

October 26, 2001

TO: Ron Ruppel
FROM: Phil Rosenberg 
SUBJECT: Security Consultant Review Panel

We will be hearing verbal presentations from two security consulting firms in response to the Scope of Services we sent out. The Executive Staff's judgment following these presentations will lead to a recommendation of the firm best able to meet our needs to Ira and the Board.

Consistent with past practice, please approve the following colleagues to serve on the panel:

1. Yourself
2. Myself
3. Jane Mass
4. Gerry Kaiser
5. Sandy Sears
6. Sylviane Ward
7. Paul Glasser
8. Phil Gravino
9. Conchita Ruiz-Topinka

Board Members Murai and Koznitsky have requested to be present. I will consult with the County Attorney as to any special steps we may need to take to insure compliance with the Sunshine Law. I will also advise Drs. Memon, Weisman and Cohn of the time/place of the presentations.

Those members of the group above as can attend the presentations will determine the final recommendation to make. Thank you.

APPROVED:



Ron Ruppel, Senior Vice President



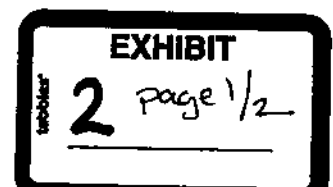
October 26, 2001

Notes on submissions by three firms:

1. IPISA response – The impression of this reviewer was that the brevity, lack of specificity, lack of firm time frame commitments and lack of prior research, questioning and demonstration of interest in the client did not compare well with the other two responders.
2. IMG – This was the most impressive response. It was specific as to timing, accountability, commitment, and pro-active integrated response. The Managing Partner himself visited repeatedly, expressed an understanding of the organization's needs, asked appropriate questions and made valuable initial observations even before the response was submitted. The respondent's Managing Partner indicated as personal commitment to the project based upon having had children born at Jackson. IMG's intelligence background (including both British and US senior level experience), pro-active approach, direct counter-terrorism experience, value added assets (including management and staff education commitment), personal protection capability, behavioral personnel approach and supply chain pharmaceutical experience made this response the most effective.
3. KROLL – This firm's response was more disjointed than IMG's. The staff group identified did not reflect the same level of overall capacity that was seen in IMG's response. The six phases were not as specifically integrated and overall "system" approach was not as well presented, in this reviewer opinion. The impression was left that the firm is so committed to so many projects that a more boiler-plate response would result. This is clearly a world-wide firm which could deliver quality products, however, in relation to the response of IMG, Kroll's response was less demonstrative and "compelling."

NOTE:

1. As previously disclosed, this reviewer has been on a variety of programs with IMG Managing partners, including conference presentations and teaching situations as an HR consultant. At no time in the past have any of these contacts been in a compensated circumstance. Disclosure is important to this reviewer to avoid any appearance or reality of conflict of interest. However, the direct observation of the principal's approach and attitude gives this reviewer high confidence that the organization's advice and support will be credible, innovative and timely.



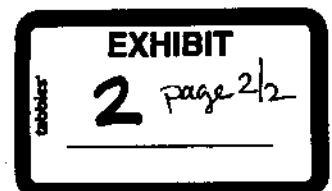
October 26, 2001

Security Firm Responses...Screening Criteria

Four firms were invited to respond to the "Security Scope of Services." Three of the firms responded. The screening criteria leading to a staff recommendation were the following (not in priority order):

1. Cost, including specific initial phase "not to exceed" component
2. Timing – how rapidly will the selected company begin and conclude its engagement?
3. Understanding of the Mission – how well did the firms' responses portray and reflect a clear understanding of the JHS situation, needs and circumstances based on the Scope of Services and any other research the firms may have done?
4. Specific project leadership – was key staff accountability clearly set forth?
5. Key staff – to what extent did the firms commit highly experienced, capable, project staff?
6. Pro-active approach – did the proposal reflect a pro-active approach and include services of added value beyond what the Scope of Services presented?
7. Attention to the concept of an "integrated, seamless Security system?"
8. Breadth of approach – to what extent did the response exceed a traditional "physical" security approach by demonstrating the value and understanding of integrating physical security with personnel, supply chain, training, and inter-relationships between these components in an overall manner?
9. Was an analytical, predictive, intelligence-based predictive approach reflected...as opposed to a more traditional "law enforcement" focus?

