

OFFICE OF THE INSPECTOR GENERAL

MATTHEW L. CATE, INSPECTOR GENERAL



**SPECIAL REVIEW INTO
IN-PRISON SUBSTANCE ABUSE PROGRAMS
MANAGED BY THE
CALIFORNIA DEPARTMENT OF CORRECTIONS AND
REHABILITATION**

FEBRUARY 2007

STATE OF CALIFORNIA



February 21, 2007

James E. Tilton, Secretary
California Department of Corrections and Rehabilitation
1515 S Street, Room 502 South
Sacramento, California 95814


Dear Secretary Tilton:

The enclosed report presents the results of the Office of the Inspector General's special review into in-prison substance abuse programs managed by the California Department of Corrections and Rehabilitation's Office of Substance Abuse Programs.

The special review revealed that the department has spent more than \$1 billion to provide substance abuse treatment services to California inmates and parolees since 1989, but the programs have been ineffective at reducing the recidivism rates of participants. In reaching this conclusion, the Office of the Inspector General found that poor program management has contributed to the substance abuse treatment program's failure. A key shortcoming is the inability to achieve a "therapeutic community" within the in-prison substance abuse treatment programs even though the department requires its contractors to use the therapeutic community model. The department's placing many of the programs in facilities not amenable to the therapeutic community model, coupled with an overall failure to hold contractors accountable for delivering the essential components of the therapeutic community model, is particularly noteworthy.

The review also found that the process used to select contractors restricts bidders to minimum and maximum amounts differing by only 5 percent – a flaw that can eliminate the best qualified candidates. In addition, the review found that contractors were allowed to shift funds from personnel budgets to operating budgets even though a majority of the contractors lacked the required number of counselors. Finally, the review found that many of the substance abuse treatment program's problems had been identified before, either by external university researchers or by the Office of the Inspector General.

Because these problems are so significant, the report recommends that officials and policymakers work in a bipartisan manner to develop a comprehensive solution by bringing together substance abuse treatment experts and others to remake the system from the ground up. Such a solution could be the first step toward helping California inmates change their lives and make California a leader in addressing the problem of criminal activity related to chronic substance abuse and its implications for public safety.


Arnold Schwarzenegger, Governor

Until more comprehensive reform can be accomplished, the report also presents recommendations to address deficiencies identified in the course of the review.

Thank you for the courtesy and cooperation extended to my staff during this special review.

Sincerely,

A handwritten signature in black ink that reads "Matthew L. Cate". The signature is written in a cursive, flowing style.

MATTHEW L. CATE

Inspector General

cc: Kingston "Bud" Prunty, Undersecretary, California Department of Corrections and Rehabilitation
Marisela Montes, Chief Deputy Secretary, Adult Programs, California Department of Corrections and Rehabilitation
Kim Holt, External Audits Coordinator, California Department of Corrections and Rehabilitation

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The bidding process used by the Office of Substance Abuse Programs to select in-prison substance abuse program providers neither fosters competition nor ensures that the state receives the highest quality services for the lowest possible price—or the best value for the \$144 million represented in the current multiple-year contracts. Elements of the process also violate state contracting law.

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EXECUTIVE SUMMARY

This report presents the results of a special review by the Office of the Inspector General of the state's in-prison substance abuse treatment programs, which are managed by the Department of Corrections and Rehabilitation's Office of Substance Abuse Programs. The review was performed under California Penal Code section 6126, which assigns the Inspector General responsibility for oversight of the Department of Corrections and Rehabilitation and its subordinate entities.

Established in 1989 to develop and manage alcohol and drug programs for inmates as a means of reducing recidivism, the Office of Substance Abuse Programs so far has spent more than \$1 billion to provide substance abuse treatment services to California inmates and parolees. More than \$278 million of the total has been devoted to in-prison treatment. At present, the Office of Substance Abuse Programs budgets \$143 million a year for substance abuse treatment services, including in-prison treatment for state prison inmates and community-based aftercare for inmates who have paroled. The in-prison treatment services, which account for about 25 percent of the \$143 million annual budget— \$36 million a year—are provided through 38 programs at 22 correctional institutions statewide. The programs have the capacity to provide services to about 9,200 inmates and are operated by private providers under contracts managed by the Office of Substance Abuse Programs. An estimated 78,000 California inmates received in-prison treatment services from the program's inception in 1989 through fiscal year 2005-06.

Effective in-prison substance abuse treatment and aftercare may represent one of the state's best hopes of reducing criminal behavior, decreasing recidivism, helping relieve the state's prison overcrowding crisis, and lessening the cost to society of criminal activity related to drug use and addiction. According to Department of Corrections and Rehabilitation figures, 36,144 of the state's 172,500 inmates—21 percent of the state's adult prison population—are serving prison terms for drug offenses. An even higher percentage has underlying substance abuse problems. One recent study estimated that 42 percent of California inmates have a "high need" for alcohol treatment and 56 percent have a high need for drug treatment.¹

Unfortunately, as presently operated, the in-prison substance abuse treatment programs managed by the Office of Substance Abuse Programs are ineffective at reducing recidivism and in that regard represent both a waste of money and a missed opportunity to change lives. Numerous university studies of the programs over the past nine years consistently show little or no difference in recidivism rates between participants of the in-prison programs and inmates who received no substance abuse treatment. In fact, a five-year University of California, Los Angeles study of the two largest in-prison programs found that the 12-month recidivism rate for inmates who had received in-prison treatment was slightly *higher* than that of a nonparticipating control group. An evaluation by the Office of

¹ Joan Petersilia, *Understanding California Corrections*, California Policy Research Center, University of California, May 2006.

Substance Abuse Programs itself found small reductions in recidivism in the short term (12 months), but no evidence that the state's in-prison substance abuse treatment programs are effective in reducing long-term recidivism rates. A ray of hope rests in the fact that a more recent University of California, Los Angeles study of the in-prison programs showed that inmates who received both in-prison treatment and at least 90 days of community-based aftercare did have significantly lower recidivism rates than non-participants—but only 30 percent of parolees who had received in-prison treatment attended aftercare and fewer than 10 percent attended aftercare for at least 90 days. In sum, the state appears to be receiving almost no value for its \$36 million annual investment in in-prison substance abuse treatment services, and absent greater participation in aftercare, the entire \$143 million California spends each year for in-prison and aftercare substance abuse treatment combined appears to be wasted.

As a result of this review, the Office of the Inspector General found a multitude of reasons to explain the failure of the programs, nearly all of which begin and end with poor management by the Department of Corrections and Rehabilitation and the Office of Substance Abuse Programs. One central finding is that even though the contracts between the state and the in-prison providers require contractors to use the “therapeutic community” substance abuse treatment model, the Office of Substance Abuse Programs not only fails to hold providers accountable for fulfilling that requirement, but also fails to create the conditions that would allow the therapeutic community model to operate. As a result, many of the providers fall far short of delivering therapeutic community programs. University of California, Los Angeles researchers concluded after one study, in fact, that the in-prison programs reflect a therapeutic community “in name only.” Following are examples of the shortcomings:

- An essential feature of the therapeutic community model is that program participants be separated from other prison inmates in order to foster a supportive therapeutic environment. Yet at 36 of the 38 programs, participants share yards and other prison facilities—in some cases including even housing units—with general population inmates. That arrangement undermines the therapeutic community and allows custody and security procedures affecting general population inmates to interfere with substance abuse treatment services.
- Eight of the 38 programs, comprising 2,189 beds (24 percent of the beds contracted for in-prison substance abuse treatment programs) do not deliver therapeutic community programs because the programs have been placed in facilities subject to either frequent or long-term lockdowns of all or a large percentage of program participants. At the Correctional Training Facility, for example, nine lockdowns between July 2005 and May 2006 prevented the in-prison program from providing therapeutic community group discussions or counseling sessions to affected participants for a total of 91 days—46 percent of the 200 days the services otherwise would have been available. Similarly, as of August 1, 2006 at Pleasant Valley State Prison, C-Yard, 38 percent of the inmates in the in-prison program had been locked down and unable to participate in the program since January 5, 2006.

- The contracts with the providers require contractors to provide a minimum of 20 hours per week of face-to-face group and individual activities and access to six additional hours of optional activities. The contracts also require that program activities be scheduled six days a week. But the Office of the Inspector General found that 14 of the 38 programs provide less than the 20 hours per week of activities; that only one of the 14 programs offered the required six additional hours; and that none of the 14 scheduled activities six days a week. At California State Prison, Solano, for example, inmates participate in the program only every other week, seven hours a day, four days a week. As a result, participants receive an average of only 14 hours a week instead of 20 hours—30 percent less than required by the contracts.
- Another essential component of the therapeutic community model is the use of intensive group counseling—encounter groups—to promote personal change. But the contracts with providers do not specify how many of the 20 weekly program hours should be devoted to encounter group sessions and the Office of the Inspector General found that 13 of the programs devote less than 25 percent of monthly treatment hours to intensive group therapy. Several of the programs, in fact, devote less than 10 percent of available monthly hours to encounter group sessions.
- In recognition of the importance of intensive group counseling, the contracts with program providers require contractors to earmark funding for enough counselors to maintain an 18:1 ratio of participants to counselors. The contracts also specify that contractors must limit the size of encounter groups to 18 participants. Yet, the Office of the Inspector General found that 68 percent of the programs—26 of the 38—have too few counselors to provide the 18:1 ratio and therefore cannot consistently provide the intensive counseling sessions specified by the contract.

Beyond those deficiencies, the review also found that the Office of Substance Abuse Programs uses a flawed process to select contractors, fails to adequately monitor contract compliance, and exercises poor fiscal controls over program budgets. In particular:

- The bidding method used by the Office of Substance Abuse Programs to select providers unnecessarily restricts competition and may eliminate the best-qualified candidates by setting minimum and maximum bid amounts that cannot be justified. For most contracts, the amounts differ by only 5 percent—\$10.50 per inmate, per day and \$11.00 per inmate, per day, respectively. The process provides little price competition, often resulting in only one bid or in multiple bids at the minimum amount, and places little weight on cost and no weight on contractors' past performance. As a result, the process fails to ensure that the state receives the highest quality services for the lowest possible price.
- The Office of Substance Abuse Programs does not adequately monitor the contractors, even though its policy and procedures manual requires program managers to conduct twice-yearly compliance reviews to enforce compliance with specific contract requirements, including staffing ratios and program hours. The

Office of the Inspector General found substantial evidence from this review that those contract requirements are not being met.

- To enable the department to evaluate the in-prison programs and identify opportunities for improvement, the contracts with the providers require contractors to collect and submit data on program participants, such as the days and hours the inmates participated. Yet, the Office of Substance Abuse Programs has not held contractors accountable for submitting the data, and according to a department official, the data submitted is often inaccurate and incomplete. The data therefore cannot be relied upon for evaluating the programs.
- The Office of Substance Abuse Programs has limited ability to enforce compliance with contract provisions because its contracts with program providers include no intermediate remedies and instead allow only for full cancellation of the contract if a contractor fails to satisfy contract requirements. The Office of the Inspector General noted this deficiency in a 2003 review of the Substance Abuse Treatment Facility and State Prison at Corcoran and recommended a change in the contract to provide for intermediate remedies, but more than three years later, the department still has not implemented that recommendation.
- Several of the in-prison treatment programs have unfilled beds, yet maintain the same staffing levels, resulting in higher per-inmate cost and unnecessary expenditures for salaries and benefits. The Correctional Training Facility contract, for example, calls for 250 beds at a cost per inmate of \$3,832 if the program were fully utilized. But between January 2000 when it began and November 2006, the program housing unit has been able to accommodate only 145 participants, leaving 105 beds unfilled and raising the cost per inmate to \$5,079. Although the contract provided funding for 14 counselor positions to meet the 18:1 ratio for 250 inmates, with only 145 participants, the program required only eight counselor positions to meet the ratio requirement. Yet, the contractor has maintained between 13 and 14 counselor positions, with the result that for fiscal year 2005-06 alone, the department unnecessarily paid at least \$153,059 in counselor salaries and benefits. At the time of this review, California State Prison, Los Angeles County; Pleasant Valley State Prison; and California State Prison, Solano also had unfilled beds and were maintaining more counselors than needed for the 18:1 ratio, resulting in higher per-inmate costs and unnecessary salaries and benefits.
- The department's line item budget guide requires contractors to justify and document requests to transfer funds from one budget item to another, such as from unspent salary savings to supplies and equipment. The programs section chief is authorized to deny such requests when justification is inadequate. But the Office of the Inspector General found that former assistant directors of the Office of Substance Abuse Programs have repeatedly overturned denials by the programs section chief and allowed contractors to transfer funds without adequate justification. In 12 of 14 contracts examined, contractors used funds earmarked for staff salaries to increase their operating expense budgets by an average of 54 percent in fiscal year 2004-05, increasing the operating budgets for the 12 contracts by a total of \$394,928. The practice also provides disincentives for contractors to

hire counselors, even though, as noted above, 26 of the 38 programs lack enough counselors to satisfy the required 18:1 ratio.

Many of the problems revealed in this review have been identified before. The Office of Substance Abuse Programs paid the University of California, Los Angeles and San Diego State University more than \$8.2 million between 1997 and 2006 to evaluate the in-prison substance abuse treatment programs. As a result of those studies, the University of California, Los Angeles issued more than 20 reports, which in numerous instances identified program weaknesses and recommended specific improvements. Yet, the Office of Substance Abuse Programs has not implemented corrective action in response to those recommendations. Rather, it simply continues to fund additional studies and to expand the programs. The Legislature has also participated in the expansion of the in-prison substance abuse program on at least two occasions by linking additional program beds to the opening of new prisons. Yet this expansion appears to have occurred without an assessment of the outcomes or benefits of the program.

This litany of problems adds up to a \$1 billion failure—failure to provide an environment that would allow the programs to work; failure to provide an effective treatment model; failure to ensure that the best contractors are chosen to do the job at the lowest possible price; failure to oversee the contractors to make sure they provide the services they agree to provide; failure to exert the fiscal controls necessary to protect public funds; failure to learn from and correct mistakes—and most tragically, failure to help California inmates change their lives and, in so doing, make our streets safer. Even a 7 percent reduction in long-term recidivism among the 9,200 inmates now receiving in-prison substance abuse treatment would translate to 640 fewer inmates returning to prison and a savings of nearly \$40 million in reduced custody and criminal justice costs. And that number does not begin to capture the benefit to society of crimes not committed—particularly given that for every property crime that results in an arrest, an estimated six property crimes reportedly go unsolved, and for every violent crime resolved, an estimated 1.5 violent crimes are not resolved.

Due to the enormity of the problems in the Department of Corrections and Rehabilitation's broken substance abuse treatment system, the Office of the Inspector General recommends that officials and policymakers take a step back and work in a bipartisan manner to devise comprehensive solutions—bringing together substance abuse treatment experts and representatives from a broad political spectrum to remake the system from the ground up. The goal should be nothing short of making California a leader in addressing the crippling problem of criminal activity related to chronic substance abuse and its far-reaching implications for public safety and societal well-being.

In the meantime—and until real reform can be accomplished—the Office of the Inspector General recommends that the Department of Corrections and Rehabilitation take the corrective actions presented in this report to address the deficiencies identified in the course of this review.

