



Lincoln Health System

November 3, 2020

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF **I**NVESTIGATIONS



Justin P. Wilson Comptroller

Jason E. Mumpower Deputy Comptroller

November 3, 2020

Anthony Taylor, Chairman and Lincoln Health System Board of Trustees 106 Medical Center Blvd Fayetteville, TN 37334

Chairman and Board Members:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Lincoln Health System, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 17th Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at http://www.comptroller.tn.gov/ia/.

Sincerely,

Justin P. Wilson

Jack PM

Comptroller of the Treasury

JPW/MLC



INVESTIGATIVE REPORT

Lincoln Health System

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to Lincoln Health System (LHS). The Comptroller's Office initiated the investigation after LHS officials and LHS's external auditor reported a possible fraudulent payment. The results of the investigation were communicated with the Office of the District Attorney General of the 17th Judicial District.

BACKGROUND

Lincoln Health System (LHS) is a county owned and operated comprehensive healthcare organization whose mission is to provide excellent, innovative, patient-focused health care for every member of the community. LHS provides hospital, home health. hospice, rehabilitation, wellness, and ambulance services from its of operations Fayetteville, Tennessee.

In July 2017, LHS hired Candie Starr as Chief



Executive Officer (CEO). A year after her employment began, LHS officials added an addendum to Starr's employment contract for a relocation allowance not to exceed \$30,000.

RESULTS OF INVESTIGATION

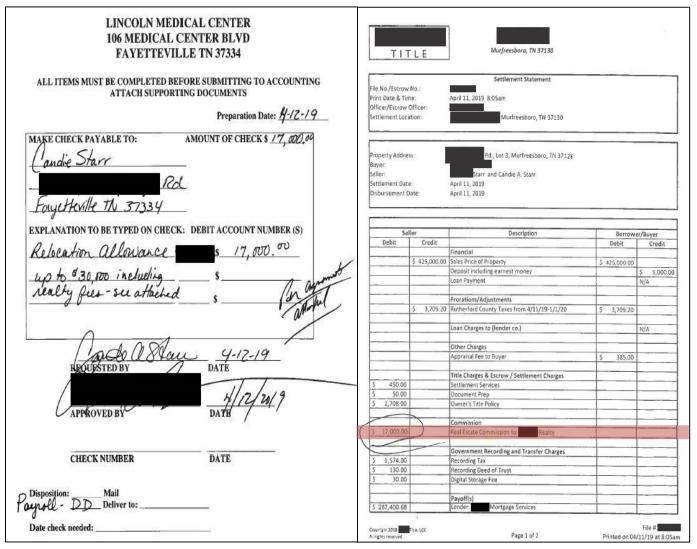
• FORMER CEO CANDIE STARR MISAPPROPRIATED AT LEAST \$17,000 OF LHS FUNDS

In April 2019, CEO Candie Starr misappropriated at least \$17,000 from LHS by submitting false documents and claiming moving expenses she did not incur. Starr submitted a check



request and a copy of a false settlement statement for real estate closing costs she neither incurred nor paid. (Refer to Exhibit 1.)

Exhibit 1

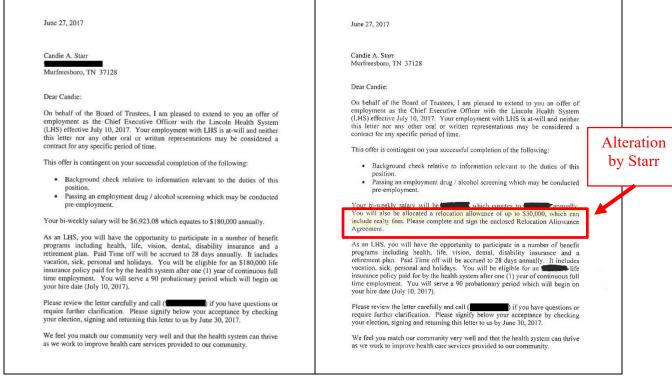


Fraudulent check request and false real estate settlement statement submitted by Starr.

Along with those documents, Starr also submitted an altered employment offer letter which specified realty costs as an allowable reimbursable relocation expense. (Refer to Exhibit 2.) LHS finance officials relied on these documents when they paid the claim.



Exhibit 2



Original employment offer letter signed by Starr.

Altered employment offer letter submitted by Starr to support fraudulent reimbursement request.

When confronted by LHS officials, Starr admitted that she had submitted false documents and stated she was sorry and that she had never done anything like that before. The LHS Board of Directors terminated Starr's employment effective August 21, 2019. Starr repaid LHS \$4,000 on September 6, 2019, and \$13,000 on October 7, 2019.

In May 2020, LHS officials revised their travel and expense reimbursement policy requiring that CEO personnel expense requests be approved by a designated member of the LHS board before being paid.

On June 23, 2020, the Lincoln County Grand Jury indicted Candie Starr on one count of Theft over \$10,000.

Lincoln Health System Investigation Exhibit



INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiency in internal control or compliance, which may have contributed to Starr's ability to perpetrate her misappropriation without prompt detection:

Deficiency: LHS officials failed to ensure compliance with their relocation expense reimbursement policy

LHS officials failed to comply with the relocation expense reimbursement policy as set forth below:

- LHS officials did not formally approve real estate closing costs as an allowable relocation expense and did not include closing costs in the related agreement. The LHS relocation expense reimbursement policy states, "Payment or reimbursement or (sic) any relocation or moving expense not expressly outlined in this document must have prior approval by the Board and must be included in the Relocation Allowance Agreement." Real estate closing costs are not expressly outlined in the policy. Consequently, the reimbursement of such costs should have been approved by the Board and should have been included in the Relocation Allowance Agreement. Neither of these actions occurred relevant to Starr's reimbursement. As noted above, Starr submitted an altered version of her relocation allowance agreement that specifically named realty costs.
- o LHS officials approved an allowance for relocation expense reimbursement that exceeded the maximum permitted by policy. LHS's relocation expense reimbursement policy limits such reimbursements to 10 percent of the new employee's annual salary. For Starr, the expense cap should have been \$18,000. However, per Starr's executed Relocation Allowance Agreement, LHS agreed to pay relocation expenses up to \$30,000. This amount was \$12,000 over the maximum allowed by policy.

Failure to adhere to LHS policy requirements increases the risk that reimbursements for improper or unallowed expenses will be made and not detected promptly.

LHS officials indicated that they have corrected or will correct these deficiencies.