

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SPECIAL INVESTIGATION REPORT  
OF

SELECTED RECORDS OF  
ST. MARY'S WARRICK HOSPITAL  
WIC PROGRAM  
WARRICK COUNTY, INDIANA

October 1, 2001 to October 31, 2008



**FILED**

10/08/2009



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer	Vacant	10-01-01 to 05-17-02
	Richard R. McDowell	05-18-02 to 06-17-02
	Vacant	06-18-02 to 07-21-02
	Dennis Gish	07-22-02 to 09-29-04
	Steve Cassidy (Chief Accountant)	09-30-04 to 11-05-06
	Cynthia McCollum	11-06-06 to 01-17-08
	Julie Burlison (Interim)	01-18-08 to 06-08-08
	Michael Dale	06-09-08 to 12-31-09
Administrator	Dr. R. Kenneth Spear (Interim)	10-01-01 to 04-07-02
	Mark Dooley	04-08-02 to 04-15-06
	Carol Godsey	04-16-06 to 12-31-09
WIC Coordinator	Vicki J. Peete	10-01-01 to 04-18-02
	Angela R. Wilson	04-19-02 to 02-26-09
WIC Office Manager	Nyeda C. West	10-01-01 to 10-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

Ladies and Gentlemen:

Presented herewith is the report on our investigative examination of Selected Records of St. Mary's Warrick Hospital WIC Program. This investigative examination focused on the period October 1, 2001 through October 31, 2008. However, when warranted, this scope was expanded.

The State Examiner has prescribed a minimum system of recordkeeping for State Agencies, which is detailed in the Accounting and Uniform Compliance Guidelines Manual for State Agencies. The purpose of our examination was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manuals.

Our investigation revealed that during the period October 1, 2001 through October 31, 2008, there were numerous charges for personal expenses to various credit cards issued in the name of St. Mary's Warrick Hospital WIC Program. Additionally, there was at least one instance of a mileage reimbursement being paid twice to Nyeda C. West, former Office Manager of the St. Mary's Warrick Hospital WIC Program.

Copies of this report are being forwarded to the local prosecutor; State of Indiana Attorney General; Indiana Department of Health; Carol Godsey, Administrator of St. Mary's Warrick Hospital; Michael S. Klueh, Vice-President of Regulatory Compliance and Risk/CRO of St. Mary's Hospital System; Nyeda C. West, former Office Manager of the St. Mary's Warrick WIC Program; and various other interested parties. A copy is available for public inspection in our office.

STATE BOARD OF ACCOUNTS

July 14, 2009

SELECTED RECORDS OF  
ST. MARY'S WARRICK HOSPITAL WIC PROGRAM  
INVESTIGATION RESULTS AND COMMENTS

INTRODUCTION

Our investigation of the Women, Infants, and Children's (WIC) Program at St. Mary's Warrick Hospital has disclosed questionable and improper expenditures of WIC funds and major internal control weaknesses in the oversight and use of credit cards and the process for payment of Accounts Payable (A/P) vouchers.

Relationship Between the State and St. Mary's Warrick Hospital

The Indiana Department of Health is a state agency with its main office in Indianapolis. The Department of Health is the State's "pass-through agency" for a federal program run through the U.S. Department of Agriculture known as the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). This program is established under the federal Special Supplemental Food Program for Women, Infants, and Children, 42 U.S.C. 1786. St. Mary's Warrick Hospital, Inc., is part of the St. Mary's Hospital System (SMHS), which is a private not-for-profit entity. St. Mary's Warrick Hospital participates in the WIC program pursuant to Indiana Code 16-35-1.5. St. Mary's Warrick Hospital entered into annual (October 1 through September 30) grant agreements with the State Department of Health in order to operate its local WIC program as well as clinics in Rockport, Tell City, and Petersburg.

WIC Program Funds

The purpose of the program is to provide supplemental foods and nutrition education to eligible participants, including pregnant, postpartum, and breastfeeding women, infants, and children who are determined by a competent professional authority to be at nutritional risk. St. Mary's Warrick was only allowed to drawdown funds for administrative costs such as salaries, office supplies, and travel in accordance with the grant agreement. No funds for the benefit portion (such as purchases of nutritional foods through a voucher system) of the federal program were allowed to be drawn down by St. Mary's Warrick WIC. Thus, the WIC program funds run through St. Mary's Warrick Hospital were for administrative costs (such as salaries, office supplies, and travel) only.

