



## State of North Carolina

Department of Justice  
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RALEIGH, NORTH CAROLINA  
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ROY COOPER  
ATTORNEY GENERAL

September 5, 2006

North Carolina Senate President *Pro Tempore* Marc Basnight  
North Carolina House of Representatives Speaker James Black  
Chairs, Joint Legislative Commission on Governmental Operations

Senator Eleanor Kinnaird  
Senator John Snow  
Representative Joe R. Kiser  
Representative R. Phillip Haire  
Chairs, Appropriations Subcommittees on Justice and Public Safety

North Carolina General Assembly  
Raleigh, North Carolina 27601-1096

RE: Asset Forfeiture Request

Dear Senator Basnight, Speaker Black, and Members of the Joint Legislative Commission on Governmental Operations:

As you may know, the North Carolina Medicaid Investigations Unit (MIU) of the North Carolina Department of Justice (DOJ), participates in the Equitable Sharing of Federally Forfeited Property Program with the U.S. Department of Justice and the U.S. Department of Treasury. The MIU is grateful for the availability of federal forfeiture funds to enhance our health care fraud and abuse enforcement capabilities. Your support of these important efforts is greatly appreciated.

With your support, our Medicaid Fraud Unit has recovered more money in the last fiscal year than in any previous year in the Department's history. Investigations led to 26 criminal convictions and nine civil settlements that recovered nearly \$30 million from Medicaid abusers that went to the State's Medicaid program and to benefit our public schools.

Pursuant to applicable law, the MIU reports its intent to use federal forfeiture funds to further enhance our health care fraud and abuse enforcement capabilities for the following purposes:

**MIU Federal Asset Forfeiture Request**

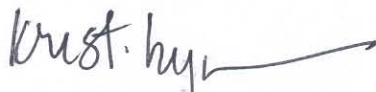
(Further Explanation Provided in Attachments A and B)

<u>Item</u>	<u>Amount</u>
<b>EQUIPMENT</b>	
Scanning equipment/software	\$60,000.00
Office furniture/security/upgrades	\$24,000.00
Video and digital cameras	\$7,000.00
Computer software	\$6,000.00
Office equipment	\$3,000.00
Office renovation/hardware/materials/supplies	\$3,000.00
Other expenses	\$5,000.00
<b>TRAINING</b>	
Investigative and attorney training	\$32,500.00
<b>EXPERTS/CONSULTANTS</b>	
Medical/scientific expert witnesses and consultants	\$75,000.00
<b>LIBRARY RESOURCES</b>	
Health care legal and investigatory resource materials	\$10,000.00
<b>TOTAL – FY 06</b>	\$225,500.00
<b>GRAND TOTAL</b>	<b>\$225,500.00 Total</b>

As of June 29, 2006, the MIU Federal Forfeiture Fund had an unencumbered balance of \$392,496. If these expenditures are made, there will be a new balance in this fund of \$166,996.

We will be happy to respond to any questions you may have regarding this request.

Very truly yours,



Kristi Hyman  
Chief of Staff

KH:kds

cc: Denise Thomas, NCGA Fiscal Research Division  
Nels Roseland, NCDOJ, Deputy Chief of Staff  
Greg McLeod, NCDOJ, Legislative Counsel

## **ATTACHMENT A**

### **MIU FEDERAL ASSET FORFEITURE REQUEST**

#### **EQUIPMENT:**

##### **1. Scanning equipment/software**

The health care investigations conducted by the MIU are paper intensive white collar investigations. The addition of a document imaging system will speed up our efficiency when searching for documents, reduce our copying costs, reduce our time, labor and expenses when producing discovery, allow us to make better discovery productions to defense attorneys, and reduce the amount of time we are in the offices of health care providers obtaining documents. The document imaging system will consist of a high speed stationary scanner for the central office, slightly slower portable scanners to take into the field, a desktop computer and laptop computers to manage the scanners, external storage devices, software, and a contractor to implement the system (see Attachment B for a more detailed description of the equipment).

The new system will (1) integrate with our existing document management system; (2) convert and store images in legally accepted forms; (3) allow full text search capabilities on the scanned documents; (4) allow users the ability to organize the scanned documents; (5) allow discovery to be provided to prosecutors and defense attorneys in an electronic, non-proprietary format; (6) allow the presentation of scanned documents at trial; (7) eliminate the need for copying massive amounts of paper documents; (8) reduce storage space; and (9) provide all users desktop access to the scanned documents.

Approval of this request will help the MIU purchase central office and field equipment to implement a time saving and money saving complete document scanning system. This request has been approved by the Department of Justice (DOJ) IT staff and State ITS procurement officials. The MIU has been and will continue to work directly with DOJ IT and State ITS to implement this system.

##### **2. Office furniture/security/upgrades**

The MIU recently expanded as a result of the SBI creating an SBI Medicaid Criminal Investigations Unit within the MIU staffed by a Special Agent in Charge and additional SBI Special Agents. The MIU leased additional office space to accommodate the new SBI agents. In addition, the MIU intends to upgrade its office security with new security devices and a more secure evidence storage area. In addition, the MIU intends to create a small conference room for meeting witnesses, attorneys, and other visitors, a reception area for visitors, and a small break area for staff. The MIU intends to purchase desks, chairs, tables, cabinets, shelves, locks, and security devices to make this new space and uses operational.

