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**Office of the Inspector General  
Miami-Dade County**

# Memorandum

To: The Honorable Carlos Alvarez, Mayor

The Honorable Chairperson Joe Martinez  
Members, Board of County Commissioners

Mr. Larry Handfield, Esq., Chair, Public Health Trust  
Members of the Public Health Trust

From:  Christopher Mazzella  
Inspector General

Date: December 20, 2004

Re: Arrest of Kevin Reece, Implementation Manager of Cardinal Health, Inc.

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Attached is a news release relating to the arrest of a former manager of the Public Health Trust's (PHT) pharmacy operations under the management agreement between the PHT and Cardinal Health, Inc. (Cardinal) on charges of Organized Scheme to Defraud and Grand Theft.

As you know, the Office of the Inspector General (OIG) initiated an investigation of the PHT's multi-million dollar contract with Cardinal relative to its management of the Trust's pharmacy and the purchase of drugs used by PHT patients. This contract was awarded as a no bid contract which, as a result of the OIG's investigation, was recently terminated for cause. The OIG's investigation encompasses the questionable circumstances surrounding the award of and implementation of the contract. For your information, this contract was awarded as an unnecessary no bid contract based upon the promise that the taxpayers would save millions of dollars. Nothing could be further from the truth. Indeed, Cardinal took advantage of poor management practices at the PHT in pursuing and implementing its arrangement with the Trust. In the course of this investigation, the OIG detected a number of criminal activities which resulted in the arrest of a corporate official of Cardinal. The details of the criminal charges are set forth below and in the news release attached.

Kevin Reece (Reece) surrendered today following a joint investigation by the Office of the Inspector General and the State Attorney's Office into fraudulent practices surrounding the management of the PHT pharmacy by Cardinal. Cardinal obtained the contract to manage the PHT pharmacy and purchase all drugs used by the JMH in November of 2003.

OIG investigators, alerted to irregularities in the management of the pharmacy, uncovered numerous fraudulent expenses paid by the PHT as a contractual implementation fee with Cardinal. Reece falsely and fraudulently submitted, as legitimate expenses, bills for nights at strip clubs, fishing trips and expensive meals. Reece fraudulently received a total of \$6,383.58 from the PHT and Cardinal. Although the expense reports falsely stated the purpose of the events and inflated the number of attendees to avoid the scrutiny of the PHT and Cardinal, the PHT signed off on the expenses and reimbursed Reece without reviewing the bills or other back-up documentation that might have triggered the appropriate scrutiny of Reece's requests for reimbursement.

The investigation into similar abuses at the PHT continues and the OIG expects that there will be additional arrests. For your information, as a consequence of this investigation, a number of important actions have been aggressively undertaken and implemented by the President of the PHT to rectify certain management deficiencies. As previously mentioned, the no bid management with Cardinal was terminated. Further, the County Manager has assigned the Director of the County's Procurement Management Department to the PHT to review and assess Cardinal's contractual performance under other contracts. The County's Procurement Director, Mr. Ted Lucas, is also assessing other PHT procurement practices. David Morris, former Director of the County's Office of Strategic Business Management, has also been temporarily assigned to the PHT to provide assistance with its financial problems. The OIG will continue to work closely with the President of the PHT, Mr. Marvin O'Quinn, and Mr. Lucas to ensure that positive reforms are implemented.

cc: Mr. George Burgess, County Manager  
Mr. Marvin O'Quinn, President Public Health Trust  
Mr. Ted Lucas, Director, Department of Procurement Management  
Ms. Cathy Jackson, Director, Audit & Management Services

Clerk of the Board (copy filed)



OFFICE OF THE INSPECTOR GENERAL  
MIAMI-DADE COUNTY  
**NEWS RELEASE**

**PHT DEFRAUDED INTO PAYING EXPENSES FOR STRIP CLUBS,  
FISHING TRIPS AND MEALS**

Kevin Reece, the manager responsible for the implementation of the Cardinal Health, Inc. management contract of the Public Health Trust's Pharmacy, was arrested today for defrauding the Public Health Trust of thousands of dollars.

Kevin Reece, age 39, of Houston, TX, surrendered today following a three and half month joint investigation by the Miami-Dade Office of the Inspector General (OIG) and the State Attorney's Office. Reece was charged with Organized Scheme to Defraud and Grand Theft for submitting fraudulent business expense reports to Cardinal Health, Inc. (Cardinal) for reimbursement by the Public Health Trust (PHT).

