

MADISON PARISH HOSPITAL SERVICE DISTRICT



INVESTIGATIVE AUDIT
ISSUED JANUARY 2, 2013

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 2, 2013

**SCOTT BARRILLEAUX, ADMINISTRATOR,
AND BOARD OF COMMISSIONERS
MADISON PARISH HOSPITAL SERVICE DISTRICT**
Tallulah, Louisiana

Dear Mr. Barrilleaux,

We have audited certain transactions of the Madison Parish Hospital Service District. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain financial transactions.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*.

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the United States Attorney for the Western District of Louisiana, the District Attorney for the Sixth Judicial District of Louisiana, the Louisiana Board of Ethics, and others as required by law.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

MPHSD 2012

TABLE OF CONTENTS

	Page
Executive Summary	2
Background and Methodology.....	4
Findings and Recommendations:	
Contractor Fraudulently Billed Hospital and Split Proceeds with Hospital Administrator.....	5
Insurance Agent Fraudulently Billed Hospital and Split Proceeds with Hospital Administrator.....	9
Hospital Administrator Paid in Excess of Contracted Rate	13
Personal Use of Hospital Credit Cards by Hospital Administrator and Commissioners	15
Hospital Administrator Improperly Submitted and Received Mileage Reimbursements	17
No Accounting of Travel Advances Paid to Hospital Administrator	18
Improper Gifts Provided to Hospital Administrator and Board Chairman	19
Personal Use of Hospital Equipment by Board Chairman	20
Hospital Provided Improper Insurance Benefits to Board Commissioners and Other Individuals	20
Prohibited Contractual Arrangements	23
Employees Received Payments from Hospital Vendors	26
Donation of Public Funds.....	26
Inappropriate Public Meetings Practices	29
Footnotes.....	30
Management’s Response	Appendix A

EXECUTIVE SUMMARY

Contractor Fraudulently Billed Hospital and Split Proceeds with Hospital Administrator

From October 2006 to June 2012, Casey Hughes, agent/officer of Tech Solutions LLC, submitted fraudulent billings totaling \$2,029,504 to the Hospital for which his company received payments. Records indicate that Mr. Hughes paid former Hospital Administrator Wendell Alford at least \$566,874 from these proceeds. Both Mr. Hughes and Mr. Alford confirmed they split the Hospital proceeds.

Insurance Agent Fraudulently Billed Hospital and Split Proceeds with Hospital Administrator

From January 2007 through April 2012, Russell Ham, insurance agent and officer of Insurance World Inc., fraudulently billed and received excessive payments from the Madison Parish Hospital (Hospital) totaling \$2,998,637 (50% of the \$5,979,487 total billings). Mr. Ham stated that he inflated his billings to the Hospital and split the proceeds (between \$817,000 and \$1,498,756) with former Hospital Administrator Wendell Alford.

Hospital Administrator Paid in Excess of Contracted Rate

From January 2009 through April 2012, Mr. Alford received wages totaling \$60,389 in excess of his contracted rate.

Personal Use of Hospital Credit Cards by Hospital Administrator and Commissioners

Hospital records indicate that from October 2008 to April 2012, Hospital credit cards were used to incur personal charges totaling \$75,846. These personal charges included purchases totaling \$69,433 made by Mr. Alford, and airfare purchases totaling \$6,413 for spouses of former Board Chairman Hayward Fair and Commissioner Marjorie Day.

Hospital Administrator Improperly Submitted and Received Mileage Reimbursements

From December 11, 2009, to May 31, 2012, Mr. Alford improperly submitted mileage reimbursement requests totaling \$11,023 to the Hospital during the same period he received a vehicle allowance and used Hospital credit cards to purchase fuel totaling \$8,703.

No Accounting of Travel Advances Paid to Hospital Administrator

From October 2008 to April 2012, the Hospital issued 12 travel advance payments to Mr. Alford totaling \$9,500, for which there was no documentation to account for how Mr. Alford used these funds.

Improper Gifts Provided to Hospital Administrator and Board Chairman

Solomon Sarpong, the Hospital's landscaping contractor, provided free landscaping services for former Hospital Administrator Wendell Alford and former Board Chairman Hayward Fair, which may violate the state's ethics law.

Personal Use of Hospital Equipment by Board Chairman

Former Board Chairman Hayward Fair stated that he used the Hospital's tractor for personal purposes. In addition, Mr. Fair appears to have damaged the tractor and used Hospital credit cards and charge accounts to incur charges totaling \$682 for fuel and maintenance while he used the tractor for personal purposes.

Hospital Provided Improper Insurance Benefits to Board Commissioners and Other Individuals

From January 2009 to May 2012, the Hospital improperly used public funds totaling \$335,931 to provide health and life insurance benefits to commissioners and other (non-employee) individuals.

Prohibited Contractual Arrangements

During our review, we noted that the Hospital had contractual arrangements with certain employees, an immediate family member of the Hospital administrator, and doctors that may be in violation of the state's ethics law.

Employees Received Payments from Hospital Vendors

From January 2007 through June 2012, we noted instances in which Hospital employees were paid by vendors to provide services during their normal Hospital work hours which may violate the state's ethics law.

Donation of Public Funds

From June 2007 to April 2012, the Hospital used public funds totaling at least \$404,510 for (1) improper nursing scholarships; (2) education, licensing, and travel expenses incurred by the contract attorney; (3) office celebrations, gifts, and flowers; (4) payments of unused sick leave; and (5) payments of voluntary insurance policies.

Inappropriate Public Meetings Practices

The Board of Commissioners conducted an excessive amount of Hospital business in executive session, in possible violation of the Open Meeting law.

BACKGROUND AND METHODOLOGY

The Madison Parish Hospital Service District (District) is a component unit of the Madison Parish Police Jury (Police Jury). The District was created by the Policy Jury under the provisions of Louisiana Revised Statute 46§1051 and is governed by a board of five commissioners appointed by the Police Jury. The District is responsible for the management and operations of the Madison Parish Hospital (Hospital) and appoints a Hospital administrator to oversee the daily operations of the Hospital. The Hospital is located in Tallulah, Louisiana (Madison Parish) and is considered a critical access rural hospital.

This audit was initiated after receiving allegations regarding the Hospital's use of public funds to purchase multiple life insurance policies for its employees and commissioners. During our audit, other matters and transactions came to our attention and we expanded our scope to address them.

The procedures performed during this audit included:

- (1) interviewing employees of the Hospital;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records of the Hospital;
- (4) gathering documents from external parties; and
- (5) reviewing applicable state and federal laws and regulations.

It should also be noted that during our audit we received assistance from representatives of the District Attorney's office for the Sixth Judicial District of Louisiana. Their participation, including that of District Attorney James E. Paxton, was essential to the completion of this audit.

FINDINGS AND RECOMMENDATIONS

Contractor Fraudulently Billed Hospital and Split Proceeds with Hospital Administrator

From October 2006 to June 2012, Casey Hughes, agent/officer of Tech Solutions LLC, submitted fraudulent billings totaling \$2,029,504 to the Hospital for which his company received payments. Records indicate that Mr. Hughes paid former Hospital Administrator Wendell Alford at least \$566,874 from these proceeds. Both Mr. Hughes and Mr. Alford confirmed they split the Hospital proceeds. By participating in a scheme to defraud the Hospital and splitting the proceeds, Mr. Hughes and Mr. Alford may have violated state and federal laws.¹

Tech Solutions' Contractual Obligations and Fraudulent Billings to Hospital

According to Mr. Hughes, he approached Mr. Alford in 2004 about providing services to the Hospital. He stated that after much discussion with Mr. Alford and approval from the Hospital board of commissioners, he entered into contractual agreements with the Hospital. Hospital records indicate that from May 1, 2006, to November 1, 2008, the Hospital entered into three separate contracts with Tech Solutions for various administrative and diagnostic services. These contracts, which were negotiated and signed by Mr. Alford on behalf of the Hospital, required Tech Solutions to provide the equipment and personnel necessary to operate the Hospital's nuclear medicine department (specifically the gamma camera and the bone density testing equipment) and ultrasound department.

The following table provides a brief description of the terms of the three contracts, Tech Solutions' fraudulent billings to the Hospital, and the resulting payments made by the Hospital (to Tech Solutions).

Tech Solutions Contract Terms and Hospital Payments				
Department	Contracted Service	Contracted Fee	Date Range of Payments	Fraudulent Billings
1. Nuclear - Gamma Camera	Lease of equipment and personnel to operate equipment	\$25,000 per month	October 26, 2006 to June 20, 2012	\$1,663,003
2. Nuclear - Bone Density Scans	None listed	\$250 per scan	December 5, 2007 to June 20, 2012	42,500
3. Ultrasound	Lease of equipment and personnel to operate equipment	\$12,000 per month	April 17, 2007 to May 20, 2009	324,001
Total Hospital Payments				\$2,029,504

From October 2006 through June 2012, the Hospital issued payments totaling \$2,029,504 to Tech Solutions for contracted equipment and services (see table above). According to the Hospital Administrator's Assistant, Chasity Whitaker, Mr. Hughes e-mailed the Tech Solutions' invoices to her and to Mr. Alford. Ms. Whitaker stated that once she received the invoices, she issued payments (generally with Mr. Alford's approval) from the Hospital's general account and then mailed the checks to Mr. Hughes' address in Keller, Texas.

Records indicate that Tech Solutions (Mr. Hughes) billed the Hospital based on the contracted rates for "administrative and management" service fees associated with the nuclear medicine (gamma camera and bone density) and ultrasound departments, but did not provide any of these services. Our review of Hospital records revealed that Mr. Alford hired individuals or used Hospital staff to perform the services for which Tech Solutions was paid. As a result, Mr. Alford continually approved invoices from Tech Solutions for services that were being performed by Hospital employees and not Tech Solutions. Bank records indicate that Mr. Alford received at least \$566,874 of the proceeds as a result of approving these fraudulent invoices. The equipment and services contracted for and what was actually provided by Tech Solutions are discussed below.