INTRODUCTION

This report presents the results of a special review conducted by the Office of the Inspector General into the Department of Corrections and Rehabilitation's management and oversight of substance abuse programs in the state's prisons. The review was conducted under the authority of California Penal Code section 6126, which assigns the Office of the Inspector General responsibility for oversight of the California Department of Corrections and Rehabilitation. The review was performed between March 16, 2006 and September 29, 2006.

BACKGROUND

The California Department of Corrections and Rehabilitation established the Office of Substance Abuse Programs in 1989 to develop, implement, and manage alcohol and drug programs for inmates and parolees as a means of reducing recidivism. According to recent Department of Corrections and Rehabilitation figures, 36,144 of the state's 172,500 inmates—21 percent of the state's adult prison population—are serving prison terms for drug offenses. An even higher percentage has underlying substance abuse problems. One recent study estimated that 42 percent of California inmates have a "high need" for alcohol treatment and 56 percent have a high need for drug treatment.²

Since its inception in 1989, the Office of Substance Abuse Programs has spent more than \$1 billion to provide substance abuse treatment to California inmates and parolees. At present, the Office of Substance Abuse Programs budgets \$143 million a year to provide substance abuse treatment, including in-prison treatment programs to inmates; aftercare treatment to parolees through community-based programs; and various other treatment services. Of the total annual budget, about 25 percent is allocated to 38 in-prison substance abuse programs operating in 22 institutions, which together have the capacity to provide services to about 9,200 inmates. Another 42 percent of the budget is allocated to community-based aftercare services for parolees, and the remainder of the budget is spent on other drug treatment programs and on administration.³ According to the Office of Substance Abuse Programs, an estimated 78,000 California inmates participated in the in-prison treatment programs from 1989 through fiscal year 2005-06.

The in-prison programs are delivered by private organizations under contracts managed and overseen by the Office of Substance Abuse Programs. In fiscal year 2006-07, approximately \$36 million was allocated to the 38 in-prison substance abuse programs through 35 contracts with eight providers.⁴ Because some of the contracts cover more

² Joan Petersilia, *Understanding California Corrections*, California Policy Research Center, University of California, May 2006.

³ An organization chart of the Office of Substance Abuse Programs appears in the Appendix.

⁴ The \$36 million figure includes only the 38 therapeutic community-based substance abuse programs that are the subject of this report. The figure does not include a 200-bed parolee substance abuse program at Folsom State Prison, budgeted for approximately \$1.1 million per year, which uses a cognitive-behavior model rather than the therapeutic community model. Details about each of the 38 in-prison substance abuse programs covered in this report—including facility location, contractor name, and fiscal year 2006-07 budget allocation—appear in the Appendix.

than one program, and because all have multiple-year terms—typically four to five years—the in-prison program contracts currently in place total nearly \$144 million.

The contracts with the in-prison program providers require that contractors use the “therapeutic community” substance abuse treatment model, which relies on intensive group and individual counseling and on the development of a supportive social environment of staff and peers to change negative behavior. According to George De Leon of the Center for Therapeutic Community Research, in the therapeutic community model, the “primary therapist and teacher is the community itself,” with treatment taking place through a “daily regime of work, groups, meetings, seminars, and recreation.”⁵ For that reason, according to De Leon, it is essential that program participants be separated from other prison inmates; share meals, recreation, and other activities with community members; engage in open communication through intensive encounter groups; learn therapeutic community concepts through an organized curriculum; and receive aftercare services following release from prison.⁶

History of the programs. The in-prison substance abuse treatment programs managed by the Office of Substance Abuse Programs began with the 200-bed Amity therapeutic community demonstration program at the R.J. Donovan Correctional Facility near San Diego in 1990. The Legislature has continued to authorize expansion of the program since its inception. In 1993 (AB10, Chapter 585, statutes of 1993) the Legislature funded a new prison in Corcoran to include a “secure substance abuse treatment facility,”

and specified that no more than 500 beds of the prison be opened until the substance abuse treatment beds were occupied. The new Corcoran prison, named the Substance Abuse Treatment Facility and State Prison at Corcoran, which opened in 1996, included 1,478 substance abuse treatment beds. Further expansion of the program occurred over the years, including 1,000- and 2,000-bed expansions authorized by legislative budget language in 1998 (Chapters 502 and 324). In 1999, the Legislature again linked the opening of a prison to substance abuse treatment beds by requiring that Kern Valley State Prison not be occupied until the department “has activated or made available a total of 9,000 in-

**KEY COMPONENTS OF THE
THERAPEUTIC COMMUNITY MODEL**

- **Community separateness.** Participants are housed separately from the rest of the prison population.
- **Community activities.** Except for individual counseling, all activities take place in a peer community, with shared meals, organized recreation, group meetings, ceremonies, and team job functions.
- **Therapeutic community curriculum.** Therapeutic community concepts, such as self-help recovery and “right living,” are taught through an organized curriculum.
- **Encounter groups.** Peer encounter groups are used to heighten individual awareness of attitudes or behavior patterns needing modification.
- **Continuity of care.** After completing an in-prison program and being released from prison, participants receive aftercare services.

⁵ George De Leon, “Therapeutic Communities for Addictions: A Theoretical Framework,” *International Journal of the Addictions*, 1995.

⁶ George De Leon, “The Therapeutic Community: Toward a General Theory and Model,” National Institute on Drug Abuse Research Monograph 144, 1994.

prison therapeutic drug treatment slots or similar modalities.” (AB 1535, 1999) At present, the bed capacity of the in-prison substance abuse treatment program is almost 9,200.⁷

Early evaluations of the Amity program. The choice of the therapeutic community model for the state’s in-prison programs was fueled by evaluations of the Amity program that found positive effects on recidivism when participants also received aftercare. A study published in 1999 found that although three-year recidivism rates were actually slightly higher among inmates who completed the Amity in-prison program (79 percent) compared to inmates who did not receive treatment (75 percent), recidivism dropped to 27 percent for inmates who also completed an aftercare program based on the therapeutic community model.⁸ After five years, the recidivism rate increased to 83 percent for inmates who received no treatment, 86 percent for those who completed only the Amity in-prison program, and 42 percent for inmates who completed both the in-prison program and the community-based aftercare.⁹

Other drug treatment options for offenders. A January 2006 study by the Washington State Institute for Public Policy of 35 external evaluations of various types of drug treatment programs across the country found some treatment options to be more effective than others at reducing recidivism. As Table 1 shows, the study found that without community-based aftercare, in-prison therapeutic community treatment programs are less effective at reducing recidivism than other treatment methods, such as cognitive behavioral treatment and community-based substance abuse treatment. With community-based aftercare, in-prison therapeutic community treatment programs were found to reduce recidivism by about 7 percent.¹⁰ Because the evaluation did not specify the time elapsed since participants left prison, however, the results cannot be compared with the results of other recidivism studies. In general, studies of in-prison therapeutic community programs in other states have found that they reduce recidivism rates for treatment groups in the short term (12 to 24 months), but that the difference between treatment groups and comparison groups begins to disappear over longer periods of 36 months.¹¹

TABLE 1
ESTIMATED PERCENTAGE CHANGE IN
RECIDIVISM RATES FOR DRUG-INVOLVED OFFENDERS

Program Description	Reduction in Recidivism Rate
In-prison therapeutic communities with community aftercare	6.9%
In-prison therapeutic communities without community aftercare	5.3%
Cognitive-behavioral drug treatment in prison	6.8%
Drug treatment in the community	12.4%
Drug treatment in jail	6%

Source: Washington State Institute for Public Policy, “Evidence-Based Adult Corrections Programs: What Works and What Does Not.” January 2006.

Potential savings from reductions in recidivism. A 7 percent reduction in long-term recidivism among the 9,200 California inmates now receiving substance abuse treatment

⁷ A chart showing the expansion of the state’s in-prison substance abuse treatment programs from 1990 to present appears in the Appendix.

⁸ Harry K. Wexler, *et al.*, “3-Year Reincarceration Outcomes for Amity In-Prison Therapeutic Community and Aftercare in California,” *Prison Journal*, 79(3), 1999.

⁹ Michael L. Prendergast, *et al.*, “Amity Prison-Based Therapeutic Community: 5-Year Outcomes,” *Prison Journal*, 84(1), 2004.

¹⁰ Washington State Institute for Public Policy, “Evidence-Based Adult Corrections Programs: What Works and What Does Not,” January 2006.

¹¹ Michael L. Prendergast and Harry K. Wexler, “Correctional Substance Abuse Treatment Programs in California: A Historical Perspective,” *Prison Journal*, 84(1), 2004.

would translate to 640 fewer inmates returning to prison and a savings of nearly \$40 million in reduced custody and criminal justice costs.¹² That number does not include the benefit to society of crimes not committed—particularly given that according to the California Department of Justice, for every property crime that results in an arrest, an estimated six property crimes reportedly go unsolved, and for every violent crime resolved, an estimated 1.5 violent crimes are not resolved.

¹² Calculation based on an average return-to-prison term of 16.7 months; \$34,000 annual custody costs; and \$4,000 annual parole supervision costs, according to the Department of Corrections and Rehabilitation. The calculation also includes estimated police or sheriff costs of \$8,100 per incident and prosecution costs of \$2,300 per incident. The figures are based on information from the Washington State Institute for Public Policy and were increased by 51 percent to match California’s custody and parole supervision costs.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this special review was to assess whether the Department of Corrections and Rehabilitation adequately manages its in-prison substance abuse programs and obtains the best value from the contractors who provide program services on its behalf. The review concentrated on whether program participants receive contracted services; whether the Office of Substance Abuse Programs adequately monitors contractor performance; and whether the Office of Substance Abuse Programs uses a competitive bidding process to select contractors.

During the course of the special review, the Office of the Inspector General performed the following procedures:

- Reviewed state laws and regulations relevant to in-prison substance abuse programs.
- Interviewed various staff from the Office of Substance Abuse Programs to understand how the in-prison substance abuse programs and aftercare programs are operated and managed.
- Conducted unannounced site visits to all 38 in-prison substance abuse programs at 22 state prison facilities to observe program operations and assess contractors' compliance with certain contract terms.
- Reviewed various publications relevant to therapeutic community programs.
- Interviewed both past and present employees from the department's contracting unit to gain an understanding of the contracting procedures used by the department.
- Interviewed staff from the department's Division of Support Services to gain an understanding of program data collection and processing procedures.
- Interviewed staff from the California Department of General Services to gain an understanding of statewide contracting procedures.
- Interviewed staff from the various contractors that provide in-prison substance abuse treatment programs in the state's prisons and aftercare programs in the community.
- Reviewed a sample of inmate case files maintained by each of the 38 programs.
- Reviewed reports prepared by external researchers funded by the Office of Substance Abuse Programs, including reports from the University of California at Los Angeles, San Diego State University, and the University of Cincinnati.
- Interviewed the researchers from the University of California, Los Angeles who conducted the evaluations of in-prison substance abuse programs to gain an understanding of their findings and recommendations.

- Reviewed program budget documents prepared by the Office of Substance Abuse Programs.
- Reviewed contract-bidding documentation for all current in-prison substance abuse program contracts to gain an understanding of the bid solicitation process and to identify relevant information from each bid proposal submitted.
- Reviewed in-prison substance abuse program contracts and aftercare program contracts to identify key contract elements.
- Reviewed literature and data on the relationship between the effectiveness of in-prison programs and attendance in aftercare.
- Analyzed and summarized information gathered using the methods listed here and formulated conclusions accordingly.

FINDING 1

Numerous studies show that despite an annual cost of \$36 million, the Department of Corrections and Rehabilitation’s in-prison substance abuse treatment programs have little or no impact on recidivism. Moreover, the department has had this information for years, but has failed to correct deficiencies identified by the studies and instead continues to open new programs.

Numerous university studies conducted over the past nine years have consistently shown that the department’s in-prison substance abuse treatment programs are not being effectively implemented and do little or nothing to reduce recidivism. University of California, Los Angeles researchers found in fact that recidivism rates for participants in the state’s two largest in-prison treatment programs—those at the Substance Abuse Treatment Facility and State Prison at Corcoran, the fiscal year 2006-07 budget for which totals nearly \$5.7 million—were slightly *higher* than those of non-participants. The researchers found that recidivism rates were also higher for participants at three of the department’s other in-prison treatment programs. Similarly, the University of Cincinnati’s Division of Criminal Justice concluded in March 2006 that the Substance Abuse Treatment Facility’s in-prison treatment programs are “ineffective,” and San Diego State University found “no evidence of savings from reduced reincarceration” attributable to participation in that facility’s in-prison treatment programs. The findings are consistent with an evaluation by the Office of Substance Abuse Programs itself, which found small reductions in recidivism in the short term (12 months), but no evidence that the state’s in-prison substance abuse treatment programs are effective in reducing long-term recidivism rates.

As a result of many of the studies—which were performed at a cost to the state of more than \$8.2 million—the universities have made recommendations for improving both individual programs and the in-prison substance abuse program model. But the Office of Substance Abuse Programs has failed to implement key recommendations to correct the deficiencies identified by the studies and instead simply continues to fund additional research. The department has also failed to implement recommendations issued by the Office of the Inspector General in January 2003 and April 2006 following a management review audit and follow-up review that identified numerous deficiencies in the in-prison programs at the Substance Abuse Treatment Facility. Meanwhile, the department continues to open new in-prison substance abuse treatment programs afflicted with many of the same problems.

University of California, Los Angeles studies did not find reduced recidivism.

Between July 1997 and June 2006, the University of California, Los Angeles conducted numerous multiyear studies and evaluations of the in-prison programs at the Substance Abuse Treatment Facility and nine other state prison facilities and issued more than 20 reports presenting the study results.¹³ The studies, which were conducted under contracts

¹³ The two most recent reports were issued as drafts in January 2006 and June 2006. Before public release, draft reports are reviewed by the Office of Substance Abuse Programs and revisions are proposed to the University of California, Los Angeles. The final draft is then submitted to department’s executive staff for approval. According to the acting deputy director of the Office of Substance Abuse Programs, the January 2006 draft report was reviewed by his staff and submitted to the department for approval on October 13,

with the state totaling \$7.8 million, did not find evidence that the programs reduce recidivism for inmates with substance abuse problems.

Results of studies of the Substance Abuse Treatment Facility. The studies by the University of California, Los Angeles of the two in-prison treatment programs at the Substance Abuse Treatment Facility—which have a combined bed capacity of 1,478 beds and a fiscal year 2006-07 budget of nearly \$5.7 million— were commissioned by the Office of Substance Abuse Programs to comply with a requirement contained in the legislation authorizing the construction of the facility. The legislation required the department to monitor the progress of parolees released from the institution and report on their rate of recidivism and relapse to substance abuse. An initial five-year study of the Substance Abuse Treatment Facility programs, which began in July 1997 and ended in June 2002, found positive results in three areas: fewer participant disciplinary infractions, fewer positive drug tests, and an increase in aftercare referrals. But the study also concluded that the 12-month recidivism rate for program participants released between June 1999 and June 2000 did not differ significantly from that of a matched group of inmates from another facility who had not participated in an in-prison substance abuse program. In fact, the 12-month recidivism rate for program participants was slightly higher than that of the nonparticipating control group—53.5 percent, compared to 51.9 percent.

