

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



NORTH CAROLINA DEPARTMENT OF PUBLIC SAFETY ADULT CORRECTION & JUVENILE JUSTICE

RALEIGH, NORTH CAROLINA

INVESTIGATIVE REPORT
SEPTEMBER 2016



NC  **OSA**
The Taxpayers' Watchdog

EXECUTIVE SUMMARY

PURPOSE

The Office of the State Auditor received a complaint through its Hotline concerning a contracted physician's alleged time record falsifications at several North Carolina prisons.

BACKGROUND

The North Carolina Department of Public Safety (DPS) – Division of Adult Correction and Juvenile Justice is responsible for the care, custody, and supervision of all adults and juveniles sentenced after conviction for violations of North Carolina law. North Carolina houses more than 37,000 inmates in 56 state prisons.

DPS contracted with a physician to provide medical services to inmates at several prisons, including North Piedmont Correctional for Women, Albemarle Correctional Institute, Brown Creek Correctional Institution, Lanesboro Correctional Institution, and Davidson Correction Center. In early 2014, DPS became aware of discrepancies between the physician's time records and prison gate logs.

FINDING

- From July 2011 to May 2014, a physician's falsification of time records resulted in at least \$567,125 of overpayments

KEY RECOMMENDATIONS

- DPS should seek reimbursement from the physician for the overpayments
- DPS should consider reviewing the physician's time records prior to July 2011 to determine if additional overbillings occurred

Key recommendations are not inclusive of all recommendations in this report.

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
Members of the North Carolina General Assembly
Frank Perry, Secretary, North Carolina Department of Public Safety

Ladies and Gentlemen:

Pursuant to *North Carolina General Statute §147-64.6(c)(16)*, we have completed an investigation of allegations concerning the North Carolina Department of Public Safety. The results of our investigation, along with recommendations for corrective action, are contained in this report.

Copies of this report have been provided to the Governor, the Attorney General and other appropriate officials in accordance with *G.S. §147-64.6(c)(12)*. We appreciate the cooperation received from the management and employees of the Department of Public Safety during our investigation.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Beth A. Wood'.

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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Article 5A, Chapter 147 of the North Carolina General Statutes, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



BACKGROUND

The Office of the State Auditor initiated an investigation after receiving a complaint concerning a contracted physician's alleged time record falsifications at several North Carolina prisons.

The North Carolina Department of Public Safety (DPS) – Division of Adult Correction and Juvenile Justice contracted with a physician to provide medical services to inmates at several prisons, including North Piedmont Correctional for Women, Albemarle Correctional Institute, Brown Creek Correctional Institution, Lanesboro Correctional Institution, and Davidson Correction Center.

In early 2014, DPS became aware of discrepancies between the physician's time records and prison gate logs. In May 2014, when a DPS administrator contacted the physician explaining that, in the future, he would only work at three prisons and must work between 6 am and 6 pm, the physician told DPS that he would not continue to work for DPS under those conditions. On May 30, 2014, DPS sent a letter to the physician terminating his contract.

The investigation of the contracted physician's alleged time record falsifications included the following procedures:

- Review of applicable North Carolina General Statutes and DPS policies and procedures
- Interviews with DPS personnel and the contracted physician
- Examination and analysis of available documents and records

This report presents the results of the investigation. The investigation was conducted pursuant to *North Carolina General Statute § 147-64.6 (c) (16)*.



FINDINGS AND RECOMMENDATIONS

PHYSICIAN'S FALSIFICATION OF TIME RECORDS RESULTED IN AT LEAST \$567,125 OF OVERPAYMENTS

From July 2011 to May 2014, a contracted Department of Public Safety (DPS) physician overbilled DPS at least 4,537 hours. As a result, DPS overpaid the physician at least \$567,125.

