



FOR IMMEDIATE RELEASE

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DOJ OIG Releases Management Advisory Memorandum of Concerns Identified in the Federal Bureau of Prisons' Acquisition and Administration of Procurements Awarded to NaphCare, Inc. for Medical Services Provided to Community Correction Management Inmates

Department of Justice (DOJ) Inspector General Michael E. Horowitz announced today the release of a Management Advisory Memorandum notifying the Director of the Federal Bureau of Prisons (BOP) of significant concerns identified during an ongoing audit of the BOP's procurements awarded to NaphCare, Inc. (NaphCare) for medical services provided to Community Corrections Management (CCM) inmates. The procurements awarded to NaphCare from October 2016 to present exceed \$91 million.

The DOJ Office of the Inspector General (OIG) identified significant concerns related to acquisition planning and administration of procurements. We found that the staff responsible for administering the NaphCare procurements have limited expertise in medical services or medical billing. We believe that a lack of coordination among key stakeholders is the primary cause for our preliminary findings, which include:

- **Gross Underestimate of Cost.** The BOP issued a 3-year blanket purchase agreement to NaphCare with a ceiling of \$3.75 million. However, the BOP grossly underestimated the amount of the blanket purchase agreement. The total cost over the 3-year-period was approximately \$51.9 million, exceeding the ceiling by approximately \$39.2 million.
- **Non-Competitive Contracts.** When the original 3-year blanket purchase agreement expired, the BOP awarded NaphCare with three non-competitive sole-source contracts because BOP officials did not have time to plan and award a competitive contract. However, the Federal Acquisition Regulation (FAR) does not allow for lack of advance planning to be used as a justification for contracting without full and open competition.
- **Inadequate Oversight.** BOP officials stated that because they lack the technical knowledge to review medical billings, they simply pay invoices without comparing rates billed to the rates in the award document or to Medicare benchmark rates. BOP officials stated that if NaphCare wanted to bill for services that were not provided, they could easily do so without being scrutinized. The OIG is particularly concerned about this lack of oversight because in June 2021, as a result of an OIG investigation, NaphCare agreed to pay \$694,593 to resolve allegations that NaphCare violated the False Claims Act by knowingly submitting false claims to the BOP in connection with health care services provided to BOP inmates.

Although our audit has not concluded, this memorandum provides early notification of our concerns that we believe are significant enough to warrant the BOP's immediate attention and consideration for future procurement planning.

The DOJ OIG made two recommendations to the BOP to address the concerns we identified. The BOP agreed with the recommendations.

Memorandum: Today's memorandum is available on our website at the following link:

<https://oig.justice.gov/reports/notification-concerns-identified-federal-bureau-prisons-acquisition-and-administration>

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