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Polk County Clerk of Courts

An Audit & Investigation of Hope Now
February 3, 2017

Objectives

- Learn how an audit can evolve into an investigation, and vice versa
- Understand the importance of a complainant in guiding the work
- Learn the differences in work flow for an audit and an investigation



Initial Complaint

- Anonymous letter sent to:
 - Hope Now board of directors
 - County manager
 - Indigent Health Care director
- Allegation: Hope Now is using county IHC funds to fund “all kinds of projects” and “persons are benefitting personally”
- Non-specific – who? what? how much? when?



Background – Hope Now

- NFP organization providing substance abuse and mental health treatment services to inmates coming out of incarceration
- Contract funded under Indigent Health Care division by discretionary half-cent sales tax
- \$1 million annually at time of complaint
- Largest individual contract to provider of SA/MH services under IHC program



Preliminary inquiries

- Staff cooperative and dedicated to mission
- Very small board of directors (5-6)
- BOD no prior experience running NFP
- Fairly new program (5 years) – grew out of a volunteer ministry in jail
- Exec Director was formerly Board Member, recently hired as ED
- Incomplete documentation & recordkeeping



Investigation evolves into Audit

- Complaint was non-specific:
 - Funds spent improperly on what?
 - Who is benefitting?
- Preliminary investigative inquiries
 - Interviewed HN staff and management
 - Reviewed contract terms
 - Reviewed monthly invoices to county
(no support attached)
 - Examined HN supporting records
- Observed poor record-keeping in support docs
- Unable to substantiate vague allegation
- Decided to audit monthly invoicing to county



Initial Audit Observations

- No annual audit required by contract
- \$9,000 in checks written to cash (1 year)
- Unreconciled bank statements
(receipts not provided to bookkeeper)
- No BOD meeting minutes
- Exec Director changed invoices to county that were prepared by Assistant Director
- IHC division did not audit invoices
- Missing or poor documentation for services



Initial Audit Observations (cont.)

- Several property purchases, including 2 former furniture warehouses and large tract of undeveloped land
- Very few contributions
- County essentially sole source of income; how did HN pay for real property?
- Modular buildings located in north Florida documented only by letter from donor
- \$168,000 paid to donor for transport and storage of modular buildings



Audit evolves into Investigation

- Near end of audit fieldwork, anonymous complainant requested a meeting with IG
- During subsequent investigation, other anonymous complainants came forward
- Specific allegations and documentation
- Re-opened investigation
- Expanded time frame to beginning of contract with county (2011)
- 36 allegations and specific information to guide investigation



Investigative findings

- Consulting fees totaling \$23,000 paid to board member (prohibited by contract)
- Consulting fees paid to Christian roundtable for “business coaching”
- Checks written to cash totaling \$23,000
- Board member’s wife earned commission on purchase of 2 warehouses
- Warehouses purchased from couple who may or may not have been board members



Modular buildings

- Narrative on modular buildings from E.D.
- “Donor” is known personally only to one board member
- No positive proof of ownership
- Another party owns land where now stored
- Property appraiser shows buildings present for at least 2 years on current site
- IG traveled to north Florida to observe modular buildings



Modular buildings



Google earth

feet
meters



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Modular buildings



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Modular buildings



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Recap of modular buildings

- \$168,000 paid for transport of buildings
- Buildings transported from North FL to Polk County then back to North FL
- \$7,800 paid for furniture used w/ buildings
- Furniture being stored either in Ocala or North Carolina
- Upon inquiry, HN can't locate furniture
- Also can't locate donor
- IG found the donor



Anthony Hemphill

Number : 00052842
Name : HEMPHILL, ANTHONY FLOYD

Booking Date/Time : 4/28/2014 7:08:00 PM
Release Date/Time : 5/5/2014 1:05:00 PM

Sex : MALE
Race : WHITE
Eye Color : GREEN
Hair Color : BROWN
Height : 509
Weight : 205
Age : 37



Housing Location :
Visitation Day :

Statute : 941.02 - OUT-OF-STATE-FUG-TEXAS/WIRE FRAUD
Case Number : Bond Amount :
Offense Date : 04/28/2014 Arrest Date : 04/28/2014



Anthony Hemphill

FOR IMMEDIATE RELEASE

Friday, February 26, 2016

Okaloosa County Father and Son Plead Guilty in Wire Fraud Scheme to Defraud Non-Profits

PENSACOLA, FLORIDA – Anthony Floyd Hemphill, 38, and his father, William Hemphill, 58, both of Crestview, Florida, have pled guilty to conspiracy to commit wire fraud in connection with a scheme to defraud non-profit organizations of more than \$300,000. The guilty pleas were announced by Christopher P. Canova, Acting United States Attorney for the Northern District of Florida.

During their pleas on February 11, 2016 (Anthony Hemphill), and yesterday (William Hemphill), the conspirators admitted that, between December 2013 and December 2014, they fraudulently represented that A.F.H. Construction LLC owned modular buildings that could be donated to non-profit organizations free of charge, if the non-profit organizations would agree to pay for the transportation and set up of the buildings. Using high pressure sales tactics, the conspirators persuaded the non-profit organizations to quickly wire advance payments for transportation and set up costs, ostensibly to prevent the modular buildings from being donated to other parties.



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Another Coincidence

Divisions of Corporations
P.O. Box 6327
Tallahassee, Florida 32314

10000441763
-06/13/01--01055
*****43.75 ***

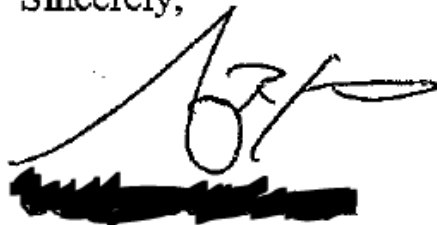
Dear Sir or Madam:

We are asking for a name change to be listed from [REDACTED] Investments Inc. to Modular Solutions Inc.

-We are enclosing a check for \$35 for the amendment and \$8.75 for a certified copy of the amendment or a total of \$43.75.

The telephone number I can be reached at is 863-[REDACTED]

Sincerely,



President



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Audit Findings

- No annual audit requirement in contract
- Billed county for participants who had reached treatment goals but were not graduated from the program due to failure to complete their co-pays
- Billed county for taking clients to outside meetings provided by others (NA, AA, CA, and church based treatment programs)
- Billed county for dispensing Rx (no permit and pharmacist on staff)



Audit Findings (continued)

- Billed county for treatment sessions with no facilitator signature
- Billed county for treatments with no participant signatures (attendance sheet completed by facilitator)
- Billed the county for spiritual studies (program is spiritually based but not allowed to proselytize per contract)



Presentation to Commissioners

- No benefit to the county from a fee-for-services agreement that did not require HN to use funds earned for the program.
- Real property purchases made by HN were not prohibited under current contract
- Overall, about 125 participants graduated from 2011 to 2015. Contract payments to HN totaled over \$5 million during that time.



Result

- Commissioners terminated contract
- Awarded contract to another agency with long history of good stewardship
- Program continues at \$600,000 annually



Successful Investigations

- Specific allegations
- Ability to interact with complainant
 - Ask questions
 - Obtain documents
- Professional skepticism
- Interview skills



3. Fraud, Waste and Abuse

FRAUD HOTLINE:
863-534-7689



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www.polkcountyclerk.net



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