Falsification of Time Records

A comparison of time records to facility gate logs¹ revealed the physician falsified time records at five prisons. Our analysis identified 792 instances in which hours billed exceeded actual on-site hours. The physician's contract included a provision that limited payment to hours worked on-site.

Over the three-year period, DPS paid the physician for 8,864 hours at \$125 per hour for an approximate total of \$1,108,000. Investigators could only analyze 6,198 hours of the 8,864 hours because of incomplete records.²

As summarized below, the physician overbilled DPS 4,537 out of these 6,198 hours. Based on the \$125 hourly rate, the physician overbilled DPS for \$567,125 of the \$774,750 (73%) analyzed.

Comparison of Hours Billed to Hours On-Site				
Fiscal Year	Hours Billed	Hours On-Site	Over-Billed Hours	Over-Billed %
2012	2,057	556	1,501	73%
2013	2,413	618	1,795	74%
2014	1,728	487	1,241	72%
Totals	6,198	1,661	4,537	73%

The analysis did not include 2,666 hours (\$333,350) that the physician billed DPS. Therefore, the physician may have overbilled more than the 4,537 hours identified above.

As a result of the falsified time records, the contracted physician was overpaid at least \$567,125. DPS could have used these funds to meet other operational needs related to public safety.

Physician's Alleged Agreement with DPS

According to the contracted physician, he had a "tacit agreement" with DPS to bill more hours than he was actually on-site at the prisons. He said DPS administrative personnel had actual knowledge he billed DPS for more hours than he worked at the prisons. The physician said he routinely billed DPS approximately eight hours for a large facility and three hours for a small facility each visit. DPS administrators denied having any such agreement with the physician.

¹ Gate logs document the date and time individuals enter and exit a prison.

² North Piedmont Correctional Center for Women (closed since August 2014) did not have gate log records for the physician and the remaining prisons did not have complete gate log records. Incomplete gate logs had either an entry or exit time, but not both.

The physician said he received a phone call on May 7, 2014 from a DPS administrator who said, "I [the physician] would be paid only for time spent on site in the future." The physician did not provide services to DPS after that date.

Management Override of DPS Policy

The physician's overbilling at one facility continued uncorrected due to management override of DPS policy. The DPS accounts payable policy required DPS supervisors to approve time records and verify compensation for personal service contracts³ before submission for payment.

However, one prison employee said that she was told by two supervisors to sign the physician's time records even though she knew they were incorrect. At some point, this employee refused to sign the physician's time records so the administrator for that facility assigned that task to another employee.

Two prison employees responsible for approving the physician's time records said they were told by their supervisors to not verify hours because it was difficult to find physicians to work at prisons. DPS administrators confirmed that it is challenging to find doctors to work at prisons.

Failure to Communicate DPS Policy

Several prison employees responsible for approving the physician's time records said DPS administrators did not instruct them to verify the accuracy of his time records. These employees told investigators they did not observe the physician working so they could not verify his hours.

Moreover, a November 2015 DPS internal audit found that some "...approvers of the time records stated they had no evidence the hours were accurate before they approved the employees' time records."

The physician's contract with DPS included a provision that it "shall compensate the provider... for services rendered" while "on-site" at the prisons. According to the physician's contract, he was to be paid \$125 per hour for time on-site at the prisons and record those hours monthly on DPS Form DC-481 (Independent Contractor Service Time Record).

RECOMMENDATIONS

- DPS should seek reimbursement from the physician for the overpayments
- DPS should consider reviewing the physician's time records prior to July 2011 to determine if additional overbillings occurred
- DPS should compare time records to prison gate logs or other records as necessary to ensure that contracted physicians are paid only for time on-site
- DPS should consider disciplinary action in response to departures from its policies and procedures

³ A personal service contract is an agreement for services provided by a professional individual on a temporary or occasional basis.

Note: This finding has been referred to the North Carolina State Bureau of Investigation as well as the District Attorney for the 10th Prosecutorial District as the physician's time record falsifications may represent a violation of North Carolina General Statute §14-100 – Obtaining Property by False Pretenses.