The firm tentatively selected will be invited to meet with individual executive staff members, if they so desire. Firm reference checking will occur. Thereafter, the firm's selection will be finalized.



PHT REPORT SHEET PURCHASING SERVICES

October 31, 2001

RFP No.: None (Expedited process, Scope of Services attached)

RFP Title: Security System Consulting Services

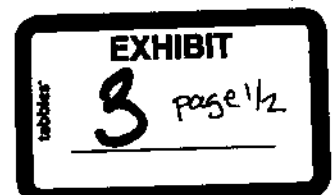
Department: Executive Office (through the Vice President for Human Resources)

Purpose of the RFP: To select an expert Security Consultant to review Public Health Trust security systems and recommend opportunities for improved physical, personnel, and human logistics security enhancements.

Scope of Service: The Consultant will conduct an initial review of the current Public Health Trust's security system and needs, focusing first on various priority areas of the main campus. The initial deliverable will be a report and recommendations as outlined in the Scope of Services document prepared by the Vice President for Human Resources (attached). Following staff review, additional targeted analysis and recommendation may be authorized.

Term of Contract: One Year, subject to review and extension by the Board of Trustees upon the recommendation of staff.

Estimated Cost: Initial phase costs will not exceed \$ 18,500 plus reasonable expenses as reviewed and approved by the Vice President for Human Resources. Staff recommends authorization for further expenditures totaling not more than \$100,000 plus reasonable expenses. This will permit additional expedited work to be authorized by staff with subsequent advice to the Board of Trustees should such work be deemed in the Trust's best interest.



Criteria for Evaluation:

1. **Cost, including specific initial phase "not to exceed" component**
2. **Timing – how rapidly will the selected company begin and conclude its engagement?**
3. **Understanding of the Mission – how well did the firms' responses portray and reflect a clear understanding of the JHS situation, needs and circumstances based on the Scope of Services and any other research the firms may have done?**
4. **Specific project leadership – was key staff accountability clearly set forth?**
5. **Key staff – to what extent did the firms commit highly experienced, capable, project staff?**
6. **Pro-active approach – did the proposal reflect a pro-active approach and include services of added value beyond what the Scope of Services presented?**
7. **Attention to the concept of an "integrated, seamless Security system?"**
8. **Breadth of approach – to what extent did the response exceed a traditional "physical" security approach by demonstrating the value and understanding of integrating physical security with personnel, supply chain, training, and inter-relationships between these components in an overall manner?**
9. **Was an analytical, predictive, intelligence-based predictive approach reflected...as opposed to a more traditional "law enforcement" focus?**

Selection Committee Members:

Ron Ruppel, Gerald Kaiser MD, Jane Mass, Sandy Sears, Sylviane Ward, Paul Glasser, Phil Gravino, Conchita Ruiz-Topinka, Phil Rosenberg.

Current Vendor: None

Selection Recommendation:

Four qualified firms were sent copies of the Scope of Services and invited to submit proposals. Three responded. The Executive Staff review the responses and selected two of the most responsive firms to make presentations. That occurred on Tuesday afternoon, October 30, 2001. The outcome of the review process and presentations was the strong Committee recommendation that The Incident Management Group (IMG), Inc. be selected to provide Security Consulting services to JHS. The Managing Partner, Chris Hagon, will directly responsible for the firm's work. Attached is a copy of the IMG response.

The Selection Committee recommends Board of Trustee approval to proceed.

Contract Expiration Date: November 30, 2001, unless an extension is authorized by the Board of Trustees.



Fernandez, Elisa

From: Fernandez, Elisa
Sent: Friday, October 03, 2003 3:52 PM
To: Alonso, Gus
Subject: IMG invoice investigation

Gus:

The purpose of this email is to document the work that I did with the IMG invoices and what has transpired the last 24 hours. I was given the assignment yesterday. As of 1:30pm today, it is my understanding that you have transferred the work to Jackie. I was gone at mid-day for a two hour doctor appointment (1 hour lunch + 1 hour doctor). When I came back to my desk, all the workpapers relating to this special investigation were gone. I asked one of my co-workers if he knew what had happened to my workpapers, and he said that Gus had been by and took them. At that point, I left you a phone mail to find out the reason.

