

LEGISLATIVE AUDITOR

STATE OF LOUISIANA



EAST JEFFERSON COMMUNITY
HEALTH CENTER, INC.

AUDIT REPORT
ISSUED AUGUST 25, 2004

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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August 25, 2004

**MS. GWENDOLYN ODOMES, INTERIM CHAIRPERSON,
AND MEMBERS OF THE BOARD OF DIRECTORS
EAST JEFFERSON COMMUNITY HEALTH CENTER, INC.**
River Ridge, Louisiana

We have audited certain transactions of the East Jefferson Community Health Center, Inc. (Health Center) in accordance with Title 24 of the Louisiana Revised Statutes. Our audit was performed to determine if the services invoiced by a vendor were actually provided to the Health Center.

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*; therefore, we are not offering an opinion on the Health Center's financial statements or system of internal control, nor assurance as to compliance with laws and regulations.

The accompanying report presents our finding and recommendations as well as management's response. Copies of this report have been delivered to the Health Center board members; the Honorable Paul D. Connick, Jr., District Attorney for the Twenty-fourth Judicial District of Louisiana; Mr. Jim Letten, United States Attorney for the Eastern District of Louisiana; and others as required by state law.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

JLS:DD:DGP:dl

EJHC04

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Health Center Paid Vendor for Services Not Performed

From June 23, 2002, to August 27, 2002, East Jefferson Community Health Center, Inc. (Health Center) paid Global Information Services, Inc. (Global) \$10,508 for services not actually performed and \$2,000 over market rates for services that were performed. The Health Center did not have adequate internal control, provide written operational policy and procedures to its employees, or direct its employees on proper business practices.

The Health Center hired Global to maintain and upgrade its computers and computer software. Health Center records indicate that during 2002 the Health Center paid Global \$60,723 for computer equipment, computer support services, data entry work, and lobbying services.

Global invoiced the Health Center for data entry clerks on five separate occasions from June 23, 2002, to August 27, 2002. The hourly rate was \$18.50. According to the owner of Global, Mr. Charles Gibson, the clerks were Kaela Barnett, Kimberly Barnett, and Alecia Chase. Kaela and Kimberly are the daughters of Mr. Larry Barnett, former board chairman.

Services Not Performed

Mr. Gibson initially stated the clerks worked at the Health Center entering medical records. Mr. Gibson paid them \$6.50 or \$7.00 per hour and issued 1099s for tax purposes. Mr. Gibson subsequently changed his statement by stating Kaela and Alecia worked at the Jefferson Housing Foundation (Housing Foundation) in Marrero, Louisiana. They performed data entry work for the Health Center using computer diskettes to transfer the work to the Health Center, while Kimberly actually worked at the Health Center. According to Mr. Gibson, during the time Kaela and Alecia were paid to work for the Health Center, he was the interim executive director of the Housing Foundation, an entity established to help first time home owners.

Health Center records and interviews with Mr. Gibson indicate Global provided to the Health Center faxed copies of time cards for Alecia, Kaela, and Kimberly; copies of invoices for the clerks; and a breakdown of Kaela's and Alecia's hours of work. The records were faxed from the Housing Foundation. Mr. Gibson confirmed that 568 hours invoiced to the Health Center were for Kaela's and Alecia's work at the Housing Foundation.

Kaela and Alecia stated they received \$6.50 per hour and worked at the Housing Foundation. Kaela reported to Ms. Deletrise Jones, the Housing Foundation's chief financial officer. According to Ms. Jones, Kaela assisted her with Housing Foundation work. According to Alecia, she answered the phones and performed other general office duties for the Housing Foundation; she did not work for the Health Center.

According to Ms. Natasha Garrett, chief financial officer for the Health Center at the time, all financial and medical data entry work was performed at the Health Center and not from a remote location. Therefore, Global invoiced and the Health Center paid \$10,508 (568 hours x \$18.50) for clerks that worked for another of Mr. Gibson's business associations, the Housing Foundation. The Health Center's



management and board's finance committee failed to verify that services were provided before payment was made to Global.

Services Paid at Excessive Rate

The Health Center paid \$5,069 to Global for work performed by Kimberly Barnett. According to Mr. Gibson, he paid Kimberly \$6.50 per hour and billed her services at \$18.50 per hour.

