with California
Forensic Medical Group, Inc.**

Report Date: January 29, 2024

Office of the Auditor-Controller
County of Ventura, California
Jeffery S. Burgh, Auditor-Controller

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Honorable James Fryhoff, Sheriff

Date: January 29, 2024

From: Jeffery S. Burgh

Subject: **AUDIT OF THE SHERIFF'S OFFICE ADMINISTRATION OF FISCAL PROVISIONS FOR INMATE MEDICAL SERVICES CONTRACT 7281 WITH CALIFORNIA FORENSIC MEDICAL GROUP, INC.**

We have completed our audit of the Sheriff's Office administration of fiscal provisions for Inmate Medical Services Contract 7281 (Contract) with California Forensic Medical Group, Inc. (Contractor). Our overall objective was to determine whether the Sheriff's Office adequately administered the fiscal provisions of the Contract for Fiscal Year (FY) 2019-20 through FY 2021-22.

Executive Summary

Overall, we found that the Sheriff's Office adequately administered many of the fiscal provisions outlined in the Contract. For example, the Sheriff's Office's share of pharmaceutical and hospitalization costs was properly supported and complied with Contract terms. We also determined the Sheriff's Office appeared to be appropriately reimbursed by the Contractor for inmate medical costs incurred because of the County's participation in the Medi-Cal County Inmate Program.

However, we identified areas where the Sheriff's Office needed to improve compliance with Contract provisions and strengthen controls to improve the administration of Contract terms. Specifically, we found that:

- The Sheriff's Office lacked evidence of review and the required written approval for Contractor-provided calculations. Discrepancies identified between Sheriff's Office records and the Contractor's calculations indicated a possible overcharge to the County of more than \$34,200 across the 10 quarters we reviewed.
- The Sheriff's Office lacked formal written procedures for various aspects of executing and administering the Contract terms.
- The Sheriff's Office sometimes accepted credits from the Contractor in lieu of payments, in noncompliance with Contract provisions.

Sheriff's Office management initiated corrective action to address our findings. Corrective action was completed on January 10, 2023.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

Honorable James Fryhoff, Sheriff

January 29, 2024

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cc: Honorable Kelly Long, Chair, Board of Supervisors
Honorable Janice S. Parvin, Vice Chair, Board of Supervisors
Honorable Matt LaVere, Board of Supervisors
Honorable Jeff Gorell, Board of Supervisors
Honorable Vianey Lopez, Board of Supervisors
Sevet Johnson, Psy.D., County Executive Officer

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Background

The mission of the Ventura County Sheriff's Office Detention Services Division is "to provide safe, secure, and humane detention for persons lawfully conveyed to [the Sheriff's Office's] care." Section 4015 of the Penal Code of California mandates county jail facilities to meet minimum standards set by the California Board of State and Community Corrections (BSCC). The BSCC requires the Sheriff's Office, as the facility administrator, to provide "emergency and basic health care services to all inmates." On January 1, 2016, the County of Ventura (County) entered into Inmate Medical Services Contract 7281 (Contract) with California Forensic Medical Group, Inc. (CFMG or Contractor).

Under the Contract, the County paid the Contractor a flat monthly fee for inmate medical, mental health, and dental services rendered at Sheriff's Office jail facilities, which totaled nearly \$14.3 million for Fiscal Year (FY) 2021-22. Additionally, the Contract contained the following provisions:

- The County paid the Contractor a per inmate, per day charge when the Sheriff's Office average daily inmate population (ADP) exceeded 1,700 computed on a calendar quarterly average. Conversely, when the ADP was below 1,700, the Contractor paid the County at the same per diem rate. As defined by the BSCC, the ADP is based on the daily inmate count at a point in time, then the daily counts are added together and divided by the number of days in the period of measurement.
- The Contractor covered AIDS/HIV and Hepatitis C pharmaceutical costs, each up to \$30,000 annually, and invoiced the Sheriff's Office for costs exceeding the annual caps.
- For inmates hospitalized outside of County jail facilities, the Contractor paid costs up to \$17,500 per occurrence and invoiced the Sheriff's Office for costs exceeding the per-occurrence cap.

On December 15, 2020, a Contract amendment introduced new requirements related to the County's participation in the Medi-Cal County Inmate Program (MCIP). Under MCIP, the California Department of Health Care Services (DHCS) was billed, at Medi-Cal rates, for the hospitalization costs of eligible inmates. DHCS applied available federal financial participation funds and billed the Sheriff's Office for excess costs, generating savings for the County and the Contractor from the lower rates and supplemental funding. The amendment required the Contractor to reimburse the County for 85 percent of the savings/reduced liability realized as a result of the County's participation in MCIP.