The Office of Substance Abuse Programs subsequently commissioned the University of California, Los Angeles to conduct three additional studies of the Substance Abuse Treatment Facility's in-prison programs. Those studies compared recidivism rates for the original 1999-2000 subjects to nonparticipating inmates from 2001 through 2005; recidivism rates for all program participants based on specified criteria; and recidivism rates for participants who received aftercare following release. The studies found improved recidivism rates for participants who attended at least 90 days of aftercare, but also found that most parolees did not attend aftercare and that only a small percentage of parolees received at least 90 days of aftercare treatment. The results, reported in June 2006, consisted of the following:

- Nearly 70 percent of parolees did not attend aftercare.
- Less than 10 percent of parolees attended aftercare for at least 90 days.
- 48.1 percent of parolees who did not attend aftercare recidivated within 12 months.
- 45.8 percent of parolees who attended aftercare for fewer than 90 days recidivated within 12 months.
- Only 21.2 percent of parolees who attended aftercare for 90 days or more recidivated within 12 months.

2006, and the June 2006 report was recently reviewed by his staff, with no data errors found. The acting deputy director said the delay in processing the January report was caused by the transition between the past and current acting deputy directors.

Because the studies did not include data on participants' long-term recidivism rates irrespective of aftercare treatment compared to those of nonparticipating control groups, they did not provide evidence that the in-prison substance abuse programs at the Substance Abuse Treatment Facility resulted in lower overall recidivism rates.

Results of studies of other California in-prison programs. Studies conducted by the University of California, Los Angeles of 14 other in-prison substance abuse programs at nine facilities between 1998 and 2004 also found the programs to have little impact on reducing recidivism. The studies included six-month and twelve-month recidivism evaluations for the four programs shown in the box at right, as well as process evaluations for all 14 programs. The studies found that the six-month recidivism rate for two of the programs (Victory and New Choice) was significantly lower for participants who received aftercare treatment than for participants who did not receive aftercare and for the non-treatment comparison groups. The researchers also found, however, that 12-month recidivism rates at three of the four programs were lower for non-participants than for participants. [See Table 2]

- PROGRAMS COVERED IN
UNIVERSITY OF CALIFORNIA, LOS ANGELES
RECIDIVISM STUDIES**
- **Quest** male civil addict program at the California Rehabilitation Center. (Contractor: Center Point.)
 - **Victory** Level III male felon program at the Sierra Conservation Center. (Contractor: Center Point.)
 - **Baseline Fire Camp** Level I male felon program at the Sierra Conservation Center. (Contractor: Center Point.)
 - **New Choice** female felon program at the Central California Women's Facility. (Contractor: Phoenix House.)

No cost-benefit found. Consistent with those findings, a three-year, \$400,000 cost-benefit analysis by San Diego State University of the in-prison substance abuse programs at the Substance Abuse Treatment Facility conducted between 2003 and 2006 found “no evidence of savings from reduced reincarceration attributable” to in-prison substance abuse program participation.¹⁴ In a June 2006 draft of the findings, researchers did report nominal savings from program participation in the form of reduced prison management costs of 40 cents per day per program participant, which were attributed to fewer inmate disciplinary problems, appeals, and major prison incidents. Given that researchers calculated the daily cost of program participation at \$7.86 per inmate over normal prison custody costs,

**TABLE 2
12-MONTH RECIDIVISM RATES OF PARTICIPANTS IN
IN-PRISON SUBSTANCE ABUSE PROGRAMS AND
NON-PARTICIPANTS PAROLED IN 2003**

Program Name	12-month Recidivism Rate	
	Program Participants	Non-participants
Quest	31%	25%
Victory	47%	52%
Baseline Fire Camp	46%	42%
New Choice	36%	27%

Source: University of California at Los Angeles, “Evaluation of the 2,000-Bed Expansion of Therapeutic Community Programs for Prisoners,” Final Report, June 2004.

¹⁴ San Diego State University was scheduled to issue a final report on the results of the three-year study in June 2006. Instead, the university issued a draft report indicating not only that it found no evidence the programs were cost-effective but also that it had not considered other possible areas of savings because of limitations in the scope of work and available data. For example, researchers did not measure short-term societal benefits gained after program participants were paroled, such as increased periods of employment, less dependence on public assistance, more stable family relationships, and better health. Also, researchers indicated they had underestimated certain prison management savings because department data were not available. According to the data management manager of the Office of Substance Abuse Programs, San Diego State University will further evaluate data and issue a final report in 2007.

however, the estimated savings from reduced prison management costs amounts to only 5.1 percent of the program participation cost. Although the university is conducting more research to identify additional savings, it appears unlikely that any such savings will significantly offset the net costs of running the programs at the Substance Abuse Treatment Facility.

The department's own recidivism studies show similar outcomes. Data prepared by the Office of Substance Abuse Programs' programs section chief in February 2006 on 12-, 24-, and 36-month recidivism rates also show the programs to have little or no effect on long-term recidivism. The data, which compared recidivism rates for male and female felons who were released from in-prison substance abuse programs in 2001 to those of all other department inmates, showed the following:

- At one year, female felons who were program participants had recidivism rates 3 percent lower than all other female felons. At two years, the difference remained about the same, but at three years the recidivism rates began to merge.
- At one year, male felons who were program participants had recidivism rates 5 percent lower than all other male felons; at two years, the difference began to merge. At three years, the rates were the same.

In a separate comparison of in-prison substance abuse program participants released in 2003, the programs section chief compared the 12-month recidivism rates among participants at each of 26 programs. The results of that comparison showed that, on average, the 12-month recidivism rates for both male and female felon program participants were 6 percent lower than the department's average 12-month recidivism rate. Not enough time has elapsed, however, to observe the longer-term recidivism rates of 24- and 36-months, to determine whether those rates merge over the long term, as was true with the study of inmates released in 2001.

The University of Cincinnati judged the state's two largest programs "ineffective." The University of Cincinnati's Division of Criminal Justice evaluated the two in-prison substance abuse programs at the Substance Abuse Treatment Facility in March 2006 and concluded in a draft report that both programs were "ineffective." In conducting the evaluation, the Division of Criminal Justice used an evidenced-based correctional program checklist to review the programming and services of the two programs and provide recommendations to increase the effectiveness of the services delivered. As Table 3 on the next page indicates, although the evaluators determined that the programs were effective in two of the five areas assessed, they rated both programs "ineffective" overall.

TABLE 3 EVALUATION OF THE IN-PRISON SUBSTANCE ABUSE PROGRAMS AT THE SUBSTANCE ABUSE TREATMENT FACILITY AND STATE PRISON AT CORCORAN		
Domain Evaluated	Contractor	
	Phoenix House	Walden House
Program leadership and development	Highly effective	Effective
Staff characteristics	Highly effective	Effective
Offender assessment	Ineffective	Ineffective
Treatment characteristics	Ineffective	Ineffective
Quality assurance	Ineffective	Ineffective
Overall Program Rating	Ineffective	Ineffective

Source: University of Cincinnati, draft report, "Evidence-Based Correctional Program Checklist (CPC)," March 2006

As a result of the evaluations, the University of Cincinnati identified the following weaknesses:

- Program staff did not routinely review recidivism information and previous evaluations had not demonstrated that the program was effective in reducing recidivism.
- The programs did not focus on addressing participants' treatment needs.
- The programs lacked an adequate internal quality assurance process.

The evaluators recommended the following corrective actions to address the weaknesses:

- Measure treatment delivery by conducting periodic assessments of program participants to measure their improvement in areas specifically related to their criminal behavior and review the reassessments with aftercare staff.
- Obtain program participant recidivism reports from the University of California, Los Angeles and modify the program as needed to obtain better results; conduct periodic meetings with outside evaluators and program staff to review and discuss research findings.
- Develop a useful quality assurance process with objective means to measure treatment delivery, including the quality of services.

Main problem areas identified by the University of California, Los Angeles. In the course of its multiyear studies, the University of California, Los Angeles reported annually on the results of its evaluations, identifying major issues affecting successful program implementation, specifying program deficiencies, and recommending improvements. The reports identified the following four main problem areas affecting successful implementation of the in-prison substance abuse programs:

- ***Organizational support for the programs is lacking.*** From its evaluation of 14 in-prison substance abuse programs, the university concluded that the department's operational and administrative support for the programs was limited and that the department had made no substantive effort to facilitate implementation and operation of the programs within the prison system. Researchers found that the department's security policies and procedures inhibited the providers' ability to provide effective treatment, and, in the case of lockdowns, prevented them from providing treatment at all. Researchers also observed that

contractors experienced high staff turnover, which negatively affected the quality and intensity of the therapeutic community treatment at many of the programs it evaluated.

- ***Operational obstacles prevent development of a therapeutic community.*** The University of California, Los Angeles found that some programs had been unable to develop and sustain an effective therapeutic community culture because of operational and administrative barriers. In its January 2002 report, for example, the university noted that the Substance Abuse Treatment Facility had not developed a true therapeutic community culture because it was overburdened by too many participants. The researchers also found that in rural areas, providers had difficulty locating and hiring staff with previous training and experience in the therapeutic community treatment modality. And in its January 1999 report on the in-prison substance abuse programs at the Substance Abuse Treatment Facility, the university noted that the remote location of the program facility negatively affected staff turnover.
- ***Classification, screening, and assessment are inefficient.*** The university reported in October 2001 that the process for identifying inmates with substance abuse problems was “inefficient” and void of “a valid and reliable means of assessing inmates’ needs for and amenability to substance abuse treatment prior to (or even after) placing them into the programs.” The researchers also reported in January 2002 that recidivism rates for involuntary participants in the Substance Abuse Treatment Facility programs were higher than those for both voluntary participants and a control group of non-participants. The report noted that only 39 percent of in-prison program participants at the Substance Abuse Treatment Facility had volunteered for treatment, and that six-month recidivism rates for involuntary participants were 39.1 percent compared to 26.7 percent for voluntary participants and 22.1 percent for involuntary non-participants. As a result, they concluded that participants who did not want treatment were 75 percent more likely to recidivate after six months than untreated inmates who had also reported that they did not want treatment.
- ***Program participants do not attend aftercare.*** As noted earlier, the university found that recidivism rates for in-prison program participants at the Substance Abuse Treatment Facility who attended at least 90 days of aftercare were significantly lower than those of participants who did not attend aftercare. They also found, however, that 70 percent of the participants did not attend aftercare and that less than 10 percent attended aftercare for at least 90 days.

University of California, Los Angeles recommendations. To address those deficiencies, the University of California, Los Angeles recommended that the department take the following corrective actions:

- ***Create an organizational culture that supports the programs.*** In its report dated October 2001, the university recommended that the department implement an organizational culture “that facilitates the work of these treatment programs,

while ensuring the continued safety and security of the inmates, staff, and public.” The university also recommended that the department direct financial resources to the programs to reduce contractor staff turnover.

- ***Reduce the size of programs and site programs in less remote areas.*** The university recommended that the department reduce the number of participants in the Substance Abuse Treatment Facility programs and develop other programs in more urban areas.
- ***Develop comprehensive screening and assessment of participants.*** Researchers recommended that the department “renew efforts to explore the development and implementation of a comprehensive screening and assessment system” to “enhance the operational and cost effectiveness of existing programs by not populating them with inmates who do not have serious substance problems or are not amendable to treatment within a general therapeutic community program.”
- ***Reduce the number of involuntary program participants.*** Based on its first multiyear study of the in-prison substance abuse programs at the Substance Abuse Treatment Facility, the university recommended in January 2002 that the department decrease the number of involuntary participants.¹⁵ Researchers offered several suggestions for accomplishing that goal, including that the department target inmates who volunteer for the programs and consider the inmates’ desire for treatment in their referral and admission to the program. The university also recommended offering incentives, such as improving participants’ living quarters and enhancing participants’ vocational training and employment opportunities.
- ***Mandate aftercare for all program participants.*** The university began recommending mandatory aftercare with its October 2001 report on the Substance Abuse Treatment Facility.

The department has failed to implement important recommendations. The Office of the Inspector General found that despite the \$8.2 million expended for the university studies—and even though many of the recommendations date back as far as 2001—the department has failed to implement key recommendations issued by the University of California, Los Angeles, or in some cases, has only recently begun to do so, and that many of the deficiencies remain. In fact, the Office of Substance Abuse Programs has never even implemented a process to formally respond to the studies of its in-prison substance abuse programs. The following describes the implementation status of important recommendations:

- ***Creating an organizational culture that supports the programs.*** As described more fully in Finding 2 of this report, the department and the Office of Substance Abuse Programs continue to place the substance abuse programs in institutional settings inhospitable to treatment and to the development of genuine therapeutic

¹⁵ It should be noted that experts disagree about whether in-prison and aftercare treatment should be mandatory or voluntary, with some maintaining that involuntary participants can fare as well as those who enter programs voluntarily.

communities and where lockdowns and other security and custodial operations interfere with treatment services.

- ***Reducing program size and siting programs in less remote areas.*** The department has not reduced the program size at the Substance Abuse Treatment Facility and State Prison at Corcoran, even though that action was recommended both by the University of California, Los Angeles and by the Office of the Inspector General in a 2003 audit of the facility. In addition, the Office of Substance Abuse Programs has opened two new in-prison substance abuse programs at facilities in remote areas since January 2002—at Chuckawalla Valley State Prison in Blythe in 2002 and at Wasco State Prison in Wasco in 2005.
- ***Developing comprehensive screening and assessment.*** The department has not improved its screening and assessment of program participants in response to the recommendations. Under present procedures, the department — without input from program providers—decides which inmates are eligible for in-prison substance abuse treatment and places them in the programs. The process does not include an assessment of an inmate’s amenability to the therapeutic community treatment model, but rather bases eligibility primarily on a history of substance abuse. Length of time remaining to serve, classification score, gang associations, active or potential immigration holds, and enrollment in specified mental health programs are also considered, while involvement in serious incidents or placement in a security housing unit or protective housing unit in the past year may preclude eligibility. Inmates who volunteer to participate receive placement priority, but most participants do not volunteer for the programs. As described in Finding 5 of this report, the department is not providing adequate assessment of either the participants or the effectiveness of the programs because the Office of Substance Abuse Programs has not held program contractors accountable for accurately tracking and submitting the data needed for that purpose.
- ***Reducing the number of involuntary program participants.*** The department has implemented one small pilot program for all-voluntary participants, but has done little else to address this issue. As discussed below, Senate Bill 1453 (Chapter 875, Statutes of 2006), which took effect January 1, 2007, provides an incentive for inmates to volunteer for participation in aftercare treatment, but additional incentives may be needed to increase the number of volunteer participants.
- ***Mandating aftercare.*** The Office of Substance Abuse Programs has only recently begun addressing the issue of mandatory aftercare for participants in in-prison substance abuse programs. As a result of a 2006-07 budget change proposal, the Office of Substance Abuse Programs plans to implement a five-year pilot project for a mandatory residential aftercare program. In the budget change proposal, the Office of Substance Abuse Programs stated that “utilizing a pilot program will provide actual numbers to substantiate if the program will be successful in reducing further recidivism and, in turn, prison overcrowding.” The project, which is scheduled to be implemented in January 2007, will be for eligible inmates participating in the in-prison substance abuse programs at two facilities: Valley

State Prison for Women and the California Rehabilitation Center. Participants accepted into the pilot project will receive 120 days of mandatory residential aftercare services following parole and up to 60 additional days of voluntary services and support. In contrast to Senate Bill 1453, the pilot program does not appear to offer incentives for participation in aftercare. Senate Bill 1453 provides for specified nonviolent inmates who successfully complete an in-prison drug treatment program to be entered into a residential aftercare drug treatment program whenever possible. Under the new law, parolees who successfully complete 150 days of residential aftercare will be discharged from parole supervision.