Nuclear Medicine Department

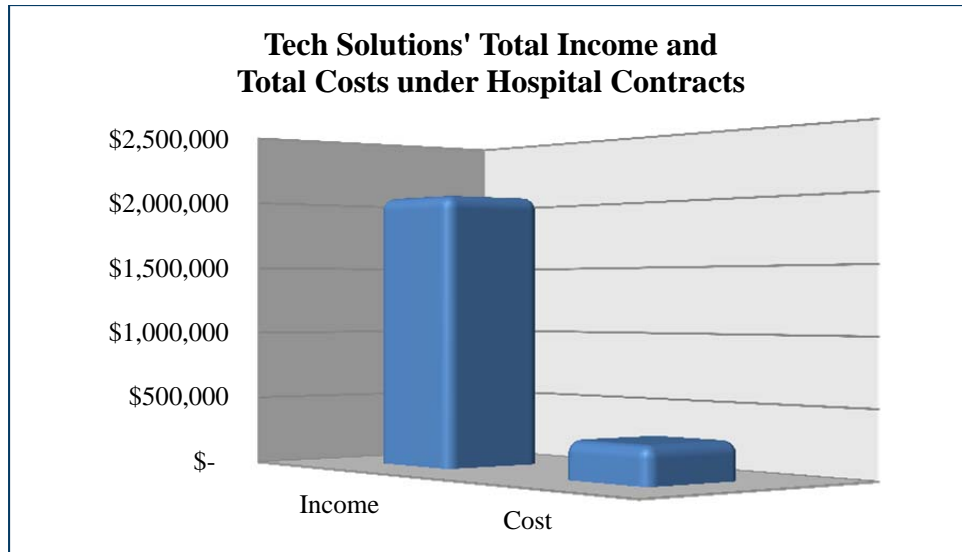
From October 2006 to June 2012, the Hospital issued payments totaling \$1,705,503 to Tech Solutions under the two contracts for the nuclear medicine department. This amount included \$1,663,003 for "management and administrative fees" relating to the gamma camera machine and technician and \$42,500 for bone density scans. According to the nuclear medicine contracts, Tech Solutions was required to provide the nuclear equipment and personnel to operate the equipment. Records indicate that Tech Solutions incurred costs totaling \$277,547 for the gamma camera and bone density camera provided to the Hospital. However, Tech Solutions did not provide the technician to operate and administer the gamma camera or bone density machines. Instead, the gamma camera machine and bone density machine were operated by Hospital Nuclear Technician Lee Hale who was also responsible for all management and administrative components of the nuclear medicine department. Therefore, this indicates that under these two contracts, Tech Solutions' only contributions to the Hospital's nuclear department were purchasing and providing the two cameras. As a result, it appears that Tech Solutions was paid \$1,427,957 (\$1,705,503 - \$277,547) for "management and administrative" services not provided to the Hospital.

Ultrasound Department

From April 2007 to May 2009, the Hospital issued payments totaling \$324,001 to Tech Solutions for "management and administrative service fees" under the contract for the ultrasound department. According to this contract, Tech Solutions was required to provide the ultrasound equipment and personnel to operate the equipment. Records indicate that from January 2007 to May 2007, Tech Solutions leased an ultrasound machine for a total of \$4,000 from an ultrasound technician employed by the Hospital. In May 2007, the Hospital hired a full-time employee to operate the department and in

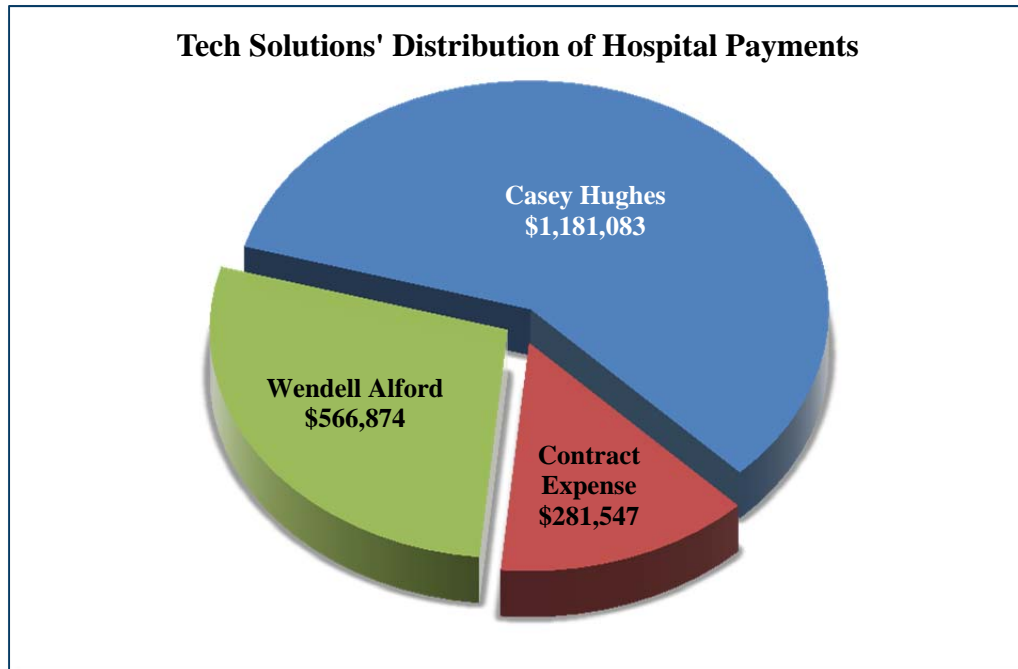
August 2007, the Hospital purchased its own ultrasound machine. Therefore, this indicates that Tech Solutions’ only contribution to the Hospital’s ultrasound department was leasing an ultrasound machine (for approximately 5 months). As a result, it appears that Tech Solutions was paid \$320,001 (for 26 months) for “management and administrative” services and equipment not provided to the Hospital.

The following chart illustrates the disparity between the total income (\$2,029,054) received by Tech Solutions as a result of the three Hospital contracts and the total costs (\$281,547) incurred by Tech Solutions to provide equipment to the Hospital.



Mr. Hughes Split Hospital Proceeds with Hospital Administrator Wendell Alford

Bank records provided by Mr. Hughes indicate that from October 2006 to June 2012, Mr. Hughes deposited Hospital checks totaling \$2,029,504 into his Tech Solutions’ bank accounts. These Hospital checks were the only business-related income deposited into these accounts during this period. Tech Solutions’ bank records, as well as bank records from a limited liability corporation formed and controlled by Mr. Alford, indicate that Mr. Hughes withdrew and distributed funds totaling at least \$566,874 to Mr. Alford. These payments to Mr. Alford ranged from \$4,000 to \$91,100 and averaged \$9,466 per month over this time period (69 months). In most cases, Mr. Hughes distributed the funds to Mr. Alford by depositing them into Mr. Alford’s business account (both accounts are held at the same banking institution). This distribution arrangement allowed Mr. Hughes to retain \$1,181,083 (\$2,029,504 - \$281,547 of expenses - \$566,874 of payments to Alford) of the Hospital proceeds received and is illustrated by the following chart.



Mr. Hughes explained that after his nuclear (gamma camera) medicine contract was approved by the Hospital board, Mr. Alford approached him and requested 40% of the contracted amount (after deducting expenses). Mr. Hughes stated that Mr. Alford approached him with this demand after he (Mr. Hughes) had quit his job and started up Tech Solutions in preparation for the Hospital contract. As a result, he felt that he had little choice but to give Mr. Alford what he demanded. Mr. Hughes indicated that he was able to give Mr. Alford what he requested because Mr. Alford agreed to provide a Hospital employee to operate the gamma camera.

Mr. Alford stated that he received payments from Mr. Hughes. He stated that he initiated the payments and requested that Mr. Hughes give him 40% of the nuclear (gamma camera) medicine contract. Mr. Alford stated that the Hospital was not out anything because they did not inflate the contract amount to account for the payments made to him (Mr. Alford). He added that Mr. Hughes was okay with receiving only 60% of the value of his services.

By participating in a scheme to defraud the Hospital and splitting the proceeds, Mr. Hughes and Mr. Alford may have violated state and federal laws.¹

Recommendations

We recommend that the Hospital seek legal advice to determine the appropriate civil and criminal actions to be taken, including recovering funds related to excessive payments to vendors. The Hospital should also develop, adopt, and implement detailed policies and procedures for engaging in contracts. These policies should provide guidance for the proper procurement of contracted services to ensure the Hospital receives equivalent services for amounts expended.

