

Hospital, county wrangle over audit terms

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Thursday, 04 July 2019 13:22



Issues with disclosure of information, off-site review

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Last month, the *Sun* highlighted David Conejo, CEO of Rehoboth McKinley Christian Health Care Services, as Person of the Month for his work in bringing the hospital back from the brink of closure and creating new programs, facilities, and jobs as a result.

But the hospital's landlord – McKinley County – the funder of some public monies to the hospital, has elected to conduct a forensic audit into how that money is spent down to the penny.

This has caused the relationship to grow tense between the county and RMCHCS, a not for profit corporation, over how the audit should be carried out.

But why was the forensic audit called for in the first place?

Bill Lee, chairman of the McKinley County Board of Commissioners, said he has been bombarded by the public over the last 18 months with issues about the pricing of services, quality of care, and fiscal management of RMCHCS.

Based on these complaints, Lee said the commission voted to hire a firm to conduct a forensic audit last August.

To explain, RMCHCS and entities that receive public funds are subject to annual audits, which become public record once the New Mexico Office of the State Auditor reviews and approves the audit reports.

Once an audit is released, it receives a rating by the state auditor that sheds light on the findings, whether favorable or unfavorable, or somewhere in between.

For its 2017 annual audit, RMCHCS received an “unmodified” opinion from the state auditor's office, which essentially is a good rating, with only a few areas noted that the hospital can improve upon. The hospital's 2018 audit is currently under review by the state auditor's office.

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However, despite the good outcome in 2017, the commission called for a forensic audit and began requesting information on spending from the hospital. And while some information was provided, according to RMCHCS CEO David Canejo, the mixing of privately held funds and public dollars proved a challenge in deciding what it should disclose to the public in detail.

So, the county settled on this: that RMCHCS provide specific details on how the hospital spends funds it receives from the mill levy, a property tax based on the assessed value of a property. The hospital receives about \$1 million in mill levy money annually.

Canejo said during a phone interview that the hospital already practices due diligence with the mill levy monies by seeking approval from the bank which holds the funds before transferring to a RMCHCS account.

RESISTANCE TO THE REQUEST?

The path to alleviate some of the public's concerns of RMCHCS spending, has been filled with road blocks, according to Commission Chairman Lee. The issues primarily center around where to conduct the audit and what to audit.

"The resistance we have met [from the hospital] has been unbelievable," Lee said June 20.

County Attorney Doug Decker spoke with the *Sun* June 20, about where the complications began with the forensic audit.

"We wanted to do a forensic audit [last August]," Decker said in a phone call. "They wanted it called something else, so we called it a special audit."

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Decker said the first external auditor hired by the county didn't work out for RMCHCS as they couldn't agree on the terms of the audit.

The county then hired another certified public accounting firm, Hinkle + Landers, PC, from Albuquerque, to perform the audit. This firm has also met resistance in collecting information from RMCHCS, according to both Lee and Decker.

The *Sun* spoke with Conejo June 18 about what the forensic audit entails on behalf of the hospital.

Conejo said RMCHCS was unable to comply with the original request, because the public dollars are intermingled with the rest of the hospital's private funds.

But, Lee said that once an entity takes public money, even if those funds are intermingled with an entity's other funds, that entity's financials are still considered public record.

"We should have the ability to track [public funds]," he said.

When the process began last August, Conejo was told that the hospital owed \$2.5 million in back rent to the county and the forensic audit is to ensure RMCHCS has enough funds in their reserves to cover the debt.

Conejo said RMCHCS demonstrated they had enough funds to cover the back rent, so then the county changed its request to review the hospital's spending of mill levy monies.

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CURRENT ISSUES WITH THE AUDIT PROCESS

Conejo said McKinley County presented a request earlier this year that stated Hinkle + Landers, PC needed to take the hospital's financial files to their office in Albuquerque to be reviewed for an undisclosed period of time.

In response to the firm's request, Conejo said he doesn't want the hospital's files to leave the premises and wanted a time frame for when the audit would be conducted.

"We said, 'Talk with our auditors [about the financial files],'" he said. "'But you can't take it elsewhere, because we can't control where it goes afterwards.'"

Conejo explained how external auditors come onsite to the McKinley County offices and perform the audit there, plus are given a time frame – in essence an approximate start and end date for the audit. He said RMCHCS wants to receive the same treatment.