Credit Card Purchasing Procedures

There were two Wal-Mart Credit Cards issued in the name of the St. Mary's Warrick WIC Program. Nyeda C. West, former WIC Office Manager, was listed as the authorized buyer on both of those cards. There were four FIA (MasterCard) credit cards issued in the name of St. Mary's Warrick Hospital. The only one with activity was issued in the name of Vicki Peete, former WIC Coordinator at St. Mary's Warrick Hospital, whose employment ended on April 19, 2002. This FIA Credit Card was used for purchases at Wal-Mart stores as was the Wal-Mart Credit Card. Of the fifty signature slips reviewed for purchases made at Wal-Mart stores using the FIA Card, forty contained the signature or initials of Nyeda C. West, former WIC Office Manager, or were unreadable. Nine of the slips contain the signature or initials of Vicki J. Peete. However, all nine of those slips are dated after Ms. Peete left the employment of St. Mary's Warrick Hospital.

NOTIFICATION OF IRREGULARITIES

In a meeting with St. Mary's Hospital System (SMHS) officials and an Indiana State Police detective on December 9, 2008, we were notified of apparent fraudulent use of credit cards issued in the name of the St. Mary's Warrick WIC program as well as other questionable and improper expenditures of WIC funds. We were informed that most of the WIC Program financial records were destroyed in a fire in the WIC office on September 14, 2008, according to former WIC Office Manager Nyeda C. West. St. Mary's Warrick Hospital requested the various banks and credit card companies to provide copies of the

SELECTED RECORDS OF  
ST. MARY'S WARRICK HOSPITAL WIC PROGRAM  
INVESTIGATION RESULTS AND COMMENTS  
(Continued)

missing records. They received copies of bank statements, canceled checks, deposit tickets, credit card statements and some detail of credit card purchases as far back as the various vendors' systems could provide. No ledger of transactions for WIC funds was ever found and officials are not certain that any ever existed. Some travel reimbursement forms were recovered.

INVESTIGATION PROCEDURES

We reviewed all records available pertaining to the WIC program back to October 1, 2001. This included bank statements, checks, deposit tickets, credit card statements, payroll records, and detail of credit card purchases. Purchases charged to an Office Depot Credit Card included office supplies which are allowable as administrative costs under the WIC grant agreement. Some purchases charged to the Wal-Mart and FIA credit cards were considered "undocumented" and thus improper. Some purchases charged to the Wal-Mart and FIA credit cards and a travel voucher reimbursement disclosed questionable and improper expenditures.

IMPROPER USE OF WIC FUNDS

The WIC Funds run through St. Mary's Warrick Hospital's program were only authorized to be used for salaries, office supplies, small equipment purchases which were to be pre-approved by the Indiana Department of Health, and travel costs directly related to the WIC Program. All travel reimbursements were required to comply with state travel rules according to the grant agreement. Nyeda C. West, former WIC Office Manager, used credit cards issued in the name of the St. Mary's Warrick WIC Program for purchases of personal items such as groceries, clothing, gift and shopping cards, meals, and other items which were not allowable WIC administrative disbursements and were clearly personal in nature. At least one travel voucher submitted for reimbursement was not reimbursable under state travel rules and regulations.

Documented Improper Purchases

Numerous purchases were charged to the Wal-Mart Credit Cards and the FIA Credit Card and subsequently paid from WIC funds run through St. Mary's Warrick Hospital. Included in the items purchased using the Wal-Mart Credit Card were \$2,310 of gift cards and shopping cards, four tires, a tire protection plan, an oil change and filter (on a 1998 Chevy Astro Van belonging to Nyeda C. West, former WIC Office Manager), a Sprint Nextel cell phone, a remote starter, "Madden 2007" and "NBA Live 2007" video games, four watches, pet food, DVD's, clothing, and a paintball kit. Included in the items charged to the FIA Card were a MP3 Player, an LG 260 Cell Phone Kit, a digital recorder, a wet/dry vac, payments on a personal cell phone bill and utility payments for the residence of Michael "Andy" West and Nyeda C. West.

The payment of WIC program funds as described above are not eligible payments under the WIC program, constitute official misconduct and malfeasance, and such payments are the personal obligation of the responsible official or employee who made the payments.

Documented improper purchases of \$16,891.32 were paid to GE Capital (formerly Wal-Mart Community), for the fiscal years 2003-2004 through 2007-2008.

Documented improper purchases of \$8,456.25 were paid to FIA Card Services (formerly MBNA America), for the fiscal years 2001-2002 through 2007-2008.