It should be noted, however, that the Office of Substance Abuse Programs may have difficulty identifying inmates who have “successfully” completed an in-prison substance abuse program because it has not defined “completion” and, as discussed in Finding 5 of this report, has failed to collect data that might be useful in defining completion, such as the number of hours or days an inmate participated in the program. At present, eligibility for aftercare services is not based on the participant’s achievement in an in-prison substance abuse program or on the number of hours or days of participation. Instead, inmates assigned to in-prison substance abuse programs are automatically eligible for aftercare services for 180 days after they parole, regardless of whether they spent two weeks or two years in an in-prison program.

Recommendations by the Office of the Inspector General also not addressed. The department has also failed to implement recommendations made by the Office of the Inspector General in January 2003 as the result of a management review audit of the Substance Abuse Treatment Facility. Noting that the programs had not been effective, the Office of the Inspector General recommended that the department take the following actions:

- Develop a process for better recruitment of program participants and discontinue involuntary participation.
- Conduct systematic, in-depth monitoring of providers for contract compliance, including corrective action plans and follow-up monitoring to ensure that contractors take appropriate action.
- Investigate methods of helping providers retain counselors and other staff members.
- Evaluate methods to increase aftercare participation, including proposing possible legislation to mandate aftercare as a condition of parole.
- Include withholding of payment or other fiscal sanctions in future contracts rather than contract termination in the event of noncompliance.¹⁶

¹⁶ This issue is discussed more fully in Finding 5 of this report.

- Review and evaluate the recommendations of the University of California, Los Angeles evaluation of the substance abuse program.

A follow-up review by the Office of the Inspector General in October and November 2005, found that most of these recommendations had not been implemented.¹⁷ That review, reported in April 2006, revealed that the department’s monitoring of providers still lacked a systematic, in-depth analysis of contract compliance and that contractors still suffered from counselor vacancies. The review also determined that the department had not yet developed a method to impose fiscal sanctions on contractors for non-compliance and had not implemented recommendations made by the University of California, Los Angeles. The review also revealed that the department disagreed with the earlier recommendation to discontinue involuntary participation in the in-prison programs and had not done so.

As a result of the follow-up review, the Office of the Inspector General made the following additional recommendations:

- Conduct systematic, in-depth monitoring of treatment providers.
- Include provisions for the remedy of nonmaterial instances of noncompliance with contract terms that are reasonably associated with damages actually incurred as a result of the noncompliance, including provisions for liquidated damages related to instances of noncompliance for which the value of actual damages cannot be readily determined.¹⁸
- Ensure that future studies of the effectiveness of the substance abuse programs include a comparison of the treatment group to a control group of similar inmates who did not receive treatment.
- Return to using smaller clusters of inmates within the therapeutic community programs at the Substance Abuse Treatment Facility.

Office of Substance Abuse Programs continues to put more programs in place.

Instead of implementing recommendations resulting from past audits and studies—and despite the conclusion of the University of California, Los Angeles that the programs as presently implemented do not reduce recidivism—the Office of Substance Abuse Programs continues to add additional in-prison programs. Asked why they have failed to implement many of the existing University of California, Los Angeles recommendations, Office of Substance Abuse Programs officials told the Office of the Inspector General they have concentrated their efforts instead on setting up new in-prison substance abuse programs to satisfy a legislative mandate that the department establish 9,000 in-prison

¹⁷ Office of the Inspector General, *Accountability Audit: Review of Audits of the California Department of Corrections and Rehabilitation Adult Operations and Adult Programs, 2000-2004*, April 2006.

¹⁸ On November 10, 2006, the Office of the Inspector General provided this revised recommendation to the department. Both the original recommendation made in 2003 and the follow-up recommendation made in April 2006 asked the department to impose “fiscal sanctions” in future contracts. Fiscal sanctions may be a legally inappropriate solution, however. The April 2006 recommendation has therefore been revised as shown.

substance abuse program beds. That mandate refers to language in 1999 legislation authorizing construction of Kern Valley State Prison, which provides as follows:

California State Prison-Kern County at Delano II shall not be occupied until the Director of the Department of Finance finds and reports to the Legislature that the following has occurred: The department has activated or made available a total of 9,000 in-prison therapeutic drug treatment slots or similar modalities.¹⁹

Office of Substance Abuse Programs officials also said the fact that the office has had six deputy directors since 2001 may have deprived it of the continuity of leadership needed to successfully implement the recommendations.²⁰ They also cited the low profile of the office within the Department of Corrections and Rehabilitation as a factor.

The department continues to fund additional studies. Even though it has yet to implement recommendations from past studies, the Office of Substance Abuse Programs plans to fund still more studies. It has negotiated a new four-year contract with the University of California, Los Angeles to research methods for improving aftercare attendance and to assess in-treatment changes in psychological functioning and criminal thinking—bringing the total amount of the University of California Los Angeles contracts for evaluating in-prison substance abuse treatment programs to nearly \$9 million. The office is also working with the university to identify additional research topics.

RECOMMENDATIONS

Due to the enormity of these problems, the Office of the Inspector General recommends that the administration convene a broad-based task force of substance abuse treatment experts, lawmakers, policy analysts, corrections officials, and stakeholders from across the political spectrum to remake California’s substance abuse treatment programs for inmates and parolees from the ground up.

Until that can be accomplished, the department should take the following actions to address the deficiencies identified in this review:

- **Immediately implement corrective actions to change the in-prison substance abuse programs and address recommendations identified by external evaluators. The actions should include the following:**
 - **Develop a response and corrective action plan to address past recommendations identified by external evaluators. The plan should address every recommendation and, when necessary, include an explanation why a recommendation cannot be implemented.**

¹⁹ Assembly Bill 1535 (1999), California Government Code, section 15819.295(c). The institution was completed and began operations in 2005.

²⁰ A new acting deputy director was named effective January 2, 2007. Where this report refers to the “deputy director,” the reference is to the deputy director in place in 2006. An organization chart for the Office of Substance Abuse Programs appears in the Appendix.

- Identify the appropriate internal and external parties that should receive the external evaluators' reports, the responses to the reports, and the corrective action plans. (Internal parties should be of a sufficient level within the department to ensure corrective action is completed. External parties should include relevant legislative oversight and budget committees.)
- Prepare a timely response and corrective action plan and submit those documents to the parties identified above for all future evaluations of the in-prison substance abuse programs.
- For purposes of determining aftercare eligibility, define successful completion of an in-prison substance abuse program, such as number of hours or required participation or other specific achievements participants must attain.

The Office of the Inspector General also recommends that the department issue annual public reports that identify both short-term and long-term recidivism outcomes for all in-prison substance abuse programs.

To address the high turnover in the leadership of the Office of Substance Abuse Programs and its poor history of implementing recommendations, the Office of the Inspector General recommends that the department take the following actions:

- Review the Office of Substance Abuse Programs' placement within the department's organizational structure to ensure that the placement is consistent with the scrutiny and attention needed to effectively manage and oversee the department's substance abuse treatment programs.
- Appoint a qualified, results-oriented manager to head the Office of Substance Abuse Programs and provide the support and resources the manager requires to carry out necessary program changes.

To clarify whether the department must maintain at least 9,000 in-prison drug treatment beds as provided in Government Code section 15819.295(c), the Office of Substance Abuse Programs should obtain a legal opinion from the department's general counsel or the Attorney General.

FINDING 2

Responsibility for the failure of the state’s \$36 million in-prison substance abuse treatment programs rests with the Department of Corrections and Rehabilitation because it fails to hold providers accountable for meeting contract terms and places the programs in prison settings that undermine the treatment model.

The contracts between the state and the in-prison substance abuse treatment providers require contractors to deliver at least 20 hours of counseling services and six hours of optional activities six days a week. They also require contractors to maintain an 18:1 ratio of participants to counselors and to use the therapeutic community treatment model, essential features of which are intensive group therapy sessions and separation of program participants from the rest of the prison population. But the Office of the Inspector General found that the department does not hold the providers accountable for meeting the contract terms and has placed all but two of the programs in prison settings where participants share living units and other facilities with general population inmates. As a result, many of the programs are plagued by violence and repeated lockdowns that disrupt treatment services and undermine the therapeutic community model. University of California, Los Angeles researchers concluded after one study, in fact, that the programs reflect a therapeutic community “in name only,” and the Office of the Inspector General found that at eight of the programs—representing 24 percent of the contracted beds and a combined annual cost of \$8.5 million—the therapeutic community model is almost completely absent. Overall, the state appears to be receiving almost no value for its \$36 million annual investment in in-prison substance abuse treatment services. And because less than 10 percent of inmates who participate in in-prison substance abuse programs also attend aftercare services for at least 90 days—which studies show to be critical in reducing recidivism—the entire \$143 million the state spends each year for in-prison and aftercare substance abuse treatment combined appears to be wasted.

Many of the programs fail to provide the required number of treatment hours. The Office of the Inspector General found that a large percentage of the department’s in-prison substance abuse programs do not comply with contract provisions that they provide a specified number of treatment hours to participants each week. The contracts require providers to deliver a minimum of 20 hours a week of face-to-face group and individual activities and access to six additional hours of optional activities. They also require that activities be scheduled six days a week. Yet, the Office of the Inspector General found that 14 of the 38 programs provided participants with only 12.5 to 17.5 hours per week of group and individual activities—13 percent to 38 percent less than required. Only one of the 14 programs offered the required six optional hours per week and none scheduled activities six days per week.²¹ At California State Prison, Solano, for example, inmates participate in the program only every other week, seven hours a day, four

²¹ The contracts give the assistant director (now “deputy director”) of the Office of Substance Abuse Programs authority to grant an exception to the minimum service levels by reducing the number of hours required, but because the contracts do not provide for the exception to be made in writing, it is not possible to determine which contractors may have received an exception, who granted the exception, or when an exception was granted. According to the present acting deputy director, such exceptions were verbally granted in the past and he did not know which programs other than the program at California State Prison, Solano had been granted exceptions.

days a week. As a result, participants receive an average of only 14 hours a week instead of 20 hours—30 percent less than required by the provider contracts.

Many of the in-prison programs do not satisfy the therapeutic community model.

The Office of the Inspector General also found that many of the in-prison programs fall far short of delivering the therapeutic community treatment model required by the provider contracts. For example:

- ***Program participants are not separated from general population inmates.***
An essential feature of the therapeutic community model is the complete separation of program participants from general population inmates. The separation is necessary to foster a supportive therapeutic environment, avoid the contaminating influence of the larger prison culture, and allow participants to gradually detach from former prison networks and build relationships with drug-free peers. It also avoids disruption from custody procedures affecting general population inmates, such as delays caused by the need to move inmates from one building to another. Accordingly, in its contracts with the in-prison substance abuse program providers, the Office of Substance Abuse Programs recommends separate facilities for substance abuse treatment programs and limiting participants' exposure to the general inmate population:

Inmates participating in in-prison therapeutic community substance abuse program services are preferably set apart from the general inmate population by means of a physically separate facility or a dedicated housing unit for the exclusive use of program participants. To the extent possible, participants also shall be set apart through common work areas and common work assignments which minimize contact with the general inmate population.

The Center for Criminal Justice Research at the University of Cincinnati made a similar observation in a March 2006 evaluation of the in-prison substance abuse program at the Substance Abuse Treatment Facility, G-yard:

An important aspect of a structured social learning-cognitive behavioral program is the modeling of appropriate behavior. One way that institutional programs attempt to achieve a prosocial environment within a prison is to keep inmates in treatment separate from the general population.... Prosocial behavior is difficult to teach and reinforce when others are modeling antisocial behavior. Given the prevalence of gangs in the California prison population, the problem becomes even more pronounced.²²

Yet, the Office of the Inspector General found that at 36 of the state's 38 in-prison substance abuse treatment programs, participants share prison facilities—in some instances including even housing units—with general population inmates. According to the acting deputy director of the Office of Substance Abuse Programs, only the Sierra Conservation Center–Baseline and the Folsom

²² Lovins, Brian, M.S.W. and Edward Latessa, Ph.D., "Evidence-Based Correctional Program Checklist (CPC); The Phoenix House at the State Prison at Corcoran, CA," Center for Criminal Justice Research, Division of Criminal Justice, University of Cincinnati, Ohio., March 2006, p. 10.

Transitional Treatment Facility completely isolate inmates participating in the substance abuse programs. Participants in the other 36 substance abuse programs share yard space with general population inmates and may also share medical and kitchen facilities and may participate in work assignments and other institution programs with inmates from the general population.

Asked the reason for the lack of separation, the acting deputy director offered the following explanation:

- Overcrowding has forced some institutions to add beds for general population inmates to housing units that were formerly dedicated to the sole use of in-prison substance abuse program participants.
 - Some of the substance abuse treatment programs have unfilled beds because they have no eligible inmates on waiting lists and because inmates on waiting lists at other institutions may be prevented by custody issues from transferring to institutions that have program openings. Because institutions cannot afford to leave beds unfilled, they are assigned instead to general population inmates. As a result, general population inmates occupy beds in many of the substance abuse program housing units.²³
- ***Providers do not devote enough hours to encounter groups.*** The contracts with providers make clear that experiential group sessions—intensive therapeutic sessions more commonly called “encounter groups”—are an essential component of a therapeutic community program and that much of the time participants spend in the program therefore should be devoted to intensive group therapy sessions. In support of the importance of the intensive therapeutic sessions, the contracts reference the concepts of George De Leon, an expert on therapeutic communities, who has stated: “The main therapeutic group is the encounter group,” where the minimal objective is to “heighten individual awareness of specific attitudes and behavior patterns that should be modified.”²⁴

Yet, the contracts do not specify how many of the 20 weekly hours should be devoted to encounter group sessions, and that omission allows many programs to devote only a small fraction of the total available treatment hours to encounter groups. The Office of the Inspector General found that half of the programs it reviewed dedicated less than 25 percent of monthly treatment hours to encounter groups and that several programs devoted less than 10 percent of total hours to that purpose. Fiscal year 2005-06 data reported by contractors for 25 of the 38 programs showed that nine programs devoted between 13 percent and 24 percent of the available treatment hours to encounter groups and that four programs

²³ According to the acting deputy director, beginning April 1, 2007, additional funding will be used to expand the treatment capacity at the Substance Abuse Treatment Facility and State Prison at Corcoran, Chuckawalla Valley State Prison, and Sierra Conservation Center by 400, 48, and 36 beds, respectively. These expansions will allow the department to replace the general population inmates currently filling beds in program housing units with inmates eligible for the in-prison substance abuse treatment program.

²⁴ George De Leon, “The Therapeutic Community: Toward a General Theory and Model,” *National Institute on Drug Abuse Research Monograph 144*, 1994.

dedicated 10 percent or less of the available treatment hours to encounter group sessions. Assuming a 20-hour programming week, which translates into an average of 86 hours per month, the worst four programs averaged only between 1.3 and 8.6 hours of encounter group sessions per inmate per month. The remaining 12 programs devoted between 26 and 50 percent of available hours to encounter groups.