In November 2003, the Public Health Trust awarded a multi-million dollar no bid contract to Cardinal Health 109, Inc., a subsidiary of Cardinal Health, Inc. of Dublin, OH, to manage pharmacy operations and purchase all drugs to be used by the Public Health Trust and Jackson Memorial Hospital. The contract allowed for a \$150,000 implementation fee to be paid by the PHT for costs relating to converting the pharmacy operations to the Cardinal management system. Reece, who was in charge of the implementation of this contract, supervised the transition team, and set up the billing process between the PHT and Cardinal. In the course of investigating the propriety of the award of this no bid contract, the OIG detected criminal activity. Once alerted to fraud, the OIG joined the State Attorney's Office in the criminal investigation which led to Reece's arrest.

According to an affidavit filed by a Special Agent of the OIG, Reece submitted fraudulent expenses to pay for nights at strip clubs, fishing junkets and expensive dinners from the implementation fee account. Reece disguised these expense reports by falsely stating the purpose of the events and inflating the number of attendees to avoid scrutiny by Cardinal and the PHT during the reimbursement process.

The affidavit details nine separate incidents between November 2003 and February 2004 where Reece submitted expense reports to be forwarded for payment by the PHT that charged \$1,920 in business meals. The fraudulent reports list the expenses as meals at J.W. Lee, Inc. for as many as forty people and cite legitimate business purposes, such as planning meetings and a staff breakfast during "pharmacy week." The OIG investigation revealed that thirty-nine of the listed attendees were not present, and that J.W. Lee is the corporate name of Scarlett's Gentleman's Club in Hallandale, Florida, a strip club. According to the affidavit, the charges incurred at Scarlett's were for "alcoholic beverages" and "private room expenses" where "girls provided lap dances, nude dancing and conversation."

Reece charged an additional \$1,673.06 in expenses in March and May 2004, for chartered fishing trips taken with friends. Submitted as legitimate PHT expenses, the expense reports list numerous attendees at business planning meals. The OIG investigators confirmed that the fishing trips were only attended by Reece, Alson Cook, former Vice President of Logistics and Distribution at the PHT, and a friend of Cook's. David Gajeski, another Cardinal employee, was also included in one of the fishing trips. Cook and his friend confirmed to investigators that they went on the fishing trips and further stated that they gave Reece cash to pay for their share of the expenses. In e-mails reviewed by OIG investigators, Cook and his friend indicate that they will pay Reece their share of the fishing trip. Reece, nevertheless, submitted the entire amount to the PHT as a legitimate business expense. The PHT paid \$648.06 of the fraudulent fishing trip expenses and Cardinal Health, Inc. paid the remaining \$1,025. Reece also submitted numerous fraudulent expense reports totaling \$2,790.52 for PHT employee luncheons, dinners and meetings at various restaurants in the Miami area. In one instance, Reece was reimbursed twice for the same meal at the Rusty Pelican. First, he submitted the credit card slip totaling \$318.06, which included the tip, and later submitted the table check without the tip, totaling \$266.06. OIG investigators confirmed that the number of attendees and listed purpose of the expenses were fraudulent.

In all circumstances enumerated in the affidavit, although the expense reports falsely stated the purpose of the events and inflated the number of attendees to avoid the scrutiny of the PHT and Cardinal, the PHT signed off on the expenses and reimbursed Reece without reviewing the bills or other back-up documentation that might have triggered the appropriate scrutiny of Reece's requests for reimbursement.

In commenting on the arrest, Inspector General Christopher R. Mazzella stressed the importance of continuing to target fraud, waste and mismanagement at the PHT. He said that such activities are a drain on PHT financial resources that cannot be tolerated, particularly since the Trust is experiencing substantial budgetary shortfalls. He noted that further arrests are anticipated as the investigative initiatives expand. "Although the money Kevin Reece stole is not great in the overall context of Jackson's \$1.5 billion dollar budget, Reece's arrogance in the belief that the people of Dade are 'easy pickings' for any businessman seeking to line his pockets adds another layer of outrage to this crime," said State Attorney Katherine Fernandez Rundle. "Neither I nor the Inspector General will tolerate it."

Copies of the arrest affidavit are available at the Office of the Inspector General, 19 West Flagler Street, Suite 220, Miami, FL, telephone number 305-375-1946, or at the State Attorney's Office, c/o Ed Griffith, 1350 N.W. 12 Ave., Miami, FL, telephone number 305-547-0535. A press conference will be held today, December 20, 2004, at 3:00 p.m. at the State Attorney's Office to address issues relating to this matter. For additional inquiries, please contact Marie Perikles at the Office of the Inspector General or Ed Griffith at the State Attorney's Office.