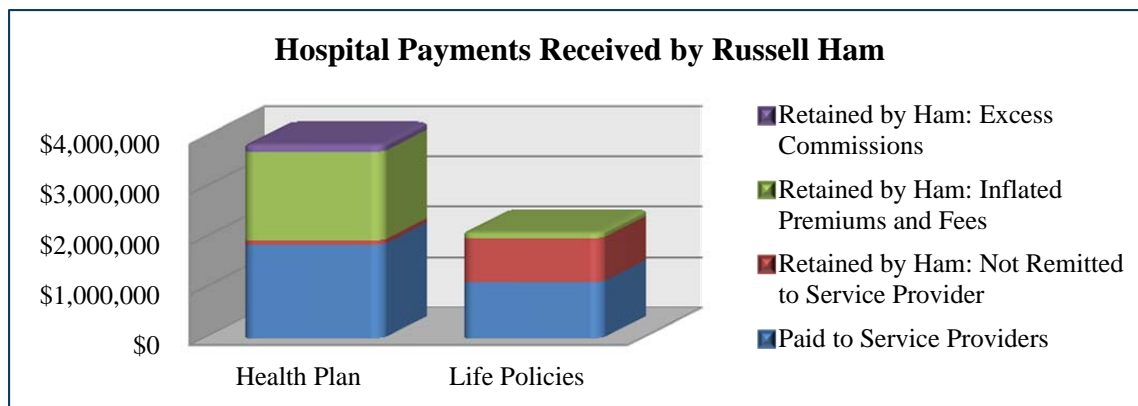
Policies and procedures should at a minimum:

- (1) require the implementation and monitoring of controls over contracts to ensure services are necessary and that contracting out the service is the most cost-effective manner for accomplishing its objectives;
- (2) ensure that all payments are made in accordance with the terms and conditions of the contract;
- (3) ensure that any additions or modifications of existing contracts are presented in writing to management for approval;
- (4) ensure that contracts and related documentation are maintained in an organized manner and in a central location;
- (5) ensure payments for services meet all contractual requirements prior to payment;
- (6) require proper review of invoices to ensure each payment has a legitimate public purpose as required by the Louisiana Constitution;
- (7) require detailed invoices and documentation of the business purpose for all expenditures; and
- (8) require board approval of all contractual agreements over a specified limit.

Insurance Agent Fraudulently Billed Hospital and Split Proceeds with Hospital Administrator

From January 2007 through April 2012, Russell Ham, insurance agent and officer of Insurance World Inc., fraudulently billed and received excessive payments from the Madison Parish Hospital (Hospital) totaling \$2,998,637 (50% of the \$5,979,487 total billings). Mr. Ham stated that he inflated his billings to the Hospital and split the proceeds (between \$817,000 and \$1,498,756) with former Hospital Administrator Wendell Alford. By participating in a scheme to defraud the Hospital and splitting the proceeds, Mr. Ham and Mr. Alford may have violated state and federal laws.¹

The following chart illustrates total Hospital payments (\$5,979,487) received by Mr. Ham during our audit.



The Hospital procured health insurance products and services, as well as a majority of its life insurance products, through Mr. Ham. Although there was no written contract between Mr. Ham and the Hospital, it was the Hospital’s practice to pay Mr. Ham directly for the policy premiums as well as for the amounts he charged the Hospital for service fees and commissions. These payments were issued to Mr. Ham, Insurance World, and three insurance providers; however, all of these payments were given to and subsequently negotiated by Mr. Ham. Mr. Ham was then expected to remit on the Hospital’s behalf any amounts due to insurers and the third-party administrator (service providers).

Hospital Administrator Wendell Alford was responsible for negotiating and approving insurance policy rates as well as approving all billings and signing all checks given to Mr. Ham. Hospital records indicate that Mr. Alford was made aware that Mr. Ham was either not remitting payments timely and/or not at all to service providers, but continued to approve payments (for charges much higher than the rates that he (Mr. Alford) had negotiated and agreed upon with the service providers) to Mr. Ham on a monthly basis. According to Mr. Alford, he did not know how much Mr. Ham should have been paid for his involvement with the Hospital’s insurance plans.

From January 1, 2007, through April 30, 2012, Mr. Ham billed and received \$5,979,487 from the Hospital. However, Mr. Ham’s bank records and records obtained from service providers indicate that Mr. Ham remitted payments totaling only \$2,980,850 to service providers. This indicates that Mr. Ham received excessive payments totaling \$2,998,637 for products and services not provided. In addition to these payments, records indicate that Mr. Ham received commissions totaling at least \$805,362 from insurers for acting as the Hospital’s insurance agent. A summary of the payments received by Mr. Ham that were associated with the Hospital’s health and life plans is provided in the following table.

Hospital Insurance Plans			
Summary of Payments to Russell Ham from January 2007 through April 2012			
	Health Plan	Life Policies	Total
Russell Ham Billed and Received from Hospital	\$3,865,112	\$2,114,375	\$5,979,487
Russell Ham Paid to Service Providers	1,864,174	1,116,676	2,980,850
Total Excessive Payments	\$2,000,938	\$997,699	\$2,998,637
Commissions Paid to Russell Ham by Insurer	\$84,238	\$721,124	\$805,362

On November 9, 2012, Mr. Ham voluntarily met with us (auditors) and a representative of the United States Attorney's office. During this meeting, Mr. Ham stated that he inflated his billings and split Hospital proceeds (between \$817,000 and \$1,498,756) with former Hospital Administrator Wendell Alford. According to Mr. Ham, in 2006 or 2007, Mr. Alford informed him that he (Mr. Alford) needed Mr. Ham to split the proceeds from the Hospital insurance payments and that if Mr. Ham did not do this he (Mr. Alford) had someone else that would. Mr. Ham stated that he then inflated and submitted false invoices to the Hospital to cover the amounts he paid to Mr. Alford. Mr. Ham also stated that he never billed his clients before (usually the insurers bill the clients directly and then he receives commissions directly from the insurer), but that the arrangement with Mr. Alford required him to bill the Hospital. After receiving the Hospital payments, he withdrew cash from the bank and delivered cash to Mr. Alford and made payments to other individuals for Mr. Alford in exchange for maintaining his insurance business with the Hospital. The following table summarizes the methods and our calculated ranges of Hospital proceeds that Mr. Ham split with Mr. Alford (explained in further detail after this table).

Hospital Proceeds Split with Wendell Alford (Based on Russell Ham's Statements and Bank Records from January 2007 through May 2012)		
Methods	Range Low	Range High
1. Cash Payments to Mr. Alford	\$650,000	\$1,300,000
2. Payments to Ashlin Alford Doyle	101,000	121,000
3. Payments for Foreign Currency	50,000	61,756
4. Payment for Hunting Trip*	11,000	11,000
5. Payments for Legal Fees for Mr. Alford's Ex-brother-in-law**	5,000	5,000
Hospital Proceeds to Wendell Alford	\$817,000	\$1,498,756
<i>*Amount includes only actual expense located in bank records for one hunt.</i>		
<i>**Amount includes only actual expenses located in bank records.</i>		

Mr. Ham stated that he split Hospital proceeds with Mr. Alford (and others at the direction of Mr. Alford) in the following manners:

1. He delivered between \$10,000 and \$20,000 of cash to Mr. Alford every month. This information indicates that from January 2007 through May 2012, Mr. Ham gave Mr. Alford total cash between \$650,000 and \$1,300,000 (\$10,000 for 65 months and \$20,000 for 65 months). Mr. Ham stated that most of the cash he withdrew from his accounts was to pay Mr. Alford. Mr. Ham's bank records indicate that he withdrew cash totaling at least \$657,353 during this time period.
2. He paid Mr. Alford's daughter, Ashlin Alford Doyle, \$4,000 per month at Mr. Alford's direction. Mr. Ham stated that at first he paid Ms. Doyle \$3,000 in checks and \$1,000 in cash per month, but eventually paid her only with checks. Bank records indicate that from February 2009 through July 2011, Mr. Ham issued checks totaling \$101,000 to Ms. Doyle and that Ms. Doyle deposited an additional \$20,000 of cash into her personal account. This indicates that

Ms. Doyle may have received as much as \$121,000 from Mr. Ham. During this time period, Ms. Doyle was attending college in Monroe, Louisiana (where Mr. Ham's company is located). According to Mr. Ham, Ms. Doyle did not work for him or his company, but was, at Mr. Alford's direction, given a space at his office which he believes she used to study or day trade. Mr. Ham added that Ms. Doyle was not issued W-2s or IRS 1099-Misc forms for the payments she received. Ms. Doyle refused to meet with us to discuss her involvement in this scheme or her relationship with Mr. Ham or his company (Insurance World).

3. He purchased and gave (free of charge) foreign currency (Iraqi Dinar) valued at approximately \$50,000 to Mr. Alford. Mr. Ham's bank records indicate that he wired funds totaling \$61,756 to Sterling Currency Group to purchase the Iraqi Dinar.
4. He purchased six to eight separate hunting trips for Mr. Alford. Bank records indicate that one of these trips costs at least \$11,000.
5. He allowed Mr. Alford's ex-brother-in-law, Royce McAnally, to reside rent free at his (Mr. Ham's) camp in Arkansas at Mr. Alford's direction. In addition, Mr. Ham stated that he paid expenses for and gave cash to Mr. McAnally. Bank records indicate that Mr. Ham paid \$5,000 to an attorney for Mr. McAnally.
6. He paid for Mr. Alford's meals and allowed him to stay at his hunting camp in Arkansas.

Conclusion

From January 2007 through April 2012, Mr. Ham fraudulently billed the Hospital and received excessive payments totaling \$2,998,637. Mr. Ham stated that he inflated the Hospital's bills and split the proceeds (between \$817,000 and \$1,498,756) with former Hospital Administrator Wendell Alford. By participating in a scheme to defraud the Hospital and splitting the proceeds, Mr. Ham and Mr. Alford may have violated state and federal laws.¹

Recommendations

We recommend that the Hospital seek legal advice as to the appropriate civil and criminal actions to be taken, including recovering funds related to excessive payments made. The Hospital should also develop, adopt, and implement detailed policies and procedures for engaging in contracts. These policies/procedures should provide guidance for the proper procurement of service contracts to ensure that the Hospital is receiving equal service for amounts expended.

Policies and procedures should at a minimum:

- (1) require that written contractual agreements are executed for services performed by third-parties;

- (2) ensure that all payments are made in accordance with the terms and conditions of the contract;
- (3) ensure that contracts and related documentation are maintained in an organized manner and in a central location;
- (4) ensure payments for services meet all contractual requirements prior to payment;
- (5) require proper review of invoices to ensure each payment has a legitimate public purpose as required by the Louisiana Constitution;
- (6) require detailed invoices and documentation of the business purpose for all expenditures; and
- (7) require board approval of all contractual agreements over a specified limit.

