



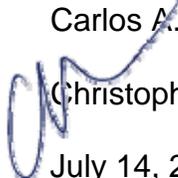
Memorandum



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To: Marcos José Lapciuc, Chairman
and Members, Public Health Trust Financial Recovery Board

Carlos A. Migoya, President and CEO, Jackson Health System

From:  Christopher Mazzella, Inspector General

Date: July 14, 2011

Subject: *OIG Final Audit Report Re: Audit of the Management and Services Agreement Between the Public Health Trust of Miami-Dade County and Foundation Health Services, Inc., Ref. IG09-98.2*

Attached please find the above-captioned final audit report. This audit covered selected Foundation Health Services, Inc. (FHS) activities and expenditures, pursuant to its agreement with the Miami-Dade County Public Health Trust (PHT). FHS is a not-for-profit, wholly-owned affiliate of the Jackson Memorial Foundation (JMF), the charitable fund-raising arm of the PHT and Jackson Health System (JHS). FHS was founded with the encouragement of the PHT in order to manage the Jackson Memorial Hospital International Program (JMHI). Expanded concierge and hospitality services were later added to FHS' responsibilities in 2008. This management agreement expired on February 28, 2011.¹

This is the second of two reports that the OIG has issued regarding FHS activities and expenditures pursuant to its agreement with the PHT.² The current audit report includes an evaluation of FHS' expenditures, cash advances, and internal controls related to business travel and entertainment expenses; performance reporting of international patient activity and the results of its international marketing efforts; and use of foreign professional and other consulting services.

A copy of this report was provided, as a draft, to the chief executive officers of FHS and JHS for their review and discretionary submission of a written response. Both

¹ The Board of County Commissioners and the Public Health Trust have subsequently authorized the formation of a new not-for-profit company that will operate the International Program directly on behalf of the PHT. While the new not-for-profit company has been created, no operating agreement, contract, or budget between it and the PHT have been established.

² The first audit report (IG09-98) was issued on October 28, 2010, and can be found at <http://www.miamidadeig.org/Reports10/IG09.98FinalReport.pdf>.

FHS and JHS provided a response, and the responses are appended to the final report as Appendix A and B, respectively.

As with our first report, FHS disagreed with our findings, primarily taking issue with the OIG's perspective and the standards that we applied when examining its expenditures and operations. FHS states, "We believe that applying public standards to a company established to use private sector business practices presents inaccurate and unfair criticisms of a PHT approved effort created to help JHS."

In its response, JHS addresses only the report's recommendations. Its response to 12 out of 16 recommendations was that "[t]his recommendation is consistent with established JHS practices and procedures." JHS also agreed with the four remaining recommendations, which addressed electronic access to JHS patient records and the usage of identification codes to classify international patients.

The final report includes a general summation of FHS' and JHS' responses and our comments on them (see Section IV). The report also includes some FHS finding-specific responses, which are summarized directly after the respective finding, and the OIG's rejoinder to each.

In accordance with Section 2-1076(d)(2) of the Code of Miami-Dade County, the OIG requests that JHS management provide us with a status report in 90 days on the issues addressed by this audit and, in particular, the progress of the newly formed not-for-profit corporation's operation of the Jackson International Program and the implementation of the OIG's recommendations in its operating procedures. We request this report from the PHT/JHS on or before October 12, 2011.

Lastly, the OIG would like to thank the FHS and JMF staffs for making their records available in a timely manner and for the courtesies extended to OIG auditors during the course of this review.

For reading convenience, a one-page abstract of the report follows.

Attachment

cc: Hon. Carlos A. Gimenez, Mayor, Miami-Dade County
Hon. Joe A. Martinez, Chairman, Board of County Commissioners
and Members, Board of County Commissioners
Alina Hudak, County Manager
Cathy Jackson, Director, Audit and Management Services Department
Charles Anderson, Commission Auditor
Stephen J. Weimer, Corporate Director – Internal Audit, JHS
Rolando D. Rodriguez, President and CEO, Foundation Health Services, Inc.
Alan T. Dimond, Chair, Board of Directors, Foundation Health Services, Inc.
Clerk of the Board (copy filed)

ABSTRACT — FINAL AUDIT REPORT IG09-98.2

This audit focused on three areas, indicated as follows:

A. Employee Travel Advance Reporting and Cash Advances

We observed that FHS routinely accepted incomplete employee expense reports seeking reimbursement for personal funds and reporting expenditures of FHS cash advances for business travel and entertainment. Four cash advances to four individuals totaling \$8,870 had no supporting expense reports showing how these funds were spent. Another \$10,400 of cash advances to three individuals were incompletely supported and failed to show how the employees spent \$6,708 of the advances. In addition, FHS credit card charges for business travel and entertainment expenses incurred on behalf of non-employees for FHS sponsored activities were not supported. FHS' travel policy regarding the use of lodging and meal per diems lacked clarity. FHS did not always match employee cash advances to the employee's corresponding expense report, further complicating employee expense reconciliation. Two FHS checks, totaling \$2,200, were not formally voided for two years or more; two travel expense reports were not converted to U.S. dollars before making reimbursements to the employee (once inflating the reimbursement amount, once undervaluing the reimbursement amount); and FHS senior staff approved their own check requests to obtain cash advances and/or reimbursement for their own expense reports. All of these findings demonstrate a weak control environment resulting in abusive practices, and are a continuation of the lack of internal controls reported in the OIG's first report on credit card expenditures.

B. FHS International Patient Activity Performance Reporting

We determined that FHS should use data only from its patient accounting system (Integrated Operating System) to report the results of its international marketing efforts. FHS had been commingling its data with that obtained from JHS to report total international patient activity. In other words, FHS was reporting all international patient activity, not just the patient activity derived from its own marketing efforts. We observed that the primary method used by FHS to identify international patient activity in JHS records—Z92 coding—was an unreliable indicator of a patient's classification; thereby rendering FHS' performance not readily measurable.

C. Foreign Professional Consulting Services and Other Expenditures

We noted that FHS did not withhold tax on professional service fees that it paid to foreign nationals for services that they provided to FHS while working in the U.S. In addition, we found that FHS paid two consultants a total of \$185,322 for services rendered without any written agreements specifying the services to be provided by the consultants. We also observed that incomplete documentation at FHS offices did not substantiate that core services were performed by a consulting firm. Lastly, FHS spent \$12,000 of taxpayer funds to purchase tables at galas, for the benefit of JHS, that were sponsored by FHS' parent organization, the Jackson Memorial Foundation.

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FINAL AUDIT REPORT

*Audit of the Management Services Agreement
Between the Public Health Trust of Miami-Dade
County and Foundation Health Services, Inc.*

IG09-98.2

July 14, 2011

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I. INTRODUCTION

This audit report is a continuation of the OIG's audit of selected Foundation Health Services, Inc. (FHS) activities and expenditures according to its management and services agreement with the Public Health Trust of Miami-Dade County (PHT).¹ This report focuses on three areas: (A) FHS employee travel expense reporting and cash advances; (B) FHS international patient activity performance reporting; and, (C) FHS' use of foreign professional consulting services and other expenditures. Our objectives, scopes, methodologies, and findings are organized into these three areas. Our recommendations follow at the end of the report.

II. RESULTS SUMMARY

A. Employee Travel Expense Reporting and Cash Advances

We observed problems similar to those that we described in our first report—noncompliances with written procedures, incomplete documentation of expenditures, questionable supervisory approvals of expense reports, and the like. We determined that FHS' Policy & Procedure No. 809, *Business Travel*, was not necessarily unreasonable with respect to FHS' mission. However, parts of it were incompatible with FHS' funding source because it authorized FHS employees to use public funds to pay for questionable employee and non-employee expenses. In addition, FHS employees used their FHS issued credit cards to pay for travel and entertainment expenses, such as airfares, hotel room charges, meals and alcoholic beverages for foreign business representatives, JHS employees, and FHS consultants without adequately documenting business purposes or outcomes justifying the propriety of the expenditures.

In addition, we analyzed FHS cash advances—most of which were travel related. We observed that some individuals receiving advances did not settle their advances by submitting properly supported expense reports and sometimes did not submit expense reports at all. We noted four other instances, totaling \$8,870 in advances, to four individuals who did not submit expense reports or receipts supporting their use of cash advance funds. In addition, we noted that \$10,400 was given in ten cash advances to four individuals but resulted in only

¹ The OIG's Final Audit Report Re: *Audit of the Management and Services Agreement Between the Public Health Trust of Miami-Dade County and Foundation Health Services, Inc.*, Ref. IG09-98, dated October 28, 2010, contains extensive background sections on the origin of FHS and authorizing resolutions, its funding and expenditures, and its relationships to the PHT and the Jackson Memorial Foundation, its parent organization. This information is not being repeated in this report. See www.miamidadeig.org/reports10/IG09.98FinalReport.pdf to view this report.

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\$4,100 of receipts (without regard to whether such receipts were properly annotated as to business purpose, other attendees, etc.) leaving \$7,300 of advances unaccounted for. We acknowledge that most of these questionable transactions were limited to a few repeat offenders and that many FHS employees did provide receipts (albeit not completely annotated) of their business expenditures. Notwithstanding, we concluded that FHS did not effectively control cash advances, giving the appearance that these advances were funds given to employees that required no repayment if not used in full or, at least, required no meaningful record keeping to support the expenditure of the cash advances.

Furthermore, we observed that employees seeking reimbursement for FHS-related expenditures occasionally waited months before seeking reimbursement. FHS policy is for its employees to submit their expense reports within two weeks after returning to the office from a trip. The policy is silent as to when employees should submit expense reports for non-travel related business expenditures, but we believe a reasonable standard would be no less than monthly. We identified one employee who collected receipts for nine months before seeking reimbursement for \$338 of expenses; seven months to seek reimbursement for \$1,070 of expenses; and four months to seek reimbursement for \$4,355 of expenses. Other employees waited two months or more before seeking reimbursement for business expenditures. In total, we noted 23 expense reports totaling \$25,820 that were not timely submitted.

This lack of timely reporting by FHS employees reflects a careless approach by both FHS and its employees for the need for prompt, complete, and accurate accounting of employee business-related expenditures using their personal funds or cash advances that they received. This practice puts both FHS and its employees at risk for misuse of funds and is contrary to the timely and complete reporting of employee expenditures, which is an accepted best practice. We concluded that FHS did not effectively control its reimbursements to its employees for their business expenditures.

In summary, FHS, from the onset of its operations, did not establish effective financial controls to ensure the integrity of its expenditures of public funds for business travel and entertainment. FHS instead relied on poorly implemented accounting practices to process employee advances and reimbursements. In addition, these practices were accompanied by scant management support to eliminate the questionable practices. That the noted conditions have existed throughout FHS' existence supports our contention that FHS management made little attempt at establishing a fiscally responsible organization, with regards to financing and controlling its employee expenditures for business travel and entertainment.

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B. FHS International Patient Activity Performance Reporting

FHS' first stated business objective in the PHT's authorizing resolution is to operate JHS' JMH International (JMHI) program "to attract paying international patients to JHS... ." ² (OIG emphasis) Accordingly, we believe that the measure of FHS' success is the number of international patients that enter the Jackson Health System (JHS) with FHS' input and assistance, i.e., those patients that FHS has "attracted" to JHS. However, this is not the activity that FHS has been reporting. FHS has been reporting total JHS international patient activity, which includes FHS international patient activity, as defined above. Total JHS international patient activity comprises that activity—those patients—that fall within the definition of an international patient that was adopted by the PHT in October 2009.

We note that the definition does not include a requirement that FHS provide input and assistance to a patient entering JHS or that the patient's admission was in some way related to FHS marketing activities. In addition, we note that the 2009 adoption of this definition, of its own accord, undoubtedly expanded the number of patients eligible to be counted as international patients; thereby increasing reportable international patient activity even without any FHS efforts. While FHS reports may provide useful information about total JHS international patient activity, they do not provide useful information about the impact of FHS activities to attract new paying international patients to JHS.

FHS should use only the data contained in its Integrated Operating System (IOS) to report its international patients, the results of which can also be used to justify its \$27.5 million of public funding. However, we found that FHS commingles data from IOS with that taken from JHS systems, which includes patients entering JHS without FHS input and assistance, to report international patient activity. FHS reports total JHS international patient activity as if it is its own, which distorts FHS' actual contributions in attracting new international patients to JHS.

² PHT 08/06-078, dated August 28, 2006, wherein the PHT Board waived competitive bidding and approved the initial FHS agreement and its proposed three-year budget (fiscal years 2006-07, 2007-08, and 2008-09), in an amount not-to-exceed \$12,600,000 (\$4,200,000 per year).

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In addition, we observed that Z92 coding³ is not a reliable indicator of international patient admissions resulting from FHS input and assistance. According to both FHS and JHS representatives, the Z92 coding should designate only those patients admitted to JHS with FHS input and assistance. However, we found that the Z92 coding actually indicates that FHS has selected a patient as one that it will report as an international patient. Arguably, the patient is one that conforms to the working definition of an international patient and has documented financial responsibility. FHS' selection is not always based on whether FHS has provided any input and assistance in admitting the patient into JHS.

We observed examples showing that FHS' reported international patients that were moving targets based upon their changing financial responsibility. This means that the patient's designation, as a Z92 designated patient, was primarily dependent upon the patient's ability to pay and not on whether the patient was admitted to JHS with FHS' input and assistance. JHS personnel told OIG Auditors that, at times, FHS will not apply the Z92 code to a patient's account because it has a questionable or unconfirmed payment source or patient financial responsibility, although we were not provided with any specific examples of when this occurred.

Of concern to the OIG is that FHS personnel have the ability to alter JHS patient records by adding/deleting a patient's Z92 coding. This allows FHS the ability to select only those international patients with verifiable financial responsibility regardless of whether FHS provided input and assistance to the patient's admission. In addition, FHS staff scans JHS daily admission records looking for Z92 patients that have not yet been coded as such. FHS also performs a complex and tedious month-end analysis and reconciliation aimed at identifying Z92 patients that were admitted to JHS without its input and assistance or to de-select Z92 patients whose financial responsibility was now in question.

C. Foreign Professional Consulting Services and Other Expenditures

We found on one occasion where FHS did not withhold taxes on professional service fees that it paid to a foreign national for services provided to FHS while working in the U.S. Incomplete records at FHS precluded us from

³ Z92 is a patient identification code that should indicate the patient is an FHS international patient in JHS automated systems. Although JHS personnel may enter this code, FHS personnel are the ones most concerned with ensuring that this code is entered into JHS systems. FHS uses this code to sort JHS records, the results of which provide FHS with patient counts and revenues. Moreover, FHS can change this coding if it is not in its best interest to report the patient and his/her financial status.

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completing a thorough examination of whether there may be other such instances related to FHS' use of other foreign professionals in a similar manner.

Additionally, FHS records show that it paid \$185,322 for professional services to two providers without having written agreements specifying the services to be provided, reports of activities, and the compensation to be paid for such services. Regarding another service provider, we found that FHS was paying hefty retainer fees for core services, in addition to service-based fees. Documentation at FHS offices, however, was lacking and did not substantiate that core services were performed by a consulting firm pursuant to the annual retainer. Lastly, we noted that FHS expended \$12,000 for Jackson Memorial Foundation (JMF) gala tickets—an expense that we find highly inappropriate.

III. TERMS USED IN THIS REPORT

BCC	Board of County Commissioners, Miami-Dade County
FHS	Foundation Health Services, Inc.
IOS	Integrated Operating System (FHS patient record keeping system)
JHS	Jackson Health System
JMF	Jackson Memorial Foundation
JMH	Jackson Memorial Hospital
NTA	Notice to Admit (an FHS form)
OIG	Office of the Inspector General, Miami-Dade County
PHT	Public Health Trust

IV. RESPONSES TO OIG DRAFT REPORT & OIG REJOINDER

We provided a copy of this report, as a draft, to the President and CEO of the FHS, and to the President and CEO of the JHS for their responses. Their responses are attached to this report as Appendix A and Appendix B, respectively.

JHS' response was perfunctory; it did not address the findings, only the recommendations.⁴ Its response to 12 out of 16 recommendations was that "[t]his recommendation is consistent with established JHS practices and procedures." JHS also agreed with the OIG's remaining four recommendations

⁴ The OIG notes that JHS' management response was prepared by its Corporate Director of Internal Audit. We believe an internal audit department is a valuable management tool that provides independent and objective analysis to management; however, it is not management. Although management undoubtedly approved Internal Audit's response, a more authoritative response would have been from management itself.