- ***Some providers do not maintain an 18:1 ratio of participants to counselors.*** In further recognition of the importance of intensive group counseling to the therapeutic community treatment model, the program budgets, which are incorporated into the contracts, require contractors to earmark funding sufficient to maintain an 18:1 ratio of participants to counselors. The contracts also specify that encounter groups be limited to 18 participants. Yet, the Office of the Inspector General found that 68 percent of the programs—26 of the 38—have too few counselors to provide the 18:1 ratio and therefore cannot consistently provide the intensive counseling sessions required by the contract and intrinsic to the therapeutic community model.

Prison conditions preclude therapeutic communities in eight programs. The Office of the Inspector General found that the therapeutic community treatment model is effectively absent at eight of the 38 programs—comprising 2,189 beds (24 percent of the beds contracted for in-prison substance abuse treatment programs)—because the programs have been placed in facilities subject to either frequent or long-term lockdowns of all or a large percentage of program participants. These programs are located at seven institutions where gang activity, riots, and other violent incidents are common and where such disruptions are typically followed by lockdowns in which inmates are temporarily confined to cells. Because program participants at these institutions share yards, other facilities, and in some cases, housing units with general population inmates, they are frequently included in lockdowns and other restrictions imposed on the general inmate population and are thereby prevented from attending substance abuse program sessions. The frequent lockdowns disrupt the therapeutic process and result in participants receiving little benefit from the treatment. The effect of the disruptions is so significant that these eight programs appear to be a virtual waste of their combined annual cost of \$8.5 million.

Specifically, the Office of the Inspector General found the following:

- ***California State Prison, Solano.*** On the day the Office of the Inspector General visited, 129 inmates were assigned to the 200-bed Level III substance abuse program at California State Prison, Solano, but because of a series of lockdowns involving inmates of various ethnic and racial groups, only 32 inmates—16 percent of capacity—were able to attend program sessions. Nineteen of the 129 inmates assigned to the program had never attended a session because they were housed in a different facility, and all but one of the remaining 110 participants shared an exercise yard and other facilities with 1,100 inmates from other housing units. As of June 19, 2006, Northern Hispanic inmates had been locked down continuously since April 2005; Southern Hispanic inmates had been locked down continuously since November 2005; and black inmates had been locked down since June 14,

2006, leaving only 32 inmates categorized as white, American Indian, and “other” to participate in the program. As a result, the annual per-inmate cost for the program increased from \$3,800 to \$9,295. Between January 2005 and April 2006, the program was affected by 13 other lockdowns following riots and other incidents.

- ***California State Prison, Los Angeles County.*** Repeated lockdowns of the substance abuse treatment program at California State Prison, Los Angeles County frequently prevent all participants from attending program sessions. According to data reported by the provider, during fiscal year 2005-06, the program was closed 37 percent of the time it was scheduled to provide services. In a June 2006 report to the Office of Substance Abuse Programs, the program director reported that the program operated on only six of 22 available days. On two of the 22 days it was closed for program staff training and on another 14 days it was closed because participants were locked down. Although the program director reported that counselors distribute “homework” to inmates who are locked down, providing program services through cell contact is inadequate and inconsistent with the therapeutic community model.
- ***Pleasant Valley State Prison (B- and C-Yards).*** The two substance abuse programs at Pleasant Valley State Prison, each with a contracted capacity of 200 beds, are also affected by lockdowns as well as by security restrictions resulting from gang rivalries. As of August 1, 2006, 38 percent of the 172 inmates assigned to the institution’s C-yard program had been locked down for five months, since January 5, 2006. Similarly, as of August 18, 2006, 54 percent of the 178 inmates assigned to the B-yard program had been locked down for two weeks because they were members of two rival gangs, leaving only 80 participants able to attend the program. For 16 months before that, from April 11, 2005 until August 2006, participants from the two gangs attended the B-yard program on alternate weeks for just three hours a day, 15 hours a week—a length of time the program director described as inadequate to effect change in the inmates. In addition to the need to separate rival gang members, the reduced schedule resulted from the fact that participants were scattered among various housing units and that rival gang members were required to eat meals in their cells, both of which diminished the time available for the program. Before imposition of the reduced schedule, both groups had been locked down for seven consecutive months as a result of a riot that occurred on September 15, 2004.
- ***Correctional Training Facility.*** Between July 19, 2005, and May 2, 2006, the substance abuse treatment program at the Correctional Training Facility, with a contracted capacity of 250 beds and 145 participants, was affected by nine lockdowns, totaling 91 days, or 46 percent of the approximately 200 days program services would otherwise have been available. According to the program director, when the participants are not able to attend the program, the counselors take writing assignments and reading materials to the living units, but there are no opportunities for therapeutic community group discussions or counseling sessions. On May 8, 2006, shortly after the contractor’s staff moved into a new building and

the ninth lockdown ended, the program temporarily closed because of security problems with the new building. As of August 15, 2006—70 program days later—the program was still closed to inmates because of problems with installation of the telephone system in the new building.

- ***Ironwood State Prison.*** As of August 2, 2006, all of the 191 inmates assigned to the 200-bed substance abuse treatment program at Ironwood State Prison had been locked down since July 12, 2006. Between January 2, 2006 and August 14, 2006, the program was closed or unexpectedly cancelled more than 40 percent of the time available for programming—70 of 161 days. Lockdowns accounted for 33 of the days, while other reasons, such as shortages in program or prison staff because of training or employee leave, accounted for the remaining 37 days.
- ***Sierra Conservation Center.*** Between February and August 2006, five riots and subsequent lockdowns disrupted the 200-bed substance abuse treatment program at the Sierra Conservation Center. The lockdowns, which lasted for 35, 18, 54, 16, and 23 days, respectively, and affected an average of 44 percent of the program participants, have been severely detrimental to development of the therapeutic community. On July 12, 2006, for example, nearly half the program participants were placed in an administrative segregation housing unit after they rioted over an incident between two participants. The program continued to be affected for weeks afterward because general population inmates were moved into the program's housing facility to backfill the beds left vacant by inmates who were sent to the administrative segregation housing unit. The frequency and severity of disruptions to the program raise doubt about whether a therapeutic community can develop at this prison.
- ***Substance Abuse Treatment Facility (F- and G-Yards).*** Established in 1996, the two substance abuse treatment programs at the Substance Abuse Treatment Facility—each with 739 available beds and an annual contract value of \$2.8 million—have also been adversely affected by sharing facilities with general population inmates. The programs are located in prison yards F and G, which originally were used exclusively for the substance abuse programs. In 2005, however, the department began moving general population inmates into one of the three housing units on each of the yards. Accordingly, as of August 2, 2006, the 668 inmates participating in the F-yard program were crowded into two buildings, while the third building housed 272 general population inmates. The result has been repeated disruptions in the substance abuse program from lockdowns and other problems associated with general population inmates. In three of the 14 months since the general population inmates moved into the F-yard, the program operated for less than 67 percent of available hours because of lockdowns. According to the program director, who has held that position since 2002, the F-yard program rarely closed in the past because problems among participants in the substance abuse program were less serious and were often resolved by applying therapeutic community techniques. In addition to lockdowns, the program director reported that the presence of the general population inmates has also necessitated an end to several program incentives—such as special sporting events and allowing

cells to remain unlocked during the day—that were formerly used to reinforce positive behavior on the part of program participants and encourage continued participation.

Similarly, the former director of the G-yard program reported that in 2005, special needs-yard inmates were moved into one of the program's three housing units, necessitating relocation of program participants to the remaining two buildings, where they had to be double- and triple-bunked. When a riot ensued, the entire G-yard was locked down for at least 30 days, after which the special needs-yard inmates were moved out and were replaced by general population inmates. According to the former director, the frequency of lockdowns on G-yard has increased in the 12 to 18 months since the population changes. Because detailed information is not available, however, it cannot be determined whether the lockdowns have prevented development of a therapeutic community at the G-yard facility.

Table 4 on page 30 summarizes the problems of these eight substance abuse treatment programs.

Underutilization of the programs wastes resources. Underutilization of these programs—whether because of lockdowns or because significant numbers of beds are unfilled—results not only in missed opportunities to provide treatment services, but in higher per-inmate costs and wasted personnel expenditures. Several programs with unfilled beds or with few participants able to attend treatment services because of lockdowns or other reasons maintain more counselor positions than necessary to satisfy the 18:1 ratio. For example:

- The Correctional Training Facility contract calls for 250 beds at a cost per inmate of \$3,832 if the program were fully utilized. But between July 2000 when it began and November 2006, the program housing unit has been able to accommodate only 145 participants, leaving 105 beds unfilled and raising the cost per inmate to \$5,079. Although the contract provided funding for 14 counselor positions to meet the 18:1 ratio for 250 inmates, with only 145 participants, the program required only eight counselor positions to meet the ratio requirement. Yet, from September 2005 through July 2006, the contractor maintained between 13 and 14 counselor positions, with the result that for fiscal year 2005-06 alone, the department unnecessarily paid at least \$153,059 in counselor salaries and benefits.
- California State Prison, Los Angeles County has 200 contracted in-prison substance abuse treatment beds and a budget that provides funding for a total of 12 counselors to provide the 18:1 ratio. Yet, in the 12 months between August 2005 and July 2006 the number of inmates assigned to the program never exceeded 157—79 percent of capacity—which required only nine counselors to maintain the desired ratio. Nevertheless, from March through May 2006, the contractor had 10 counselors on the staff, and from June through August 2006, had 11 counselors, resulting in \$27,000 paid in unnecessary salaries and benefits.

- During the seven month period between January 5, 2006 and August 1, 2006 when the Office of the Inspector General visited the program, Pleasant Valley State Prison, C-Yard continued to maintain 3.5 more counselor positions than needed to maintain the 18:1 ratio even though nearly 38 percent of the participants were locked down. As a result, the Office of Substance Abuse Programs paid the provider approximately \$70,000 in unnecessary salaries and benefits.

TABLE 4
IN-PRISON SUBSTANCE ABUSE PROGRAMS ADVERSELY AFFECTED BY LOCKDOWNS AND OTHER PROBLEMS

LOCATION (PROGRAM LEVEL)	ANNUAL CONTRACT VALUE	SUMMARY OF PROBLEMS
California State Prison, Solano (Level III program)	\$766,500	As of June 19, 2006, northern Hispanic, southern Hispanic, and black inmates had been locked down continuously since April 2005, November 2005, and June 2006, respectively. As a result, the annual per-inmate cost for the program increased from \$3,800 to \$9,295. Between January 2005 and April 2006, 13 other lockdowns occurred, ranging from two to 22 days.
California State Prison, Los Angeles County (Level IV program)	\$766,500	During fiscal year 2005-06, the program was closed for 37 percent of its scheduled days. Also, from August 2005 through July 2006, the number of participating inmates never exceeded 79 percent of the 200-inmate capacity, yet for six of those months, the State paid more than \$27,000 for more counselors than the contract required.
Pleasant Valley State Prison (two Level III programs)	\$1,533,000	Gang rivalries have caused significant lockdown problems: At the B-yard program, participants received only 15 hours every other week rather than the 20 hours required by the contract. At the C-yard program, 38 percent of the participants were locked down from January to August 2006.
Correctional Training Facility (Level III program)	\$958,125	Since July 2000, the program has been unable to fully utilize its 250-inmate capacity because its building could only hold 145 inmates. Also, between July 2005 and May 2006, nine lockdowns totaling 91 days occurred, preventing the contractor from providing therapeutic services to the affected participants. In addition, between May and mid-August 2006, the program was temporarily closed because of problems encountered with a new building.
Ironwood State Prison (Level III program)	\$766,500	Between January 2006 and August 2006, the program was closed or unexpectedly canceled for 70 of 161 available days—44 percent of the time. Thirty-three days were for lockdowns and 37 days were for other seemingly unavoidable reasons, such as contractor or prison staff shortages, staff training and leave, and temporary reassignments of prison staff to other areas in the prison.
Sierra Conservation Center (Level III program)	\$876,000	Five riots disrupted the program between February and August 2006. The resulting lockdowns lasted for between 16 and 54 consecutive days and, on average, affected 44 percent of the participants.
Substance Abuse Treatment Facility (Level I-II program)	\$2,832,218	In three of the 14 months since general population inmates were introduced in June 2005, lockdowns reduced program hours by at least 33 percent. In addition, special events and program incentives have been cancelled.
Total	\$8,498,843	

RECOMMENDATIONS

To ensure that in-prison substance abuse program contractors provide the required 20 hours of weekly group and individual activities and access to six additional hours and activities six days per week, the Office of the Inspector General recommends that the department require the Office of Substance Abuse Programs to take the following actions:

- Identify each program location where the program hours fall short of the contract requirements. Once identified, either require the contractors to comply with the contract requirements or consider granting the contractor a

written exception.

- Before granting a written exception to any identified program, assess whether the program can successfully operate with fewer hours at that location. If necessary, redirect the program funds to a more amenable location.

To ensure that in-prison substance abuse programs provide sufficient hours for the encounter group sessions, the Office of the Inspector General recommends that the department ensure that the Office of Substance Abuse Programs specifies in contracts with program providers the minimum number of encounter group hours that each contractor must provide each week or month and institute a system to monitor contractor compliance.

To minimize disruptions to the delivery of services provided by in-prison substance abuse programs caused by lockdowns and the contaminating influence of the prison culture on inmates participating in the eight programs described in this finding, the Office of the Inspector General recommends that the department take the following actions:

- Completely isolate inmates participating in the substance abuse programs from general prison population inmates.
- In locations where security or custody reasons prevent the department from completely isolating participating inmates, or if lockdowns continue to have a significant impact on a program even when its participants are isolated, the department should cease operating the substance abuse program at that location and redirect its funding for use in other programs.

FINDING 3

The bidding process used by the Office of Substance Abuse Programs to select in-prison substance abuse program providers neither fosters competition nor ensures that the state receives the highest quality services for the lowest possible price—or the best value for the \$144 million represented in the current multiple-year contracts. Elements of the process also violate state contracting law.

The Office of the Inspector General found that the bidding process the Office of Substance Abuse Programs uses to select in-prison substance abuse program providers unnecessarily restricts competition and may eliminate best-qualified candidates by setting poorly justified minimum and maximum bid amounts that differ by only 5 percent. The process provides little price competition—often resulting in only one bid or in multiple bids at the minimum amount—and places no weight on contractors' past performance. The process also allows bidders to “game” the system by copying language from past winning bid proposals and appears to violate state contracting rules by placing insufficient weight on costs in evaluating competing bids. In the end, the process fails to ensure that the state receives the highest quality services for the lowest possible price or the best value for the \$144 million represented in the current multiple-year contracts.