Hospital Administrator Paid in Excess of Contracted Rate

From January 2009 through April 2012, Mr. Alford received wages totaling \$60,389 in excess of his contracted rate. This excess amount includes payroll deductions totaling \$33,585 that the Hospital failed to withhold but still paid on behalf of Mr. Alford, as well as payments totaling \$26,804 issued to Mr. Alford for which there was no legal obligation. As a result, Mr. Alford received amounts in excess of his contracted rate which may violate the Louisiana Constitution,² which prohibits the donation of public funds. In addition, by receiving payments for amounts he was not entitled to receive, Mr. Alford may have violated state law.³

Mr. Alford's most recent contract with the Hospital became effective on January 1, 2010. According to the contract, Mr. Alford was to receive a base salary of \$91,728 per year as the Hospital administrator as well as a monthly fee of \$8,000 to administer the Hospital's Intensive Outpatient Program (IOP). Mr. Alford also received a \$1,500 per month vehicle allowance and was entitled to the same fringe benefits as other Hospital employees in accordance with Hospital policies and procedures. It should also be noted that the monthly payments made to Mr. Alford for the IOP and vehicle allowance were not processed as payroll disbursements. These wage and fringe benefit payments were improperly processed as if he was a contractor and therefore taxes (and other required withholdings) were not deducted. However, the Hospital did report these payments on IRS Form 1099-Misc.

Hospital records indicate from January 1, 2009, through April 30, 2012, insurance premiums and contributions totaling \$33,585 were not properly deducted from Mr. Alford's wages. During this period, the Hospital's family health plans cost each participant a total of \$7,430 (deducted from wages). Although Mr. Alford benefited from a family plan through the Hospital, none of that cost was deducted from his wages and he did not incur any other costs to participate. In addition, Hospital records indicate that Mr. Alford purchased five separate voluntary life insurance policies that were paid for by the Hospital but were not fully deducted from his wages. The Hospital paid premiums totaling \$45,248, and Mr. Alford's wages were only deducted a total \$19,092, resulting in an overpayment to Mr. Alford totaling \$26,155. Therefore, \$33,585 (\$26,155 + \$7,430) was not deducted from Mr. Alford's wages as required.

Hospital records also indicate that from January 1, 2009, through April 30, 2012, Mr. Alford was overpaid wages totaling \$26,804. Although Mr. Alford's contract with the Hospital does not provide for him to receive additional payments for (1) accrued sick leave; (2) accrued vacation leave; (3) additional hours worked; or (4) pay raises, Mr. Alford received the following payments:

- \$10,628 for accrued sick leave
- \$5,292 for accrued vacation leave
- \$2,503 for extra hours worked
- \$8,381 for pay raises

According to Mr. Alford, the Hospital allowed employees to be paid for unused accrued leave time. However, the Hospital's employee manual only allows for payment of accrued vacation time upon separation of employment from the Hospital. Mr. Alford was responsible for approving all leave payouts, including his own.

The Hospital did not have an obligation to compensate Mr. Alford for any amounts above his contracted rate. As a result, it appears that Mr. Alford received payments in violation of the Louisiana Constitution² and may have violated state law³ by intentionally allowing and/or causing these payments to be made (to himself).

Recommendations

We recommend that the Hospital adopt detailed policies and procedures to ensure public funds are spent in accordance with state law. In addition, the Hospital should:

- (1) seek reimbursement for improper wages paid to Mr. Alford;
- (2) discontinue the practice of allowing employees to be paid for unused accrued leave except as allowed by Hospital policies;
- (3) reconcile the voluntary insurance premiums paid to the related payroll deductions each pay period; and
- (4) reconcile and verify that all health plan participants' wages are being deducted for the appropriate fees and contributions.

Personal Use of Hospital Credit Cards by Hospital Administrator and Commissioners

Hospital records indicate that from October 2008 to April 2012, Hospital credit cards were used to incur personal charges totaling \$75,846. These personal charges included purchases totaling \$69,433 made by Mr. Alford and airfare purchases totaling \$6,413 for spouses of former Board Chairman Hayward Fair and Commissioner Marjorie Day. By using Hospital credit cards for personal purposes, Mr. Alford, Mr. Fair, and Ms. Day may have violated state law.⁴ In addition, purchases with no business purpose that are not necessary to the operations of the Hospital may be a violation of the Louisiana Constitution,² which prohibits the donation of public funds.

Hospital credit cards (six MasterCard and one Sam's card) were issued to the Hospital administrator, board chairman, administrative assistant, purchasing director, and other selected department supervisors. During our audit, we noted several instances in which Hospital credit cards were used for personal purposes. In addition, our review revealed that a majority of the Hospital's credit card transactions were not supported by detailed receipts indicating the public purpose of the charges. By failing to maintain adequate documentation to support the expenditure of public funds, Hospital management may have violated state law.⁵

Hospital Paid Personal Expenses of Hospital Administrator

Wendell Alford, former Hospital administrator, stated that he used Hospital credit cards for personal use. Hospital records indicate that from October 2008, to April 2012, Mr. Alford used Hospital credit cards to incur charges totaling \$135,352. Of this amount, we identified personal purchases totaling \$69,433. Prior to our audit, Mr. Alford had made reimbursements totaling \$33,569 for personal credit card charges which included specific cash reimbursements totaling \$15,169 and regular payroll deductions totaling \$18,400. The majority of the specific reimbursements were for lodging and fuel charges totaling \$13,732 in Hot Springs, Arkansas during October 2011. During our audit, Mr. Alford made additional reimbursements for personal credit card charges totaling \$29,066 resulting in an unpaid balance of \$6,798 (\$69,433 - \$33,569 - \$29,066) as of the date of this report.

During our initial review of Mr. Alford's credit card purchases, we noted that there was little to no documentation to support any of the purchases which included lodging and airfare charges for family members, fuel purchases, personal cell phone charges, and meals. Mr. Alford had no explanation for the lack of documentation to support his credit card usage. Chasity Whitaker, Hospital administrator's assistant, stated that Mr. Alford had stopped documenting (submitting receipts) his credit card charges for at least the past year.

We spoke with Mr. Alford on May 3, 2012, regarding his use of the Hospital credit card and asked Mr. Alford to provide the business purpose for the charges that he incurred. Mr. Alford initially stated that he did not typically use his Hospital credit card for personal purposes but later indicated that he had done so in the past. Mr. Alford indicated that he purchased personal cell phones and charged them on the Hospital credit card and had \$200 per pay period deducted from his payroll check to reimburse the Hospital for the personal charges.

When asked about the October 2011 charges incurred in Hot Springs, Mr. Alford indicated that he used his Hospital credit card to pay for part of his daughter's wedding. He explained that he did not have "room" on his personal credit card so he used the Hospital card and reimbursed the Hospital a week later.

Based on the information provided, it appears that Mr. Alford still owes the Hospital \$6,798 for unreimbursed personal credit card charges.

Hospital Paid Personal Airfare Expenses of Commissioner's Spouses

From April 3, 2009, to October 4, 2011, Hospital credit card statements indicate that personal charges totaling \$6,413 were incurred to purchase airfare for the spouses of commissioners. This amount includes the airfare expenses for six separate trips totaling \$4,159 for Mr. Fair's spouse and three separate trips totaling \$2,254 for Ms. Day's spouse. None of these personal charges had been reimbursed to the Hospital. Mr. Fair and Ms. Day stated that it was customary for spouses to travel with commissioners and employees and for the Hospital to pay those expenses. Mr. Fair further stated that had his spouse rode with him in the car (to a conference) the Hospital would be paying for that travel. He added that traveling on a plane would not be treated differently.

Conclusion

By using Hospital credit cards for personal purposes, Mr. Alford, Mr. Fair, and Ms. Day may have violated state law.⁴ In addition, purchases with no business purpose that are not necessary to the operations of the Hospital may be a violation of the Louisiana Constitution,² which prohibits the donation of public funds.

Recommendations

We recommend that the Hospital seek reimbursement for all personal charges incurred and adopt detailed policies and purchasing procedures for the use of credit cards. These policies should provide guidance for the business use of credit cards and the supporting documentation expected to be maintained. Neither the credit card charge authorization receipt nor the credit card statement alone is adequate documentation, as it does not provide sufficient detail to support the propriety of charges. This policy should require:

- (1) documentation of the business purpose for the expenditure;
- (2) itemized receipts for meals, as well as a list of people attending the meals;
- (3) timely submission of original receipts -- submission should occur before the monthly statement arrives and in time to adequately review the propriety of the expenditure; and
- (4) disciplinary action for noncompliance.

Hospital Administrator Improperly Submitted and Received Mileage Reimbursements

From December 11, 2009, to May 31, 2012, Mr. Alford improperly submitted mileage reimbursement requests totaling \$11,023 to the Hospital during the same period he received a vehicle allowance and used Hospital credit cards to purchase fuel totaling \$8,703. The improper mileage reimbursements included \$6,076 for which Mr. Alford was actually paid, and \$4,947 in mileage claimed by Mr. Alford on May 31, 2012, to reduce amounts he owed the Hospital for personal use of his Hospital credit card. By submitting and receiving mileage reimbursements while he received a vehicle allowance and purchased fuel on Hospital credit cards, Mr. Alford duplicated expenses and may have violated state law.³

Mr. Alford's employment contract provided for a vehicle allowance in the amount of \$1,500 per month. According to Ray Cannon, Hospital general counsel, the vehicle allowance should have covered all of Mr. Alford's vehicle expenses including fuel and mileage and Mr. Alford should not have charged these expenses to the Hospital. Mr. Cannon added that Mr. Alford should pay back any fuel or mileage charged to the Hospital while he received a vehicle allowance. According to Mr. Alford, his allowance was for the use of his personal vehicle instead of the Hospital purchasing a vehicle for him. He stated that his vehicle allowance was for wear and tear of his vehicle and did not include gas.