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regarding system access to JHS patient records (Recommendation #10) and usage of identification codes to classify international patients (Recommendation #s 11-13).

FHS, in comparison, responded by expressing its disagreement “in principal” with the OIG’s findings in three areas: public versus private funds; marketing measurements; and expense accounting.

Public vs. Private Funds

Regarding the first area, FHS opened its response as follows:

We cannot agree with the premise, perspective or conclusions of the OIG’s audit of the policies and practices involved in marketing Jackson Health Systems international marketing program. The findings are not reflective of the non-public business conduct of this program. They also reflect a lack of understanding of the practical requirements for a successful international health care business. **Never, in any document, bid or contract provided by the PHT, was it required or inferred that the program operate under public guidelines.** We believe that applying public standards to a company established to use private sector business practices presents inaccurate and unfair criticisms of a PHT approved effort created to help JHS. (FHS emphasis)

We reiterate our position that FHS, notwithstanding that it was a private entity, was accepting public funds from a public institution to be used to serve the public interest. That FHS believed that its use of public funds would be governed by any other standards besides the public standards applicable to any other entity, public or private, that spends public funds on behalf of a public entity, is incomprehensible. Moreover, many of the standards that we used to evaluate FHS operations are similar to those applicable to private operations. We categorically disagree with FHS’ statement that “The documentation required for the use of public funds is much more rigorous and specific than in private business.” For example, policies, procedures, and practices requiring that prospective business travel and entertainment expenses be approved by authorized personnel; that the actual expenditure of funds be documented to show a business purpose; that cash given employees to spend on business purposes be accounted for and be completely reported and supported by payment records, i.e., receipts; and that written contracts be approved prior to making payments to contractors, are all reasonable business requirements in either a public or private operation.

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Marketing Measurements

FHS, in discussing marketing measurements, misstates the OIG's issue related to performance reporting. FHS states that the OIG's issue is that FHS cannot retroactively link a patient's admission to one of its marketing efforts. Not true. The OIG's issue is that FHS did not make this link concurrent with the patient's admission. We identified this issue when we attempted to ascertain whether data existed to measure the results of FHS' international marketing efforts to attract new patients to JHS. We found incomplete data. We acknowledge that reports of international patient activity showed an increase in this activity, but whether the increase was due to FHS efforts was not determinable. We found that FHS did not make any effort to obtain the information that it needed to measure its performance as a marketing force. Instead, FHS used all international patient activity, whether resulting from its marketing efforts or not, as an indicator of its performance and of its success in expanding JHS' international patient business.

In fact, we found that FHS' own records of its international patients were incomplete and could not be relied upon. As a result, FHS was forced to use JHS records to obtain data about international patient activity. In doing so, it blended its data with JHS data to report total international patient activity that included both FHS international patients and those international patients admitted to JHS without FHS input and assistance. We believe that had FHS made a greater effort to elicit information from international patients concurrent with their admission to JHS, FHS would have been able to obtain information that it could have used to link the admissions to its marketing efforts.

Expense Accounting

Regarding its expense accounting, FHS states that it believes its financial systems were adequate for a start-up organization and that would "[a]s the program grew, its policies and procedures improved ..."

We would disagree. Our audit results—from both audits—show that throughout its existence FHS had inadequate accounting practices. FHS was spending public funds with little supervisory oversight; minimal documentation showing business purpose, if present at all, of business travel and entertainment expenses; cash advances to employees who had little accountability for their usage of public funds; and fractured reporting of business travel and entertainment expenses in separate reporting formats that precluded the unified reporting of these expenses.

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FHS, in addition, provided summary responses to the three results summary sections of the report. FHS summary responses are reprinted below, and each is followed by an OIG rejoinder.

A. Employee Travel Expense Reporting and Cash Advances

We do not agree with the underlying theme of the OIG that public funds once delivered to a private organization under private contract, should have been treated and documented by public standard. If the funds needed to be treated as public, then there would have been no need to create a program outside of the PHT's normal systems. The program's board and management should never have been put in this untenable and unjust position. JMHI was established at the request of the Public Health Trust to be a private business, operated under private business standards, and the contract creating the business did not stipulate otherwise. (FHS emphasis)

OIG Rejoinder

Notwithstanding the business reasons for the PHT to want a third-party to operate an international marketing program, that it did so is not the issue. We note that public-private partnerships are commonplace and, when such partnerships require the private entity to incur expenses on behalf of the public agency that will be paid for by public funds, public expenditure guidelines will prevail. In addition, we believe that regardless of whether a public or private entity is spending public or private funds, minimum documentation requirements (e.g., written records showing how and why funds were spent) are standard business practices.

B. FHS International Patient Activity Performance Reporting

We contend that the measurements that were used and fully agreed to by JHS were materially correct. The complex reconciliation of patient data on a monthly basis was a professional and ethical attempt by all to be clear in reporting patient activity. JMHI's existing patient tracking and collection systems were in transition during the start-up years of the business, and acknowledged by JHS to be inadequate to the task. The international program added its own tracking systems to facilitate patient care and throughput, but continued to use JMHI's systems to identify patients. Patient billings grew from \$13 million to almost

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\$100 million over the life of the program, as measured by these approved processes. How the PHT accounted for each and every patient, and the inadequacies of existing data systems at the time, do not negate the extraordinary obvious growth.

OIG Rejoinder

The OIG's issue is that we were unable to determine what part of the increase to JHS' total international patient activity was the result of FHS marketing efforts. We believe that the improving economic conditions at the time probably contributed to this increase. We believe that the international patient definition adopted in 2009 added patients to the total that would not have been previously counted. We believe that the monthly "complex reconciliation of patient data" also added patients to the total that would not have been previously counted. Thus, there were at least three other factors contributing to the increase in JHS' total international patient activity that could have occurred without the PHT giving FHS \$27.5 million.

C. Foreign Professional Consulting Services and Other Expenditures

Once again, the OIG applies public accounting standards retroactively to this private business and contends that the documentation was not sufficient or formal enough. We do not find that these records were insufficient, and further note that records improved naturally along with business growth. All financial records were reviewed by one external accounting firm and audited by external auditors and received the highest audit findings. Operational and marketing systems were put in place in order to facilitate and increase patient acquisition, and they were in a condition of constant enhancement throughout the life of the business.

OIG Rejoinder

We reaffirm our findings that FHS did not adequately withhold tax on professional fees paid to foreign consultants for worked performed in the U.S. and that FHS paid two foreign consultants over \$185,000 in professional fees without written contracts. Also, we believe that incomplete documentation at FHS offices did not substantiate that core services were performed by a consulting firm.

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V. OIG JURISDICTIONAL AUTHORITY

In accordance with Section 2-1076 of the Code of Miami-Dade County, the Inspector General has the authority to make investigations of County affairs and the power to review past, present and proposed County and Public Health Trust programs, accounts, records, contracts, and transactions. The Inspector General is authorized to conduct any reviews, audits, inspections, investigations, or analyses relating to departments, offices, boards, activities, programs, and agencies of the County and the Public Health Trust. OIG activities may be predicated on citizen complaints. The Inspector General may also exercise any of the powers contained in Section 2-1076, upon his or her own initiative.

The Inspector General shall have the power to require reports from the Mayor, County Commissioners, County Manager, County agencies and instrumentalities, County officers and employees, and the Public Health Trust and its officers and employees, regarding any matter within the jurisdiction of the Inspector General. The Inspector General shall also have the power to report and make recommendations to the Board of County Commissioners regarding the necessity of projects, contracts, and programs and whether they are fiscally and operationally efficient.

VI. OBJECTIVES, SCOPE, AND METHODOLOGY

A. Employee Travel Expense Reporting and Cash Advances

Our objectives were to evaluate FHS' Policy & Procedure No. 809, *Business Travel*, for reasonableness with respect to FHS' mission and funding source; to determine whether FHS effectively controlled cash advances issued to its employees; and to determine whether FHS effectively controlled cash reimbursements to its employees for travel-related and other business expenditures.

We reviewed FHS cash advances and expense reimbursements occurring between November 2006 and September 2010; although, when necessary, we reviewed records of transactions and events occurring after September 2010. Our major sources of information were FHS' check register and its check request files, from which we selected 129 check requests, amounting to \$226,582, for testing. In addition, we reviewed FHS credit card data related to employee out-of-town business expenditures, of which there were 1,044 individual charges amounting to \$533,904.

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Lastly, we interviewed FHS and JMF⁵ personnel to gain an understanding of the procedures and practices followed when handling employee generated check requests for business/travel related advances and reimbursements.

B. FHS International Patient Activity Performance Reporting

OIG auditors reviewed FHS' methodology regarding its reporting of international patient activity (i.e., international patients seeking care at JMH) to determine FHS' method for compiling and reporting international patient activity; and whether FHS' reported international patient activity is attributable to its marketing efforts.

The scope of this portion of our review covered fiscal years 2008 through 2010 and, as deemed necessary, subsequent transactions through February 2011. To gain an understanding of FHS' method for compiling and reporting international patient activity, we reviewed the following documentation:

- FHS summaries and reports of performance, such as FHS annual reports and presentations to the PHT
- Contracts with cruise lines and foreign insurers

Additionally, OIG auditors requested FHS' data supporting the performance reports that it provided to the Health, Safety & Intergovernmental Committee of the Board of County Commissioners, as well as similar data for the two prior fiscal years. In response, FHS provided OIG auditors with two computer disks containing patient data pertaining to Jackson International Program Inpatient Activity and Gross Charges.⁶

OIG auditors merged the data contained in both disks into one file and selected a non-random sample of 10 international patient accounts for review. Later, we queried this data and data from FHS' Integrated Operating System (IOS) and JHS' Cerner system to perform other testing. We also accessed each patient's file in these systems and reviewed them to determine whether they

⁵ JMF is FHS' parent organization. FHS compensated JMF for providing various services including accounting services, such as processing check requests, travel advances, and reimbursements, in support of FHS operations. For more information, see the OIG Final Report IG09-98 at www.miamidadeig.org/reports10/IG09.98FinalReport.pdf for its content on the relationship between these two entities, in particular regarding JMF's "central services allocation."

⁶ Disk 1 contained patient names and associated medical record numbers (MRNs). Disk 2 contained information concerning source categories (e.g., cruise or all other), zone-origin (by region), origin of transfer (by country), service lines (procedures performed), account numbers, medical record numbers, and total gross charges (by episodic balance).

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contained information that showed a connection between the patient's admission and FHS' admission input and assistance or international marketing efforts.

We accessed each patient's file in the FHS and JHS systems and reviewed it to determine the type and quality of the records supporting the following data recorded on FHS' *Notice to Admit* (NTA) forms:

- Source Category (cruise, transplant, or all other);
- Origin of Transfer (Belize, Mexico, etc.);
- Entry Point (Emergency Room, West Wing, etc.); and
- Referral Source (referring physician, cruise line referral, other FHS-established contact, etc.)

We also interviewed FHS and JHS finance personnel to gain an understanding of the methodology used by FHS in its performance reporting of international patient admissions and revenues.

C. Foreign Professional Consulting Services and Other Expenditures

OIG auditors reviewed FHS' use of foreign professional and other consulting services to evaluate whether consultant services were necessary, reasonable, within a contract's scope of services, and consistent with FHS' mission and funding source.

In addition, we analyzed a sample of consultant payments to determine whether FHS properly reported to the IRS those payments that it made to consultants and vendors, including foreign nationals, for services rendered. We also quantified amounts paid to individuals and entities by FHS for such services. Lastly, we evaluated whether FHS implemented controls over the use of its consultants, as well as its compliance with U.S. Treasury Department regulations.

Our scope on this portion of the audit encompasses all of FHS' activities, as related to the objectives for this section of the report, beginning with FHS' inception in October 2006 through November 22, 2010.

To accomplish our audit objectives, we:

- Obtained an understanding of the guidelines, policies, and procedures pertaining to consultants used by FHS
- Reviewed consultant agreements/contracts entered into by FHS
- Reviewed reports and invoices issued by FHS' consultants

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- Interviewed FHS employees who work with and/or supervise the consultants
- Requested from FHS information regarding the withholding of taxes for non-resident aliens on their U.S. source income
- Reviewed U.S. Department of the Treasury publications, as well as the Internal Revenue Service Code (IRS)

We conducted our audit in accordance with the *Principles and Standards for Offices of Inspector General* promulgated by the Association of Inspectors General (AIG). The AIG principles and standards are in conformity with the *Government Auditing Standards* issued by the Comptroller General of the United States.

VII. BACKGROUND AND FINDINGS BY AUDIT AREA

A. Employee Travel Expense Reporting and Cash Advances

Background to Findings

FHS employees began business travel at essentially the same time they began using FHS-issued credit cards in October 2006. A little over two years later, FHS issued its Policy & Procedure No. 809, *Business Travel*, on December 1, 2008. The stated purpose of the policy is:

To establish guidance and policy while traveling on official Foundation Health Service business and to provide procedures for the approval, reimbursement and control of travel expenses. [OIG emphasis]

Some key provisions of this policy include:

- Employees must complete the *Travel Authorization* form in advance of travel to obtain supervisory approval.
- Lodging rates should conform to the per diem rates published by the federal government's General Services Administration (GSA) Office of the U.S. Department of State, except that employees may stay at a conference hotel.

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- All meal expenses must have receipts and, if necessary, descriptions of who attended and the business purpose. [OIG emphasis]
- Travel expense reports are due two weeks from the day the traveler returns to the office. All expenses must be accompanied by a receipt and supporting documentation and should be clearly justified as to purpose of the travel or meeting, individuals present at the meeting, and the outcome. A travel itinerary should be submitted along with receipts. [OIG emphasis]

Notwithstanding the fact that FHS' business travel policy was not issued until December 2008, the above requirements are reasonable business practices when spending public funds that should have been followed regardless of when they were formally instituted.

On the other hand, there are several provisions of FHS' travel policy that we find to allow less than prudent uses and, in some cases, shockingly inappropriate uses of public funds for business expenses. FHS' policy disallows the reimbursement of the following list of expenditures; however, this policy also states that if such expenditures are related to "client entertainment" then the expenditures are reimbursable:

- Alcohol
- Car repair
- Credit card interest charges
- Day-care for pets or children
- Excess baggage charges, unless transporting company equipment/materials
- Air/hotel/auto upgrade fees
- Golfing or green fees
- Golf cart rental
- Grooming, nail or hair salon expenses
- Headphones on airplanes
- Health club fees
- Laundry
- Loss/theft of personal funds or property/lost baggage
- Massage
- Medicines
- Mini-bar charges
- Movies (either in-room or at the theater)

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- Parking tickets or other fines
- Personal bar bills
- Personal books, magazines or other entertainment
- Personal travel during business trip
- Pet hotel stays or pet transportation
- Political or charitable contributions
- Sporting events
- Spouse's expenses if accompanying FHS employee on trip
- Toiletries
- Theater or opera tickets
- Airline club or country club membership dues

FHS Policy & Procedure No. 809, *Business Travel*, defines allowable "entertainment expenses" to include

. . . events whereby a business discussion takes place during, immediately before, or immediately after the event. Approval for reimbursement of entertainment expenses can only be granted by department heads and will be granted if:

- Person entertained has a potential or actual business relationship with Foundation Health Services, Inc.
- Expenditure directly precedes, includes, or follows a business discussion that would benefit the company.

FINDING No. 1 **FHS routinely accepted expense reports with insufficient or non-existent documentation as an adequate accounting of employee expenditures of cash advances and as a basis to reimburse the employees for their uses of personal funds.**

FHS employees pay for their travel and business expenditures by charges to an FHS issued credit card or to their personal credit card, and by cash obtained either from an FHS issued cash advance or from their own personal funds. We would intuitively think that these expenditures would be compiled and listed on one report that would show the total amount spent on a particular trip or over a specified period. That is not the case with FHS expenditures. At FHS, there is no singular report per trip. FHS has its employees prepare an expense report only for charges to their personal credit cards, for uses of their personal

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funds, or for expenditures of FHS issued cash advances. Such expense reports have limited use or value.

We also observed that FHS does not require its employees to sign their expense reports. Moreover, FHS' expense report form does not have a certification statement that would be signed by the employee attesting to the fact that submitted reimbursement request contains a true and correct showing of allowable expenditures made in the conduct of FHS business. Employees signing expense reports that include certification statements are an accepted best practice that ensures individual accountability.