My original assignment was to go through the invoices and "make sense of it". You told me that these invoices needed to be approved for payment because Mr. Mural had received a phone call from Mr. Hagon, the owner of IMG requesting immediate payment. I expressed my viewpoint that I was not going to approve them because that would be an improper audit function. You agreed that Internal Audit would just be investigating and researching so that the proper person (i.e. person who actually requested the services) actually approves it. You indicated that both Mr. Glasser and Mr. Macri have both refused to approve the invoices because they are not familiar with the services rendered. You stated that you were asked to review them and report back to Mr. Meinke, Mr. Mural and Mr. Hagon.

When I left your office, my final instructions were to review the invoices and ascertain who should approve them. You also asked me to get in contact with Ms. Mylene Diaz, for further documentation.

I was given the following documentation by you:

- a stack of invoices from IMG
- a spreadsheet from IMG containing a listing of their 37 invoices that are still outstanding for a total of approximately \$500,000.
- a spreadsheet (unknown source) containing a purchase order analysis listing remaining amounts available
- copies of purchase orders

Toward the end of the day, I called you to discuss my conversation with Ms. Diaz and the work that I had done so far. The following summarizes my conversation with Ms. Diaz:

Ms. Diaz stated that she had originally been given the assignment to review these invoices and approve them for payment so that Mr. Glasser could sign off on them. This was suppose to be a similar function as what she currently does in her Construction job. However, she expressed that she had to stop doing this work because she felt uncomfortable with the invoices for the following reasons:

- She found two instances in which they were double billing us. When she brought it to IMG's attention, they rescinded the invoices.
- She was never able to match the invoices to our purchase order number.
- The back-up that she was given never agreed to the invoices.
- Back-up was incomplete.
- She and her assistant spent "hours" with Mr. Andrat of IMG researching the invoices, attempting to get their questions resolved. Ms. Diaz stated that she was unsuccessful. Furthermore, she was told by IMG that some of the back-up was confidential.
- Ms. Diaz was never given a contract or RFP scope of services to use as a guidance.

I examined the invoice documentation that you gave to me. I attempted to match each invoice to the IMG spreadsheet that listed the outstanding invoices. I cross referenced the documentation to the spreadsheet by a numerical cross-reference. My conclusions were as follows:

- The invoices were in no apparent order. In some cases, copies of the invoices were included two or three times in the pile.

- Most of the invoices did not contain any attached documentation.
- The documentation that I was able to look at, did not agree with the invoice.
- There were areas of the invoices that were deliberately blackened out.
- Most of these invoices appear to be for consulting fees at \$1500 per day. In addition to this fee, there were incidental charges such as ground and air transportation, meals, lodging, etc.
- There were no PHT Purchase Order cross references.

I expressed my opinion that the invoices were not complete and I too felt uncomfortable with them. It made no sense to me that a company that has an interest in getting paid would submit such incomplete documentation.

You responded that we needed to change the focus of the investigation. We had to work backwards. We needed to forget the invoices and obtain copies of the back-up to the purchase orders. We needed to determine who requested the work.

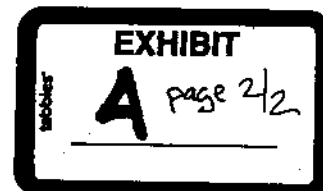
This morning I went to Purchasing and I left the listing of the purchase orders with Jackie Nunally. I also spoke to Sophie Rejo. She also told me that she had been asked by her boss to look at the invoices. She too has not been able to figure the invoices out. So it appears that we were both working on the same task. Even though it was not in any way stated, the inference/assumption that I made was that Mr. Mural had also asked Mr. Cook to look into the payment of the invoices.