On May 31, 2012 (during our audit), Mr. Alford issued a personal check in the amount of \$25,329 to reimburse the Hospital for personal charges he incurred on his Hospital credit card. Although the documentation provided by Mr. Alford indicated that he had incurred personal charges totaling \$30,276, he submitted and deducted \$4,947 for mileage he claimed on 30 travel vouchers (all dated May 31, 2012) for the period October 2008 through April 2012. Furthermore, our analysis of the travel vouchers submitted by Mr. Alford on May 31, 2012, indicates that Mr. Alford had already submitted and received mileage reimbursements for nine of the vouchers totaling \$1,302.

In conclusion, it appears that Mr. Alford submitted and received mileage reimbursements totaling \$6,076 for which he was not entitled to receive. These reimbursements appear to have duplicated expenses because Mr. Alford received a monthly vehicle allowance and used Hospital credit cards to purchase fuel. In addition, Mr. Alford submitted additional travel vouchers claiming mileage totaling \$4,947, some of which had already been paid (\$1,302) to him, for the purpose of decreasing his personal liability to the Hospital for personal credit card charges incurred from October 2008 through April 2012. By submitting mileage reimbursements while he received a vehicle allowance and purchased fuel on Hospital credit cards, Mr. Alford duplicated expenses and may have violated state law.³

Recommendations

We recommend that the Hospital seek reimbursement for improper mileage reimbursements paid to Mr. Alford. The Hospital should develop a comprehensive, written travel policy. The policy should clearly identify allowable expenses, approval procedures, payment methods, and documentation requirements. This policy should require the timely

submission of documentation such as completed travel vouchers with detailed receipts to support the public purpose for which these funds were used.

No Accounting of Travel Advances Paid to Hospital Administrator

From October 2008 to April 2012, the Hospital issued 12 travel advance payments to Mr. Alford totaling \$9,500, for which there was no documentation to account for how Mr. Alford used these funds. Hospital records indicate that on each of the trips for which an advance was paid to Mr. Alford, a majority of his travel expenses (e.g., airfare, lodging, meals, and fuel) were paid using either Mr. Alford's Hospital credit card or his administrative assistant's Hospital credit card. As a result, it appears that the travel advances were unnecessary and had no public purpose. Furthermore, Mr. Alford failed to submit any documentation such as completed travel vouchers with detailed receipts to support the public purpose for which these funds advanced to him were used. By receiving travel advances that were unnecessary and undocumented, Mr. Alford may have violated state law.³

We spoke to Mr. Alford about his general travel practices on May 3, 2012. During the subsequent period from May 8, 2012, to June 18, 2012, Mr. Alford made reimbursements to the Hospital totaling \$8,500 for travel advances he received from July 2009 through April 2012 resulting in an unpaid balance of \$1,000 (\$9,500 - \$8,500) as of the date of this report. Mr. Alford stated that he reimbursed the Hospital for his travel advances because he did not think it was appropriate for him not to repay the amounts and that he should have repaid these amounts sooner. He stated that he received advances because he has many expenses to cover while traveling and that he should have been completing expense reports and then repaying the difference (amounts not spent on travel).

When asked how the travel advances had been spent, Mr. Alford indicated that he could not remember. It should be noted that during this period, Mr. Alford received advances for eight separate out-of-state trips of which he actually took seven trips (one trip was cancelled because of illness). Records also indicate that six of these trips were attended by one or more of Mr. Alford's family members.

By receiving travel advances that were unnecessary and undocumented, Mr. Alford may have violated state law.³

Recommendations

We recommend that the Hospital demand repayment of Hospital funds advanced for which documentation was not submitted. The Hospital should also develop a comprehensive, written travel policy. The policy should clearly identify allowable expenses, approval procedures, payment methods, and documentation requirements. This policy should require the timely submission of documentation such as completed travel vouchers with detailed receipts to support the public purpose for which these funds were used.

Improper Gifts Provided to Hospital Administrator and Board Chairman

Solomon Sarpong, the Hospital's landscaping contractor, provided free landscaping services for former Hospital Administrator Wendell Alford and former Board Chairman Hayward Fair, which may violate the state's ethics law. State law [Louisiana Revised Statute (R.S.) 42§1115] provides, in part, that no public servant shall solicit or accept, directly or indirectly, anything of economic value as a gift or gratuity from any person or employee of any person who has or is seeking to obtain contractual or other business or financial relationships with the public servant's agency. By personally accepting services from Mr. Sarpong while Mr. Sarpong had a business relationship with the Hospital, Mr. Alford and Mr. Fair may have violated state law.⁶

Hospital records indicate that from January 2008 through August 2012, Mr. Sarpong received payments totaling \$150,296 from the Hospital for lawn and other building maintenance services. These payments were made on a monthly basis to Mr. Sarpong's company, Solomon's Yard Maintenance, and included monthly fees totaling \$1,300 to maintain flower beds. Mr. Sarpong also charged the Hospital for other services including painting, tree removal, pressure washing, yard cleaning, and bush hogging.

Mr. Sarpong stated that he regularly performed services at Mr. Alford's home which included cleaning flower beds and the pool. Mr. Sarpong added that Mr. Alford only paid him for approximately half of the occasions in which he provided services and that he provided services at Mr. Alford's daughter's home for which he was not paid.

Mr. Sarpong further stated that he performed services on at least two occasions for Mr. Fair: one occasion in which he offered to "spruce up" Mr. Fair's yard and another occasion in which he installed sod at Mr. Fair's church. According to Mr. Sarpong, Mr. Fair did not request him to do this work; instead, he offered to do the work free of charge. Mr. Fair stated that he did not ask Mr. Sarpong to provide these services, and that Mr. Sarpong just did them to be nice and to support his (Fair's) church.

By personally accepting services from Mr. Sarpong while Mr. Sarpong had a business relationship with the Hospital, Mr. Alford and Mr. Fair may have violated state law.⁶

Recommendation

We recommend that the Hospital implement a policy prohibiting employees and commissioners from receiving gifts or gratuities or anything of economic value from vendors or contractors who have or are seeking to obtain business with the Hospital.

Personal Use of Hospital Equipment by Board Chairman

Former Board Chairman Hayward Fair stated that he used the Hospital's tractor for personal purposes. In addition, Mr. Fair appears to have damaged the tractor and used Hospital credit cards and charge accounts to incur charges totaling \$682 for fuel and maintenance while he used the tractor for personal purposes. Because Mr. Fair used Hospital equipment and funds for personal purposes, it appears that he violated state law.⁷

The Hospital owns a tractor with a bush hog and stores it on the Hospital's campus. The tractor was purchased in August 2008 from Kenny Temple, former maintenance employee, for \$3,000. (It should be noted that this transaction may have violated state ethics law.⁸) The Hospital also purchased a bush hog for the tractor in May 2010 at a cost of \$1,495.

According to Hospital maintenance employees, Mr. Fair regularly went to the Hospital and drove the tractor off Hospital property to cut grass on private property. In addition, Hospital records indicate that from April 23, 2009, to July 2, 2009, Mr. Fair incurred charges on the Hospital credit card and charge accounts totaling \$682 for fuel, parts, and a replacement tire as a result of his personal use of the tractor. Hospital employees stated that on two occasions, Mr. Fair rolled the tractor into ditches while cutting grass on private property.

Mr. Fair stated that he used the Hospital's tractor to cut grass on private property. Mr. Fair explained that he gets paid to cut grass and that he used the Hospital tractor only when the grass (on private property) was too high to cut with his personal equipment. Mr. Fair indicated that he did have an accident with the Hospital tractor which required assistance from Hospital maintenance staff. Mr. Fair stated that in hindsight, he should not have used the Hospital's tractor.

By using Hospital equipment and funds for personal purposes, Mr. Fair may have violated state law.⁷

Recommendations

We recommend that Hospital management implement a policy prohibiting the personal use of Hospital property. We further recommend that Hospital management (1) maintain a complete and accurate record of all Hospital assets and equipment; (2) implement procedures to determine the necessity of equipment prior to purchase; and (3) monitor the proper use, storage, and maintenance of equipment.

Hospital Provided Improper Insurance Benefits to Board Commissioners and Other Individuals

From January 2009 to May 2012, the Hospital improperly used public funds totaling \$335,931 to provide health and life insurance benefits to commissioners and other (non-employee) individuals. These free insurance benefits were provided to the following:

1. Russell Ham: The Hospital paid a total of \$59,212 for life insurance premiums and health plan claims and administration costs for the Hospital's insurance agent, Russell Ham. Records indicate that Mr. Ham received these benefits by improperly adding himself to the Hospital's plans.
2. Commissioners and family members: The Hospital paid a total of \$265,331 for life insurance premiums and health plan claims and administration costs for commissioners and their family members.
3. Other individuals: The Hospital paid \$11,388 for life insurance premiums for a Hospital contractor and other individuals associated with Mr. Ham.

Because Hospital commissioners and Mr. Ham did not qualify to receive health plan benefits, the Hospital had no legal obligation to provide benefits to these individuals. In addition, the Hospital could not demonstrate that it received equivalent benefit for amounts expended on life insurance premiums for commissioners, Mr. Ham, and other individuals associated with Mr. Ham. As a result, it appears that the Hospital may have violated the Louisiana Constitution,² which prohibits the donation of public funds or assets. In addition, by improperly adding himself to the Hospital's health plan and receiving benefits he was not entitled to receive, Mr. Ham may have violated state and federal laws.⁹

1. Life and Health Benefits Provided to Insurance Agent

From January 1, 2009, to April 30, 2012, the Hospital improperly paid \$59,212 to provide life and health benefits to insurance agent Russell Ham who improperly added himself to the Hospital's plans.