As stated, FHS has its employees prepare an expense report only for charges to their personal credit cards, for uses of their personal funds, or for expenditures of FHS issued cash advances. In other words, FHS employees do not report any of their trip expenditures charged to an FHS credit card on the same document as their other trip-related expenditures. While FHS' *Travel Policy* does not clearly require that employees report both types of charges on an expense report, we believe that it is a most common practice, a best practice, to do so. Management's failure to have implemented this basic record keeping requirement is baffling.

As a result, employee travel/business expenditure reconciliation is difficult. This reconciliation is even more difficult because one FHS employee sometimes charges to his/her credit card their travel/business expenses (such as airfares, hotel room charges, and meals, etc.), but would fail to document that he/she also paid for other FHS employees, JHS employees, and FHS consultants on the same trip/event. In addition, occasionally a non-traveling employee will use his/her credit card to pay for traveling employee and non-employee charges and, as just mentioned, fail to document this fact. Similarly, one FHS employee occasionally receives a cash advance that he/she shares with other FHS employees. Other times, an employee cash advance request would state one purpose/trip and the employee would later show the advance used for a different purpose/trip.

Furthermore, FHS employees combined multiple trips taken over weeks or months—in one instance a period covering over one year—on one expense report. At other times, employees will submit multiple expense reports covering the same period showing different expenses incurred on the same day in multiple reports. That we did not uncover any duplicated expenses does not mean that on reports not reviewed there were no such expenses. At issue is the amount of time required to review this collection of mismatched records and to make sense of what was being presented. Staff performing this level of review would be hard pressed to complete both this function and their other job activities in a timely

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manner. In our opinion, staff would be unnecessarily challenged because FHS did not implement effective controls, including reasonable staff travel and business expense reporting requirements.

The lack of timely submitted expense reports and the other noted conditions puts both FHS and the employee at risk for misuse of funds. This and the other described conditions are “red flags” indicative that FHS did not think it needed to be accountable for its expenditures of public funds.

These irregular business practices resulted in a hodgepodge that is virtually impossible to compile into a complete and coherent record of employee expenditures for travel, client entertainment, other business, and personal charges. Moreover, it is also virtually impossible for FHS to present an organized, comprehensive report of employee travels and related expenses, whether presented by employee, by trip, or for the organization as a whole. Such a report would show contacts made and conferences attended, and would be accompanied by a complete, accurate showing of costs associated with the travel.

Compounding the problem is that FHS employees, even when they do provide receipts, often do not adequately explain the purposes of their expenditures and/or the names of other entities/individuals and/or the outcomes associated with their travels and business expenditures. For example, we considered unacceptable the frequently used term “business development” as a catchall justification; in particular when the traveler also did not name entities, people and their titles, or provide any notations detailing specific business purposes, outcomes, or reasons for the expenditures.

It appears that FHS gave certain employees credit cards and cash to spend on business development in an effort to increase international patient admissions at JHS but did so without an effective control framework to ensure expenditure transparency and employee accountability. We know that business contacts and relationships are what marketing is all about and expenditures directed at making and/or maintaining such relationships are necessary. However, especially in a public environment, these relationships, contacts, and expenditures must be documented, as a basic record keeping requirement, not only to justify the expenditures—but also to ensure transparency and accountability.

In summary, OIG Auditors observed in FHS records that procedures were not enforced, supervisory approvals of questionable expenditures were rubber stamped, and there was a lack of common sense in using good business practices among FHS and its employees. Thus, we believe that FHS’ own

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records support our conclusion that FHS management made little effort to responsibly manage its employee activities for compliance with its written procedures and in the exercise of good judgment when spending public funds.

It may be arguable that many of the audited expenditures, had they been properly documented, would have been considered necessarily incurred and appropriate expenditures in accordance with FHS policies. However, the generally incomplete and disassociated state of FHS record keeping precluded OIG Auditors from being able to make this determination. We observed the following examples of questionable transactions:

- A supervisor approved *Travel Authorization* form required by FHS' travel policy or some other documented supervisory approval did not support any of the travel advance requests that we reviewed. Although not a formal requirement for the first two years of FHS' existence, some form of supervisory approval of an employee's travel plans—complete with a written itinerary, travel purpose, and budget—was a best practice that FHS should have implemented from operations start-up in 2006.
- Four cash advances issued to four individuals, totaling \$8,870 for which no expense reports, receipts, or other expenditure records were submitted:
 - \$6,200 (FHS check #436) issued to Steven Shai Gold, former FHS Chief Operating Officer and Executive Vice President, for 2007 Italy/Israel trip.
 - \$1,200 (FHS check #435) issued to Sandra Johnson, former JHS Vice President, Revenue Cycle, for 2007 Italy/Israel trip.
 - \$1,070 (FHS check #211) issued to Zully Ford, FHS Managing Director of Finance for the “FHS Emergency Fund,” to be used as petty cash.
 - \$400 (FHS check #1449) issued to Mario Mendez, former FHS Executive Vice President and Managing Director, for a 2009 Costa Rica trip.
- Employee expenditures paid for by FHS cash advances totaling \$10,400 issued to three individuals were incompletely supported by expense reports or receipts. Except in Mr. Gold's case, the other two individuals clearly showed the cash advances that they received and that some amounts were unused. These individuals did not provide receipts for the used cash advances (without regard

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to whether such receipts were properly annotated as to business purpose, other attendees, etc.), or otherwise account for the unused cash advances totaling \$6,708, other than showing that there were outstanding amounts:

- Mr. Gold, in particular, was responsible for most of the unaccounted for cash advances. At or just prior to his termination, a closeout “expense report” was prepared that covered an eighteen-month period (October 2006 – March 2008) and five cash advances, totaling \$7,300, which he received between January 2007 and January 2008. This expense report was nothing more than a chronological list of expenditures with about \$2,300 in receipts, many of which lacked adequate notation as to the business purpose and/or accompanying guest(s). The remaining \$5,000 of expenses were unsupported except for the statement that “Pending receipts were not provided due to termination of employment [March 7, 2008].” OIG Auditors questioned FHS representatives about these expenses and they responded, in writing, “... for cash advances totaling \$7,300 there are \$5014 of undocumented expenditures.” Moreover, this is the same employee who just months before termination was given a \$6,200 cash advance (not part of the \$7,300) for which no expense report was provided (see above example). In addition, FHS gave this employee a \$53,500 severance payment at termination.

- Two cash advances to Abbe Bendell, former FHS Vice President, Business Operations:
 - \$500 cash advance in November 2008 (FHS check #939) for the International Travel Insurance Conference (ITIC) in Budapest, Hungary; Ms. Bendell’s expense report dated December 9, 2008 claimed \$162.73 in expenses; \$337.27 of cash advance was unaccounted for.
 - \$300 cash advance in February 2009 (FHS check #1123) for a Costa Rica trip; Ms. Bendell’s expense report dated March 9, 2009 claimed \$227.04 in expenses; \$72.96 of cash advance was unaccounted for other than a handwritten note that about \$47 of Costa Rican currency was returned.

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- Four cash advances to Nancy Valenzuela, former FHS Vice President of Marketing and Business Development:
 - \$1,000 cash advance (wire transfer) for Dubai trip; Ms. Valenzuela's expense report dated February 23, 2009 claimed \$560.69 of expenses; \$439.31 of cash advance was unaccounted for.
 - \$300 cash (from Ms. Bendell advance, FHS check #979) for Mexico trip; Ms. Valenzuela's expense report dated February 24, 2009 claimed \$249.02 of expenses; \$50.98 of cash advance was unaccounted for.
 - \$400 cash advance (FHS check #1207) for Colombia trip; Ms. Valenzuela's expense report dated April 13, 2009 claimed \$74.48 of expenses; \$325.52 of cash advance was unaccounted for.
 - \$600 cash advance (FHS check #1644) for Peru trip; Ms. Valenzuela's expense report dated October 23, 2009 claimed \$118 of expenses; \$482 of cash advance was unaccounted for.

- Expense reports were submitted outside of the two-week requirement contained in P&P No. 809 or otherwise not timely submitted, included these examples:
 - Three expense reports submitted by Victoria Koszulinski, former FHS Marketing Manager:
 - One expense report (undated) covered a trip to Toronto and local expenses incurred in the seven months between March 2007 and October 2007, amounting to \$1,070.27 (FHS check #438)
 - Two expense reports (one dated April 15 and one dated April 16, 2008) bundled into one reimbursement request covered various Caribbean trips and local expenses incurred in the four months between December 2007 and April 2008, amounting to \$4,354.97 (FHS check #697)
 - One expense report (August 8, 2008) covered local expenses incurred in the nine months between October 2007 and August 2008, amounting to \$338.07 (FHS check #916)

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- Two expense reports submitted by Ms. Bendell:
 - One expense report dated July 27, 2009 for trip to London, May 11-19, 2009; also covered later trips to Phoenix, Costa Rica, Puerto Rico, and the USVI (FHS check #1307)
 - One expense report dated November 24, 2009 for trip to Athens, November 2-5, 2009 (FHS check #1772)

- Dr. Mauricio Lynn, FHS Medical Director, submitted three expense reports—two dated April 21, 2008 and one undated— bundled into one reimbursement request covering trips to Chile, Cayman Islands, Costa Rica, and Turks & Caicos taken between January 2008 and March 2008 (FHS check #696)

- \$800 cash advance (FHS check # 428) to Dr. Kester Nedd, FHS affiliated doctor, for trip to 2007 ITIC in Italy; initially Dr. Nedd submitted no expense report; after OIG inquiry he provided \$267.03 in receipts and returned, 35 months after the trip, the unused cash advance of \$532.97 via personal check in October 2010

- \$500 cash advance (FHS check #940) to Dr. Mauricio Lynn, FHS Medical Director, for trip to 2008 ITIC in Hungary; initially Dr. Lynn submitted no expense report; after OIG inquiry he returned, 23 months after the trip, the entire \$500 cash advance via personal check in October 2010

FHS Response

FHS, in relevant part, states:

The number of employees issued credit cards and cash advances were small and easily tracked, and more formal systems were unnecessary...Normal errors occurred, were corrected when identified, and systems were improved. Audits by external auditors were clean, and recommendations for improvements implemented. Obvious small errors are regrettable, but the errors were not material in the context of a multi-million budget. . . .The emphasis was on outcome and success, rather than typical bureaucratic paperwork. More formality would have been normal for a public company, which this [FHS] was not. . .

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OIG Rejoinder

We agree that there were only a small number of employees issued credit cards and/or received cash advances, and that given this small number, charges and advances should have been easily tracked. Our audit findings demonstrate, however, that FHS made little effort to do so. We note that “normal” errors were frequently made by almost all employees issued credit cards or advances indicating that employees were poorly instructed on appropriate uses of credit cards and advances and/or were poorly instructed on the necessity to maintain authoritative documentation supporting the business purpose underlying their expenditures. The frequency of these errors also suggests that supervisory personnel were poorly instructed on how to review employee charges and cash expenditures for propriety and adequacy of support, or that supervisory personnel just failed to properly perform their supervisory functions in this area.

Moreover, we note that the purpose of the audits conducted by external auditors was to review FHS accounting records to ascertain whether FHS financial statements presented fairly, in all material respects, FHS’ financial position. This is a different audit than the one performed by OIG. The OIG audit focused on the propriety of FHS business and entertainment expenditures of public funds and the internal controls that were part of FHS’ operations. Moreover, we disagree with FHS’ characterization of the records that we were seeking as “typical bureaucratic paperwork.” Written records showing supervisory approval of travel plans, cash advance and expense reimbursement check requests, signed employee expense reports, properly annotated receipts or other proofs of expenditures, and the like are hardly typical bureaucratic paperwork that is only required when spending public funds. These are basic procedural requirements or “best practices” found in all well-controlled business environments, whether public or private.

FINDING No. 2 FHS credit card charges, on behalf of non-employees for FHS-sponsored travel, lacked support.

Business travel expenses, such as airfare and hotel rooms, were directly paid for by FHS on behalf of JHS employees, FHS consultant employees, UM doctors, and others. We do not question this policy, but we do question how FHS put this policy into practice. As we noted earlier in our discussion of FHS expense reports, as well as in our first report, FHS personnel consistently did not provide adequate information justifying their travel expenditures, whether paid for by personal funds or the use of FHS issued credit cards. Likewise, we noted that

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FHS did not adequately support payments made on behalf of non-employees for FHS sponsored travel.

It may be evident to a few FHS insiders why FHS would pay for certain non-employees to travel based solely on their names; but, as a best practice, especially when spending public funds, we believe that more than just a person's name is necessary. At a minimum, we would also expect to see written documentation with supervisory approval showing his/her employer name, title or position within an organization, his/her or the organization's relationship to FHS, the business purpose for having said individual travel on behalf of FHS, and other pertinent information justifying this individual's presence on FHS sponsored and paid for travel.

Auditor's Note: We are aware that the examples listed below are incomplete pictures of the referenced trips but, because of the previously discussed shortcomings with FHS record keeping, we usually cannot match one person's airfare with his/her corresponding hotel and vice versa, or with FHS purchased meals on their behalf.

- W. Peguero, an employee of Eaglemount, an FHS vendor:
 - \$673.75 Three-day hotel stay in Bahamas (Ms. Valenzuela's Visa, transaction date September 9, 2009)
 - \$600.75 Airfare for trip to Santo Domingo (Ms. Valenzuela's Visa, transaction date October 5, 2009)
 - \$423.15 Airfare for trip to Bahamas (Ms. Valenzuela Visa's, transaction date September 18, 2009)
 - \$411.35 Airfare for trip to Miami (Ms. Valenzuela's Visa, transaction date August 27, 2009)

- E. Chinchilla, an employee of Redbridge Network and Healthcare, Inc., an FHS vendor:
 - \$860.80 Three-day hotel stay in Colombia (Ms. Valenzuela's Visa, transaction date March 12, 2009)
 - \$357.70 Airfare for trip to Colombia (Ms. Valenzuela's Visa, transaction date February 25, 2009)

- Sandra Johnson, former JHS Vice President, Revenue Cycle:
 - \$2,319.07 Seven-day hotel stay in Greece (Ms. Bendell's AMEX, transaction date November 6, 2009)
 - \$1,540.80 Airfare for trip to Hungary (Ms. Koszulinski's Visa, transaction date November 5, 2008)

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- Dr. Eduardo Bancalari:
 - \$447.70 Airfare for trip to Colombia (Ms. Bendell's AMEX, transaction date October 20, 2009)
 - \$251.30 Airfare for trip to Trinidad & Tobago (Ms. Bendell's AMEX, transaction date August 15, 2008)

- Michael Casanova, former FHS consultant and former JHS Executive Vice President, Corporate Development, and Ms. Koszulinski:
 - \$792.40 Airfare for two for trip to Santo Domingo (Mr. Gold's AMEX, transaction date March 22, 2007)

- Dr. Gerald Kaiser:
 - \$836.20 Airfare for trip to Nevis (Mr. Gold's AMEX, transaction date June 6, 2007)

- Frank Barrett, former JHS Executive Vice President and Chief Financial Officer and Dr. Nedd:
 - \$1,491.40 Airfare for two for trip to Nevis (Mr. Gold's AMEX, transaction date July 2, 2007)

- Dr. Marvin O'Quinn, former JHS President and Chief Executive Officer:
 - \$274.00 Airfare for trip to Panama (Ms. Bendell's AMEX, transaction date April 11, 2008)

- Laura Hunter, former JHS Vice President Strategic Planning:
 - \$1,056.00 Airfare for trip to Costa Rica (Ms. Ford's AMEX, transaction date February 25, 2008)

- Dr. Kenneth Stahl:
 - \$407.70 Airfare for trip to Colombia (Ms. Bendell's AMEX, transaction date October 23, 2009)

- Dr. Kevin Coy, FHS affiliated doctor:
 - \$1,765.25 Hotel stay for trip to Hungary (Ms. Koszulinski's Visa, transaction date November 15, 2008)

- Dr. Eduard Ghersin:
 - \$213.15 Hotel stay for trip to Bahamas (Ms. Valenzuela's Visa, transaction date September 25, 2009)

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FHS Response

Business development managers were well aware of who was traveling and why charges were incurred on behalf of non-employees, and did not require further substantiation other than what was routine and self-evident to those involved.

OIG Rejoinder

Whether or not managers were aware of the charges and the reasons why the charges were incurred does not substitute for basic documentation. It is inconceivable that any well run public or private business would condone such a loose and reckless approach to its business travel practices, especially those involving travel arrangements for non-employees.

FINDING No. 3 FHS' travel policy regarding per diems for lodging and meals lacks clarity.