Minimum and maximum bid prices cannot be justified. In soliciting bids for in-prison substance abuse treatment programs, the Office of Substance Abuse Programs specifies a minimum cost per inmate per day of \$10.50 and a maximum cost of \$11.00 per inmate per day—a difference of only 5 percent.²⁵ Asked to explain the basis for this narrow price structure, which has been in effect since fiscal year 1998-99, officials were unable to explain how the minimum and maximum pricing levels were developed. They noted, however, that two former contractors had gone out of business in 1996 and 2000 and that the minimum pricing level was intended to prevent such occurrences in the future. The Office of the Inspector General verified that previous contractors who bid too low were unable to fulfill the contracts. Yet, vendor qualifications are considered in scoring bids and standard language in the contracts allows the department to cancel a contract if a vendor violates contract provisions. The officials also said the maximum bid amount was dictated by the overall annual budget for the state's in-prison substance abuse programs. Yet, if a competitive bidding process results in a bid higher than the expected maximum, the Office of Substance Abuse Programs could either reject all bids or seek additional funding. Setting a maximum bidding level may also create an environment in which well-qualified providers simply choose not to bid because they do not believe they can provide the required therapeutic community programs for that price. In any case, a review of recent bidding documents reveals that most providers submitted bids at or near the minimum funding level, rendering a maximum price unnecessary.

²⁵ In contracting for substance abuse treatment programs at Folsom State Prison and Kern Valley State Prison, the Office of Substance Abuse Programs recently increased the minimum and maximum rates to \$13.50 and \$14.00, respectively. Officials cited various factors for the higher pricing levels of these contracts, including a high inmate turnover and associated difficulty in programming inmates at Folsom State Prison, and the need for a lower inmate-to-counselor ratio at Kern Valley State Prison because that institution is a Level IV facility. A contract for a Level IV program at California State Prison, Los Angeles County was recently awarded at the lower bid rates of \$10.50 and \$11.00 per bed per day, however.

The process results in either a single bid or in multiple bids at the minimum price.

An analysis of the documentation supporting the bidding process for the 35 in-prison substance abuse program contracts currently in effect revealed that in response to the request for proposals, the department often received either only one bid or multiple bids at the minimum pricing level. Specifically, the Office of the Inspector General found the following:

- Of the 35 contracts reviewed, 11 (31 percent) received only a single bid, seven of them from one vendor.
- Of the remaining 24 contracts, 19 (79 percent) received bids at the same amount—the established minimum bid price.
- For the other five contracts, which ranged in cost from \$3.3 million to \$5.2 million, bids fell between the minimum and maximum pricing levels, but in two contracts, differed by only small amounts. In one instance, the bids ranged between \$3,257,625 and \$3,257,672—a difference of only \$47, and in another instance, they ranged between \$3,353,438 and \$3,353,435—a difference of \$3.

Process appears to violate state contracting rules against restricting competition.

Section 5.03A of the State Contracting Manual and section 10339(a) of the Public Contract Code provide that “an agency may not draft any competitive bidding document in a manner that limits bidding directly or indirectly to any one bidder.” Section 2.04 of the State Contracting Manual also recommends that state agencies not unnecessarily restrict competition when formalizing competitive bidding processes. Yet, the bid process used by the Office of Substance Abuse Programs appears to restrict competition and fix the price of the contracts. The process may also unintentionally exclude contractors who might either bid lower costs or have more expensive but more effective programs.

The department has not justified receiving fewer than three bids. Section 5.10B of the State Contracting Manual requires state agencies to prepare and retain in the agency’s contract file a complete explanation as to why fewer than three bids were received and a justification as to the reasonableness of the contract price. Contracting rules also require that if fewer than three competitive bids or proposals have been received, the following information shall be supplied to the Department of General Services when the contract is submitted for approval:

- The effort made by the awarding agency to solicit competitive bids.
- Cost information in sufficient detail to support and justify the cost of the contract.
- Cost information for similar services.
- Special factors affecting the costs under the contract.
- An explanation of why the awarding agency believes the costs are appropriate.

The Office of the Inspector General found, however, that neither the department’s contracting unit nor the Office of Substance Abuse Programs had prepared such documentation. The programs section chief of the Office of Substance Abuse Programs said he has addressed this issue in the past and re-bid one contract in 2005 when only two bids were received on a proposal, but that the department’s contracting unit had never requested “any special information to justify accepting a proposal when less than three bids are received.”

Bid prices receive too little weight in the overall score. State contracting rules require agencies to give appropriate weight to contract price in scoring bid proposals. Section 10344(c) of the Public Contract Code provides that “any evaluation and scoring method shall ensure that substantial weight in relationship to all other criteria utilized shall be given to the contract price proposed by the bidder.” Section 5.25B of the State Contracting Manual, which covers the “Secondary Request for Proposal” bidding method used by the Office of Substance Abuse Programs, provides that “when scoring a proposal, cost/value effectiveness and cost adequacy may be judged, evaluated and awarded points as part of the technical score, but this must be in addition to the cost points.” It further provides that “agencies should discuss the request for proposal with their assigned Department of General Services (Office of Legal Services) attorney before soliciting proposals where cost points are less than 30 percent of the total points.”

The Office of Substance Abuse Programs, however, does not always assign even the minimum suggested 30 percent weight to the contract price when it allocates points to evaluate competitive bidding proposals. In a February 2006 request for proposal, for example, the Office of Substance Abuse Programs assigned only 24 percent of the total score to the budget proposal element (contract price). Table 5 illustrates the elements used to evaluate the proposals received in response to that request for proposal.

**TABLE 5
EVALUATION AND AWARD PROCESS SCORING CRITERIA
REQUEST FOR PROPOSAL, FEBRUARY 2006**

Proposal Element	Maximum Points	Percentage of Total
Organizational Overview	131	19%
Population information for the in-prison substance abuse programs	24	3%
Project goals, objectives, and approaches to providing in-prison substance abuse program services to inmates	181	27%
Project goals, objectives, and approach for technical services of the in-prison substance abuse programs	80	12%
Project goals, objectives, and approach for transition to community-based services	20	3%
Staffing requirements	<u>82</u>	<u>12%</u>
Subtotal	<u>518</u>	<u>76%</u>
Budget Proposal (Bid Price)	<u>165</u>	<u>24%</u>
TOTAL	683	100%

Source: California Department of Corrections and Rehabilitation, Office of Contract Services, Request for Proposal 060022.

The Office of the Inspector General found that the department’s contracting staff was unaware of the requirement to consult with the Department of General Services in weighting the cost element at less than 30 percent and therefore did not do so. Table 5 also illustrates that no points are assigned to contractors’ past performance, which is

particularly troubling given the issues related to contractor performance discussed throughout this report.

Contractors are able to manipulate the scoring. In addition to placing too little weight on the cost portion of the contract proposals, the current bidding process makes it possible for bidders to manipulate scores by copying language covering non-cost elements from past winning bids. As shown in Table 5, for example, one of the non-cost scoring criteria—goals, objectives, and approaches for delivering in-prison substance abuse program services—is assigned a 27 percent weight. Contractors who submit language from previously successful proposals may obtain the optimal point value for that element. One result is that scores vary little from one contractor to another and in the past the bidding has sometimes resulted in tie scores, making it necessary for the contract to be re-bid.

The Office of Substance Abuse Programs uses the most complex bidding process. The state uses three competitive bidding processes: the invitation for bid; the primary request for proposal; and the secondary request for proposal. In the invitation for bid process, qualifying bidders compete solely on the basis of price, while the other two methods are recommended when it is appropriate to evaluate bidders on the basis of qualifications as well as price. Since its inception in 1989, the Office of Substance Abuse Programs has used the secondary request for proposal, which is the most complex of the three competitive bidding processes.

Table 6 provides a comparison of the three competitive bidding methods.

	Secondary Request for Proposal <i>(method currently used)</i>	Primary Request for Proposal	Invitation for Bid
<i>Considerations for Use</i>	Services are complex, uncommon, or unique and require expertise with varying, creative, or innovative methods that may differ significantly from one proposer to another.	Services are complex but not uncommon or unique. Expertise with varying methods or approaches is needed but does not differ significantly from one proposer to another.	Services are simple, common, or routine and may require personal or mechanical skills. Little discretion is used in performing the work.
<i>Qualifications Needed</i>	Statement of work is less precisely defined. Proposer offers detailed work plans, approaches, methods, etc.	Statement of work is fairly well defined in terms of services to be performed and time frames. Proposer offers detailed work plans, methods, etc.	Statement of work is predeveloped by agency.
<i>Evaluation Method</i>	Narrative proposals are evaluated and scored. Passing points may be set to determine finalists.	Narrative proposals are reviewed, evaluated, and scored for responsiveness and compliance with format, content, and qualification requirements.	A pass/fail determination is made for responsiveness to requirements, which may include proof of certifications.
<i>Cost Consideration</i>	Price must be a significant factor that is scored.	Cost proposals are not scored.	Sealed bids or price quotes are submitted.
<i>Award Method</i>	Award is to the responsible proposer earning the highest overall score.	Award is to the lowest (cost) qualified responsible proposer.	Award is to the lowest (cost) responsible bidder.

For the 35 service contracts currently in place for the 38 in-prison substance abuse programs, the department’s contracting unit, under the Office of Substance Abuse Programs’ direction, used the secondary request for proposal process 11 times. In most instances, the contracting unit used only one secondary request for proposal to solicit

proposals for more than one program location—sometimes soliciting proposals for six program locations with a single request. The 11 request for proposal solicitations resulted in 35 contracts totaling nearly \$144 million with durations ranging from two to five years.

The department has previously identified deficiencies in the contracting process.

The Office of the Inspector General found that the department’s contracting unit, which oversees the contracting process for the in-prison substance abuse program, has identified the following deficiencies in the process:

- It is difficult for new contractors to enter the existing group because the contracting process tends to favor existing contractors who know how to “play the game” by requesting copies of prior winning bid proposals and using similar language in their proposals.
- The advertisement process is lengthy, and the entire request for proposal process typically takes from seven to nine months.
- The proposals continue to be evaluated by the same staff members because it is difficult to find evaluators at the required staff services analyst level or higher who can commit the time necessary to perform the evaluations.
- The request for proposal process allows contractors to move budgeted funds from one area to another, while the invitation for bid process would provide better controls over the budget and funding for the contracts.
- The department’s in-prison substance abuse program contractors are among those that most frequently protest the scoring and other issues related to the bidding process. When such protests are filed, they require contracting staff or the Department of General Services’ Office of Legal Services to develop time-consuming responses.

Members of the contracting unit staff said they believe the department should coordinate with the Department of General Services and the Office of Substance Abuse Programs to discuss an alternative bid proposal process for the in-prison substance abuse program, but also suggested that the management of the Office of Substance Abuse Programs has ignored previous recommendations to change the process.

RECOMMENDATIONS

The department should completely re-evaluate the substance abuse program contracting process. If the department elects to use a different contracting method to correct the deficiencies noted in this finding, the Office of the Inspector General recommends that the department establish a cross-functional team consisting of the Department of General Services, the Office of Substance Abuse Programs, the department’s contracting unit, and other contracting experts to consider the invitation for bid, primary request for proposal, or other alternative contracting methods.

To increase competition for its in-prison substance abuse program contracts, and to ensure that the state receives the best value for those services, the Office of the Inspector General recommends that the department take the following actions:

- Eliminate the minimum and maximum bid amounts from future requests for proposal for in-prison substance abuse programs.
- Assign enough weight to bid prices when evaluating bids so that at least 30 percent of the score is based on price and consider past performance when appropriate.
- Ensure that when fewer than three bids are received, the Office of Substance Abuse Programs prepares an explanation and a justification of the reasonableness of the contract price. These documents should be retained in the department's contract file.

FINDING 4

Poor fiscal controls and mismanagement by the Office of Substance Abuse Programs have encouraged inappropriate spending and enabled contractors to abuse the department's budget policies.

The Office of Substance Abuse Programs has maintained poor fiscal controls over the in-prison substance abuse contractors, encouraging inappropriate spending and allowing contractors to circumvent the department's budget policies. As an example, the Office of Substance Abuse Programs has allowed providers to transfer funds designated for one budget purpose to another—as from unspent salary budget to supplies and equipment—without adequate justification. The practice enables contractors to use such funds to increase their operating budgets and provides disincentives for contractors to fill vacant counselor positions.

Budget transfer requests have been approved without adequate justification. The department's budget policies are set out in a line-item budget guide, which is incorporated by reference into the in-prison substance abuse program contracts. The budget allocation for each program is initially divided among three categories—operational costs, consultant costs, and personnel costs—and under certain circumstances, funds can be shifted among the three categories. But the budget guide requires contractors to provide justification and documentation to support requests to transfer funds from one budget item to another. It also requires program managers, who are responsible for monitoring the contracts, to ensure that contractors provide that justification and gives the programs section chief authority to deny budget transfer requests.

The Office of the Inspector General found, however, that former assistant directors of the Office of Substance Abuse Programs have repeatedly overridden requests from program managers for justification of budget transfers and have overturned denials of transfer requests by the programs section chief.²⁶ According to the programs section chief, one former assistant director instructed staff to approve all budget transfer requests, maintaining that the money was the contractors' to spend as they saw fit—a position not only contrary to the budget guide, but also subject to abuse. For example, one contractor used budget transfer requests to charge the department \$441,000 for video equipment it leased and purchased to create a video library.²⁷ In its justification document, the contractor stated it needed the video equipment to create training videos for use in the substance abuse programs. In a letter to the contractor dated May 27, 2004, the then-assistant director granted the contractor blanket approval to use un-obligated funds to purchase the video equipment and also stated that the budget transfer requests were pre-approved.

²⁶ An organization chart of the Office of Substance Abuse Programs appears in the Appendix.

²⁷ The lease and purchase of video equipment was audited by the department's Office of Audits and Compliance and an audit report was provided to both the department and the contractor on November 15, 2006. In its report, the Office of Audits and Compliance recommended that the \$441,000 purchase be disallowed and that the department recover those costs from the contractor. The auditors further reported that on December 9, 2005 the department took possession of \$440,000 of the disallowed equipment.

The practice did not change significantly when the former assistant director was replaced in January 2005. According to the programs section chief, numerous video equipment purchases that had been given blanket approval by the first assistant director were specifically approved by the second assistant director. In another example, the programs section chief denied one contractor's request to purchase computers and other equipment valued at more than \$29,000 and wrote a memorandum to the assistant director, dated June 7, 2005, outlining the reasons the contractor's request should be denied. The memorandum stated that "their contract expires in December. It is not in the best interests of the State to allow contractors to purchase equipment shortly before their contract expires." Nonetheless, the assistant director overrode the programs section chief's decision and approved the contractor's request. The issue is significant because at that time the line-item budget guide expressly allowed contractors to retain ownership of equipment, even if it was purchased with state funds.

An analysis by the Office of the Inspector General of budget transfer requests for 14 in-prison substance abuse contracts found most of the justifications provided to support transfer requests failed to adequately describe the business necessity for the transfers and should not have been approved. For example, one contractor's justification for transferring \$13,000 in unspent salary budget (salary savings) to supplies and equipment was simply "We are requesting to increase the amount of this line item in order to cover the projected expense for the year." Another contractor, who requested a transfer of \$17,000 from the personnel category to office supplies within the operating budget category, stated, "The expenses in this line item are greater than expected. The transfer of these funds will not adversely affect the ability to deliver substance abuse program services."

Contractors have used budget transfers to increase operating budgets. The Office of the Inspector General also found that in 12 of the 14 contracts analyzed, the contractors used funds initially earmarked for staff salaries to increase their operating expense budgets in fiscal year 2004-05 by an average 54 percent, which increased the total operating budget for the 12 contracts by \$394,928. Although the budget guide permits the use of salary savings for other purposes, allowing fund transfers without adequate justification provides a disincentive for contractors to hire counselors—even though, as noted in Finding 2 of this report, at the time of this review, 26 of the 38 in-prison programs had too few counselors to satisfy the required 18:1 inmate to counselor ratio.