SELECTED RECORDS OF  
ST. MARY'S WARRICK HOSPITAL WIC PROGRAM  
INVESTIGATION RESULTS AND COMMENTS  
(Continued)

We requested St. Mary's Warrick Hospital, WIC Grant Administrator, and Nyeda C. West, former WIC Office Manager, jointly and severally reimburse the State of Indiana \$25,347.57 for documented improper purchases. (See Summary, page 12)

Undocumented Improper Purchases

We were unable to obtain the detail for some purchases made with the FIA Credit Card which were charged and, subsequently, paid from WIC funds run through St. Mary's Warrick Hospital. The purchases for which incomplete or no detailed supporting documentation was available included charges at hotel rooms, convenience stores, clothing stores, restaurants, automotive service vendors, Roberts Stadium Ticket Office (Evansville) and travel service providers.

The payments from WIC program funds as described above are not eligible payments under the WIC program, constitute official misconduct and malfeasance, and such payments are the personal obligation of the responsible official or employee who made the payments.

Undocumented improper purchases of \$13,350.28 were paid to FIA Card Services (formerly MBNA America), for the fiscal years 2001-2002 through 2007-2008.

We requested St. Mary's Warrick Hospital, WIC Grant Administrator, and Nyeda C. West, former WIC Office Manager, jointly and severally reimburse the State of Indiana \$13,350.28 for undocumented improper purchases. (See Summary, page 12)

Penalties, Interest, and Other Charges

Information presented for our investigation indicates that, in some cases, amounts payable to credit card issuers were not paid timely or were paid in such a manner as to incur unnecessary penalties, interest, and other charges (such as finance charges, late payment fees, "pay by phone fees," "express pay fees," and "over credit line fees").

Penalties, interest, and other charges of \$194.63 were paid to GE Capital (formerly Wal-Mart Community) for the fiscal years 2003-2004 through 2007-2008.

Penalties, interest, and other charges of \$1,945.29 were paid to FIA Card Services (formerly MBNA America), for the fiscal years 2001-2002 through 2007-2008.

The payments of penalties, interest, and other charges by Nyeda C. West, former WIC Office Manager, as identified above are not eligible payments under the WIC Program, constitute misfeasance, and such payments are the personal obligation of the responsible official or employee who made the payments.

We requested St. Mary's Warrick Hospital, WIC Grant Administrator, and Nyeda C. West, former WIC Office Manager, jointly and severally reimburse the State of Indiana \$2,139.92 for penalties, interest, and other charges. (See Summary, page 12)

Travel Reimbursements Not in Accordance With State Rules and Regulations

Employees working in the WIC Office were required to submit travel reimbursement forms in accordance with state rules and regulations in order to receive reimbursement through WIC funds. Thirty-two of the seventy reimbursement forms available for review show travel for dates which were later than

SELECTED RECORDS OF  
ST. MARY'S WARRICK HOSPITAL WIC PROGRAM  
INVESTIGATION RESULTS AND COMMENTS  
(Continued)

the date of the corresponding reimbursement check. Some forms did not clearly define travel destinations and many were not signed or dated. The trip distance between the same two locations was not always the same for the same employee. Check 5069, dated July 2, 2004, and Check 5071, dated July 6, 2004, each in the amount of \$217.94, were paid to Nyeda C. West, former WIC Office Manager, for the same travel expenses.

We requested St. Mary's Warrick Hospital, WIC Grant Administrator, and Nyeda C. West, former WIC Office Manager, jointly and severally reimburse the State of Indiana \$217.94 for travel reimbursements not in accordance with state rules and regulations. (See Summary, page 12)

Falsified Signatures

At least nine signature slips using the FIA Credit Card indicated the purchase was made by Vicki J. Peete, former WIC Coordinator, at St. Mary's Warrick Hospital. However, these signature slips are all dated years after Ms. Peete left the employment of the Hospital.

Falsified Reports

Monthly reports filed by Nyeda C. West, former WIC Office Manager, with the Indiana Department of Health were falsified to obscure the amounts paid to various vendors. In the reports, Ms. West showed an artificially low amount paid to credit card vendors and offset this by showing an artificially high amount paid to other vendors.

INTERNAL CONTROL WEAKNESSES

Internal control weaknesses at St. Mary's Warrick Hospital and the local WIC office contributed to the improper use of WIC funds and the irregularities not being detected sooner. These weaknesses include separation of duties, approval of payments without adequate supporting documentation, and purchasing authority.

Separation of Duties

Nyeda C. West, former WIC Office Manager, had unlimited access to the WIC Credit cards as well as mail coming into and going out of the WIC Office. She had access to the credit card invoices and would have been aware that the individual signing the checks for payment was not comparing the credit card bill to supporting invoices. Also, sensitive computer access information, such as user identification codes and passwords were not kept confidential by employees working in the WIC Office. This sharing of information enabled unauthorized persons working in the WIC office to process and approve individuals for participation in the WIC program.