As noted earlier, FHS' travel policy states that lodging rates should conform to the per diem rates published by the federal government's General Services Administration (GSA) Office of the U.S. Department of State, except that employees may stay at a conference hotel. Use of the GSA lodging rate apparently did not always happen, including the following examples, none of which had support that showed that the FHS employee was attending a conference:

- Ann Marie Donaldson, FHS Regional Sales Director, trip to Dominican Republic (March 2010), hotel rate paid \$195, GSA rate \$186
- Dr. Lynn trip to Mexico (December 2007), hotel rate paid \$200, GSA rate \$123
- Dr. Lynn trip to Turks & Caicos (January 2008), hotel rate paid \$257, GSA rate \$144

In addition, we note that FHS' travel policy states, "[e]mployees will be reimbursed for meals and incidentals not to exceed the Per Diem rates published by the GSA for travel within the U.S." In fact, we did not observe any FHS employee submitting his/her expenses using meal per diems for trips within the United States.

Unlike the FHS travel policy for lodging per diem that applies only to overseas travel, we observed that the meals per diem is restricted only to U.S.

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travel; notwithstanding that the U.S. Department of State publishes foreign per diem rates for both lodging and meals/incidentals. Interestingly, later this same policy states “Foundation Health Services, Inc. does not offer a per diem rate.” This is consistent with what OIG Auditors were told, which was that FHS does not require per diems of its employees when they travel. That the per diem requirements are internally inconsistent and actually not used at all shows this to be a poorly thought-out policy.

FINDING No. 4 FHS does not match employee cash advances against corresponding expenses.

FHS’ accounting practices do not match cash advances against their corresponding expenses. As a result, there are no readily available FHS accounting reports showing an employee’s “net” position regarding his/her outstanding cash advances. We observed that cash advance checks that are issued to employees prior to their traveling and expense reimbursement checks that are issued to them post trip are reflected in an employee’s *Vendor Balance Detail All Transactions*, which is a summary report generated by FHS’ automated accounting system.

This report shows each advance check and each reimbursement check issued to an employee. However, this report does not show total reported employee expenses—as recorded on the employee’s expense report—or employee returns of unused cash advances. This information may be recorded elsewhere but is not merged with data of an employee’s advances. Without complete information showing the relationship between cash advances and corresponding expenses, an employee’s net position cannot easily be determined.

As we reported earlier, FHS did not always collect from its employees unused cash advances (Finding No. 1). The outstanding cash advances or uncollected money is not shown in the *Vendor Balance Detail* report and, to the best of our knowledge, there are no other FHS reports of these amounts. Such reports would have been useful to alert management that cash advances were not being cleared by employees. Moreover, as we describe below, FHS employees did return unused cash advances but such returns were also not shown in the mentioned report. Examples of both described conditions include:

- FHS check #939 for \$500 was a cash advance to Ms. Bendell for a 2008 trip. Ms. Bendell’s expense report, dated December 9, 2008, shows \$162.73 of expenditures, leaving an unused balance of \$337.27. FHS’ *Vendor Balance Detail* for Ms. Bendell shows the

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advance check issued. There is no entry for her expense report; thus, no showing that there are unused funds needing to be returned. As stated in Finding No. 1, there is no record that Ms. Bendell returned the \$337.27 of unused cash advance.

- FHS check #1307 for \$1,000 was a cash advance to Ms. Bendell for a 2009 trip. Ms. Bendell's expense report dated July 27, 2009, shows \$561.24 of expenditures, leaving an unused balance of \$438.76. FHS' *Vendor Balance Detail* for Ms. Bendell shows the advance check issued but there is no entry for Ms. Bendell's expense report, and no entry that she returned the unused \$438.76 cash advance.
- FHS check #s 167, 197, 230, 375, and 530 totaling \$7,300 were cash advances to Mr. Gold for various trips, etc. All advance monies associated with each of these checks are shown in FHS' *Vendor Balance Detail* for Mr. Gold. As described in Finding No. 1, Mr. Gold later provided about \$2,300 of receipts against these advances, but these receipts are not shown against his balance, or the fact that there remained \$5,000 of cash advances unaccounted for.
- FHS check #s 2267, 2312, and 2339 totaling \$1,600 were cash advances to Luis Felipe Arango (Vice President of International Business) for various trips, etc. Mr. Arango's expense report dated September 5, 2010, shows \$1,112.35 of expenditures, leaving an unused balance of \$487.65. FHS' *Vendor Balance Detail* for Mr. Arango shows the advance checks issued but there is no entry for Mr. Arango's expense report, and no entry that he returned the unused \$487.65 cash advance.

FHS Response

The program's expense accounting methodology was acceptable to external auditors and external supervising accountants. . . We agree that additional and/or improved reports could have helped managers to more accurately monitor employee uses of cash advances. Recommendations on reporting provided by the OIG in this section would likely have been welcomed, and implemented as the business matured. . .

All errors are regrettable, but the totality of expense errors reported by the OIG, were a small and inconsequential amount (less than

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\$16,000 over 4 years) in comparison to the total budget and success of the program.

OIG Rejoinder

We have previously addressed the differences between the objectives of the FHS annual audit and the objectives of an OIG audit. Moreover, while the dollar amount may be small relative to FHS' budget, any amount lost due to negligence is too much. In addition, when the amount is broken down into its individual components, we believe there is a materiality to these individual amounts relative to the individual who receives the benefit. A few hundred dollars to an individual and in one case about \$5,000, should not be dismissed as small and inconsequential.

FINDING No. 5 FHS' check register inaccurately shows payee names on five checks totaling \$4,806.

We observed that FHS had incorrectly entered the payee names on five checks (#s 389, 423, 499, 561, and 601) totaling \$4,806. All five checks were payable to Abbe Bendell, former FHS Vice President, Business Operations, but were shown in the FHS check register with the payee name, "Cayman islands chambers of commerce." (OIG emphasis) These checks were reimbursements for trip expenditures and other expenses incurred by Ms. Bendell between September 2007 and February 2008. Ms. Bendell's name and the purposes of these checks were clearly notated on the face of the checks. One of the five checks included reimbursement for a trip to the Cayman Islands, but nowhere in her submitted expense report did Ms. Bendell reference any meeting with or business purpose associated with the Cayman Islands Chamber of Commerce. Ms. Bendell's other expense reports that are associated with these reimbursement checks referenced her trips to Venice (Italy), Toronto (Canada), and Washington, D.C., as well as listed various expenditures that she made in the Miami area.

We noted that there are five other checks listed in FHS' check register (#s 315, 325, 345, 533, and 624), totaling \$1,138, payable to the same payee, the "Cayman islands chambers of commerce." We suggest that FHS review supporting documentation to verify that it has accurately recorded the payee names for these five checks. When appropriate, FHS should correct its check register to accurately reflect payee names. This inaccurate accounting reflects careless practices and ineffectual supervisory review. In addition, we noted that there are four checks (#s 655, 825, 925, and 1045), totaling \$9,387.29, that were payable to the "Cayman Islands Chamber of Commerce." We also suggest that

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FHS review supporting documentation to verify that it has accurately recorded the payee names for these checks.

FHS Response

We agree that a simple recording error occurred in the check register and it has been corrected. . . no further detail is available as to why this occurred.

No OIG Rejoinder Needed

FINDING No. 6 Other observations related to FHS' expense reimbursements and cash advances

We also noted:

- Two cash advance checks issued to Victoria Koszulinski amounting to \$1,300 have not been formally voided; one for \$400 outstanding for almost two years (FHS check #1327, dated May 11, 2009) and the other for \$900 for almost two and a half years (FHS check #944, dated November 7, 2008).
- Two expense reports prepared by Ms. Koszulinski, both dated December 19, 2007, one for a trip to Italy and a second for a continuing trip to Israel; expenses were not reported in dollars, but were instead reported in local currency (Euros or Shekels). However, the employee and/or FHS failed to convert the expenditures to U.S. dollars. FHS reimbursed the employee as if these foreign currency amounts were stated in U.S. dollars. In one instance, this failure was to the traveler's detriment, and in the other instance was to the traveler's benefit.
- Senior staff approved their own check requests for travel advances and/or their own expense reports submitted for reimbursement.

FHS Response

FHS responded, "Reported issues and policies regarding cash advances, travel and any errors in reconciliation have been addressed in our responses to Findings 1 and 4."

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OIG Rejoinder

The conditions described in Finding No. 6 have not been addressed elsewhere. The described conditions are substandard practices that reinforce our contention that FHS was ill equipped, ill instructed, or ill manned to handle basic accounting functions.

B. FHS International Patient Activity Performance Reporting

Background to Findings

FHS' "International Patient" Designation

We observed that FHS' management and services agreement with the PHT does not define an "international patient." In addition, we observed that FHS' *Policy and Procedure Manual* does not define an international patient either. To obtain a working definition of an FHS international patient, we turned to an October 2009 FHS presentation to the PHT's Strategic Planning Committee, as well as interviewed various FHS personnel. We note that this PHT committee accepted an international patient definition three years after FHS had been established. An international patient is:

- Any self-pay or insured patient arriving from outside the continental United States (U.S.) seeking care at JHS;
- Cruise self-pay or insured patient (passenger or crewmember) arriving from outside the continental United States (i.e., international waters) or from the Port of Miami or Port Everglades seeking care at JHS (same as above except that patients are "cruise" related);

OIG note: These two types of "international" patients include U.S. citizens who either permanently or temporarily are out of the U.S., are in need of care, have U.S.-based insurance coverage (including Medicare/Medicaid), and return to the U.S. to enter a JHS facility.

- Any self-pay patient or one with international insurance coverage that may be in Miami as a non-resident seeking care at JHS;

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- Any transfer of an international self-pay or insured international patient from another health care facility in the U.S. seeking care at JHS; and
- Any self-pay or insured international transplant patient arriving at JHS through the Jackson Memorial International Program seeking care at JHS.

We think it is worth noting that this definition includes broad criteria and, if properly presented and understood by its users, could be used as a valid performance measure of total JHS international patient activity. These criteria, however, are not valid measures of FHS' performance as a marketing and business development entity. FHS' performance measure should be based on those international patients that enter JHS with FHS input and assistance. These patients are ones most likely resulting from FHS' efforts to influence foreign doctors, insurance companies, and governments to direct/refer their patients, policyholders, and citizens to enter JHS, and where a connection between FHS' marketing activities and subsequent admissions can be shown.

FHS Referrals & International Marketing Efforts

FHS facilitates the admission of international patients with insurance and those that are self-pay. According to FHS personnel, international patient admissions come from a variety of referral sources because of FHS' international marketing efforts, such as:

Direct Access International Patients and Transfers From non-U.S. Facilities

- Direct access international patients usually are admitted for pre-arranged, elective procedures, including transplants (non-emergency).
- International patients covered by foreign insurance companies with FHS-established relationships.
- International patient referrals by non-U.S. physicians that completed their residencies at JHS.
- Self-referrals from former international JHS patients.

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Cruise-line Patients

- FHS personnel stated that FHS has established relationships with cruise-line medical staff. As such, cruise passenger and crewmember medical services are generally facilitated with FHS' International Coordinator and concierge staff.
- FHS personnel further stated that U.S. citizens with Medicare or Medicaid and other U.S. based insurance coverages are identified as international patients because the cruise itself is in international waters.
- In addition, FHS personnel stated that all crewmembers (regardless of nationality) are identified as international patients and that they usually receive outpatient services, such as radiology and physicals, and are fast-tracked through the hospital.

FHS and JHS Patient Information Systems

FHS maintains international patient information in its Integrated Operating System (IOS), which is a stand-alone system used solely by FHS.⁷ FHS uses IOS to maintain patient personal information gathered during the pre-admission registration process. At the conclusion of the registration process, FHS personnel use IOS to generate a *Notice to Admit* (NTA). The NTA is an electronic document in the form of an e-mail that is sent to JHS admissions personnel, among others, notifying them that an FHS international patient will be seeking entry to a JHS facility. In addition, FHS personnel use IOS to record their case notes relating to concierge and hospitality services that they have provided to a patient and family during a stay at JHS.

JHS maintains two interfacing patient information systems—Cerner and Siemens—as well as uses a report-writer program—Compass—that can access data in both systems to generate reports showing combined patient medical and financial data.

- Cerner (formerly CARE): JHS' patient registration system, including medical records, which is used by JHS and FHS staff.

⁷ FHS entered into an agreement with IOS on May 5, 2008. IOS provides FHS with a web-based patient management, access, and reporting system. The agreement contains the following charges: a one time set up charge of \$2,995, and a monthly fee of \$599. The monthly fee covers the use of the system, software, access for up to 20 users, data backup, training, security and compliance, and 24/7 support. Additionally, FHS is charged a fee of \$0.10 for each page scanned into the system. In total for all services, FHS paid IOS \$48,996 between August 2008 and November 2010.

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- Siemens (formerly HBOC): JHS' patient accounting system.
- Compass: JHS' report writing system, which includes reporting of patient charges, and outstanding and paid balances.

Within the Cerner system there are many data fields, two of which may be populated by a patient identification code—Z92—that indicates that the patient is an FHS international patient. Although JHS personnel may enter this code, it is FHS personnel that are most concerned with ensuring that this code is entered. FHS uses this code to sort JHS records, the results of which provide FHS with patient counts and revenues. FHS personnel regularly scan JHS patient files to identify international patients that have been admitted to JHS, but have not yet been “coded” as international patients. Upon identifying such patients, FHS personnel update the associated JHS patient files with Z92 codes.

FHS Intake Process

The FHS intake process for international transfer patients and related activities is detailed in its *Policies and Procedures Manual* and described by FHS personnel as follows:

- The International Coordinator receives a call from one of FHS' referral sources or points of entry (cruise patient, transferring facility, etc.).
- Personnel working at FHS' International Center, in order to determine the plan of care, assess the patient clinically. In addition, FHS personnel assess the patient's financial responsibility, via the Inpatient Financial Clearing Center, to determine whether 100% of his/her financial obligation, resulting from his/her proposed plan of care, can be met. This multi-step process generally requires multiple phone and written communications.
- If it is determined that the patient is unable to meet his/her financial obligation, the patient is not accepted by FHS.
- Once it has been determined that the patient is able to meet his/her financial obligation, FHS personnel prepare a NTA, which is then forwarded to all respective departments (Patient Access Services, Hospitality, etc.). As detailed in FHS policies and procedures, the

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NTA would be generated prior to the patient's actual admission date.

FHS Monthly Patient Activity Reporting Process

FHS uses a multi-step process to prepare its monthly activity report of international patient admissions. The major purpose of this process is to identify international patient admissions that occurred without FHS input or assistance. FHS compares and reconciles data from IOS and its past reports against data obtained from JHS systems using Compass queries. According to FHS, it performs two separate Compass queries of JHS systems to identify international patient files in JHS systems.

The first Compass query is based on patients' medical record numbers (MRNs) obtained from admissions in IOS and other internal reports for a specific period. This query identifies all admissions within the period specified that matches each MRN. Therefore, if a patient has multiple admissions within the specific period, all admissions associated with the patient's MRN will be on the query.

The second Compass query is based on patient admissions identified with international insurance codes and the Z92 code for the same specified period. The admissions from both queries are compared. Matched admissions are included in the FHS monthly activity report. Non-matched admissions are further investigated by FHS using a 25-step validation matrix. This 25-step validation includes criterion such as whether:

- there are hospitality reports in IOS for the patient's admissions,
- the patient has a permanent international address in Cerner,
- patient insurance is a pre-approved international insurance plan,
- patient method of payment was a package price,
- admission was an out-of-country transfer, and
- patient is identified as an international patient.

If non-matched admissions are determined to be international patients then FHS staff enters the Z92 code into patient records in Cerner and adds the admissions to its monthly activity report.

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FINDING No. 7 **FHS should use IOS to report only those patients entering JHS with its input and assistance that can be considered the results of its international marketing efforts and that can be used to justify its \$27.5 million of public funding.**

IOS is FHS' data repository of FHS international patient admissions entering JHS with its input and assistance, which we believe are the patients resulting from its marketing activities. However, we note that FHS uses IOS as a secondary component to JHS systems in preparing its reports of international patient activity. Using JHS data allows FHS to identify those international patients entering JHS without FHS input or assistance; thereby enabling FHS to report increased international patient activity over and above that resulting from its efforts.