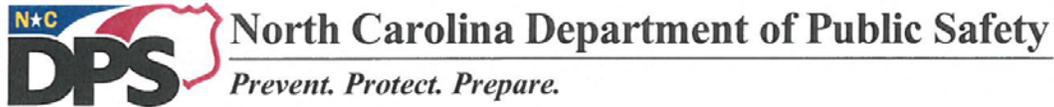


MATTERS FOR FURTHER CONSIDERATION

DPS should consider investigating other contracted physicians' time records, including those who work for Temporary Solutions, to identify any possible overbilling. From April 2014 to June 2014, DPS contracted with 10 physicians to provide medical services at prisons. A review of three of those contracted physicians' time records and gate logs indicated that one of the physicians overbilled DPS \$13,758 during that three-month period.



RESPONSE FROM THE NORTH CAROLINA DEPARTMENT OF PUBLIC SAFETY



Pat McCrory, Governor

Frank L. Perry, Secretary

September 20, 2016

Beth A. Wood, CPA
State Auditor
20600 Mail Service Center
Raleigh, North Carolina 27699-0600

Dear Ms. Wood:

This letter is written in response to a September 2016 Investigative Report provided to the Department of Public Safety (DPS) by your office. The investigation pertained to allegations of time records falsification by a physician contracted by the Division of Adult Correction and Juvenile Justice. I appreciate the thoroughness of the investigation and the time taken by members of your staff to share the findings in person with my leadership team. Let me assure you that we take the findings and recommendations very seriously and are taking appropriate measures to ensure providers' time records accurately reflect hours worked.

The investigative report included a number of helpful recommendations, and DPS is taking corrective actions necessary to address these recommendations. The recommendations and corrective actions are as follows:

- 1) *DPS should seek reimbursement from the physician for the overpayments.*

DPS is exploring avenues for reimbursement.

- 2) *DPS should consider reviewing the physician's time records prior to July 2011 to determine if additional overbillings occurred.*

DPS will appoint a Review Team consisting of members from both Prisons Administration and Internal Audit to review any available records, as recommended.

- 3) *DPS should compare time records to prison facility gate logs or other records as necessary to ensure that contracted physicians are paid only for time on-site.*

Current DPS Entrance/Exit procedures require each prison facility to designate a single entrance/exit point and to process employees through the Gatelog system by having their card swiped. As a result, any future discrepancies found on a contracted physician's time record can be compared to the prison facility gate log records.

A memorandum was issued to all Health Services staff on July 18, 2014 addressing the need for time accountability and accurate recording of hours worked. All Health Service Providers, including

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physicians, were also specifically directed to sign in or swipe in upon arrival and exit of the work location in a memorandum issued December 22, 2015.

DPS will also explore other operational opportunities to establish higher levels of time accountability for these and other contracted positions.

- 4) *DPS should consider disciplinary action in response to departures from its policies and procedures.*

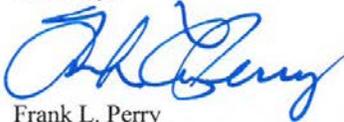
The findings of this Investigative Report will be referred to the DPS Office of Special Investigations to investigate any departures from DPS policies and procedures. Any DPS employee who is found to knowingly depart from policy or procedure is subject to the disciplinary process as outlined in policy.

- 5) *Matters of Further Consideration: DPS should consider investigating other contracted physicians' time records, including those who work for Temporary Solutions, to identify any possible overbilling.*

The Review Team will review other contracted physicians' time records for compliance with time management policies and appropriate billing.

Again, I thank you. Please extend my thanks to your staff for their diligence and insights that are so readily evident in the final investigative report.

Sincerely,



Frank L. Perry
Secretary



W. David Guice
Commissioner

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

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This investigation required 625 hours at an approximate cost of \$64,323