##### **3. Video and digital cameras**

The MIU currently has no video camera or digital camera equipment for use in conducting investigations. The MIU intends to purchase a video camera, digital camera, television, DVD player, VCR, and related equipment for use by the MIU's investigators in conducting patient abuse investigations, documenting evidence, training, meetings, and courtroom presentations.

#### 4. Computer software

The addition of RF Flow will enhance the MIU's ability to prepare flow charts and time lines which are becoming more necessary with the increased complexity of the MIU's cases. It will also make the preparation of courtroom exhibits easier. The addition of Trial Court Desktop will enhance the MIU's capabilities in the courtroom and make it easier to prepare legal documents. It is a powerful research and productivity tool that incorporates different legal databases with specific tools for editing data and searching material.

#### 5. Office equipment

In connection with the office expansion referred to in item two above, the MIU intends to purchase a copier and shredder for use by the new SBI unit which will be located on a separate floor. This equipment is needed so that the staff on the separate floor can efficiently copy and shred documents. Shredding of documents is necessary to destroy documents after investigations are closed in order to maintain the confidentiality of medical records and other sensitive documents generated during investigations.

#### 6. Office renovation, hardware, materials & supplies

Office renovation, hardware, materials, and supplies are expected to be needed in connection with the office expansion referred to in item two above, especially security and evidence storage improvements.

#### 7. Other expenses/contingency

This will be used as a contingency to pay for other expenses and expenses that may exceed the amounts requested with respect to the requests for additional office equipment, training, expert witness expenses, and library resources.

### **TRAINING:**

The MIU will use the designated funds to allow the MIU's financial investigators, sworn agents, auditors, and attorneys to attend training opportunities. This will include training offered by the North Carolina Justice Academy, National Association of Medicaid Fraud Control Units, National Health Care Antifraud Association, U.S. Department of Justice, Association of Certified Fraud Examiners, community colleges offering law enforcement training courses, N.C. Bar Association, and other entities offering specialized training in

health care fraud investigations and prosecutions. The complexity and constant changes in health care fraud and abuse schemes, investigations, and prosecutions require constant training to ensure that the Unit's investigators and attorneys are able to respond effectively to the latest fraud schemes using the most current fraud detection and investigation techniques and the most current legal policies and procedures.

#### **CONSULTANTS/EXPERTS:**

Health care fraud investigations require the use of medical and scientific experts and consultants during the investigative and litigation phases. The MIU currently has ongoing contracts with medical and statistical experts. The MIU has used these successfully in the past to investigate and prosecute health care fraud and to obtain substantial recoveries for the North Carolina Medicaid Program and penalty monies for the Civil Penalty Forfeiture Fund for the support of North Carolina public schools. The designated funds will be used to cover the costs associated with these contracts. Settlements of investigations may result in the repayment by defendants of funds expended on consultants and experts.

#### **LIBRARY RESOURCES:**

Library resources relating to the fields of health care and patient abuse and neglect are available from a variety of sources including West Publishing, the Bureau of National Affairs, Commerce Clearing House, and others. These materials provide guidance to the Unit's attorneys and investigators on issues including coding of medical services, drug pricing, and other legal and medical issues related to health care fraud and abuse. The designated funds will be used to purchase library resources and research materials that will assist the Unit's staff in the successful investigation and prosecution of fraud and abuse.

## **ATTACHMENT B**

### **DETAILS OF SCANNING EQUIPMENT/SOFTWARE**

The document imaging system will consist of the following:

- (a) One (1) high speed stationary scanner for the central office. It will be a Canon DR-9080C which will scan black and white one sided documents at a rate of up to ninety (90) pages per minute and up to fifty-four (54) pages per minute for one sided color documents;
- (b) Three (3) slower but portable scanners to take into the field. They will be Canon DR-3080CII which will scan black and white one sided documents at a rate of up to forty-three (43) pages per minute and up to ten (10) pages per minute for one sided color documents. These portable scanners weigh approximately eighteen (18) pounds and each one comes with a hard sided carrying case to protect them during transportation;
- (c) Each scanner requires a computer to manage the scanning process. We will need three (3) high end laptops with large hard drive capacity to store the scanned documents from the field scanners, and one (1) high end server with more than 350 GB of storage capacity to manage and store the scanned documents from the stationary scanner;
- (d) External hard drives will be required to download the scanned documents from the laptop computers to keep the scanned data in its original form until the completion of the investigation and to not tie up the laptop computer for use in other investigations;
- (e) Software will be required to scan the documents into an electronic format and to then convert them into a full text readable format. The software is Ascent Capture and Kofax PDF Image; and
- (f) The contractor that initially developed and initiated the MIU's document management system will put hardware and software together and integrate it with the MIU's existing document management software. The contractor possesses unique knowledge and expertise of the document management system currently in place and also deals in the software currently being proposed to complete the document imaging system.