Effectively, FHS commingles IOS data with JHS data to include all patients covered by the international patient definition—not just those that enter JHS with FHS' input and assistance—in order to report total JHS international patient activity as its own. We believe IOS should be used as a stand-alone system to report FHS international patient activity, i.e., those patients entering JHS with FHS input or assistance. Adding JHS data to IOS distorts FHS' actual contributions to JHS' total international patient activity. We reiterate that total JHS international patient activity is not the same as FHS international patient activity.

As examples of these added FHS patient files, we found patients that entered JHS without FHS input or assistance and whose IOS files did not have *Notice to Admit* forms (NTA) prepared at the same time as their admissions. The retroactively prepared NTAs are an indicator that the corresponding patients entered JHS without FHS' input and assistance. An NTA is the key document prepared by FHS to acknowledge its "ownership" of an international patient and is used to inform JHS of the patient's upcoming admission. FHS Policy and Procedure Number 229, *Integrated Operating Systems (IOS)*, requires all FHS staff to use IOS to process, track, and store all patient information, including NTA data. The policy, in part, states that:

All ICs [International Coordinators] are to document and complete [a]n NTA for each potential case that is presented to Jackson International for admission. It is the responsibility of the IC to document and scan into IOS all items pertaining to each respective case. Once the NTA has been completed and the patient is medically and financially cleared, the IC will complete the NTA in IOS. This action will initiate the system to send out an NTA via

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email to a designated list of individuals. Upon receipt of the NTA by the supervisory staff at Jackson Health System-Patient Access Services, the staff there will register/admit the patient into Cerner, the registration system.

For example, OIG Auditors observed that FHS staff prepared NTAs anywhere from one to 314 days after the date that the patient was admitted to JMH.⁸ We analyzed 1,847 IOS patient admission files and found that 158 (9%) of them reflected retroactive NTA preparation. The top five retroactive NTA preparations are:

**OIG Table 1 JHS Admittance Date versus
FHS NTA Preparation Date Comparison**

Patient ID #	JHS Admit Date	FHS NTA Preparation Date	Days Difference
971	April 22, 2009	April 2, 2010	314
691	January 5, 2009	September 1, 2009	239
458	October 29, 2008	April 9, 2009	162
462	November 2, 2008	April 10, 2009	159
463	November 11, 2008	April 10, 2009	150

In summary, we believe that FHS' commingling of IOS and JHS data inflates the true picture of the results of its activities to market JHS in the international arena. IOS should be used as a stand-alone system to report the results of FHS activities.

FHS Response

FHS disagrees with the OIG that it should be credited only with those patients entering JHS with FHS' input and assistance. FHS acknowledges that it made no attempt "to devise a system to make such identification." FHS states that what really is important is "the month by month growth of patient volume and gross charges." FHS also asserts that an international patient's reason for entering JHS "was often self-evident to marketing staff." What is important, according to FHS is that "**The increase in international patients and revenue speaks for itself, from \$13 million to almost \$100 million.**" (FHS emphasis)

⁸ OIG Auditors examined 1,847 IOS patient records showing activity between January 1, 2008 and February 2, 2011.

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FHS re-emphasized its disagreement with the OIG's attempt to match international patient admissions to its marketing efforts:

We do not believe that any valid and accurate method exists to retroactively trace patients back to specific efforts to acquire these patients. **The program's accountability was not based on a piece meal basis of patient acquisition, as if patients were products being bought and sold.** No systems were created to capture such data, and at no time was such a system requested by JHS. Marketing efforts were comprehensive in nature, broad in their reach, and not aimed at individual sales. (FHS emphasis)

OIG Rejoinder

We note FHS does not address our finding, which is that IOS was incomplete and could not be used to report the results of FHS' activities. Instead, it discusses international patient activity in general. Apparently, FHS wants credit for all international patient activity regardless of its origin. We note that FHS again reiterates that it was never asked to provide data linking its marketing efforts to increased international patient activity. We believe that this argument is moot. Whether asked to or not, it would seem reasonable that documentation of that linkage would have been a key performance measure. In addition, FHS argues that what was occurring was "self evident" to knowledgeable individuals, in this case, FHS marketing staff. The fact remains, however, that FHS staff did not record this self-evident data into a permanent record at time of intake, e.g., survey the patients why he/she chose JHS.

The OIG's point is that FHS made little attempt to obtain information at a patient's admission that would have allowed FHS to ascertain what were causative factors leading that patient to JHS. FHS, in discussing its marketing efforts, states that its efforts were not aimed at individual sales. But in fact, FHS marketing efforts were aimed straight at a very specific type of individual sale—a sale that it could market to a prospective patient either directly or through the patient's medical advisor. We know that FHS courted both patients and patient medical advisors with its marketing efforts, including it retaining "medical ambassadors" in specific countries for the sole purpose of increasing patient referrals to JHS. However, FHS did not ask a patient, during his/her admission, how or why the patient chose JHS over another hospital. Was it a JHS advertising brochure or a web page banner that caught the patient's attention? Perhaps it was the patient's medical advisor, who had previously met with FHS/JHS representatives and now recommended JHS to his/her patient. This information could have been used to document FHS' successful marketing efforts and to justify the PHT's funding of FHS activities.

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As previously discussed, we believe that there were multiple factors, outside of FHS activities, that increased reported international patient activity; although, whether this was new activity resulting from FHS efforts or activity that was already reported and then reclassified as international patient activity is unknown. Nonetheless, FHS apparently believes that it should be credited with all international patient growth without having to account for how it spent \$27.5 million of public funds that it received from the PHT.

FINDING No. 8 Z92 coding is not a reliable indicator of international patient admissions resulting from FHS input and assistance.

According to both FHS and JHS representatives, the Z92 coding should designate only those patients admitted to JHS with FHS input and assistance. However, we found that the Z92 coding actually indicates that FHS has selected a patient as one that it will report as an international patient. Arguably, the patient is one that conforms to the working definition of an international patient and has documented financial responsibility. FHS' selection is not always based on whether FHS has provided any input and assistance in admitting the patient into JHS.

We found examples of the Z92 code being inconsistently applied to a patient's multiple admissions, notwithstanding that the patient, at all times, was always an international patient. This means that the patient's classification, as a Z92 designated patient, was not necessarily dependent upon whether the patient was admitted to JHS with FHS' input and assistance. Rather, it appears that a patient's classification is also dependent upon other factors, such as FHS' determination about the patient's financial responsibility or, perhaps, it is simply an instance when FHS, during its patient reconciliation process, missed identifying the patient.

- **Patient A** is a Kuwaiti national who had 34 inpatient and outpatient admissions occurring between April 2009 and January 2010, totaling \$1,681,068 in gross charges, with an unpaid balance of \$448,069. The patient expired in February 2010, during the last inpatient admission. The patient was initially admitted in April 2009 for multiple organ transplants and, at that time, was not coded as Z92.

Cerner data indicates that not until the August 2009 admission, 96 days after the initial admission, was Z92 first added to the patient's

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record. Subsequent admissions occurring between October 2009 and January 2010 showed that this patient was coded at times as Z92 and at other times not coded as Z92. We found that the patient had seven admissions (August 2009, September 2009, November 2009, and January 2010) totaling \$1,152,858 in gross charges with a remaining balance of \$406,582, where she was coded as Z92. This patient also had 27 admissions (April 2009 through January 2010), totaling \$528,210 in gross charges with a remaining balance of \$41,487, where she was not coded as Z92.

- **Patient B** is a Greek national that had four inpatient and outpatient admissions in January 2010 and March 2010 totaling \$38,046 in gross charges—with no remaining balance. The patient was initially admitted on January 15, 2010 for kidney donation, and at that time, his admission was not coded as Z92.

Cerner data indicates that not until the patient's second admission on March 4, 2010, which was 48 days after the initial admission, was Z92 first added to the patient's record. Thus, the three subsequent admissions beginning in March 2010 were coded as Z92. An NTA was completed on March 9, 2010, after the 3rd admission's discharge date. The NTA stated that the patient was a UM International in-house referral. OIG auditors found several hospitality notes recording FHS' contact with the patient.

In addition, we looked at a sample of 126 admissions coded Z92 in JHS' Cerner system to see if we could match them to FHS' reported data. Only 28 of these admissions were included in FHS reported data. We could not match 82 JHS admissions to FHS data. In other words, these 82 admissions and related financial data were not reported by FHS as international patients. (The remaining 16 admissions were outside of the dates reported by FHS.) Conversely, we sampled ten FHS reported admissions and found three not coded as Z92 in Cerner.

Furthermore, we examined five of the 82 unmatched transactions (Cerner to FHS) to determine if these admissions were in IOS, but unreported by FHS. We found three of these admissions were in IOS but had not been included in FHS' reported data. There were two remaining admissions not in IOS records; notwithstanding, they were Z92 patients, which mean that they should have IOS records and should have been reported by FHS.

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Collectively, these examples show that FHS' reported international patients were moving targets based upon, among other factors, their changing financial responsibility. JHS personnel told OIG Auditors that FHS will not always apply the Z92 code to a patient's account when it has a questionable or unconfirmed payment source or patient financial responsibility, although we were not provided with any specific examples when this occurred.

Of concern to the OIG is that FHS personnel have the ability to alter JHS patient records by adding/deleting a patient's Z92 coding. This allows FHS the ability to select only those international patients with verifiable financial responsibility, regardless of whether FHS provided input and assistance. In addition, this gives FHS the ability to deselect an international patient whose financial responsibility, for whatever reason, deteriorates. In addition, FHS staff scans JHS daily admission records looking for Z92 patients that have not yet been coded as such. FHS also performs a complex and tedious month-end analysis and patient reconciliation aimed at identifying Z92 patients that were admitted to JHS without its input and assistance, or to de-select Z92 patients whose financial responsibility was now in question.

FHS Response

FHS agrees that the Z92 coding was not sufficient or complete to track international patients. The Z92 coding, also as explained, would have been applied to any patient meeting the approved definition, whether identified at the time of admission or later via FHS' monthly reconciliation procedure. In addition, FHS denies that it ever re-coded patients to gain improper credit. FHS reiterates that it has grown the program from \$13 million to \$100 in gross patient charges within four years.

OIG Rejoinder

The OIG's contention is that the Z92 coding often did no more than to simply reclassify a patient as an international patient that was already included under some other patient type code. Many of these patients were not the result of FHS marketing efforts. FHS effectively removed patient count and related financial data from one area and, by its presentation, implied that the resultant "increased" international patient activity occurred because of its efforts.

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C. Foreign Professional Consulting Services and Other Expenditures

Background to Findings

FHS has engaged consultants/vendors since its inception in 2006. These consultants/vendors provide services ranging from marketing and public relations to creating and operating FHS' web site. The top 20 consultants/vendors are:

OIG Table 2 FHS Payments to Consultants and Vendors

Consultant/Vendor	Amounts Paid 10/01/06-11/22/10
GrupoUno	\$2,862,212
Jackson Memorial Foundation ^a	\$1,674,926
American Express	\$1,290,771
Redbridge Network & Healthcare, Inc.	\$796,663
Cardmember Services - Visa	\$705,911
Jackson Health System ^b	\$547,286
JMH Health Plan	\$532,567
University of Miami	\$450,687
Jackson Memorial Hospital ^c	\$439,191
AT&T Mobility	\$324,258
KCI Partners, Inc.	\$278,211
Kevin Coy, MD.	\$229,205
MedicaView International	\$219,113
Compass	\$216,956
Briele & Echeverria, PA ^d	\$189,839
Eaglemount, Ltd.	\$172,474
Korn Ferry International	\$157,875
Rolando Rodriguez	\$151,785
Luis Felipe Arango	\$118,701
Epstein Becker & Green, P.C.	\$113,015

- a Core services (executive management, human resources, communications, and financial services) provided by JMF. For more information regarding core services, see the OIG's first audit report at www.miamidadeig.org/reports10/IG09.98FinalReport.pdf.
- b Rent and occupancy costs payable to JHS for providing office space.
- c Primarily for FHS employee health insurance but includes some miscellaneous payroll costs payable to JHS.
- d Includes \$21,027 paid to this firm for reviewing, analyzing, and assisting FHS' Finance Department and its director in preparing a response to the first OIG audit report issued October 28, 2010.

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FINDING No. 9 FHS did not withhold tax on professional service fees that it paid to foreign nationals for services provided to FHS while working in the U.S.

A foreign national is subject to U.S. tax on his/her U.S. source income for services performed while working in the U.S. Most types of U.S. source income received by a foreign national are subject to a U.S. tax of 30%. Income is subject to a 30% withholding when paid, if it is from sources within the U.S. and the payment is fixed or determinable. The U.S. Department of the Treasury considers income for personal services performed in the United States to be from U.S. sources. The place where the services are performed determines the source of the income, regardless of where the contract was made, or the place of payment. Generally, an income allocation is used to calculate taxable U.S. source income. The allocation is based on the number of days services are performed during a year in the U.S. compared to the total number of days for which compensation is paid. The result of this allocation determines the amount(s) subject to the 30% tax (Internal Revenue Service Code Section 1441).

During the period reviewed, FHS contracted with two medical ambassadors in Costa Rica. Additionally, FHS contracted with two consultants and one consulting firm, all based outside the U.S. The two consultants are: Luis Felipe Arango (who was later hired by FHS in March 2010 and is the current Vice-President of International Business), and Dr. James Hull, who is no longer providing services to FHS. The consulting firm is Eaglemount Ltd. FHS' check register shows that it made regular fixed payments to these consultants and to Eaglemount. In addition, reimbursable expenses were also paid to the medical ambassadors and consultants.

OIG Table 3 FHS Consultant Retainers

Medical Ambassador/Consultant	Monthly Retainer
Dr. Frank Rodriguez-Mora	\$2,500
Dr. Hernando Gonzalez-Quiros	\$2,500
Dr. James Hull	\$500
Luis Felipe Arango	\$8,000
Eaglemount, Ltd. ⁹	\$3,500 to \$5,000

⁹ The retainer paid to Eaglemount, Ltd. ranged from \$5,000 a month under the original agreement, to \$3,500 a month under a later agreement. In addition, the most recent agreement includes a \$10,500 incentive for meeting a referral target of 150 patients per quarter.

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OIG Auditors asked FHS' Finance Department for documentation and copies of IRS Form 1042-S, which would show that FHS was withholding the required amounts for those individuals who performed FHS-related services while in the U.S.—Luis Felipe Arango, Dr. Frank Rodriguez-Mora, and Dr. Hernando Gonzalez-Quiros. In response, FHS had their external CPA communicate to the OIG that the agreements between FHS and Luis Felipe Arango, as well as the agreements between the two named doctors, require these individuals to perform services in their respective countries, as well as throughout Latin America, and, as such, FHS is not required to withhold taxes. The communication received from FHS' external CPA does not address the issue of work performed for FHS while these individuals were in the U.S.

However, FHS' credit card payment data, as well as travel expense reports submitted by the individuals, show that all of them, with the exception of Dr. Hull, spent time in the U.S. while providing services for FHS. However, the documentation maintained by FHS is generally not sufficient and does not provide adequate detail to determine the actual number of days spent in the U.S. by these individuals. Furthermore, FHS on its own does not track the number of days that its medical ambassadors and consultants spend in the U.S. while working for FHS.

Nevertheless, we were able to garner from FHS' records that Luis Felipe Arango spent no less than 58 days working in the U.S. on behalf of FHS in 2009. For this individual, FHS should have withheld 30% of this individual's income earned during these 58 days, and remitted these funds to the Treasury Department.

FHS Response

FHS agreed that Mr. Arango, due to unforeseen circumstances, spent more time working in the U.S. than anticipated. FHS states "External accounting staff have reviewed the situation and any IRS related correction required due to this oversight will be made."

No OIG Rejoinder Needed

FINDING No. 10 **FHS paid two consultants \$185,322 for services rendered without agreements specifying the services to be provided.**

Written contracts and agreements are business best practices because they formally memorialize the obligations of both parties, as well as address

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compensation to be paid for services. A review of FHS' check register shows that payments were made to two consultants that we later determined did not have contracts or agreements for some or all of the time during which they were providing services. These consultants are Dr. James Hull of the Bahamas and Eaglemount Ltd. of the Cayman Islands.