Scope

Our overall objective was to determine whether the Sheriff's Office adequately administered the fiscal provisions of the Contract for FY 2019-20 through FY 2021-22. Specifically, we:

- determined whether ADP quarterly payments to or from the County were appropriate;
- determined whether invoices submitted by the Contractor for payment were adequately supported; and
- verified that the County was properly reimbursed by the Contractor for savings from the County's participation in MCIP.

The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

Findings

Overall, we found that the Sheriff's Office adequately administered many of the fiscal provisions outlined in the Contract. For example:

- Payments for inmate pharmaceutical and hospitalization costs were supported with appropriate documentation.
- The Sheriff's Office share of inmate pharmaceutical and hospitalization costs was only for amounts over the respective caps outlined in the Contract.
- MCIP reimbursements were appropriately supported and appeared compliant with Contract terms.

However, we identified instances where the Sheriff's Office did not always comply with Contract provisions, such as accepting credits in lieu of payments and not providing written approval for Contractor calculations. Additionally, we found that formal procedures did not exist for the administration and execution of several Contract provisions.

Following are details of the areas where improvements were needed. Sheriff's Office management initiated corrective action in response to the audit as noted.

1. Noncompliance with Review Requirements

The Sheriff's Office lacked written approval signifying review of the Contractor's quarterly ADP calculations, in noncompliance with Contract provisions. The Contract required written approval for ADP calculations from both the Sheriff's Office and the Contractor. However, we found no evidence of written approval by the Sheriff's Office in the 10 quarterly calculations we reviewed. Furthermore, across the 10 quarterly calculations, 16 (53%) of the 30 months showed discrepancies between Sheriff's Office records and the data used in the Contractor's calculations. The results of our testing suggested that the Sheriff's Office may have overpaid the Contractor by more than \$34,200 for the 10 quarters we reviewed because of these discrepancies. Establishing sufficient review procedures for the quarterly ADP calculations support provided by the Contractor may help prevent inconsistencies and reduce the risk of future overpayments.

Recommendation. Sheriff's Office management should establish a review process for the Contractor's quarterly ADP calculations. This process should include ensuring the accuracy of the monthly ADP numbers used in the Contractor's calculations and providing evidence of the Sheriff's Office's review.

Management Action. Sheriff's Office management stated:

- "Sheriff's Office agrees with this recommendation and currently has review procedures documented in the CFMG Procedures document. This document is maintained by the Detention Budget Analyst.

The procedure document was emailed to the Auditor-Controller's Office (ACO) on 5/24/22 and revised version on 1/10/23. The procedure document addresses the ADP process.

"Past approval practice did have the Administrative Captain reviewing the ADP credit memo prior to processing a credit, however, the review and approval was not documented in writing as is explicitly stated in the past and current contract. Sheriff agrees that the contract provision states, 'amount is to be approved by the Detention Services Administrative Captain and Contractors in writing'. Current practice is that the Administrative Captain or higher rank indicates approval and acceptance of the credit by signing off on the credit memo document that is uploaded in VCFMS.

- "With respect to the ADP credit calculation potentially being insufficient by \$34,200, the ACO's analysis compared Sheriff's manually maintained records versus the ADP CFMG credit memos. The ADP values used on the CFMG credit memos come from CFMG's medical inmate record system. For both tracking systems, it is important to note that the jail releases and acceptances of new inmates change continuously throughout the day. Comparing both methods is not something that is comparable with a high degree of accuracy, unless both systems pulled the count at the exact same time each day.
- "The Sheriff's tracking system during the period audited was a manual process that takes a snapshot of a complex dynamic attendance. While an effort is made to pull the report each day at a certain time and log that value manually, there were instances where other job duties take priority and this could not be done by Sheriff staff, especially during the COVID period. Depending on the time of day that CFMG pulls the inmate count from their medical record system, this would contribute to the slight variance in records that are being compared. Variances are also due to each days' count results are averaged together each month, essentially the average of the average. The \$34,200 difference, represents a 0.7% inmate population difference in both records systems over a period of 30 months. Sheriff's snapshot of monthly average daily population was 38,888 inmates compared to CFMG's of 39,176 inmates. Sheriff has implemented technology to automatically run the ADP report and assess a population count at the same time each day. With respect to the mentioned 53% discrepancy, it should be noted that of the 16 variances noted by the ACO, 8 were to the benefit of the County contributing to an increased credit and reduction of expense."

2. Lack of Formal Written Procedures

For the period under review, the Sheriff's Office did not have formal written procedures for executing and administering the Contract provisions. For example, we found that policies and procedures had not been established for:

- The preparation and documentation of ADP reports.
- The review and approval of ADP quarterly average calculations submitted by the Contractor, as discussed in Finding 1.
- The review and approval of pharmaceutical and hospitalization invoices submitted by the Contractor.
- The review and approval of MCIP reimbursement support submitted by the Contractor.