The programs section chief of the Office of Substance Abuse Programs recently took action to significantly curtail the ability of contractors to transfer funds resulting from salary savings. In an August 9, 2006 memorandum, the programs section chief notified staff that he would approve transfers of funds from the personnel category only for personnel-related expenses, such as recruitment or staff training, and that he would not approve fund transfers from the personnel category for the purchase of equipment, consulting services, or other operating expenses. The memorandum also provided that if contractor positions are vacant, inmates participating in the program are not receiving the level of service required by the contract, and that any funds remaining unspent at the end of the fiscal year therefore will be returned to the state.

The Office of Substance Abuse Programs incorrectly reimbursed one contractor.

The Office of the Inspector General found 24 instances between August 2005 and March 2006 in which one contractor, partly using the budget transfer request process, charged a total of \$25,805 in travel and salaries to its in-prison substance abuse program contract even though the expenses were clearly related to a different contract. According to the programs section chief, this contractor did not provide program services under its contract from June 2005 to December 2005 because of department issues outside the contractor's control. The contractor experienced salary savings as a result because it did not keep its part-time staff.

The Office of the Inspector General found, however, that the contractor submitted and received approval for a budget transfer request that transferred \$23,000 in salary savings into the travel line item within the operating category of its budget. Moreover, the contractor received verbal authorization to charge travel expenses related to a different contract that was not under the control of the Office of Substance Abuse Programs. By analyzing invoices submitted by the contractor, the Office of the Inspector General found that much of the travel claimed took place between August 2005 and January 2006, which included months in which the contractor was not providing services.

Such a transfer does not comply with the department's budget guide, which provides that "only those costs for travel directly related to the project can be included." In addition, although the guide states that "salaries of personnel who are providing services for more than one contract must be charged to each contract on a proportional basis and are only allowable for the time the employee is assigned to this contract," the contractor charged 100 percent of the time its employees spent on the other contract to the in-prison substance abuse program contract.

Yet again, the assistant director authorized an improper transfer. According to the program manager, in a meeting with the contractor on July 6, 2005, the assistant director verbally agreed to allow the contractor to use its contract staff on other contracts until it could resume the in-prison substance abuse program. The assistant director also allowed the contractor to be reimbursed for the travel expenses of those employees. The assistant director's actions clearly violated provisions of the budget guide requiring modifications to be in writing and prohibiting cost transfers between contracts.²⁸

The budget guide allows contractors to retain ownership of equipment. In a special review issued in October 2006, the Office of the Inspector General reported that the department's budget guide inappropriately allows contractors to take ownership of equipment costing less than \$5,000, even if the equipment was purchased with state funds and that the practice violates state policy and the state constitution.²⁹ The Office of the Inspector General reported that in fiscal year 2005-06 alone, the department had more than \$2.6 billion in contracts; hence, the amount of equipment inappropriately

²⁸ The Office of the Inspector General has notified the department separately from this report of the incorrect reimbursement of a contractor and recommended that the department investigate the possible misconduct of the employee(s) responsible for approving these reimbursements.

²⁹ Office of the Inspector General, "Special Review into Concerns Related to Substance Abuse Treatment Contractors," October 2006. Internet: <http://www.oig.ca.gov/reports/pdf/FinalRptMasterDoc103106.pdf>

relinquished through this provision could be significant. In the current review, the Office of the Inspector General found that an in-prison contractor whose contract at the Substance Abuse Treatment Facility was not renewed after June 30, 2006 took numerous computers, televisions, and fax machines when it vacated the program. Many of those items had been included in a \$93,250 budget transfer request approved by the Office of Substance Abuse Programs 10 months earlier. Because each of the items probably did not have a unit value of more than \$5,000, the contractor retained ownership of the equipment in accordance with the budget guide, even though the equipment was purchased with state funds.

In response to the Office of the Inspector General's October 2006 review, and subsequent to the end of fieldwork for the present review, the department amended the budget guide to change this provision. Effective October 20, 2006, the guide requires that upon termination of a contract, the contractor must "leave all expendable equipment for use by subsequent contractors or for the State to dispose of according to its needs." The amended budget guide, however, does not require contractors to identify and track all expendable equipment, making it difficult for the department to confirm that the contractors have complied with the new requirement. The budget guide requires only that contractors maintain a list of purchases of expendable equipment considered "theft sensitive," such as cameras, calculators, two-way radios, computers, and printers for audit purposes, and does not require them to identify and track expendable equipment not necessarily deemed "theft sensitive," such as desks, chairs, white boards, and file cabinets.

RECOMMENDATIONS

To improve the monitoring of and spending control over substance abuse program contracts, the Office of the Inspector General recommends that the California Department of Corrections and Rehabilitation take the following actions:

- **Review the budget transfer approval process to determine whether appropriate checks and balances are in place.**
- **Reiterate to program staff who review budget transfer requests and approve contract invoices that contract funds cannot be transferred for use under other contracts.**
- **Further revise the line-item budget guide to require that contractors identify and track all equipment purchased with state funds.**

FINDING 5

The Office of Substance Abuse Programs has failed to adequately monitor in-prison substance abuse program providers for compliance with contract terms and has not established a quality improvement process to identify improvement opportunities.

The Office of Substance Abuse Programs has done a poor job of monitoring the in-prison substance abuse program providers for program quality and compliance with contract terms. Even though a policy and procedures manual requires program managers to conduct twice-yearly compliance reviews to enforce contract provisions relating to issues such as staffing ratios and program hours, the Office of the Inspector General found substantial evidence in the present review that those contract terms are not being met. To enable the department to evaluate the in-prison programs and identify needed improvements, the provider contracts also require contractors to collect and submit data on program participants, such as the days and hours the inmates participated. But the Office of Substance Abuse Programs has not held contractors accountable for submitting the data and, according to a department official, the data submitted is often inaccurate and incomplete—and therefore cannot be relied upon in evaluating the programs. The Office of Substance Abuse Programs also has limited ability to enforce compliance with contract provisions because its contracts with program providers include no remedies short of full cancellation of the contract if a contractor fails to satisfy contract terms. The Office of Substance Abuse Programs has also failed to implement a formal quality improvement process for the in-prison substance abuse programs.

Monitoring of the program providers has been inadequate. Monitoring to evaluate how well programs are functioning is required both by state contracting policy and by the contracts with in-prison substance abuse program providers. The State Contracting Manual requires departments to “integrate contract management elements into every contract that facilitate measurement of achievement and measurement of contractor performance.” These elements include monitoring the services provided to ensure they are performed according to the quality, quantity, objectives, time frames, and manner specified in the contract. The policy and procedures manual of the Office of Substance Abuse Programs assigns program managers responsibility for fiscal and programmatic management of the in-prison substance abuse contracts. The manual requires program managers to visit programs monthly “to assess the program quality, development of program culture and interaction between institution staff.” The manual also requires them to conduct biannual compliance reviews of each program to evaluate the contractor’s compliance with specific contract terms, including staffing ratios, program hours, client file information, the status of aftercare coordination, and the contractor’s efforts to recruit and retain staff. According to Office of Substance Abuse Programs supervisors, program managers are given considerable flexibility in carrying out those responsibilities, and, because they address compliance issues during monthly site visits, they are not required to conduct detailed compliance reviews.

The Office of the Inspector General found from site visits to the 38 programs, however, that in many instances, contract terms are not being met. For example, 53 percent of 474 inmate files reviewed by the Office of the Inspector General in August 2006 had not been updated with progress notes for more than 10 days, and only 28 percent of the files

contained evidence of supervisory review. In addition, while some programs have more counselors on staff than they need to maintain the 18:1 participant-to-counselor ratio required by the contracts, the Office of the Inspector General found that 26 of the 38 programs (68 percent) had too few counselors to satisfy the 18:1 ratio. These deficiencies diminish the efficiency and the potential effectiveness of the program.

The failure of the Office of Substance Abuse Programs to adequately monitor substance abuse treatment program providers has been pointed out before. In a 2003 review of the Substance Abuse Treatment Facility, the Office of the Inspector General found “lax monitoring of contractors who provide program services” and recommended that the Office of Substance Abuse Programs “conduct systematic, in-depth monitoring of providers for contract compliance.” The 2003 review also recommended that the Office of Substance Abuse Programs require contractors to submit corrective action plans with deadlines to address noted deficiencies and that the Office of Substance Abuse Programs conduct follow-up monitoring to verify that satisfactory corrective action had been taken. Yet, in an April 2006 follow-up review of the Substance Abuse Treatment Facility, the Office of the Inspector General found the deficiencies still had not been corrected.

Documented, structured reviews of compliance with key contract terms can provide important information that management can use for the following: deciding whether to continue using a contractor in future contracts or to terminate a contract; deciding whether corrective action is necessary and to what degree; and identifying contract terms that should be modified in existing or future contracts. Because the Office of Substance Abuse Programs has failed to implement both its own policy requiring program managers to conduct detailed compliance reviews and the Office of the Inspector General’s previous recommendations, it has not adequately monitored compliance with key contract provisions and has lost opportunities to identify ways to improve the program.

Contractors have not been held responsible for submitting important data. In addition to not adequately monitoring compliance with program requirements, the Office of Substance Abuse Programs has not held contractors responsible for submitting important data needed to assess program effectiveness. The in-prison substance abuse program contracts require contractors to collect and submit data on participants, including the participant’s inmate number, beginning and ending dates of service, number of hours of participation, number of days of participation, and a code that identifies the program and location. According to the acting chief of adult research in the department’s Division of Support Services, however, none of the contractors have ever submitted two of the six data elements—the number of hours and the number of days the inmate participated—both of which are necessary to adequately evaluate whether the amount of time participants spend attending program activities affects recidivism. The Office of Substance Abuse Programs has not only failed to enforce the requirement that contractors provide the data, but has also continued to award new contracts for in-prison programs to contractors who have not fulfilled the requirement in the past.

In addition to that data, the in-prison substance abuse program contracts also require contractors to maintain other information on participant characteristics, including data elements necessary to ensure that program and aftercare services are appropriate to the participants’ needs and status. Such data could foster quality improvement through continuous program evaluation. Yet, the contracts do not describe the specific data

elements that should be included. As a result, the Office of Substance Abuse Programs is not receiving all of the information necessary to evaluate the program and ensure that the services it provides participants are appropriate.

Information submitted by contractors is often inaccurate. According to the acting chief of adult research, 15 percent of the inmate identification data submitted to the department by the contractors is inaccurate and the contractors often use the wrong codes to identify the reasons participants leave the program or fail to provide the information at all. She also reported that information on the number of days participants attend aftercare is often inaccurate or missing. As a result, the Office of Substance Abuse Programs cannot rely on the information to evaluate the programs. Both the acting chief of adult research and officials from the Office of Substance Abuse Programs noted that some of the data field terms used by the Office of Substance Abuse Programs are not clearly defined, and that the internal systems used by some program contractors to track data are not adequate.

It appears that contractor data errors have been a problem since the program began. When the University of California, Los Angeles began evaluating programs in 1998, researchers reported they had been unsuccessful in collecting program client-level data from contractors and that contractors were having trouble with their internal systems and were using three different management information systems because they could not agree on a common system. In 2000, the University of California, Los Angeles reported receiving inaccurate data from the contractors on the number of clients admitted and discharged from the in-prison substance abuse programs and further reported that the information submitted by the contractors did not reconcile to the monthly reports contractors sent to the Office of Substance Abuse Programs.

Nevertheless, the Office of Substance Abuse Programs has only recently taken action to address these data error issues and to hold contractors accountable for submitting accurate and complete information. The Office of Substance Abuse Programs told the Office of the Inspector General that it plans to collect “better” information in its system and has developed a new database that is expected to be fully operational by January 2007. According to the Office of Substance Abuse Programs data management manager, his staff and the database system contractor are currently working with program contractors to clean up information in their internal systems. Given that the Office of Substance Abuse Programs has failed thus far to collect sufficient information to adequately monitor the programs, however, it is noteworthy that the plan for a database does not include the ability to track all of the information needed, such as the information related to participant characteristics.

The provider contracts do not include intermediate remedies. The Office of Substance Abuse Programs has limited ability to enforce compliance with contract provisions because its contracts with program providers provide for no intermediate remedies and instead allow only for full cancellation of the contract if a contractor fails to satisfy contract requirements. The Office of the Inspector General noted this deficiency in a 2003 review of the Substance Abuse Treatment Facility and State Prison at Corcoran and recommended a change in the contract to provide for intermediate remedies, but more than three years later, the department still has not implemented that recommendation.

The Office of Substance Abuse Programs lacks a quality improvement process. The contracts with providers require the Office of Substance Abuse Programs to use a continuous quality improvement process “to ensure the successful implementation and development” of the in-prison substance abuse programs, including organizing a committee that seeks to identify the industry’s best practices and to make this information available across all in-prison substance abuse programs. Asked whether they had identified industry best practices, however, officials from the Office of Substance Abuse Programs acknowledged that they had not, adding only that the industry is moving away from the therapeutic community model to a cognitive behavior therapy model using credentialed therapists.

According to the programs section chief of the Office of Substance Abuse Programs, previous attempts to implement a continuous quality improvement process have not been successful. In August 2006, the management of the Office of Substance Abuse Programs met with the in-prison substance abuse program contractors to discuss, among other issues, how it might assess the quality of the programs through a project that will evaluate outcome data from four programs with low recidivism rates. The programs section chief told the Office of the Inspector General that he had initially planned to meet with the program contractors in February 2006 to review recidivism rate data and discuss program performance for 26 programs he had studied. He said he was prevented from showing 12-month recidivism data to the providers by his supervisor, the previous assistant director of the Office of Substance Abuse Programs, however, because the assistant director believed that the providers did not want the data shared and discussed at that time. The Office of the Inspector General’s review of correspondence from some of the providers confirmed that the providers were reluctant to share the recidivism data among their peers until they reviewed the data independently and verified its accuracy.

RECOMMENDATIONS

The Office of the Inspector General recommends that the California Department of Corrections and Rehabilitation ensure that the Office of Substance Abuse Programs follow its policy requiring it to conduct biannual compliance reviews of its in-prison substance abuse programs and consider the results of those reviews in future contracting decisions.

To ensure it obtains all of the contract-required data, the Office of Substance Abuse Programs should clearly describe the specific participant characteristic data elements it needs for program evaluation and require its contractors to maintain and report it.

To ensure that its contractors comply with contract terms, the Office of Substance Abuse Programs should consider including in future contracts intermediate remedies that would allow it to enforce contractor compliance.

To improve the delivery of in-prison substance abuse program services, the Office of the Inspector General recommends that the Office of Substance Abuse Programs implement a continuous quality improvement process that includes the following steps:

- Identify the best and worst practices among the in-prison substance abuse program providers and ensure that poor-performing providers take corrective action to change their programs and adopt applicable, successful practices of the top-performing providers.
- Contact other government entities that use the therapeutic community model or other similar substance abuse program models to identify other entities' current outcomes as well as their best practices.
- Identify pertinent measures of performance and methods of capturing and analyzing key information.
- Beginning in 2007, conduct regular meetings with program providers to share best practices and pertinent performance measures.
- Measure individual program performance on a regular basis and share results among all in-prison substance abuse treatment providers during the regular meetings.
- Require each contractor to develop individual program goals and objectives to use as benchmarks. Hold contractors accountable by measuring their success in meeting those goals and objectives, and take the necessary action to change programs or change providers, as warranted.