According to records provided by the health plan's third-party administrator, Southern Benefit Services (SBS), on April 2, 2010, Mr. Ham completed and submitted, to SBS, a *Madison Parish Hospital Employee Benefits Enrollment Form* with an effective date of August 1, 2010. Although Mr. Ham was an independent contractor and was never employed by the Hospital, the form falsely indicated that Mr. Ham's employment status was that of a new hire and included his spouse as a dependent. SBS' operations manager indicated that she initially resisted including Mr. Ham on the Hospital's plan but eventually added him at the request of Mr. Alford. Mr. Alford indicated that he did not approve adding Mr. Ham to the health plan. Mr. Alford then stated that Mr. Ham should be required to repay the Hospital for health claims paid for Mr. Ham and his spouse.

SBS and Hospital records indicate that from January 2011 through April 2012, the Hospital paid healthcare claims totaling \$33,422 and plan insurance premiums totaling \$8,667 for Mr. Ham and his spouse. It should be noted that Mr. Ham received these benefits at no cost to himself. When asked about adding himself to the Hospital's health insurance plan, Mr. Ham stated that Mr. Alford told him (while Mr. Ham was in the Hospital with pneumonia) he could be added to the plan. He further stated that he was a consultant for the Hospital, not an employee, and that he would pay the money back to the Hospital. As of the date of this report, the Hospital has not received any payments from Mr. Ham, but has requested and received some payments directly from medical service providers.

From November 2009 through January 2011, the Hospital also improperly used public funds totaling \$17,123 to pay life insurance premiums for a \$300,000 whole life policy for Mr. Ham.

2. Health and Life Benefits Provided to Commissioners and Family Members

From January 1, 2009, to April 30, 2012, the Hospital improperly paid \$265,331 to provide health and life insurance benefits to commissioners and their family members.

From January 1, 2009, to May 1, 2012, four commissioners were improperly included on the health plan for which the Hospital paid claims totaling \$27,384 and plan insurance premiums totaling \$46,573. It should be noted that these individuals received these benefits at no cost to themselves. Contrary to health plan requirements (e.g., being a full-time, active employee), it was the Hospital's practice to allow commissioners (and their family members) to participate in the Hospital's health plan and to do so free of charge.

During this period, the Hospital also improperly used public funds totaling \$191,374 to pay life insurance premiums for five commissioners and one family member. These payments included \$170,910 for Hospital-provided life insurance plans and \$20,464 for voluntary life insurance plans which should also have been the responsibility of the individual and not the Hospital.

3. Health and Life Benefits Provided to Other (Non-employee) Individuals

From November 1, 2009, to January 31, 2011, the Hospital improperly paid \$11,388 to provide life insurance benefits to a Hospital contractor and two individuals that were associated with Mr. Ham who had no affiliation with the Hospital.

Because Hospital commissioners and Mr. Ham did not qualify to receive health plan benefits, the Hospital had no legal obligation to provide benefits to these individuals. In addition, the Hospital could not demonstrate that it received equivalent benefit for amounts expended on life insurance premiums for commissioners, Mr. Ham, and other individuals associated with Mr. Ham. As a result, it appears that the Hospital may have violated the Louisiana Constitution,² which prohibits the donation of public funds or assets. In addition, by improperly adding himself to the Hospital's health plan and receiving benefits he was not entitled to receive, Mr. Ham may have violated state and federal laws.⁹

Recommendations

We recommend that the Hospital seek a legal opinion as to whether providing insurance benefits to commissioners is allowable. The Hospital should also adopt detailed policies and procedures to ensure public funds are spent in accordance with state law. In addition, the Hospital should:

- (1) seek reimbursement for improper benefits provided to ineligible individuals;

- (2) discontinue using public funds to provide insurance benefits to anyone other than full-time employees;
- (3) require written approval from management to add participants to the health plan;
- (4) collect all payments required from plan participants; and
- (5) reconcile the voluntary insurance premiums paid to the related payroll deductions each pay period.

Prohibited Contractual Arrangements

During our review, we noted that the Hospital had contractual arrangements with certain employees, an immediate family member of the Hospital administrator, and doctors that may be in violation of the state's ethics law.

These contractual relationships involved the following:

1. Patient transportation contracts with Hospital employees Capricia Jeffers and Stephanie York
2. Life support training classes provided by Hospital employee Susie Gains
3. Life insurance products purchased by the Hospital through the Hospital administrator's son-in-law¹⁰
4. Diagnostic equipment and services agreement with certain doctors employed by the Hospital

State law [R.S. 42§1113] provides, in part, that no public servant, or member of such public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant. In addition, state law [R.S. 42§1112] provides, in part, no public servant shall participate in a transaction in which he has a personal substantial economic interest. Because the Hospital entered into agreements with employees and/or employees' family members, it appears that Hospital management and these employees may have violated state law.¹¹

1. Patient Transportation Services Provided by Employees

From August 2008 through April 2012, the Hospital issued payments totaling \$403,665 to Hospital employees for Intensive Outpatient Program (IOP) transportation services. Our audit also revealed that some of these services appear to have been provided while Hospital employees were working on the clock for the Hospital.

The Hospital's IOP seeks to treat psychiatric health issues of geriatric patients by providing counseling sessions at the Hospital several days each week. Because many patients did not have a means to get to the sessions, the Hospital provided transportation for them. In

July 2008, the Hospital contracted with CSJ Enterprises, a company owned by Hospital IOP Director Capricia Jeffers and Persnikiti LLC, a company owned by former Hospital IOP nurse Stephanie York. As a result of these contracts, the Hospital issued checks totaling \$205,200 to CSJ and \$198,465 to Persnikiti. Ms. Jeffers was employed by the Hospital for the entire period of the contract. Ms. York was employed by the Hospital until March 22, 2010.

According to Ms. Jeffers, Mr. Alford decided that he wanted to contract this service out to a Hospital employee and approached her to provide this service. Ms. Jeffers accepted this offer and at the direction of Mr. Alford acquired all of the necessary business documentation, licenses, insurance, and equipment. According to Ms. Jeffers, the amounts she was paid were set by Mr. Alford. Kenny Temple, Ms. York's husband, stated that they purchased their van and began providing transportation services after speaking with Ms. Jeffers about the necessity for another van to pick up patients in Lake Providence, Louisiana.

In addition to the Hospital contracting with Ms. Jeffers and Ms. York, it appears that other Hospital employees drove the vans while on Hospital time. Ta'Mekia Sanders, a Hospital employee, acknowledged that until recently she drove Ms. Jeffers' van while on the clock for the Hospital. According to Ms. Jeffers, as a salaried employee of the Hospital, she was not required to clock in and out and was able to provide transportation services by working her Hospital hours around her driving schedule. According to Hospital employees, Ms. York employed several Hospital employees to drive her van, including Kenny Temple (Ms. York's husband), Brandy Gunn, Kira Smith, Ta'Mekia Sanders, and Tillie Bailey. It could not be determined if these employees were clocking out to leave the Hospital campus to drive a route.

2. Training Classes Provided by Employee

From March 6, 2008, to February 13, 2012, the Hospital issued payments totaling \$6,105 to Susie Gains, Infectious Controls supervisor, for conducting various life support classes given to Hospital employees during normal work hours. Ms. Gains stated that she was on the clock while she gave the classes and thought the classes were just part of her job. Ms. Gains stated that she provides the attendees of her classes with their certification card that she pays for out of the fees she charged the Hospital. It should be noted that Ms. Gains acknowledged that she has also used the Hospital's equipment and mannequins to conduct classes for other entities which paid her a fee. She stated that she has only done this a few times and did so with Mr. Alford's permission. It should be noted that the Hospital did not issue Ms. Gains an IRS Form 1099-Misc. for the payments she received.

3. Life Insurance Products Purchased through Mr. Alford's Son-in-Law

From August 2007 through June 2012, the Hospital issued payments totaling \$616,970 to New York Life for various life insurance products that were sold to the Hospital by Daniel Smith, who is also the son-in-law of Mr. Alford. According to Mr. Smith, in 2006 when he began selling insurance products, Mr. Alford offered him all of the Hospital's insurance business, which he declined. Subsequently in 2007, he said that he went to the Hospital, with Mr. Alford's permission, and sold voluntary life policies to employees, including Mr. Alford. In 2008, he said that he sold two "key man" life policies to the Hospital for doctors

T.A. Neumann and Wade Brown. Mr. Smith further stated that in 2011, Mr. Alford approached him about a retirement plan for himself (Mr. Alford) which resulted in a “key man” policy being purchased by the Hospital. It should be noted that in July 2012 (during our audit), the Hospital canceled all “key man” policies through New York Life and received payments totaling \$229,370 for the cash surrender value of the policies. Mr. Smith refused to provide us (auditors) with information regarding the commissions he earned on these life insurance products.

4. Diagnostics Agreement with Hospital Doctors

From January 1, 2009, to March 22, 2012, the Hospital issued payments totaling \$1,228,819 to Madison Computerized Imaging (MCI), a company partially owned by two doctors who are employed by the Hospital. MCI is a partnership that currently includes six doctors (all holding equal portions) including Dr. Thomas Neumann and Dr. Lawrence Chenier who are currently Hospital employees. Although none of the doctors have a controlling interest in MCI, the two doctors that are Hospital employees appear to be participating in transactions for which they have a substantial economic interest. As a result, these doctors may have violated state law [R.S. 42§1112].