We also found that the lack of formal procedures may have contributed to inconsistent record retention for documents relevant to the audited provisions. The Contract specified that records associated with the agreement should be accessible for review on demand “during the life of this agreement and for a period of four years thereafter.” However, not all the supporting documentation we requested related to the execution of certain provisions was available for the period under audit. For example:

- ADP reports generated by the Sheriff’s Office were retained for only 18 months.
- Support was not retained for how the first MCIP reimbursement of \$270,385.85 by the Contractor to the County was calculated.

While the Sheriff’s Office provided memos for certain operations, such as ADP data collection, these documents were not formalized for the period under review and did not always reflect current processes. Establishing written procedures helps to ensure contract compliance, maintain consistent administration of contract provisions, and provide guidance when training new staff.

Recommendation. Sheriff’s Office management should establish formal written procedures for the administration of Contract provisions. Procedures should include steps for review and approval of invoices received from the Contractor, record retention guidelines, and a schedule for regular management review to ensure procedures remain current.

Management Action. Sheriff’s Office management stated:

- “Sheriff’s Office agrees with this recommendation and acknowledges the importance of documented procedures. The CFMG contract administration procedure document was emailed to the ACO on 5/24/22 and a revised version was sent on 1/10/23. The procedure document addresses the ADP process, pharmaceutical, hospitalizations and general contract management. The MCIP process is documented in the MCIP Procedure document first provided to the ACO on 11/4/2022.
- “Support was provided to the ACO for the MCIP reimbursement on 1/4/23. The \$270,385.85 dollar value was also explicitly stated in the amended contract with CFMG approved by the Board on December 15, 2020.
- “ADP monthly summary reports that include daily totals were retained for the audited contract period. The supporting documentation for the summary ADP report was not retained after 18 months.”

3. Credits Accepted in Lieu of Payments

The Sheriff’s Office accepted amounts due from the Contractor in the form of credits instead of payments, in noncompliance with Contract terms. Although the Contract stated that the Contractor will pay the County for amounts owed, we determined that the Sheriff’s Office generally accepted credits instead of payments. Specifically, we found that:

- For all 10 (100%) quarterly average calculations we reviewed, the ADP was below the 1,700-inmate threshold, resulting in the Contractor owing the County nearly \$1.4 million for the audited period. The Sheriff’s Office accepted all 10 quarterly amounts as credits.

- The Contractor issued three (75%) of the four MCIP reimbursements we reviewed as credits. While the Sheriff's Office requested the reissuance of two reimbursements as checks, the third reimbursement totaling over \$7,900 was accepted as a credit.

Our testing confirmed that the credits were appropriately applied to the Contractor's monthly invoices, with no outstanding balance owed for the items reviewed. However, failure to follow Contract terms may increase the risk of the Sheriff's Office not receiving all amounts owed and legal consequences for noncompliance.

Recommendation. Sheriff's Office management should review the Contract's payment terms and evaluate whether the terms are operationally efficient and effective as written. Management should consider revising the Contract based on the results of the review. Additionally, management should implement review procedures to ensure compliance with agreed-upon payment or credit terms.

Management Action. Sheriff's Office management stated:

- "CFMG based their monthly medical contract costs to include a population of 1,700 for the contract period calculated. If the ADP is greater than that, County would need to pay CFMG for the additional inmates. If the ADP is lower, then CFMG owes the county because the monthly medical expense was too high. From an accounting perspective, processing the ADP as a credit to the expense will achieve a true medical expense to the County. Processing ADP credits as a revenue would not show the true medical expense and expenses would be overstated. County has always processed ADP as a credit. We acknowledge that the prior contract uses the word 'pay', suggesting CFMG provide ADP in the form of a revenue to County. This language was corrected in the current CFMG contract to state 'billed separately by Contractor and paid by the County or be credited towards future bills'.
- "Sheriff's Office agrees that MCIP was either paid by check or taken in the form of a credit for the period reviewed. Of the four reimbursements received for the review period, 1 or 25% was accepted as a credit instead of in the form of a check from CFMG. The total MCIP reimbursement received was \$1,036,774.50. Of the one reimbursement processed as a credit due to staffing turnover, this represented 0.8% of MCIP reimbursements during the audit period. Regardless of MCIP being processed as a credit against an expense or as a cash receipt, the County's net county cost remains unchanged."

Auditor's Evaluation of Management Action

We believe that management actions taken or planned were responsive to the audit findings. Sheriff's Office management completed corrective action on January 10, 2023.