Dr. James Hull was paid \$12,848 between July 2008 and December 2009. We asked the former FHS Chief Operating Officer (COO) for a copy of a contract or agreement describing the services that were to be provided by this consultant; additionally, we requested documentation regarding the activities of Dr. Hull. The COO stated that no contract or agreement exists. Moreover, FHS was unable to provide any documentation related to the activities of Dr. Hull. The only records made available for our review were invoices submitted by Dr. Hull. The invoices describe the services provided as "Direct Access Service Center Support." The former COO stated that Dr. Hull is a physician from the Bahamas and that he was purportedly encouraging people in the Bahamas to pre-register with JHS. However, no reports exist to show what activities Dr. Hull conducted for the period that he was compensated for by FHS. Moreover, FHS was not able to determine the number of patients admitted to JHS resulting from Dr. Hull's efforts.

FHS paid Eaglemount \$172,474, between December 2006 and November 2010. We requested a copy of a contract or agreement between FHS and Eaglemount; initially nothing was provided. After numerous requests, we were presented with three professional services agreements: the first dated June 25, 2008; the second dated September 3, 2009; and the third dated March 23, 2010. We note that the first agreement is dated 19 months after the date of Eaglemount's first submitted invoice to FHS.¹⁰

Additionally, we requested copies of status reports or other records of Eaglemount's activities to assess what Eaglemount was doing for FHS and how Eaglemount was reporting its activities to FHS. FHS provided us with a sample of four debriefing reports prepared by Eaglemount's principal, with the earliest debriefing report dated December 1, 2009, three years after it initially began providing services to FHS. FHS' Sales Support and Marketing Manager stated that Eaglemount did provide debriefing reports for earlier periods, but FHS was unable to provide these reports for our review.

In summary, FHS has paid the named consultants to provide services with minimal, if any, contractual accountability and to function with questionable

¹⁰ Eaglemount's first invoice submitted to FHS was dated November 23, 2006. FHS issued check no. 0123 on December 6, 2006 in payment of this invoice.

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oversight. FHS paid these consultants without documentation memorializing the services to be provided and without documentation demonstrating that any services were, in fact, actually provided. Moreover, FHS has no records showing that at any time it formally evaluated the services purportedly provided and whether FHS was obtaining value for monies expended. We believe that a best business practice is for an entity to use written agreements when looking to obtain professional services and for that entity to obtain written evidence that the desired services were performed. That FHS did not follow such practices is poor management.

FHS Response

FHS acknowledges that written agreements were not in place for the two named consultants during much of their service. However, FHS argues that both did provide services that FHS program managers "...judged to be consistent with their expectations and responsibilities." FHS states, "As the business developed, more formal agreements were implemented, especially when entering into business relationships with new consultants."

OIG Rejoinder

We reiterate our finding that the lack of written agreements prior to paying over \$180,000 to these two vendors was a totally unacceptable business practice, regardless of whether FHS was a start-up entity or a more mature entity.

FINDING No. 11 Incomplete documentation at FHS offices did not substantiate that core services were performed by a consulting firm.

This finding has been modified from its original presentation after reviewing FHS' response, which resulted in our performing additional review at the offices of FHS and its consultant.

GrupoUno, a marketing and communication services firm, has been providing services to FHS since 2006. As part of its contract with FHS, GrupoUno was to provide various core services, such as business planning, strategic planning, market strategy performance evaluation, refinement, agency/client contact parameters, drafting and copying concepts, strategy and counsel in the use of special media, clerical services normal to the administration of the account, and concepts and copy review. FHS paid GrupoUno an annual \$250,000 retainer (paid in quarterly installments of \$62,500) for performing these services. There were no contractually defined work hours or other reportable

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and measurable indicators of core service work required of GrupoUno. Additionally, included in the agreement's core services was that GrupoUno was to develop and implement an integrated marketing communications plan. Included in the implementation phase of the plan was a requirement that GrupoUno update and maintain FHS' marketing and sales web site.¹¹ OIG Auditors did not observe documentation at FHS offices memorializing that core services, as specified in FHS' agreement with GrupoUno, were provided. During the course of their engagement, FHS paid GrupoUno \$812,500 in retainer fees.

According to FHS' former COO, as well as the current Vice-President of International Business, FHS also used GrupoUno to provide design work, design brochures, and coordinate media buys on a task order basis, with each task order having its approved budgeted compensation. We observed that GrupoUno provided FHS with production estimates on a per job basis for various items ranging from printing, photography, research, copy writing, executive gym bags, brochure holders, business cards, CD covers, videos, ID badges, birthday cards, event decorations, and creating conference booths. A review of the work product provided to FHS by GrupoUno shows that FHS was invoiced and paid for all these work products independent of the retainer fee. In addition, we reviewed a sampling of GrupoUno invoices noting that the approved task orders (based on proposed estimates) and corresponding invoices (matching the proposal amount) were stated as lump-sum amounts. There were no receipts or other records of reimbursable costs incurred by GrupoUno attached to these invoices. During the course of their engagement, FHS paid GrupoUno \$2,049,712 in task-order based fees.

FHS personnel provided OIG Auditors with task-order based work products, such as FHS-requested reports, flyers, brochures, advertisements that were published in magazines, promotional items, etc. FHS also provided us with a sampling of an extensive status report that was prepared monthly by GrupoUno. The status report is a comprehensive listing of job numbers and job descriptions, which was continually updated by GrupoUno to reflect current job status, the remaining steps required to complete a job, and a bullet listing of items discussed at meeting(s). What we did not see at FHS offices, however, was documentation that GrupoUno provided core services specified in the agreement.

¹¹ We note that by separate task order invoices, FHS paid three separate GrupoUno invoices for implementation of web development, creation of new site categories, and for updating the look and feel of the web site. Each invoice was a lump sum amount for \$25,000 for a total of \$75,000 that was paid for web-related professional work. Additionally, FHS engaged MedicaView International in May 2009 for these same services. We found no evidence that FHS adjusted GrupoUno's retainer fee.

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FHS Response

FHS responds, “The analysis by the OIG of GrupoUno’s contract misunderstands the contractual agreement and obligation of GrupoUno regarding their retainer...We understand that a more specific level of documentation may be used by government, which requires detailed reporting in order to justify the use of public funds... The international program’s business development management was consistently satisfied with the work performed during the entire period of the contract, and there is no record or evidence of any dissatisfaction or performance issues by GrupoUno under their contract and/or retainer agreement.” Lastly, FHS adds that “a private extranet was and is still available [at GrupoUno], where each and every job process and documentation can be reviewed.” (FHS emphasis)

In addition, FHS discussed its arrangement with the subject consultant, GrupoUno, and the services that it provided under retainer to FHS, and then went on to describe eleven examples of retainer services provided by GrupoUno.

OIG Rejoinder

In response to FHS’ response to the draft audit finding, we traveled back to FHS’ offices to re-interview FHS personnel and to review any new supporting documentation related to its response. We learned that after receiving our draft report, FHS approached GrupoUno to obtain its assistance in selecting the described examples of retainer services and in assembling the supporting information that was now being made available to OIG Auditors. The records provided some evidence that certain core services had been performed. Later, we went to GrupoUno’s offices and met with some of their key personnel who explained retainer fee practices in the marketing and communications industry. GrupoUno explained that all professional services (labor) were provided under the retainer, and that GrupoUno’s task order invoices only represented reimbursable direct costs. GrupoUno also produced additional records for OIG auditors to review that substantiated some of the services that it provides pursuant to its retainer.

While GrupoUno had records to show OIG Auditors what its personnel did in consideration for the \$250,000 annual retainer, we still believe that FHS—as owner—should have had adequate documentation on hand to show why it was paying a retainer fee, above and beyond the \$2.1 million it was paying for specific tasks. Moreover, while FHS may have been most pleased with GrupoUno’s performance, we still believe that—as a reasonable business practice—FHS should have records on hand supporting the consultant’s

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performance to justify continued payment for its services. Finally, while it was explained to OIG Auditors that task order based invoices were for non-labor reimbursable costs, e.g., the cost of printing a brochure or buying advertising space, the lack of supporting documentation accompanying the invoiced lump sum proposal amount, still causes us to wonder what services were provided via retainer fee versus via task order.

Lastly, regarding FHS' reference to GrupoUno's extranet, we note that during our entire fieldwork when we reviewed records and interviewed FHS personnel, we saw no indication of or were ever told of the existence of this extranet. It was not until we received FHS' response did we learn of its presence. In addition, when we traveled to GrupoUno offices, we learned that FHS records on GrupoUno's extranet were no longer available and, in fact, had been removed during the course of our audit. Notwithstanding, while performing post-audit follow-up at GrupoUno's office, we did have the opportunity to view this system's capabilities. Had we been informed of this system during our audit we would have taken the opportunity then to review it at that time and which would have allowed us to make a more informed determination of the services provided. As noted above, after completing our review at GrupoUno, we had some proof of services, albeit not located at FHS offices.

Other Expenditures

FINDING No. 12 FHS spent \$12,000 of taxpayer funds to purchase tables at galas to benefit JHS.

JHS funds FHS. The Jackson Memorial Foundation (JMF), the parent organization of FHS, raises funds for JHS. FHS spent public money, entrusted to it by JHS, to buy tables at a fund-raising gala hosted by JMF for the benefit of JHS. The expenditure of these funds are questioned.

FHS spent \$12,000 purchasing tables at JMF galas, spending \$6,000 in 2009 and another \$6,000 in 2010. In 2009, FHS classified its expenditure as "advertising" and in 2010 as "public relations." We find FHS' use of \$12,000 of taxpayer funds in this manner to be highly inappropriate. Notwithstanding the beneficial role that JMF plays in securing third-party funds for the benefit of JHS, we take issue with FHS' participation in what effectively was a funding merry-go-round. FHS' decision to spend \$12,000 of taxpayer funds that were given to it by the PHT/JHS to support a gala sponsored by its parent company—JMF—was indicative of poor judgment. Moreover, FHS use of taxpayer funds in this manner had the added benefit of enhancing its parent organization's performance, albeit not in large way.

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FHS Response

FHS disagrees with the OIG's characterization of the use of the funds. FHS believes these expenditures were appropriate and that the noted amount of \$12,000 is "inconsequential."

OIG Rejoinder

The OIG reaffirms its finding that the gala expenditures were inappropriate uses of public funds.

VIII. RECOMMENDATIONS BY AUDIT AREA

The PHT established a new IRS 501(c)(3) organization that replaced the Foundation Health Services, Inc., whose contract with the PHT was terminated, as of March 1, 2011. Accordingly, we make the following recommendations to the PHT:

A. Employee Travel Expense Reporting and Cash Advances

1. All credit cards issued by the new organization to employees for use in paying for business and travel expenses should be issued under established procedures that:
 - a. define allowable uses and that such uses conform to government standards and good public policy relative to the expenditure of public funds;
 - b. require employees to submit documentation supporting all expenditures that is complete to explain unambiguously the purpose of the expenditure (e.g., "business development" as a purpose without more detail is unacceptable); a list of all items or services purchased and all third-party beneficiaries (including names, titles, employers, relationship to the employee or the new organization, etc.); and
 - c. provide for timely and effective supervisory reviews of all credit card expenditures for operational necessity, expenditure propriety, and documentary support.

JHS Response: "this recommendation is consistent with established JHS practices and procedures."

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2. All employees issued cards, their supervisors, and anyone else charged with oversight or review of credit usage and expenditures should be trained on the new procedures to clarify usage and documentation standards, enforcement protocols, and best practices to follow, as well as cautioned about worst practices that should be avoided.

JHS Response: “*this recommendation is consistent with established JHS practices and procedures.*”

3. All travel should conform to government standards requiring the use of lodging and meal per diems, airfare restrictions, etc.

JHS Response: “*this recommendation is consistent with established JHS practices and procedures.*”

4. Client entertainment expenditures must adhere to specific criteria for allowability and must be documented accordingly, including supervisory approval of larger dollar expenditures, in writing, prepared prior to or contemporaneous with the approval of the expenditure.

JHS Response: “*Jackson is currently revising its T&E policy; target date for completion and distribution is 6/30/11. This recommendation is consistent with established JHS practices and procedures.*”

5. Travel expenditures (airfare, lodging, and meals) paid for by the new organization on behalf of non-employees should be avoided but, if deemed necessary, they should be carefully controlled subject to prior written supervisory approval and to the organization’s standards for employee travel.

JHS Response: “*this recommendation is consistent with established JHS practices and procedures.*”

6. Travel expenditures incurred by JHS employees on behalf of the new organization, its consultants, or new organization’s consultants, should be approved by, arranged through, and paid by JHS.

JHS Response: “*this recommendation is consistent with established JHS practices and procedures.*”

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7. For each trip, employees must submit for supervisory approval a travel request showing estimated expenditures using per diem rates for lodging and meals and, if deemed necessary, an entertainment budget. At the trip's conclusion, the employee must prepare and promptly submit for supervisory approval a complete, accurate expense report of all business travel expenses showing all company-issued credit card charges and uses of personal funds.

JHS Response: "this recommendation is consistent with established JHS practices and procedures."

8. Properly annotated itemized receipts or other proofs of expenditure should accompany employee expense reports; the expense reports should be signed and dated by the employee; the employee's signature should be considered to be his/her self-certification as to the completeness, accuracy, and propriety of the listed expenditures; and all expense reports should be subject to timely and effective supervisory review.

JHS Response: "this recommendation is consistent with established JHS practices and procedures."

B. FHS International Patient Activity Performance Reporting

9. The new organization should maintain IOS or a similar system as the primary data source for all patients entering JHS with its input and assistance, as the patients are most likely entering JHS because of the organization's marketing activities. IOS data should not be commingled with JHS data to report the results of the organization's marketing efforts.

JHS Response: "this recommendation is consistent with established JHS practices and procedures."

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10. All original data entry and data revisions to JHS patient files should be made by JHS personnel.

JHS Response: *“We agree. A review of JHS system access will be conducted to ensure that appropriate role-based access is configured for employees. Based on established JHS practices and procedures, and in keeping with appropriate segregation of duties, only appropriate JHS personnel will have system permissions to make changes to financial codes.”*

11. JHS personnel should be trained to identify the new organization’s international patients and should be instructed to add the Z92 coding so that they may be accurately and completely reported.

JHS Response: *“We agree. We will review current patient identification codes and determine the appropriate means to differentiate between the various classes of international patients and whether they are associated with FHS efforts. Training will occur as appropriate.”*

12. “Cruise” patients, whether cruise passengers or cruise line employees, should be separately reported.

JHS Response: *“We agree. We will review current patient identification codes and determine the appropriate means to differentiate between the various classes of international patients and whether they are associated with FHS efforts.”*

13. JHS should consider establishing separate patient identification codes for the different classes of international patients. For example, Z92, could be those patients entering JHS with the new organization’s input and assistance, Z93 could be cruise patients, and Z94 would be other international patients entering JHS.

JHS Response: *“We agree. We will review current patient identification codes and determine the appropriate means to differentiate between the various classes of international patients and whether they are associated with FHS efforts.”*

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C. Foreign Professional Consulting Services and Other Expenditures

14. Time spent by foreign professional consultants providing services for the new organization while in U.S. territory must be monitored and, if appropriate, funds withheld and remitted to the IRS in accordance with U.S. Treasury regulations.

JHS Response: “It is the policy of JHS to comply with all local, state and federal laws, including IRS laws.”

15. Written professional services agreements with consultants setting forth scope of services, performance measures, and payment terms and conditions should be executed prior to services being rendered and payments made.

JHS Response: “this recommendation is consistent with established JHS practices and procedures.”

16. Professional services agreements should be fee-based only, with defined tasks and measurable performance indicators.

JHS Response: “this recommendation is consistent with established JHS practices and procedures.”

Added recommendation to Final Report

17. Documentation of a consultant’s work product should be maintained to justify the fees paid.

In accordance with Section 2-1076(d)(2) of the Code of Miami-Dade County, the OIG requests that JHS management provide us with a status report in 90 days on the issues addressed by this audit and, in particular, the progress of the newly formed not-for-profit corporation’s operation of the Jackson International Program and the implementation of the OIG’s recommendations in its operating procedures. We request this report from the PHT/JHS on or before October 12, 2011.

Lastly, the OIG would like to thank the FHS and JMF staffs for making their records available in a timely manner and for the courtesies extended to OIG auditors during the course of this review.

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OIG APPENDIX A

Foundation Health Services, Inc. Response

IG09-98.2



Foundation Health Services, Inc.

Jackson Medical Towers • 1500 N.W. 12th Avenue • Suite 829 - East • Miami, FL 33136-9998 • (305) 355-5544 office • (305) 355-5545 fax • www.jmhi.org

May 27, 2011

Mr. Christopher Mazzella
Inspector General
Miami Dade County Office of Inspector General
19 West Flagler Street, Suite 220
Miami, FL 33130

Dear Mr. Mazzela:

Enclosed please find a document representing Foundation Health Services' response to the
OIG Draft Report, IG09-98.2.