Approval of Payments Without Adequate Supporting Documentation

There was insufficient evidence to prove that several prior administrators and financial officers of St. Mary's Warrick Hospital were adequately reviewing supporting invoices before signing checks for payment of credit card bills and travel voucher reimbursements. It is very likely that some of the aforementioned officials were not even asking to see any supporting documentation prior to signing the checks for payment.

SELECTED RECORDS OF  
ST. MARY'S WARRICK HOSPITAL WIC PROGRAM  
INVESTIGATION RESULTS AND COMMENTS  
(Continued)

Purchasing Authority

We are not aware that any policy regarding the issuance and oversight of credit cards was in place at St. Mary's Warrick Hospital at the time the various credit cards were issued. The credit cards were kept in the custody of Nyeda C. West, former WIC Office Manager. The checks for payment of credit card bills and travel reimbursement were prepared by Nyeda C. West, former WIC Office Manager. She presented these checks to an administrator or financial officer to sign and then mailed or issued the checks herself. With this authority and no oversight, she was able to obscure the fact that late payment and over limit fees were being charged to the accounts. She was also able to authorize payments by phone, thus bypassing the check signing process altogether.

RECOMMENDATIONS

We recommended that St. Mary's Warrick Hospital issue and enforce a policy regarding the issuance and oversight of credit cards. This policy should address custody of the cards, who authorizes card use as well as an approval process and monitoring for allowable purchases. We recommended that prior to the issuance of this policy, the credit cards should be in the custody of the Chief Financial Officer, who should authorize each use of a card. When a credit card is used, the Chief Financial Officer should issue a voucher to be used in conjunction with the credit card stating what is to be purchased with the card. We also recommended that the Indiana Department of Health ensure that a copy of State Travel Rules and Regulations be provided to each local WIC office and that any changes, particularly changes to the mileage reimbursement rate, be communicated timely.

An entity's control environment consists of the overall attitude, awareness, and actions of management and the board of directors. This would include establishing and monitoring policies for developing and modifying accounting systems and control procedures.

Examples of control procedures would include: proper authorization of transactions and activities, adequate separation of duties, independent checks on performance, adequate documents and records, and adequate safeguards over access and use of assets and records.

Entities should have controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, separation of duties, safeguarding controls over cash and all other assets and forms of information processing are necessary for proper internal control.

Controls over receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records, and financial statements, and incorrect decision making.

SELECTED RECORDS OF  
ST. MARY'S WARRICK HOSPITAL WIC PROGRAM  
EXIT CONFERENCE

The contents of this report were discussed on July 14, 2009, with Michael S. Klueh, Vice President of Regulatory Compliance and Risk/CRO (St. Mary's Health System); Carol Godsey, Administrator; and Vice President of Warrick Operations; Michael Dale, Chief Financial Officer; and Karen W. Cain, Senior Internal Controls Analyst (St. Mary's Health System). The official response has been made a part of this report and may be found on pages 10 and 11.

The contents of this report were discussed on July 22, 2009, with Nyeda C. West, former WIC Office Manager at St. Mary's Warrick Hospital; and Michael A. "Andy" West, her husband.



July 24, 2009

Indiana State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, IN 46204-2765

Re: Examination of St. Mary's Warrick Hospital WIC Program

Ladies and Gentlemen:

This letter is in response to your report on your investigative examination of Selected Records of St. Mary's Warrick Hospital WIC Program.

While we agree that there were opportunities for improvement in the internal control system of the program, we respectfully disagree that all instances of theft by our former employee represented a clear breakdown in internal controls. This is evidenced by a review of the underlying records for the grant year ended September 30, 2006 by a field auditor engaged by the Indiana State Department of Health. In this audit, as well as multiple other year end audits conducted by the state, the results of the audits failed to disclose any irregularities or internal control weaknesses. In addition, the Indiana State Department of Health accepted the audit reports by our auditors, Ernst & Young, of the consolidated financial statements of St. Mary's Health System of America, Inc. ("SMHS").

Further, since the time of our discovery of the irregularities with the WIC Program, we have taken steps to strengthen our internal controls surrounding the program. They are as follows:

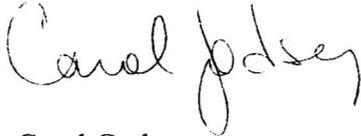
1. The employee responsible for the irregularities and the manager of the program during her tenure have been discharged and are no longer employed by the WIC Program or any other entity within SMHS.
2. All credit card accounts associate with the Program have been closed.
3. There is now clear separation of duties in the WIC Program. We have endeavored to ensure that employees do not perform incompatible duties. All invoices are processed in the Accounts Payable department of St. Mary's Warrick Hospital and require supporting documentation, as well as appropriate management authorizations.