Health Center records indicate Temps Today Staffing, Inc., billed the Health Center \$11.20 per hour for temporary clerk positions. According to Kimberly, she worked in the finance office for Ms. Garrett doing clerical work and copying information from patients' charts. Ms. Garrett verified Kimberly worked at the Health Center performing filing and copying tasks. The Health Center's management and board's finance committee failed to verify the temporary service charges were commensurate with market rates.

Mr. Gibson confirmed that 274 hours invoiced to the Health Center were for Kimberly's work at the Health Center. Had the Health Center negotiated a rate of \$11.20 per hour for the general clerical work Kimberly performed instead of \$18.50 per hour, the Health Center would have saved \$2,000 ($274 \times \$11.20 = \$3,069$).

Mr. Barnett acknowledged he knew Kimberly was employed by Global and Global was invoicing the Health Center for his daughter's work.

Lack of Internal Control and Operational Policy and Procedures

Best practices for responsible fiscal administration requires management to develop internal controls and operational policy and procedures, and the board of directors to adopt the controls, policies, and procedures. The board and management did not perform these duties in accordance with best practices.

Ms. Carol Robinson was the accountant at the Health Center in March 2004. Ms. Robinson stated there are few, if any, operational policies and procedures in place. According to Ms. Robinson, no written policies and procedures exist for purchasing materials and supplies, preparing the budget, paying bills, preparing financial statements, employee travel, paying employees, employee attendance, investing excess cash, receiving patient payments, or purchasing equipment.

The lack of adequate internal control and operational policy and procedures resulted in the following concerns:

1. Invoices are not being properly received. For example, on August 27, 2002, Global invoiced the Health Center \$3,061 for data entry work. The invoice stated that K. Barnett and A. Chase worked 145.5 hours. However, the invoice dollar amount was based on 165.5 hours, a difference of \$370 or 20 hours.
2. Mr. Barnett used a Health Center check to purchase airline tickets for him and his wife to travel to Maryland in May 2003 for personal purposes. Mr. Barnett agreed to reimburse



the Health Center for the tickets on March 23, 2004. The Office of Legislative Auditor received notification on July 16, 2004, that Mr. Barnett had reimbursed the Health Center.

3. Ms. Janice Bennett, board member, had the Health Center purchase an airline ticket in January 2003 for her husband. She agreed to reimburse the Health Center on March 11, 2004. The Health Center confirmed Ms. Bennett made the reimbursement on July 23, 2004.
4. The Health Center paid Mr. Charles Stewart, board member, \$1,750 in 2003. No documentation supported the business purposes of these payments.
5. According to Ms. Eudonaise Lewis, Health Center employee, in 2002 the Health Center purchased seven laptop computers. Only two laptop computers are accounted for at the Health Center.
6. The Health Center cannot provide copies of asset listings for 2002 or 2003.
7. The Health Center did not reduce all agreements with service vendors to writing.
8. Some contracts do not have performance measures or specific deliverables.
9. Bid documentation is missing for items supposedly bid.
10. Credit card purchases are missing receipts or invoices.
11. Payments to vendors do not have supporting invoices.

This report has been provided to the District Attorney for the Twenty-fourth Judicial District of Louisiana and the United States Attorney for the Eastern District of Louisiana. The actual determination as to whether an individual is subject to formal charge is at the discretion of the district attorney or United States attorney.¹

¹ 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 or the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

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.





The board should review its bylaws and the policies and procedures set forth by the East Jefferson Community Health Center, Inc. Specifically, the board members and executive director should:

- (1) adopt an ethics policy for the Health Center's board and employees;
- (2) prepare, adopt, and approve annual budgets, and ensure that the executive director uses Health Center funds in accordance with the approved budget;
- (3) review expenditures ensuring proper documentation accompanies each check and funds are expended for the benefit of the Health Center;
- (4) file copies of checks with invoices attached in vendor file;
- (5) develop purchasing procedures to include the use of requisitions and purchase orders;
- (6) develop accounts receivable procedures to include reconciling the subsidiary ledger to the general ledger on a timely basis;
- (7) provide information on the financial position of the Health Center to the board monthly;
- (8) develop employee travel policy ensuring only allowable expenses are paid or reimbursed;
- (9) develop investment policy to include defining investment types, risk, and liquidity;
- (10) record all capital assets and develop procedures to track and account for all inventory; and
- (11) ensure all contracts are properly authorized by the board, contain clear descriptive language as to deliverables, are properly executed, and are maintained in Health Center records.