APPENDIX

IN-PRISON SUBSTANCE ABUSE PROGRAMS

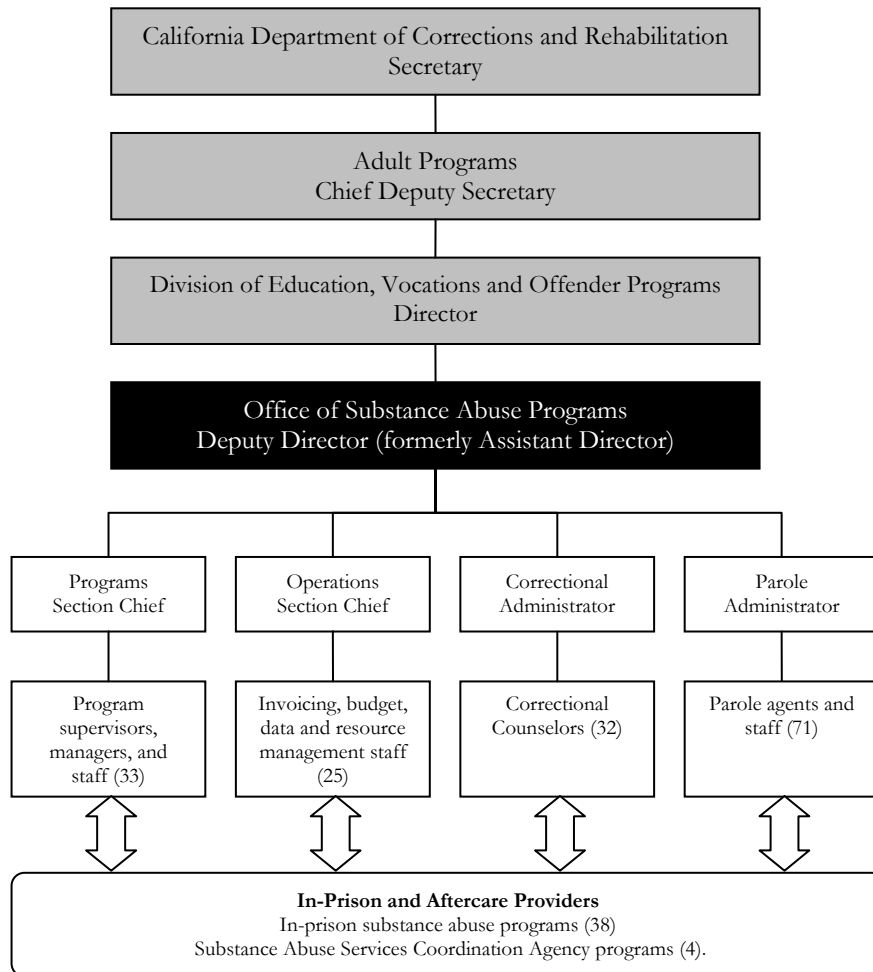
	Location	Level	Number of Beds	Contractor	Fiscal Year 2006-07 Budget
1	Avenal State Prison	II	200	Phoenix House	\$766,500
2	California Correctional Institution, Tehachapi	II	175	Mental Health Systems	\$670,687
3	Central California Women's Facility	I-IV	256	Phoenix House	\$981,120
4	Central California Women's Facility	I-IV	250	Phoenix House	\$958,125
5	California Institution for Men	I	200	Center Point	\$766,500
6	California Institution for Men	I	200	CiviGenics	\$766,500
7	California Institution for Women	I-IV	240	Mental Health Systems	\$919,800
8	California Men's Colony	I-II	180	Odyssey House	\$689,850
9	California State Prison, Corcoran	I	190	Phoenix House	\$728,175
10	California Rehabilitation Center	II	300	Center Point	\$1,149,750
11	California Rehabilitation Center	CA ^a	200	Center Point	\$766,500
12	California Rehabilitation Center	CA	88	Mental Health Systems	\$337,260
13	California Rehabilitation Center	II/CA	218	Mental Health Systems	\$835,485
14	California Rehabilitation Center	CA	263	Mental Health Systems	\$1,007,948
15	California Rehabilitation Center	I-IV/CA	294	Walden House	\$1,126,755
16	California Rehabilitation Center	CA	263	Center Point	\$1,007,948
17	Correctional Training Facility	III	250	CiviGenics	\$958,125
18	Correctional Training Facility	I	208	Amity	\$797,160
19	Chuckawalla Valley State Prison	I-II	292	Amity	\$1,119,090
20	Folsom State Prison, Transitional Treatment Program	I-II	203	Center Point	\$1,000,283
21	Ironwood State Prison	III	200	Mental Health Systems	\$766,500
22	Kern Valley State Prison	IV	256	CiviGenics	\$1,261,440
23	California State Prison, Los Angeles County	IV	200	Amity	\$766,500
24	North Kern State Prison	RC ^b	200	Center Point	\$766,500
25	Pleasant Valley State Prison	III	200	Amity	\$766,500
26	Pleasant Valley State Prison	III	200	WestCare	\$766,500
27	R.J. Donovan Correctional Facility	III	200	Amity	\$766,500
28	R.J. Donovan Correctional Facility	III	200	Amity	\$766,500
29	R.J. Donovan Correctional Facility	I	50	Amity	\$191,625
30	California Substance Abuse Treatment Facility	I-II	739	Walden House	\$2,832,218
31	California Substance Abuse Treatment Facility	I-II	739	Walden House	\$2,832,218
32	Sierra Conservation Center—Baseline	I	120	Center Point	\$459,900
33	Sierra Conservation Center	III	200	Center Point	\$876,000
34	California State Prison, Solano	III	200	Center Point	\$766,500
35	California State Prison, Solano	II	200	Center Point	\$766,500
36	Valley State Prison for Women	I-IV	250	Walden House	\$958,125
37	Valley State Prison for Women	I-IV	256	Walden House	\$981,120
38	Wasco State Prison	RC	300	Center Point	\$1,149,750
TOTAL			9,180^c		\$35,794,457

a. Civil Addicts

b. Reception Center

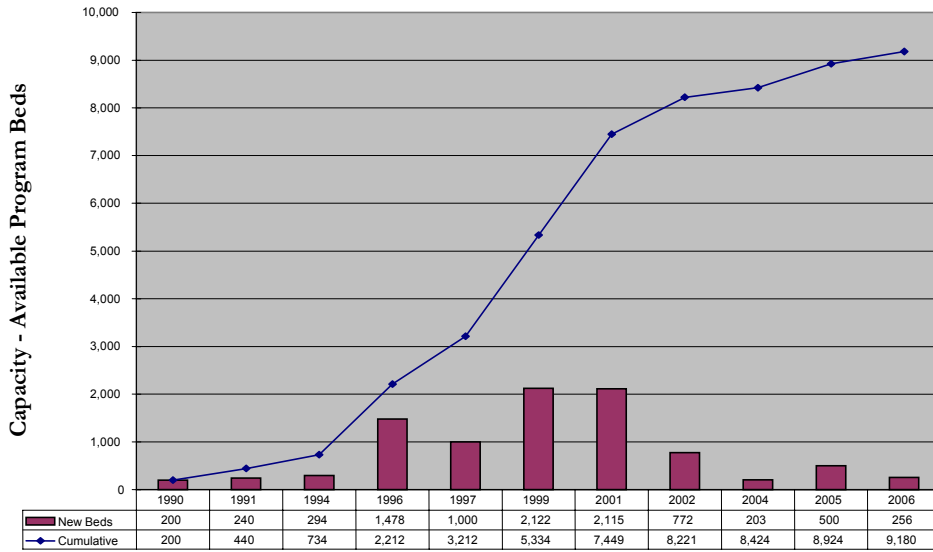
c. Total does not include 200-bed parolee substance abuse program at Folsom State Prison. This program is operated by the Contra Costa County Office of Education and uses a cognitive-behavioral drug and alcohol abuse program rather than a therapeutic community as its treatment method.

**ORGANIZATION CHART
OFFICE OF SUBSTANCE ABUSE PROGRAMS
CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION**



Source: California Department of Corrections and Rehabilitation's organization chart, dated 10/3/2006.
Office of Substance Abuse Programs organization chart, dated 10/10/2006.

IN-PRISON SUBSTANCE ABUSE PROGRAM EXPANSION, 1990 TO PRESENT



Source: Adapted from an Office of Substance Abuse Programs fiscal year 2007-08 budget change proposal.

Note: The 9,180 figure for the number of beds in 2006 does not include a 200-bed Program under the control of the Office of Substance Abuse Programs at Folsom State Prison, because the program is not a therapeutic community-based program.

ATTACHMENTS

State of California

Department of Corrections and Rehabilitation

Memorandum

Date : February 16, 2007

To : Matthew L. Cate, Inspector General
Office of the Inspector General
P.O. Box 348780
Sacramento, CA 95834-8780

Subject: **RESPONSE TO THE OFFICE OF THE INSPECTOR GENERAL'S SPECIAL REVIEW INTO PRISON SUBSTANCE ABUSE PROGRAMS ***

This memorandum is the California Department of Corrections and Rehabilitation's (CDCR) response to the Office of the Inspector General's (OIG) draft report of January 16, 2007, entitled, *Special Review into In-Prison Substance Abuse Programs Managed by the California Department of Corrections and Rehabilitation*. CDCR appreciates the extensive effort of the OIG to review all of the in-prison substance abuse treatment programs and to provide an independent evaluation with several comprehensive recommendations.

CDCR recognizes effective drug treatment programs are critical to its success in reducing recidivism and implementing the Governor's prison reforms. As such, the Department is finalizing some major changes to the program and its organization. The new organization will be renamed to more accurately reflect its mission and its placement will be elevated in the CDCR organization. Its name will be changed to reflect its pivotal role in addiction and recovery services. The new Division of Addiction and Recovery Services (DARS) will be managed by a high level executive qualified to oversee prison and community re-entry services. The position will be at the Director level. Elevating this function within the departmental structure will better focus executive attention on addiction issues and maximize its ability to work within the broader CDCR structure.

The Department generally concurs with the overall findings and intent of the recommendations. Many of the OIG's findings are consistent with our own recent reviews and recommendations and efforts are already underway to improve our program to benefit inmates and stakeholders alike. For example:

- CDCR has established a Treatment Advisory Committee (TAC) comprised of experts in the substance abuse treatment field to evaluate program operations and to recommend program improvements. The TAC reports directly to the Director, DARS. Three meetings of the TAC have been held. Since January 2007 weekly meetings have occurred involving OSAP management and the Chairman of the TAC (Harry K. Wexler, Ph.D. of the National Development & Research Institutes Center for Integration of Research and Practice and the Treatment Research Institute Center for Evidence-based Interventions for Crime and Addictions). On or before April 2, 2007, the TAC will meet with statewide treatment providers, staff from the University of California, Los Angeles, and institution staff.
- The Department is conducting in-depth program reviews to identify issues that can be improved through a best-practices approach or program redirection. This evaluation will be completed by September 2007 and submitted to the Director, DARS.

- CDCR is reevaluating its methods of bidding and contracting for substance abuse services. Changes will be implemented as soon as possible.
- A new contract monitoring tool and database has been developed and will be utilized to identify contract/contractor deficiencies, monitor program performance, and highlight areas of concern.

Based on the recommendations of the TAC, the in-depth program reviews, bid process changes, and contract monitoring improvements, CDCR will improve management of our substance abuse treatment programs. These improvements will be implemented as expeditiously as possible.

- ① Although CDCR generally concurs with the overall findings and intent of the recommendations, it is important to note that the OIG's primary focus was on the University of California, Los Angeles' (UCLA) study of one CDCR facility, the California Substance Abuse Treatment Facility and State Prison at Corcoran, while CDCR operates 38 programs within 22 facilities.
- ② UCLA conducted studies of 14 programs at 8 other facilities and found a range of recidivism rates. The 12-month recidivism rates for 26 of CDCR's substance abuse treatment programs are lower than the departmental average. Recidivism rates for the civil addicts are even more positive. This is consistent with the Washington State Institute for Public Policy study of 35 external evaluations mentioned in the OIG's report.

As pointed out in the OIG's review, the CDCR has collected data on individual programs and found that some of the programs for felons have shown lower recidivism rates than the departmental average. Additionally, the TAC, the CDCR Office of Research, and the expert panel will identify program deficiencies and structural programmatic changes to achieve the intended results.

CDCR is hopeful that the implementation of Senate Bill 1453, which provides the incentive of early discharge from parole for nonviolent inmates who successfully complete both the in-prison program and 150 days of aftercare, will improve the program's recidivism rates further by encouraging aftercare participation. The aftercare program is important to overall success in the Department's treatment programs and their impact on recidivism.

We would like to thank the OIG for its continued professionalism and guidance in CDCR's efforts to improve its operations. If you have any questions, or require further information, please call me at 323-6001.

Original signed by

JAMES E. TILTON
Secretary
California Department of Corrections and Rehabilitation

cc: Marisela Montes, Chief Deputy Secretary, Adult Programs
Stephen Stenoski, Assistant Secretary (A), Office of Audits and Compliance

* Circled numbers in this document refer to the Office of the Inspector General's comments in reply to this response. Those comments appear on the following page.

COMMENTS OF THE OFFICE OF THE INSPECTOR GENERAL ON THE RESPONSE FROM
THE DEPARTMENT OF CORRECTIONS AND REHABILITATION

- ① Contrary to the department's assertion that the Office of the Inspector General's primary focus was on the University of California, Los Angeles study of the California Substance Abuse Treatment Facility and State Prison at Corcoran, the Office of the Inspector General visited all 38 programs and reviewed external research reports related to several California prisons, including reports from the University of California, Los Angeles, San Diego State University, and the University of Cincinnati.

In reaching its conclusions about the department's substance abuse treatment programs, the Office of the Inspector General weighed its own observations of the programs as well as the results from the external research reports. The most convincing research studies were those that compared the recidivism rates of treatment program participants to the rates for a similar group of nonparticipants (control group). Comparisons using a control group are more convincing because they demonstrate that an outcome was caused by the *combination* of the treatment program and the unique characteristics of the participants rather than just the unique characteristics of the participants.

- ② The department suggests that comparing the recidivism rates for participants in its substance abuse treatment programs to the recidivism rates for its overall inmate population demonstrates that its treatment programs are successful. Such a conclusion is flawed, however, for two reasons. First, the department's own study of 26 programs did not include comparisons to a control group of nonparticipants. Similarly, the University of California, Los Angeles did not provide comparative control group information for ten of the 14 programs it studied. The results for the other four programs studied by the University of California, Los Angeles, which did include a control group, appear on page 14 of the Office of the Inspector General's report.

Second, the department's reference to its own 12-month study omits relevant information related to less favorable longer-term outcomes. In an earlier study, using program participants released from prison in 2001, the department found 12-month recidivism rates for participants were lower than the department's average recidivism rate, but also found that after 36 months the rates for participants were no different than the department's average recidivism rate. Because these studies lacked a comparative control group, they do not provide conclusive evidence that the treatment program itself was responsible for the reduced recidivism.