Yours truly,

Rolando D. Rodriguez
Interim CEO, FHS

**RESPONSE TO THE
MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG DRAFT AUDIT REPORT
Audit of the Management and Services Agreement Between the Public Health
Trust of Miami-Dade County and Foundation Health Services, Inc.**

I. INTRODUCTION

We cannot agree with the premise, perspective or conclusions of the OIG's audit of the policies and practices involved in marketing Jackson Health Systems international marketing program. The findings are not reflective of the non-public business conduct of this program. They also reflect a lack of understanding of the practical requirements for a successful international health care business. **Never, in any document, bid or contract provided by the PHT, was it required or inferred that the program operate under public guidelines.** We believe that applying public standards to a company established to use private sector business practices presents inaccurate and unfair criticisms of a PHT approved effort created to help JHS.

JMHI was first recommended for transfer to JHS oversight in October of 2010. In November of 2010, we were formally notified that the contract to manage the international patient business would not be renewed. We were requested to provide immediate control of the business during the transition period, and we agreed to have all expenses over \$25 approved by JHS personnel, a policy followed until the formal transfer of all JMHI employees to JHS on March 1, 2011.

In February of 2011, the PHT also received permission to create a new, highly controlled 501c3 organization to manage the international medical business. This was done in response to the public pleas of both JHS management and PHT committees, stressing that this program would not do well under a public hospital model – **ironically the same conclusion reached by the PHT in 2005 leading to the creation of this business model.**

Public processes are appropriate for the use of public dollars, but they are not nimble, rarely entrepreneurial, and not well-suited for private business competition. By February of 2011, we noted that international patient volume managed by this program had already dropped by 19%, potentially representing millions in future revenue losses for JHS.

Following are our summary responses and commentary to detailed OIG observations.

We disagree in principle with OIG findings on three broad fronts:

- 1) **Public vs. Private Funds:** JMHI's programs were not designed to operate as if it were using public funds. The program was established at the request of the Public Health Trust specifically to manage this effort as a private enterprise. The desired objective was to achieve a nimble business structure that could generate much needed cash for Jackson. The documentation required for the use of public funds is much more rigorous and specific than in private business. The contract with the PHT specifically states *"It is specifically agreed that the relationship is, and shall remain, that of independent parties to a contractual relationship"*. **The OIG now retroactively applies public accounting standards and criticism to a program that was created and managed as a private enterprise.**

- 2) **Marketing Measurements:** The program's goal was to expand the international patient business through both general marketing and the development of business relationships with providers and insurance companies. Attempting to match patient admissions retroactively to specific sales actions is like trying to match the sale of a new car to a specific advertisement, one year after the car was sold. Conclusions have been reached in this report through a retroactive attempt to piece together incomplete data that is often many years old, taken from JHS systems that were never designed to capture information the way the OIG would have preferred. The analysis also suffers from a lack of personal perspective of situations and cases that could have been provided at the time by the case managers. Not all pertinent information is available in neat bundles of computer data, especially when the data is often dated.

- 3) **Expense Accounting:** A majority of OIG observations reflect still developing internal systems and/or new management personnel during the early years of operations and apply rigid, bureaucratic public standards, in hindsight, to a new, private business. We agree that errorless expense reporting is desirable, but financial systems were adequate for a start-up. As the program grew, its policies and procedures improved, as is usual in such entrepreneurial situations. But even so, our independent auditors and accountants provided clean audits every single year, while business growth continued to bring in significant added revenue to JHS. **The entirety of expense observations, some of which are repeated throughout the OIG's report, total only \$15,578 over 4 years, a sum that is inconsequential in comparison to the program's multi-million budget.**

II. SUMMARY RESPONSE TO OIG RESULTS SUMMARY

A. Employee Travel Expense Reporting and Cash Advances

We do not agree with the underlying theme of the OIG that public funds once delivered to a private organization under private contract, should have been treated and documented by public standards. If the funds needed to be treated as public, then there would have been no need to create a program outside of the PHT's normal systems. The program's board and management should never have been put in this untenable and unjust position. JMHI was established at the request of the Public Health Trust to be a private business, operated under private business standards, and the contract creating the business did not stipulate otherwise.

B. International Patient Activity Performance Reporting

We contend that the measurements that were used and fully agreed to by JHS were materially correct. The complex reconciliation of patient data on a monthly basis was a professional and ethical attempt by all to be clear in reporting patient activity. JMH's existing patient tracking and collection systems were in transition during the start-up years of the business, and acknowledged by JHS to be inadequate to the task. The international program added its own tracking systems to facilitate patient care and throughput, but continued to use JMH's systems to identify patients. Patient billings grew from \$13 million to almost \$100 million over the life of the program, as measured by these approved processes. How the PHT accounted for each and every international patient, and the inadequacies of existing data systems at the time, do not negate the extraordinarily obvious growth.

C. Foreign Professional Consulting Services and Other Expenditures

Once again, the OIG applies public accounting standards retroactively to this private business and contends that the documentation was not sufficient or formal enough. We do not find that these records were insufficient, and further note that records improved naturally along with business growth. All financial records were reviewed by one external accounting firm and audited by external auditors and received the highest audit findings. Operational and marketing systems were put in place in order to facilitate and increase patient acquisition, and they were in a condition of constant enhancement throughout the life of the business.

VI. RESPONSE TO FINDINGS BY AUDIT AREA

A. Employee Travel Expense Reporting and Cash Advances

1. Finding: Expense reporting was inadequate.

The number of employees issued credit cards and cash advances were small and easily tracked, and more formal systems were unnecessary. As a start-up company whose goal was to quickly generate cash for the PHT, the implementation of perfect policies and "best practices" sometimes lagged business growth. Normal errors occurred, were corrected when identified, and systems were improved. Audits by external auditors were clean, and recommendations for improvements implemented. Obvious small errors are regrettable, but the errors were not material in the context of a multi-million budget.

JMHI's travel policies and reporting systems were instituted for a private sales organization, and were not designed to be in accord with public travel policies. Employees were supervised to assure that activities conformed with expected duties. The number of employees engaged in travel and sales was small and easily monitored. Employees who did not meet standards of accountability and performance were cautioned, counseled and/or released from duty. This included the replacement of senior managers when needed. The emphasis was on outcome and success, rather than typical bureaucratic paperwork. More formality would have been normal for a public company, which this was not. The grand majority of unreconciled issues occurred well before 2010, when a more seasoned management team was in place. And clearly, those identified as "repeat offenders" were removed from their positions.

2. Finding: Credit card charges on behalf of non-employees lacked support.

Business development managers were well aware of who was traveling and why charges were incurred on behalf of non-employees, and did not require further substantiation other than what was routine and self-evident to those involved. Again, the need for more formal documentation is one required of public processes, not private business. For example, it was not necessary to formally document why an invited physician went to a company sponsored peer to peer conference in a foreign country. Especially when the physician was a speaker at the conference. The purpose of the trip was self-evident. Where supporting expense documentation appears lacking by OIG public accountancy standards, we reiterate that such standards are inappropriately applied. The company was annually audited and its financials publically accessible.

3. Finding: Per Diem travel policy lacked clarity.

The per diem travel policy was clear enough for managers to make decisions with appropriate flexibility. The per diem rate for hotels and meals was provided as a guideline, and was subject to the judgment and approval of supervisors based on a variety of factors, including employee safety concerns and convenience or distance to meeting locations. As a private business, management allowed for a reasonable amount of employee judgment in making such decisions.

4. Finding: Cash advances and expenses do not correspond.

The program's expense accounting methodology was acceptable to external auditors and external supervising accountants. The OIG prefers a different and particular structure of accounting. We agree that additional and/or improved reports could have helped managers to more accurately monitor employee uses of cash advances. Recommendations on reporting provided by the OIG in this section would likely have been welcomed, and implemented as the business matured.

We do not find it productive to review each and every expense report noted, especially as the business is no longer operational. But we cannot fail to note one obvious issue that was incorrectly reported in the OIG report:

"FHS Check #s 2267, 2312, 2339 totaling \$1,600 were cash advances to Luis Felipe Arango (Vice President of International Business) for various trips, etc. Mr. Arango's expense report dated September 5, 2010 shows \$1,112.35 of expenditures, leaving an unused balance of \$487.65. FHS' Vendor Balance Detail for Mar. Arango shows the advance checks issued but there is no entry for Mr. Arango's expense report and no entry that he returned the unused \$487.65 cash advance."

Correction:

This expense report dated August 5, 2010, not September 5th, 2010 as stated in the OIG report, was submitted to FHS's finance department. The expense report includes receipts for every expenditure as well as a personal check, No. 195, in the amount of \$487.65 written to FHS. A copy of this check is available in our offices, and a memo dated 9/17/10 provided an explanation and documentation of this issue to the OIG.

Other reported issues regarding cash advances and our response have already been noted in Finding # 2. All errors are regrettable, but the totality of expense errors reported by the OIG, were a small and inconsequential amount (less than \$16,000 over 4 years) in comparison to the total budget and success of the program.

5. Finding: Check register inaccurate for five checks.

We agree that a simple recording error occurred in the check register and it has been corrected. The employees involved with this error left the company prior to its transfer to JHS, and no further detail is available as to why this occurred.

6. Finding: Other expense observations.

Reported issues and policies regarding cash advances, travel and any errors in reconciliation have been addressed in our responses to Findings 1 and 4.

B. International Patient Activity and Performance Reporting

This program was created to develop and expand an international marketing effort that barely functioned in 2005. Early goals included defining the market and developing new mechanisms to attract funded patients – primarily patients that would be unlikely to come to JMH without special efforts. The final working definition of an international patient was refined, agreed upon, and approved by the PHT board in 2009 after experience in the market, and with the full input of JMH management. By this point, it had become evident that the strategy to position JMH as the “911 of the Caribbean and Latin America” was working and could attract more than merely “international patients” in the strictest sense of the definition. The goal of this new, detailed and expanded definition was to endorse efforts to acquire patients who required special efforts and services to choose JMH over competitors. After discussion and approval by PHT committees, the definition was accepted and applied.

As one PHT member stated in discussing this definition, “**Would JMH like to have a fully insured tourist from Ohio that got injured in the Bahamas come to JMH, or to a competitor instead?**” The travel and tourist industry thus became a natural target for the marketing of Jackson Memorial Hospital, as is the norm in this industry.

We do not believe that any valid and accurate method exists to retroactively trace patients back to specific efforts to acquire these patients. **The program’s accountability was not based on a piece meal basis of patient acquisition, as if patients were products being bought and sold.** No systems were created to capture such data, and at no time was such a system requested by JHS. Marketing efforts were comprehensive in nature, broad in their reach, and not aimed at individual sales. Measuring specific results is therefore difficult and/or impossible, especially retroactively. We do not judge the OIG’s analyses to be correct due to the lack of more comprehensive or conclusive data, and we do believe the criteria used by the international program to account for patients were entirely valid.

The OIG's statement that cruise patients were counted because "the cruise itself is in international waters" is a clear misunderstanding. Cruise patients were counted because they came to JMH as a result of specific relationships, emergency response systems and agreements that met the needs of the cruise lines being served. In a competitive environment, paying cruise patients came to JMH only due to specific marketing efforts, as attested by the steady growth of patients from this market.

Crewmembers also came to JMH due to agreements with the cruise lines, using JHS physicians, facilities and equipment. A grand majority of these crew members are, obviously, of foreign origin. Previously the cruise lines used other local hospitals.

New patient information systems were created and purchased to compensate for the difficulties found at the time with existing JMH systems. Monthly reconciliation between data systems was performed at the request of JMH management to assure that all reported data reported was accurate, transparent, and agreed upon.

7. Finding: Patient reporting should better identify international patient origins.

The OIG report asserts that the program can only be credited for those international patients that enter JHS with the program's "identified input and assistance". We believe this standard is incorrect, and no attempt was ever made by JMHI staff to devise a system to make such identification. What was measured instead what was really counts: the month by month growth of patient volume and gross charges.

This program increased the size of the "international pie" for JHS first through marketing efforts which helped increase the Jackson brand. Follow-up visits then created new or expanded agreements with international insurance companies, hospitals and physicians. This was not a patient by patient sales effort. A patient sent by a new insurance relationship came to JMH through that relationship, even if there was no written trail tying the patient to the original marketing effort. Likewise, a patient sent by a physician that attended an international conference sponsored by the JMHI in a foreign country, might never be linked in writing to this specific conference, but the reason for coming to Jackson was often self-evident to marketing staff.

JMHI was never requested to link each and every admission back to a specific effort or program. The program better spent its resources and efforts on developing more marketing and sales efforts, leading to clear, double digit increases in patient volume, year after year. The causality was obvious, the doubts are misplaced.

We find no value in a detailed rebuttal of a case by case analysis. The data available is not sufficient, and the context has long been lost. The report's efforts to link causality are misguided because of these two factors. **The increase in international patients and revenue speaks for itself, from \$13 million to almost \$100 million.**

Finding: Z92 coding is an unreliable patient admission tracking system.

We agree that the Z92 code, assigned by JHS to track international patients, was not sufficient or complete. However, we disagree with any implication that re-coding patients as international was ever done to gain improper credit. We have already addressed our disagreement with what constitutes "input and assistance" and causality according to this report. JMH's data systems and processes at the time were not well developed and JMH personnel would often change Z92 codes, often through a lack of understanding or a simple error. An international trauma patient could be coded originally as Z92, but then changed by an authorized JHS employee to another code to indicate another factor. This situation would often not be detected and corrected until the monthly reconciliation, and could change numerous times during a patient's stay. That's why reconciliation took place, at the insistence of JMH management. Likewise, an international patient could come in from a referral and not be properly coded Z92 by a JHS employee until subsequently caught during the reconciliation process. We agree that the system was complex and far from perfect. As the OIG report states, at times international patients were coded as Z92 in JHS's Cerner system, but not in Siemens, thus creating more confusing data. The lack of clarity was often due to the complexity of the systems at JHS. All personnel, JHS and JMHI, were doing the best job possible of reporting accurate data, using the systems and processes which existed.

Conversely, International patients admitted to JHS, without the international department's financial clearance, were correctly not coded as Z92. International patients without financial means, either cash or insurance, were not supposed to be admitted to JHS to begin with (a problem identified in the OIG's original 2003 report on Jackson's international business). If such a code was inappropriately assigned to a non-financially cleared patient by a JHS employee (for example, a foreign, indigent patient entering through the emergency room), it would be corrected once the error was identified, usually during reconciliation. A substantial part of JMHI's case management systems were devoted to making certain that unfunded international patients did not enter JHS through any approved process.

We agree that more stringent systems would help properly code and account for international patients at JHS, and trust that JHS has improved such systems. But the program's growth was indisputable, contributing double digit growth each year for the four years of its life and growing to almost \$100 million in gross patient charges from \$13 million before the start of of this new program. **This innovative program brought in new business that paid well for their care, but just as importantly, also helped prevent non-paying international patients from entering JHS.**

9. The report jumps from finding 8 to 10, apparently misnumbering the findings or leaving one out of the report.

10. Finding: Withholding tax unpaid.

With the exception of the VP of Business Development, we know of no foreign national that spent more than the IRS allocated time working in the United States. Ambassadors rarely visited, and when they did it was typically for a two or three day workshop for business strategy and solutions. There was no need for further tracking as their work while in the United States was specific and limited, and clearly within IRS guidelines. There was no need to track a non-issue.

The VP for Marketing and Business Development, Mr. Luis Arango, was a foreign national initially hired as a consultant for the LATAM region. He then filled a permanent position, which required a work visa.. Due to the unplanned removal of the past manager in this position and the urgency of the situation, Mr. Arango spent more time in the United States than originally anticipated during the transition period. He applied for and subsequently received his work visa allowing him to become a full time employee. This situation was simply overlooked. External accounting staff have reviewed the situation and any IRS related correction required due to this oversight will be made.

11. Finding: "Two consultants were paid \$185,322 for services rendered without agreements specifying the services to be provided.

We acknowledge that written agreements were not in place for both of these consultants during a substantial portion of their service. However, these consultants provided services that a number of program managers judged to be consistent with their expectations and responsibilities. Both consultants began providing business development and ambassador services in the early days of the business (2006), and their services were continued by subsequent managers, based on their satisfaction with their performance.