I went back to your office to give you a status report. I also mentioned to you that I would be leaving shortly for a doctor's appointment. I again expressed my reservations about the invoices. I also stated that I felt uncomfortable that a Board member was indirectly involved with this. You got defensive and stated that there is absolutely no corruption and no wrong doing on the part of the Board member. You asked me if I was implying anything. I stated that I was only doing my job as an auditor. I was questioning things. I stated that I find it odd that a Board member would get involved in ensuring that a particular vendor is paid. We also discussed what the Board's role should be in the organization.

We then went on to discuss how rumors get started in this organization. You stated that you did not want me in any way starting any rumors. If I did, there would be serious consequences. I responded that I was here to do my job and I kept to myself. You stated that I needed to inform you if I caught any other Internal Auditor doing so. I responded that you need to have a meeting with your staff.

You then went on to describe the new spreadsheet that you wanted me to work on. You asked me to list each purchase order with each corresponding paid invoice. I agreed to start working on this as soon as I got back and that it would be done today.

So in conclusion, I am documenting what has transpired because I do not feel comfortable with what has happened.



**Public Health Trust
Internal Audit Department**

Memorandum

To: Mr. Andres Murai, Jr.
From: Gus Alonso
Date: December 5, 2003
Re: IMG Invoices

As requested, Internal Audit reviewed all unpaid IMG invoices to determine what actions need to be taken to process them. In total, we reviewed 51 invoices totaling \$624,057.

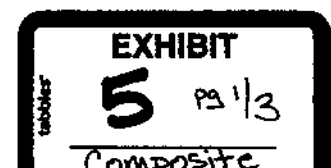
The 51 invoices were grouped as follows:

| Description of Services | No. of Invoices | Total Amt. Owed | Status |
|-------------------------------|-----------------|-------------------|--------------------------|
| Executive Search Fees | 2 | \$ 128,509 | Pending Board approval |
| Asset Accountability support | 5 | \$ 144,233 | Pending Board approval |
| Security Dept Reorganization | 9 | \$ 112,359 | Pending Board approval |
| Travel Expense Reimbursements | 17 | \$ 9,180 | Lacking support/receipts |
| Special Investigations | 4 | \$ 78,054 | Paid 12/5/03 |
| Misc services | 14 | \$ 151,723 | Paid 11/2/03 |
| Total | 51 | \$ 624,058 | |

As noted, there are currently 16 invoices totaling \$385,101 that cannot be paid until the Board authorizes the payment. These invoices have been forwarded to the appropriate JHS executives who will be requesting Purchasing Committee approval at the January 12 meeting. Following Board authorization, it is expected that the invoices will be paid at the end of January.

There are also 17 invoices that were partially paid and which have a combined outstanding balance of \$9,180. The unpaid balances relate to travel expense reimbursements that cannot be paid with appropriate support. Joe Macri is currently working with the IMG staff to put together the necessary back up to process these invoices. Once this support is obtained, payments will be made.

It should also be noted that 18 invoices totaling \$230,000 have been paid within the past two months.



DRAFT - DRAFT

**Public Health Trust
Office of Internal Audit**

Memorandum

To: Mr. Andres Murai, Jr.
From: Gus Alonso
Date: December 8, 2003
Re: IMG Invoices

As requested, Internal Audit reviewed all unpaid IMG invoices to determine the reasons they have not been paid and to expedite their processing. In total, there are 33 unpaid invoices totaling \$394,281.

The 33 invoices were grouped as follows:

| Description of Services | No. of Invoices | Total Amt. Owed | Status |
|-------------------------------|-----------------|-------------------|--------------------------|
| Executive Search Services | 2 | \$ 128,509 | Pending Board approval |
| Asset Accountability Support | 5 | \$ 144,233 | Pending Board approval |
| Security Dept Reorganization | 9 | \$ 112,359 | Pending Board approval |
| Travel Expense Reimbursements | 17 | \$ 9,180 | Lacking support/receipts |
| Total | 33 | \$ 394,281 | |

As shown, there are 16 invoices that cannot be paid until the Board authorizes the disbursements. These invoices have been forwarded to the JHS executives who are responsible for these activities, and they have agreed to request payment authorization, as appropriate, from the Purchasing and Facilities Committee at the January meetings. The attached action plan shows target dates and the JHS executives who will process the invoices.