The East Jefferson Community Health Center, Inc. (Health Center) incorporated as a nonprofit corporation in 1993. Its mission is to provide health care to the uninsured or underinsured residents of Jefferson Parish. The Health Center receives federal, state, and local funding. During 2002, the Health Center received \$653,280 in funding from the United States Department of Health and Human Services. The governing board of the Health Center is comprised of 11 members. Federal regulations require that six of the 11 board members must be customers of the Health Center.

The Office of Legislative Auditor received an allegation that the daughter of the Health Center's chairman worked at the Health Center during the summer of 2002 at an inflated hourly rate.

The procedures performed during this examination consisted of the following:

- (1) interviewing employees and officials of the Health Center;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records of the Health Center;
- (4) performing observations; and
- (5) reviewing applicable state laws and regulations.

The results of our examination are the finding and recommendations herein.







EAST JEFFERSON



COMMUNITY HEALTH CENTER

11312 Jefferson Highway

Phone (504) 464-0032

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River Ridge, LA 70123

June 26, 2004

Mr. Steve Stevenson, II CPA
Office of Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Management Response Fraud Audit EJCHC

Dear Mr. Stevenson:

I am in receipt of your preliminary draft of the legislative audit of the East Jefferson Community Health Center and am responding to your visit of July 13, 2004. Our initial response is that Mr. Larry Barnett is no longer Chairman of the Board and that some of the board members have changed from the period that was audited. I have been Chairman since February 19, 2004. In addition, please indicate the fact that Mr. Anderson J. Gilmore was then the Chief Executive Director, but not currently.

During the period of the audit, Global Information Services, Inc. had contractual relations with EJCHC; however, the center has no current relations with Global. EJCHC stands alone and is a separate entity from the Jefferson Housing Foundation.

Ms. Natasha Garrett and Ms. Carol Robinson are no longer employed at the Health Center. Ms. Patricia Bowman and Ms. Janice Bennett remain as board members. Mr. Larry Barnett has paid the EJCHC \$378.00 for reimbursement for airfare for his wife and Ms. Bennett has submitted a check in the amount of \$240.50 for reimbursement for an airline ticket purchased by the Health Center that was never used.

The audit documents services not performed, work performed by the Chairman's daughters, lack of internal controls and operational policies and procedures and lack of proper business practices. Presently we are using best government practices and ethics.

Sincerely yours,

J.C. Dawson
Board Chairman

Cc: Board Members
Dan Daigle

Phone (504) 361-1080
Fax (504) 361-0950

May 7, 2004

Mr. J.C. Dawson, Board Chairman
East Jefferson Community Health Center
11312 Jefferson Highway
River Ridge, LA 70123

Re: Travel Reimbursement

Dear Mr. Dawson:

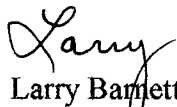
Several weeks ago, it was brought to my attention that a check from the East Jefferson Community Health Center (the "Clinic") was used to pay for my travel to Maryland. I have checked my records, and I can not find where EJCHC was reimbursed for the trip. Enclosed, please find a check in the amount of \$378.00; which is the total amount of the check in question.

For clarification, the following is my recollection of what occurred: The Executive Director at that time, Mr. Anderson J. Gilmore, asked me if I could attend the Washington DC meeting to represent the Clinic; since he could not change his schedule to attend. Although, it was short notice, I agreed to go to the meeting to insure that EJCHC would continue to receive assistance in our fight to maintain and continue our federal funding. A member of the EJCHC personnel staff, who was responsible for purchasing the airline ticket, quoted an airfare cost of \$1,200.00. I contacted the travel agency that was handling my personal trip to Maryland, and requested a price on a ticket to Washington DC for the date of the meeting. That pricing information was supplied to EJCHC, and I awaited the delivery of the checks to pay for my ticket and travel expenses. Ms. Carol Robinson, the Chief Financial Officer, contacted me later that afternoon and requested that I meet with her to pick up the aforementioned checks.

While attempting to transact both my personal and EJCHC travel business before the travel agency closed, a purchasing mistake was made. I am not aware of how this mix up occurred, but as such, to remedy the mistake, please find my reimbursement check enclosed.

As always, it was a pleasure serving on this Board that truly provides much needed medical services to the people in our community. If you have any questions and/or need any further clarification, please do not hesitate to call.

Cordially,



Larry Barnett
enclosure: check # 3344