4. Employees of the WIC Program have been reminded of the importance of keeping computer access information confidential in accordance with the SMHS Password Policy. All SMHS employees have access to such policies via our intranet.
5. SMHS takes very seriously, ethical and legal behavior in the conduct of our health ministry. Upon employment and on an annual basis, all SMHS employees are required to complete a compliance education program. At the conclusion of this program, employees must affirmatively respond to the following statement:

As an employee or agent employed by or associated with St. Mary's Health System, I am committed to upholding the highest standard of individual ethical and legal business practices. I will not tolerate illegal or questionable activity and promise to take whatever steps are required by the Corporate Responsibility Program to identify, report, and prevent such activity.

I acknowledge that I have reviewed the Standards of Conduct and agree to follow them. I understand that compliance with the Standards of Conduct and the Corporate Responsibility Program is a condition of my continued employment or association with St. Mary's Health System.

Sincerely,



Carol Godsey  
Administrator  
St. Mary's Warrick Hospital  
SMHS Vice President of Warrick Operations

SELECTED RECORDS OF  
ST. MARY'S WARRICK HOSPITAL WIC PROGRAM  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
St. Mary's Warrick Hospital and Nyeda C. West, former WIC Office Manager, jointly and severally:			
Documented Improper Purchases - Wal-Mart Credit Card, pages 5 and 6			
FY 2003-04	\$ 1,250.07	\$	\$
FY 2004-05	4,202.02		
FY 2005-06	3,027.00		
FY 2006-07	5,291.99		
FY 2007-08	<u>3,120.24</u>		
Subtotal Documented Improper Purchases - Wal-Mart Credit Card	<u>16,891.32</u>		
Documented Improper Purchases - FIA Credit Card, pages 5 and 6			
FY 2003-04	114.53		
FY 2004-05	1,409.27		
FY 2005-06	1,805.63		
FY 2006-07	1,951.73		
FY 2007-08	<u>3,175.09</u>		
Subtotal Documented Improper Purchases - FIA Credit Card	<u>8,456.25</u>		
Total Documented Improper Purchases	<u>25,347.57</u>		
Undocumented Improper Purchases - FIA Credit Card, page 6			
FY 2001-02	621.90		
FY 2002-03	643.40		
FY 2003-04	510.54		
FY 2004-05	2,523.25		
FY 2005-06	3,466.82		
FY 2006-07	1,741.00		
FY 2007-08	<u>3,843.37</u>		
Total Undocumented Improper Purchases - FIA Credit Card	<u>13,350.28</u>		
Penalties, Interest, and Other Charges - Wal-Mart Credit Card, page 6			
FY 2003-04	15.72		
FY 2004-05	17.55		
FY 2005-06	14.84		
FY 2006-07	62.96		
FY 2007-08	<u>83.56</u>		
Subtotal Penalties, Interest, and Other Charges - Wal-Mart Credit Card	<u>194.63</u>		
Penalties, Interest, and Other Charges - FIA Credit Card, page 6			
FY 2001-02	187.25		
FY 2002-03	144.81		
FY 2003-04	63.27		
FY 2004-05	343.51		
FY 2005-06	326.77		
FY 2006-07	447.46		
FY 2007-08	<u>432.22</u>		
Subtotal Penalties, Interest, and Other Charges - FIA Credit Card	<u>1,945.29</u>		
Total Penalties, Interest, and Other Charges	<u>2,139.92</u>		
Travel Reimbursement Not in Accordance With State Rules and Regulations, pages 6 and 7	<u>217.94</u>		
Paid by St. Mary's Warrick Hospital, September 17, 2009, Check 108828		<u>41,055.71</u>	-
Totals	<u>\$ 41,055.71</u>	<u>41,055.71</u>	<u>\$ -</u>

AFFIDAVIT

STATE OF INDIANA                    )  
  )  
PERRY COUNTY )

I, Thomas M. Alles, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the St. Mary's Warrick Hospital WIC Program, for the period from October 1, 2001 to October 31, 2008, is true and correct to the best of my knowledge and belief.

Thomas M. Alles  
Field Examiner

Subscribed and sworn to before me this 3rd day of September 2009.

Hazel D. Davis  
Notary Public  
HAZEL D. DAVIS

My Commission Expires: Dec. 10, 2016

County of Residence: PERRY