

The Department of Justice Office of the Inspector General (OIG) today released a follow-up report examining the Bureau of Prisons' (BOP) administration of contracts awarded to Medical Development International (MDI) to provide medical services at the Federal Correctional Complex in Butner, North Carolina. The OIG determined that the BOP's actions were only partially effective in addressing deficiencies identified in the OIG's prior audit in 2007.

The OIG confirmed information provided by members of Congress that MDI received payment from the BOP for health care services provided to inmates by its primary subcontractor, Duke University Health System (DUHS), but that MDI did not reimburse DUHS for over \$16 million, including penalties, for such services. MDI's failure to make payment resulted in DUHS refusing to provide non-emergency services to Butner inmates in the spring of 2011. The follow-up audit released today concluded that BOP became aware of this non-payment issue in November 2010, but did not take prompt action to address the problem.

Moreover, in May 2011, another BOP correctional facility made a determination with regard to a separate contract that MDI was a non-responsible contractor, but we found that BOP failed to send an agency-wide announcement notifying its procurement officials about MDI's financial and performance problems until approximately 9 months later, in February 2012.

BOP also referred two issues relating to MDI to the OIG at the beginning of 2011 relating, respectively, to MDI's failures to pay subcontractors and to issues with certain contract proposals submitted to BOP, one of which involved MDI. We found, however, that despite MDI's known problems, the BOP never recommended MDI for suspension or debarment from future government contracts and did not report these problems in the government-wide system for tracking contractor performance and integrity. These actions would have alerted other government contracting officers to MDI's financial and performance issues.

We also found in our follow-up audit that the BOP had recovered the total amount of \$1.3 million in questioned costs from the OIG's prior audit by withholding payment for invoices owed to MDI, and it had retained contractors to review the accuracy of MDI's medical billings. The BOP also installed a time-clock at the Butner facility to improve controls over hours billed by on-site providers, although it did not ensure the time-clock was used regularly.

The OIG made seven recommendations to BOP to help improve its contract management practices, and BOP concurred with all seven recommendations.

The report can be found on the OIG's website at: <http://www.justice.gov/oig/reports/2013/a1402.pdf>.