"County records don't leave county buildings," he said. "We want to be audited in the same way the rest of the county is."

In light of this request for an off-site review, Decker said it appeared that RMCHCS was not forthcoming with what was asked of them.

"The auditors started requesting information and RMCHCS would provide very little information that was asked for, or nothing," Decker said.

Decker's statement about RMCHCS not providing the required financial information was also echoed by Lee.

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“We want to determine where public money is going,” Lee said. “The hospital receives \$1 million in mill levy money every year, and we want to see that it’s being used effectively.”

Lee said the forensic audit could alleviate some of the public’s concerns about service pricing and fiscal management of RMCHCS.

“This audit never started as a bad thing,” he said. “This is just a chance to tell people where that public money is going.”

To date, Lee said that the McKinley County Board of Commissioners and RMCHCS came to what they thought was an agreement on forensic audit terms on three separate occasions, but that each of those agreements later fell apart.

As a result, both sides began offering solutions to end the stalemate.

One condition set by RMCHCS for the audit to be done as instructed, according to Conejo, was that the hospital would hand over their financial information if Hinkle + Landers were to sign a non-disclosure agreement that stated no other entity would have access to the hospital’s financial information.

Lee said this move doesn’t make any sense because the non-disclosure agreement would have been so tight that the audit firm said it would violate their code of ethics, because an audit firm is required to release their findings to the county and state.

“The [non-disclosure] agreement would require him as an auditor to violate his own rules and ethics and the law,” he said. “That’s not transparency.”

In response, Conejo said June 20, that the non-disclosure agreement was never brought into play. He currently stands firm on having Hinkle + Landers come onsite to conduct the audit.

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TRUST ISSUES?

The McKinley County Board of Commissioners first voted to refer the hospital's regular 2018 annual audit to the state auditor and attorney general at a regular meeting in March, Decker said.

It takes about three to four months for a regular audit to finish and for the results to be made available, he added.

The state auditor received the regular audit from RMCHCS sometime in early May, Decker said. The results had not been received by either RMCHCS or McKinley County as of June 26.

"Right now it's in the hands of the state auditor and attorney general," Decker said. "Whether we proceed further depends on what they find in the regular (2018) audit."

If the state attorney presents a resolution for the regular audit, Conejo said that the hospital would do what the state asks of it, including a forensic audit.

Decker and Lee have also stated that.

"Whatever the state auditor and attorney general decide is what we will do," Decker said.

Despite the gridlock that has arisen from this forensic audit process, Conejo said he views this as a professional disagreement and not a personal attack.

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Lee also has this perspective, adding he wants the issue to be resolved in a positive manner, because the hospital provides quality of life improvements, local care and treatment for residents in the county, and is a major economic development center and employer.

“I believe in our hospital. We need a good one in our community,” he said. “We just want to make sure we’re doing the best job we can to keep it going.”

DUBIOUS SPENDING?

Lee said a forensic audit has the potential to fulfill the desire for full transparency from RMCHCS and put the hospital in a good light.

“We can tell the public where the money is going, as well as identify the trouble areas of the hospital, so they can fix them,” he added.

This result of being seen in a good light may be helpful for the hospital considering a recent story that was shared about them.

Conejo spoke about how a local publication ran a story on the financial status of RMCHCS, including the regular audit, but that the story was not factual.

The story involved former hospital employees and other sources making claims of high turnover rate and management problems at RMCHCS, and that the executives were planning to possibly sell off the hospital and make off with the profits.

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“The [story] said we refused to give information,” Conejo said. “We tried to clarify the matter some time ago and say we don’t want the financial info. to leave the premises.”

Conejo feels that the piece was run as retaliation against the hospital.

When bringing up the allegations of spending funds illegally, Conejo said he would address those allegations by reminding people of the buildings and services paid for by those funds.

“If we could take the public and go over the wellness center, which cost \$1.5 million, I would ask them, ‘Does it exist?’” Conejo said. “It took money to build, and it’s all paid for. The center didn’t exist five years ago.”

Conejo then listed other services and buildings that have been provided by RMCHCS in the past five years, including Rehoboth McKinley Behavioral Health Services, a GED school program with Navajo Technical University, numerous job programs, and new radiology and lab equipment for the hospital.

“Do these things all exist?” he said. “Everything here takes money. Are we able to spend it irresponsibly and still have a bottom line of \$9 million last year?”