In 2000, MCI purchased and provided a computed tomography (CT scan) machine to the Hospital. The current “Diagnostic” agreement between MCI and the Hospital provides that MCI would provide the equipment and technologist for the compensation of \$400 per in-patient scan for the first 50 scans per month and \$250 per additional scan. In addition to the two doctors who are currently Hospital employees, the majority of the doctors in MCI practice in the vicinity of the Hospital and order scans to be performed on their machine. By referring patients to their own company and billing the Hospital on a per scan basis, this arrangement and these doctors may have a conflict of interest and may have violated federal law.¹²

It should also be noted that according to the contract, MCI is to provide qualified technicians to operate the equipment; however, during our review we found that Hospital employees were performing the scans while on Hospital time. These individuals are paid a stipend from MCI in addition to their Hospital wages. (See finding, “Employees Received Payments from Hospital Vendors.”)

Recommendations

We recommend that Hospital management consult with legal counsel and the Louisiana Board of Ethics on the legality of these contractual relationships. The Hospital should also adopt detailed ethics policies and procedures that include requiring all employees to attend yearly ethics training in accordance with state law and prohibit employees from contracting with the Hospital. In addition, the Hospital should maintain an up-to-date listing of prohibited contractors and require all employees to disclose businesses for which they have a personal substantial economic interest.

Employees Received Payments from Hospital Vendors

From January 2007 through June 2012, we noted instances in which Hospital employees were paid by vendors to provide services during their normal Hospital work hours which may violate the state's ethics law. State law [R.S. 42§1111- (A)(1)] provides, in part, that no public servant shall receive anything of economic value, other than compensation and benefits from the governmental entity to which he is duly entitled, for the performance of the duties and responsibilities of his office or position. As a result, by receiving payments from Hospital vendors for services performed during regular work hours for the Hospital, these employees may have violated state law.

Payments from Tech Solutions, LLC

During our audit, the Hospital contracted with Tech Solutions, LLC (Tech Solutions) to provide administrative and diagnostic services and equipment to the nuclear medicine department. According to records, Tech Solutions issued checks totaling \$12,080 from February 2007 to December 2011 to the Hospital's Nuclear Medical Technologist. This amount included a \$3,000 signing bonus paid on February 27, 2007, and seven additional bonus and/or bone density scan checks totaling \$9,080.

Payments from Madison Computerized Imaging

Madison Computerized Imaging (MCI) contracts with the Hospital to provide computed tomography (CT scan) administrative and diagnostic services and equipment. According to Hospital and state labor records for MCI, during this period nine Hospital employees were paid wages from MCI totaling \$330,994. Although the MCI equipment is operated by Hospital technicians during Hospital work hours, MCI paid the technicians for each scan they performed. According to the Hospital Radiology Technician Supervisor, the Hospital technicians perform CT scans as a regular job function and do not clock out to perform them.

Recommendations

We recommend that the Hospital adopt detailed policies and procedures for employee conduct and vendor relations. This policy should require all employees to attend annual ethics training in accordance with state law and prohibit employees from receiving payments from vendors for the performance of Hospital duties.

Donation of Public Funds

From June 2007 to April 2012, the Hospital used public funds totaling at least \$404,510 for (1) improper nursing scholarships; (2) education, licensing, and travel expenses incurred by the contract attorney; (3) office celebrations, gifts, and flowers; (4) payments of unused sick leave; and (5) payments of voluntary insurance policies. By spending funds in this manner, Hospital management may have violated Article VII, Section 14 of the Louisiana Constitution, which prohibits the donation of public funds.

To determine if an expenditure of public funds is in accordance with Article VII, Section 14 of the Louisiana Constitution, the attorney general in Opinion 10-0171 indicated that “the public entity must have legal authority to make the expenditure” and must show the following:

1. A public purpose for the expenditure or transfer that comports with the governmental purpose the public entity has legal authority to pursue.
2. The expenditure or transfer, taken as a whole, does not appear to be gratuitous.
3. Evidence demonstrating that the public entity has a reasonable expectation of receiving a benefit or value at least equivalent to the amount expended or transferred.

Our audit revealed the following expenditures which appear to have violated the Louisiana Constitution.

Payments for Improper Nursing Scholarships

From June 1, 2007, to April 1, 2010, the Hospital improperly issued payments totaling \$101,074 to five Hospital employees as nursing scholarships. State law [R.S. 46§1131 through 46§1140] provides that Hospital service district boards may award scholarships to individuals obtaining their Registered Nurse license; however, these laws set forth specific requirements for these scholarships including issuing payments directly to the learning institution.

Our review of Hospital records indicated that the scholarships granted by the Hospital did not satisfy these requirements because, among other reasons, the payments were made directly to the participant (rather than to the institution) and some participants did not complete the programs as required. As a result, it appears that the Hospital did not have the legal authority to make these payments to employees.

Recommendation

We recommend that Hospital management implement policies prohibiting the donation of public funds and requiring documentation of the public purpose of all expenditures and requiring that any and all scholarships are issued in accordance with state law.

Payments of Expenses Incurred by Contract Attorney

The Hospital used public funds totaling \$7,136 for education, licensing, and travel expenses for Raymond Cannon to attend legal and healthcare related seminars with Hospital staff. Mr. Cannon has served as the Hospital’s general counsel since 1987. He is not a Hospital employee and does not have a written contract with the Hospital detailing the services to be provided on a monthly basis. Mr. Cannon bills the Hospital on a monthly basis for hours and expenses incurred by himself and his legal assistant and the Hospital issues him an IRS 1099-Misc. form at the end of each year. During this period, the Hospital also paid (via Hospital credit cards or invoices from Mr. Cannon) education, licensing, and travel expenses for

Mr. Cannon. Neither Mr. Cannon nor the Hospital could provide a written contract or fee schedule which provided for these costs to be paid by the Hospital. As a result, although these expenses may appear to have a public purpose, the Hospital did not have the legal authority or obligation to pay for the education, licensing, and travel expenses of its contract attorney. As an independent contractor, Mr. Cannon is responsible to pay these expenses on his own behalf.

Recommendations

We recommend that the Hospital seek legal advice as to the appropriate actions to be taken regarding payments made on behalf of independent contractors. In addition, the Hospital should implement written policies and procedures to provide guidance for the proper procurement of service contracts and to ensure that the Hospital is receiving equal service for amounts expended.

Payments for Office Celebrations, Gifts, and Flowers for Employees and Commissioners

We noted the following improper charges/purchases totaling \$33,186 that appear to be gratuitous:

- **Charges totaling \$13,085 were incurred for employee parties, boss' day celebrations, and Christmas parties.** In Opinion 03-0387, the attorney general opined in general, the payment of or reimbursement for food, drink, or other expenses associated with luncheons, banquets, parties or other similar functions, from public funds is improper under state law.
- **Purchases totaling \$20,101 were made which appear to have been gifts and/or flower arrangements for employees and commissioners of the Hospital.** Gifts generally included items given away during office celebrations including gift cards. For example, in November 2010 and November 2011, the Hospital incurred charges of \$3,125 and \$4,940, respectively, for candy and peanut brittle that were given away to employees, commissioners, and physicians during the holidays.

Recommendation

We recommend that Hospital management implement policies prohibiting the donation of public funds and requiring documentation of the public purpose of all expenditures.

Payments for Unused Sick Leave

Contrary to Hospital policy, from December 2009 to November 2011, the Hospital issued payments totaling \$225,513 to employees for unused sick leave. The Hospital's *Employee Handbook* does not provide for the payment of unused sick leave and there was no documentation of board approval for these payments. In addition, during this period some employees were improperly paid, at Mr. Alford's discretion, for their unused vacation leave. Hospital policy only provides for payment of unused vacation leave upon termination of

employment. As a result, the Hospital did not have the legal authority or obligation to pay employees additional compensation for accrued leave time.

Recommendation

We recommend that Hospital management enforce its written policies and procedures regarding payroll and payments for unused leave.

Payments for Voluntary Insurance Policies

During the period January 2009 through April 2012, the Hospital made payments of voluntary insurance policy premiums totaling \$37,601 for employees which were never deducted from employees' paychecks.¹³ The Hospital did not have the legal authority or obligation to absorb the costs of these voluntary insurance policies for employees. This may have resulted from the Hospital not reconciling the actual amount of insurance premiums paid by the Hospital to the actual amounts being deducted from the employees' wages.

Recommendations

We recommend that Hospital management implement written policies and procedures regarding payroll. These policies and procedures should include requiring management to review and approve time records and payroll disbursements for all employees; verify that all payments are allowed by Hospital policy and state law; verify that income is properly reported to the IRS; and ensure that the payroll deductions and associated expenses (e.g., insurances, uniforms, legal representation, etc.) are reconciled each pay period.

Inappropriate Public Meetings Practices

The Board of Commissioners conducted an excessive amount of Hospital business in executive session, in possible violation of the Open Meeting law.¹⁴ State law allows exemptions to the public meeting law for specific reasons including "...discussion and development of marketing strategies and strategic plans." However, our review of Hospital board minutes indicated that from January 2010 through March 2012, the board entered into executive sessions during 45 of the 47 (96%) meetings held. Nearly all of the executive sessions were entered into for the purpose of discussing "ongoing marketing strategy and strategic planning." A review of the minutes of these meetings also indicates that very little Hospital business is done outside of executive session in an open and public manner.

Recommendations

We recommend that the board comply with Louisiana open meetings laws and require that public business is performed in an open and transparent manner. Executive sessions should only be held for the limited exceptions allowed by state law and not used to circumvent the open meetings laws.