Dr. Hull was the first medical Ambassador, a role which was further formalized as new Ambassadors were recruited. Eaglemount represented marketing efforts in the Cayman Islands (JHS's #1 country client) and elsewhere, and provided business development support which resulted in increased patient acquisition (again, Cayman became the #1 country client). Eaglemount's services were obviously judged to be of high value by the program's business development leaders. This is evidenced by four different COO's and/or business development managers who chose to maintain Eaglemount's services in their budget throughout their tenure. Eaglemount received approximately \$43,000 per year on average, and Dr. Hull received \$3,200 per year on average. They provided a good value, otherwise their services would obviously have been terminated.

As previously stated, the program's focus was on performance and business development, rather than process. As the business developed, more formal agreements were implemented, especially when entering into business relationships with new consultants. These two early providers maintained their service without formality, until more formality was required. Like any startup, the business improved its processes as managers improved systems.

12. Finding: "Retainer fees paid totaling \$812,500 are questioned and unsupported expenditures."

The analysis by the OIG of Grupo Uno's contract misunderstands the contractual agreement and obligation of Grupo Uno regarding their retainer. All of Grupo Uno's clients, including Fortune 500 companies, provide a retainer fee for creative and strategic direction. None of Grupo Uno's clients are billed hourly against the retainer. We understand that the OIG would be more comfortable with a system that documents specific billing against the retainer. We understand that a more specific level of documentation may be used by government, which requires detailed reporting in order to justify the use of public funds. **The international program was not run as a public agency, it was run, as agreed upon, as a private, entrepreneurial company that sought to make money for JHS. The retainer was standard for such a company.**

Agency retainers are based on an agreed upon scope of work, which in this case is outlined in the contract with Grupo Uno. It is not based 100% on hours or time as Grupo Uno produces intellectual creative properties. Creative and strategic work must be flexible and adjust to the needs of the client and the specific project, and thus is provided with flexibility under the retainer. Project and production based work is then billed on an hourly and cost basis, after the creative and strategic work is performed. Grupo Uno provided JMHI with a 50% discount on its usual client retainer fee, as specified in their contract.

As a full service agency, Grupo Uno provided JMHI with every aspect of marketing services in general, from account management to creative services, and media buying services. The international program's business development management was consistently satisfied with the work performed during the entire period of the contract, and there is no record or evidence of any dissatisfaction or performance issues by Grupo Uno under their contract and/or retainer agreement.

Specifically, under the provision of the retainer, Grupo Uno has provided JMHI including but not limited with: creative development, artwork, design, and ad concept campaigns. In addition, the agency provided the services of an account executive, account coordinator, production manager, creative director, graphic designer and a media planner, all at no additional cost and covered by the retainer.

Grupo Uno's account director, creative director and account planner, coordinated the work for all JMHI marketing needs, and insured that all JMHI needs were met. The Research department provided JMHI with details about the prospective audience of the final advertising campaigns, as well as information about the market for the services being advertised. This included specific market research which led to a focused ad campaign, with advertising directed to the defined target audience. All of these services were provided for four years under the retainer fee, and none were paid for under the production expenses, as documentation shows.

Grupo Uno's creative services provided quality, professional services that conform to the standards of the industry. Copywriters provide the text for print ads, and the scripts for television or radio advertising. Graphic designers were responsible for the presentation of print ads, and the art department was responsible for providing the necessary images for whatever format advertisement JMHI approved and agreed upon. Their media planner provided placement of finished advertisements in various media, with an eye toward maximizing the potential audience.

It is not possible to detail each and every service provided under the retainer, but the following are examples of projects and services which provide understanding of the kinds of services provided under the retainer.

Example #1: Job 07JMI004

Description: JMI brochures (marketing tool) Scope of work: Meetings with JMHI marketing staff and doctors to identify key messages, services, and locations within the hospital. Job was created from scratch.

Agency staff used: Account executive, copywriter (English and Spanish), account coordinator, creative director, graphic designer, production manager. ALL PART OF THE RETAINER FEE.

Project length: 45 days

Example #2: Job 09JMI051

Description: JMI new ad campaign

Scope of work: Concept development, creative design and implementation of a new campaign named: "Manos que salvan vidas". Included were ad concepts, web banners, and marketing support materials for the hospital main services, including trauma, neo natal, and high risk OB.

Agency staff used: Account executive, copywriter (English and Spanish), account coordinator, creative director, graphic designer. ALL PART OF THE RETAINER FEE.

Project length: 14 days

Example #3 Job 07JMI048

Description: BUPA DTC Opening Event

Scope of work: Event logistics, concept and theme event development, creative design, marketing and communication plan to launch new services, event coordination Agency staff used: Account executive, copywriter, account coordinator, creative director, graphic designer, event manager. ALL PART OF THE RETAINER FEE.

Project length: 30 days

Example #4 Job 08JMI169

Description: Media Placement in Vida and Exito Magazine Scope of work: Concept development, media planner negotiation to get front cover and internal pages, brought magazine editor to walk thru the hospital and interview main doctors to compile six page history and editorial writing.

Agency staff used: Account executive, copywriter (English and Spanish), account coordinator, creative director, graphic designer and public relations director. ALL PART OF THE RETAINER FEE.

Project length: 60 days

Example #5 09JMI059

Description: Jackson Television Campaign (Discovery Channel) Scope of work: Investigations and research of key histories and testimonials to film and produce three sixty second television capsules for Discovery Channel, investigative process included but not limited to field work, finding ,contacting and interviewing the testimonial patients, development of the script and storyboard to provide to Discovery Channel, strategic meetings with channel producers and editors, negotiation of TV buy including spot placement, ROI, meetings with Discovery lawyers to finalize contract, scouting, precasting, filming, editing for TV spots.

Agency staff used: Account executive, copywriter (English and Spanish), account coordinator, creative director, graphic designer and public relations director. ALL PART OF THE RETAINER FEE.

Project length: 90 days

Example #6 07JMI143-156 (14 jobs)

Description: Direct Access Web banner Campaign Scope of work: Web banner buy and negotiation, identify best online outlets per country to reach the best-targeted market, create and adapt each web banner to meet media online requirements per country

Agency staff used: Agency staff used: Account executive, copywriter (English and Spanish), account coordinator, creative director, graphic designer, and flash designer. ALL PART OF THE RETAINER FEE.

Project length: 45 days

Example #7 08JMI049

Description: Jackson Memorial Hospital Direct Access Media Buy in TACA magazine

Scope of work: Media buy and negotiation, identify best media outlets per country to reach the best targeted market, create and adapt each ad to meet media online requirements per country Agency staff used: Agency staff used: Account executive, copywriter (English and Spanish), account coordinator, creative director, and graphic designer. ALL PART OF THE RETAINER FEE.

Project length: 7 days

Example # 8 08JMI055

Description: Jackson Memorial Hospital Direct Access Media Buy in Latitude magazine

Scope of work: Media buy and negotiation, identify best media outlets per country to reach the best targeted market, create and adapt each ad to meet media online requirements per country Agency staff used: Agency staff used: Account executive, copywriter (English and Spanish), account coordinator, creative director, and graphic designer. ALL PART OF THE RETAINER FEE.

Project length: 7 days

Example # 9 08JMI068

Description: Jackson Memorial Hospital Direct Access Media Buy in COPA magazine

Scope of work: Media buy and negotiation, identify best media outlets per country to reach the best targeted market, create and adapt each ad to meet media online requirements per country Agency staff used: Agency staff used: Account executive, copywriter (English and Spanish), account coordinator, creative director, and graphic designer. ALL PART OF THE RETAINER FEE.

Project length: 7 days

Example # 10 09JMI097

Description: Jackson Memorial Hospital Trauma Ad Media Buy in Semana magazine

Scope of work: Media buy and negotiation, identify best media outlets per country to reach the best targeted market, create and adapt each ad to meet media online requirements per country Agency staff used: Agency staff used: Account executive, copywriter (English and Spanish), account coordinator, creative director, and graphic designer. ALL PART OF THE RETAINER FEE.

Project length: 7 days

Example # 11 10JMI006

Description: Web Banner Push Campaign

Scope of work: Develop and create landing page, registration, application, create ten banners, database, push campaign.

Agency staff used: Agency staff used: Account executive, copywriter (English and Spanish), account coordinator, creative director, graphic designer, flash designer, web programmer. ALL PART OF THE RETAINER FEE.

Project length: 25 days

Grupo Uno's contract clearly separates issues covered under the retainer, and expenses to be paid as part of production costs. All production and out of pocket costs for the actual production, media buying and collateral material, was billed separately and was clearly documented. Again, all strategy, concept, creative, provided by Grupo Uno's team of professionals, listed above, was covered against the retainer, and was not billed. **Management was amply satisfied with the work performed under the retainer, and the lack of specific blow by blow, hour by hour, work performed under the retainer is not in any way evidence of a lack of proper work performed under the retainer.** It was not required by the contract. We understand that the OIG would have preferred specific billing, perhaps even hour by hour, but this was not the agreement which was bid and approved by the board.

In our offices are weekly reports provided to JMHI of all work performed, as well as the final output from these efforts. The documents include:

- 221 jobs produced in 2007
- 211 jobs produced in 2008
- 254 jobs produced in 2009
- 20 jobs produced in 2010 (up to March)

These reports outline the scope of work for each project done on a weekly basis. All of these reports were sent weekly to the JMHI marketing team. Also included in these documents, were power point presentations, media buying plans, marketing plans depicting concept development, business, strategic, marketing, and performance strategies and planning. In addition, a private extranet was and is still available, where each and every job process and documentation can be reviewed. We believe there is ample evidence of the value of the comprehensive work performed under the retainer agreement.

Grupo Uno took great pride in their contribution to the rapid growth of the International division of Jackson Memorial Hospital, from \$13 million to almost \$100 million, over the past four years. Surprisingly, they were never contacted as a part of this audit, to explain the specifics of their retainer fee and/or review any concerns and issues raised by the OIG's analysis. We suggest the OIG contact Grupo Uno directly for any further specifics or explanation of their work performed under the retainer agreement.

13. Finding: Gala tables were inappropriate expenses.

We disagree with the OIG's characterization of funds used for this purpose, and find the expenditure to be appropriate. The amount noted (\$12,000) is inconsequential. The guests attending these galas included potential clients, international government ministers and referring physicians who were being cultivated by international business development staff. Such an expenditure is routine and consistent with private business practices. It would have been improper to not charge the international program for attendance, when almost 1,000 other local donors were attending at their own expense. Finally, tickets for the 2009 gala were provided at cost to the international program, rather than at full price, specifically to avoid any appearance of conflict.

VII. RECOMMENDATIONS BY AUDIT AREA

We trust that the OIG recommendations will be appropriately implemented by JHS or the new entity 501c3 entity being created to manage its international patient business.

We hope the increased level of review along with strict adherence to public processes, will not hinder the full recovery and successful growth of the international business at JHS. Jackson needs the revenue today, as it did in 2006.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL



OIG APPENDIX B

**Public Health Trust/Jackson Health System
Response**

IG09-98.2



May 26, 2011

Christopher R. Mazzella
Inspector General
Office of the Inspector General
19 W. Flagler Street
Suite 220
Miami, FL 33130

RE: OIG Draft Report, IG09-98.2

Dear Mr. Mazzella:

Attached is Jackson Health System's management response to the recommendations noted in the above OIG report. Please note that Jackson Memorial Foundation will provide a response, under separate cover, relative to the recommendations as applicable to JMF. If you have any questions, please feel free to contact me at 305-585-2952.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Weimer".

Stephen J. Weimer
Corporate Director – Internal Audit

cc: Carlos Migoya
Carlos Lago
Ted Shaw
Mark Knight
Fernando Martinez
Rolando Rodríguez

OIG Recommendations

1. All credit cards issued by the new organization to employees for use in paying for business and travel expense should be issued under established procedures that:
 - a. Define allowable uses and that such uses conform to government standards and good public policy relative to the expenditure of public funds;
 - b. Require employees to submit documentation supporting all expenditures that is complete to explain unambiguously the purpose of the expenditure, a list of all items or services purchased and all third-party beneficiaries and
 - c. Provide for timely and effective supervisory reviews of all credit card expenditures for operational necessity, expenditure propriety, and documentary support.

JHS Management Response: this recommendation is consistent with established JHS practices and procedures.

2. All employees issued cards, their supervisors, and anyone else charged with oversight or review if credit usage and expenditures should be trained on the new procedures to clarify usage and documentation standards, enforcement protocols, and best practices to follow, as well as cautioned about worst practices that should be avoided.

JHS Management Response: this recommendation is consistent with established JHS practices and procedures.

3. All travel should conform to government standards requiring the use of lodging and meal per diems. Airfare restrictions etc.

JHS Management Response: this recommendation is consistent with established JHS practices and procedures.

4. Client entertainment expenditures must adhere to specific criteria for allowability and must be documented accordingly including supervisory approval of larger dollar expenditures, in writing prepared prior to or contemporaneous with the approval of the expenditure.

JHS Management Response: JHS is currently revising its T&E policy; target date for completion and distribution is 6/30/11. This recommendation is consistent with established JHS practices and procedures.

5. Travel expenditures paid for by the new organization on behalf of non-employees should be avoided but, if deemed necessary, they should be carefully controlled subject to prior written supervisory approval and to the organizations standards for employee travel.

JHS Management Response: this recommendation is consistent with established JHS practices and procedures.

6. Travel expenditures incurred by JHS employees on behalf of the new organization, its consultants, or new organizations consultants, should be approved by, arranged through, and paid by JHS.

JHS Management Response: this recommendation is consistent with established JHS practices and procedures.

7. For each trip, employees must submit for supervisory approval a travel request showing estimated expenditures using per diem rates for lodging and meals and, if deemed necessary, an entertainment budget. At the trip's conclusion, the employee must prepare and promptly submit for supervisory approval, a complete, accurate expense report of all business travel expenses showing all company-issued credit card charges and uses of personal funds.

JHS Management Response: this recommendation is consistent with established JHS practices and procedures.

8. Properly annotated itemized receipts or other proofs of expenditure should accompany employee expense reports, the expense reports should be signed and dated by the employee, the employee's signature should be considered to be his/her self-certification as to the completeness, accuracy, and propriety of the listed expenditures; and all expense reports should be subject to timely and effective supervisory review.

JHS Management Response: this recommendation is consistent with established JHS practices and procedures.

9. The new organization should maintain IOS, or a similar system, as the primary data source for all patients entering JHS with its input and assistance, as the patients are most likely entering JHS because of the organizations marketing activities. IOS data should not be commingled with JHS data to report the results of the organizations marketing efforts.

JHS Management Response: this recommendation is consistent with established JHS practices and procedures.

10. All original data entry and data revisions to JHS patient files should be made by JHS personnel.

JHS Management Response: we agree. A review of JHS system access will be conducted to ensure that appropriate role-based access is configured for employees. Based on established JHS practices and procedures, and in keeping with appropriate segregation of duties, only appropriate JHS personnel will have system permissions to make changes to financial codes.

11. JHS personnel should be trained to identify the new organizations international patients and should be instructed to add the Z92 coding so that they may be accurately and completely reported.

JHS Management Response: we agree. We will review current patient identification codes and determine the appropriate means to differentiate between the various classes of international patients and whether they are associated with FHS efforts. Training will occur as appropriate.

12. "Cruise" patients, whether cruise passengers or cruise line employees, should be separately reported.

JHS Management Response: we agree. We will review current patient identification codes and determine the appropriate means to differentiate between the various classes of international patients and whether they are associated with FHS efforts.

13. JHS should consider establishing separate patient identification codes for the different classes of international patients. For example, Z92, could be those patients entering JHS with the new organizations input and assistance, Z93 could be cruise patients, and Z94 would be other international patients entering JHS.

JHS Management Response: we agree. We will review current patient identification codes and determine the appropriate means to differentiate between the various classes of international patients and whether they are associated with FHS efforts.

14. Time spent by foreign professional consultants providing services for the new organization while in U.S. territory must be monitored and, if appropriate, funds withheld and remitted to the IRS in accordance with U.S. Treasure regulations.

JHS Management Response: it is the policy of the JHS to comply with all local, state and federal laws, including IRS laws.

15. Written professional service agreements with consultants setting forth scope of services, performance measures, and payment terms and conditions should be executed prior to services being rendered and payments made.

JHS Management Response: this recommendation is consistent with established JHS practices and procedures.

16. Professional service agreements should be fee-based only, with defined tasks and measurable performance indicators.

JHS Management Response: this finding appears related to JMF; the recommendation is consistent with established JHS practices and procedures.