FOOTNOTES

¹ **R.S. 14§26** provides, in part, that criminal conspiracy is the agreement or combination of two or more persons for the specific purpose of committing any crime; provided that an agreement or combination to commit a crime shall not amount to a criminal conspiracy unless, in addition to such agreement or combination, one or more of such parties does an act in furtherance of the object of the agreement or combination.

R.S. 14§67 provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.

R.S. 14§133 provides, in part, that filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, any forged document, any wrongfully altered document, or any document containing a false statement or false representation of a material fact.

R.S. 14§141 (A) provides, in part, splitting of profits, fees or commissions means the giving, offering to give, receiving or offering to receive, directly or indirectly, anything of apparent present or prospective value by or to a public officer or public employee or to any fund or fiduciary existing for the benefit of or use by such public officer or employee, when such value is derived from any agreement or contract to which the state or any subdivision thereof is a party.

18 U.S.C. §666 provides, in part, that theft concerning programs receiving federal funds occurs when an agent of an organization, state, local, or Indian tribal government or any agency thereof embezzles, steals, obtains by fraud, or otherwise intentionally misapplies property that is valued at \$5,000 or more and is owned by or under control of such organization, state, or agency when the organization, state, or agency receives in any one year period, benefits in excess of \$10,000 under a federal program involving a grant contract, or other form of federal assistance.

18 U.S.C. §1341, “Mail Fraud” provides, in part, that mail fraud is having devised or intended to devise any scheme to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises for the purpose of executing such scheme or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing whatever to be sent or delivered by the Postal Service, or takes or received therefrom, any such matter or thing, or knowingly causes to be delivered by mail according to the direction thereon.

18 U.S.C. §1343, “Wire Fraud” provides, in part, that whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communications in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined not more than \$1,000 or imprisoned not more than five years, or both.

18 U.S.C. §1347 provides, in part, that whoever knowingly and willfully executes, or attempts to execute, a scheme or artifice (1) to defraud any health care benefit program; or (2) to obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any health care benefit program, in connection with the delivery of or payment for health care benefits, items, or services, shall be fined under this title or imprisoned not more than 10 years, or both. If the violation results in serious bodily injury (as defined in section 1365 of this title), such person shall be fined under this title or imprisoned not more than 20 years, or both; and if the violation results in death, such person shall be fined under this title, or imprisoned for any term of years or for life, or both.

² **Article VII, Section 14 of the Louisiana Constitution** provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

³ **R.S. 14§67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.

R.S. 14§134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

R.S. 42§1461(A) provides, in part, that officials, whether elected or appointed, by the act of accepting such office assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to the public entity in which they hold office.

⁴ **R.S. 14§67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.

R.S. 14§68 provides, in part, that unauthorized use of a movable is the intentional taking or use of a movable which belongs to another, either without the other's consent, or by means of fraudulent conduct, practices, or representations, but without any intention to deprive the other of the movable permanently.

R.S. 14§134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

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⁵ **R.S. 44§36 (A)** provides, in part, that all persons and public bodies having custody or control of any public record, other than conveyance, probate, mortgage, or other permanent records required by existing law to be kept for all time, shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public records in formal records retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. However, in all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made.

⁶ **R.S. 42§1115(A)** states, "No public servant shall solicit or accept, directly or indirectly, anything of economic value as a gift or gratuity from any person or from any officer, director, agent, or employee of such person, if such public servant knows or reasonably should know that such person: (1) Has or is seeking to obtain contractual or other business or financial relationships with the public servant's agency, or (2) Is seeking, for compensation, to influence the passage or defeat of legislation by the public servant's agency."

⁷ **R.S. 14§68** provides, in part, that unauthorized use of a movable is the intentional taking or use of a movable which belongs to another, either without the other's consent, or by means of fraudulent conduct, practices, or representations, but without any intention to deprive the other of the movable permanently.

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R.S. 42§1461(A) provides, in part, that officials, whether elected or appointed, by the act of accepting such office assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to the public entity in which they hold office.

⁸ **R.S. 42§1112** provides, in part, that no public servant, except as provided in R.S. 42§1120, shall participate in a transaction in which he has a personal substantial economic interest of which he may reasonably be expected to know involving the governmental entity.

R.S. 42§1113 provides, in part, that no public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.

⁹ **R.S. 14§67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.

R.S. 14§133 provides, in part, that filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, any forged document, any wrongfully altered document, or any document containing a false statement or false representation of a material fact.

18 U.S.C. §1347, "Health Care Fraud," provides in part, (a) that whoever knowingly and willfully executes, or attempts to execute, a scheme or artifice, (1) to defraud any health care benefit program; or (2) to obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the control of, any health care benefit program, in connection with the delivery of or payment for benefits, items, or services.

¹⁰ **R.S. 42§1102(13)** provides that "Immediate family" as the term relates to a public servant, means his children, the spouses of his children, his brothers and their spouses, his sisters and their spouses, his parents, his spouse, and the parents of his spouse.

¹¹ **R.S. 14§140** provides, in part, that public contract fraud is committed "when any public officer or employee shall use his power or position as such officer or employee to secure any expenditure of public funds to himself, or to any partnership to which he is a member, or to any corporation of which he is an officer, stockholder, or director." Section (B) of this statute states, "The fact that an expenditure has been made to any party named in Paragraphs (1) and (2) of Subsection A of this Section, or to any partnership of which he is a member, or to any corporation of which he is an officer, stockholder, or director, shall be presumptive evidence that such person has used his power, position, or influence to secure such expenditure."

R.S. 42§1112 provides, in part, that no public servant, except as provided in R.S. 42§1120, shall participate in a transaction in which he has a personal substantial economic interest of which he may reasonably be expected to know involving the governmental entity.

R.S. 42§1113 provides, in part, that no public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.

¹² **42 U.S.C. §1395nn(a)** provides, in part, except as provided in subsection (b) of this section, if a physician (or an immediate family member of such physician) has a financial relationship with an entity specified in paragraph (2), then--(A) the physician may not make a referral to the entity for the furnishing of designated health services for which payment otherwise may be made under this subchapter, and (B) the entity may not present or cause to be presented a claim under this subchapter or bill to any individual, third party payor, or other entity for designated health services furnished pursuant to a referral prohibited under subparagraph (A).

42 U.S.C. §1395nn (e)(1)(B) provides, in part, payments made by a lessee of equipment to the lessor of the equipment for the use of the equipment if-- companies which they have an interest in. (iv) the rental charges over the term of the lease are set in advance, are consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties.

¹³ This amount does not include payments totaling \$26,155 for Mr. Alford. (See finding, "Administrator Paid in Excess of Contracted Rate.")

¹⁴ **R.S. 42§12** provides, in part, that it is essential to the maintenance of a democratic society that public business be performed in an open and public manner and that the citizens be advised of and aware of the performance of public officials and the deliberations and decisions that go into the making of public policy.

APPENDIX A

Management's Response



Madison Parish Hospital

900 Johnson St. - PO Box 1559

Tallulah, LA 71282-1559

December 12, 2012

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Report on the Madison Parish Hospital Service District

Dear Mr. Purpera:

On behalf of the Madison Parish Hospital Service District, I would like to thank you for the opportunity to respond to your draft compliance audit report. Also, I would like to thank you and your staff for the time and effort given to this investigation and subsequent report.

As you may be aware, Madison Parish Hospital Service District, d/b/a Madison Parish Hospital, is under new management and has appointed a new Board of Commissioners. Please know that current management and the Board of Commissioners take this matter seriously and we will use the findings and recommendations to improve Madison Parish Hospital's operational, financial, and business models.

As the Chief Executive Officer of Madison Parish Hospital, I have begun the process of attracting top quality talent and training current staff members to assist in addressing the findings and recommendations identified by the Legislative Auditor's team, Postlethwaite & Netterville, and Roberts, Cherry and Company. I, along with my team, will have the shared goals of minimizing the risk of any future fraudulent acts, improve our compliance with ethics, state and federal laws, and enhance our operational effectiveness to assure future sustainability of Madison Parish Hospital. Please know much has already been done to implement the changes, adopt best practices, tighten controls, minimize risks, address policies and procedures, etc. We will not rest until we have accomplished our goals.

Next, the recommendations provided by you and your team are well received by Madison Parish Hospital's management and Board. We will make every effort to follow and implement those recommendations.

Once again, thank you for your time and effort during this audit process.

Sincerely,

Scott Barrilleaux
Chief Executive Officer

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*OF COUNSEL
*ALSO ADMITTED IN TENNESSEE

December 13, 2012

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Mr. Allen F. Brown, CPA, CFE
Assistant Legislative Auditor
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Baton Rouge, Louisiana 70804-9397

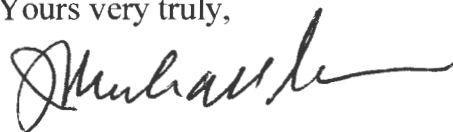
RE: Charles Wendell Alford

Dear Mr. Brown:

I have been retained to represent Charles Wendell Alford in connection with an ongoing investigation involving his tenure as former Hospital Administrator for the Madison Parish Hospital. I have been provided a copy of your letter addressed to my client dated December 6, 2012 offering him the opportunity to provide any information he cares to regarding the findings set forth in the Draft Compliance Audit Report regarding the Madison Parish Hospital Service District. I have been contacted by Assistant United States Attorney Mignonne Griffing and advised that she has been assigned this matter for investigation and any other appropriate action.

In view of the fact that federal prosecutors are actively involved in this case I must decline on behalf of my client to offer any information at this time regarding the various findings and recommendations contained in the draft report. You should not interpret this declination in any way as a concurrence by Mr. Alford in the various findings in the report. Rather Mr. Alford is simply following my advise that he decline to make statements at this time in view of the present posture of the case.

Yours very truly,



J. MICHAEL SMALL

JMS/jc