In addition, there are 17 invoices with a combined unpaid balance of \$9,180 that were not paid because they lack appropriate support. These invoices relate to travel expense reimbursements that were submitted for payment without receipts. Joe Macri is currently working with the IMG staff to put together the necessary back-up. Once this support is obtained, payments will be made.

To avoid payment delays in the future, we have asked IMG to indicate on each invoice the purchase order that authorized the services being billed.

Regards,



Public Health Trust
Office of Internal Audit

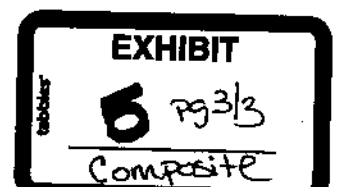
Memorandum

To: Ken Meinke, Al Cook, Joe Macri, Paul Glasser
From: Gus Alonso *Gus*
Date: December 9, 2003
Re: IMG Invoices

Attached for your review and comments is a **draft** of a memo that I would like to send to Mr. Murai. As you know, he requested this information in response to the inquiries that he received from IMG.

I plan to release this memo on Monday, December 15. Accordingly, I would appreciate receiving your feedback before then.

THANK YOU,



DRAFT – DRAFT

**Public Health Trust
Office of Internal Audit**

Memorandum

To: Mr. Chris Hagon
From: Gus Alonso
Date: December 16, 2003
Re: Unpaid Invoices

As requested, we have reviewed the list of unpaid invoices you sent to us in order to determine the reasons why they have not been paid. In total, we received 52 invoices totaling \$624,057 in billings.

We are happy to inform that out of the 52 invoices in the list, 14 invoices for \$151,723 have been paid, and another 13 invoices totaling \$162,568 were approved for payment this week.

Our review of the remaining unpaid invoices disclosed three main reasons for the delays:

1. IMG, unlike other Trust vendors, does not indicate on their invoices the PO number that authorized the purchase of the services. As a result, management has to exercise judgement in assigning IMG invoices to open POs. Understandably, this has led to several discrepancies.
2. IMG has billed for services that the Board has not formally authorized.
3. 17 invoices comprising \$9,180 of travel expense reimbursements were submitted for payment without receipts.

I have reviewed the unpaid invoices with management and they have indicated that the invoices will be processed in January, after obtaining the necessary Board authorization. Al Cook, Ken Meinke and Paul Glasser will be coordinating this effort.

I should also point out that management has requested additional information on invoice A200300234 covering the "finders fees" for three former IMG employees who have accepted employment at the Trust. It is unclear why you are billing for these services.

With respect to the invoices for travel expense reimbursement, I will assign an auditor to work with Joe Macri to assist him in compiling and organizing the necessary support.

Regards,



ACTION PLAN

| Action | Target Date | Invoice Amounts | Responsible Executive |
|---|-------------|-----------------|-----------------------|
| 1. Invoices for Executive Search Services | | \$ 128,509 | K. Meinke |
| Invoices sent to K. Meinke | 10/17/2003 | | |
| Follow-up meeting with K. Meinke | 12/02/2003 | | |
| K Meinke to negotiate fee reduction | 12/05/2003 | | |
| K Meinke to request Board approval | 01/13/2003 | | |
| Expected invoice payment | 01/31/2004 | | |
| | | : | |
| 2. Invoices for Asset Accountability Study | | \$ 144,233 | A Cook |
| Invoices sent to A. Cook | 12/03/2003 | | |
| A Cook to request Board approval | 01/13/2003 | | |
| Expected invoice payment | 01/31/2004 | | |
| | | : | |
| 3. Invoices for Security Dept Services | | \$ 112,359 | J. Macri |
| Invoices sent to J. Macri | 12/03/2003 | | |
| Macri to request Board approval | 01/13/2003 | | |
| Expected invoice payment | 01/31/2004 | | |
| | | : | |
| 4. Invoices for Travel Expense Reimbursement | | \$ 9,180 | J. Macri |
| Invoices sent to J. Macri | 10/17/2003 | | |
| Follow-up email sent to J. Macri | 12/02/2003 | | |
| C Hagon to meet with J Macri | 12/04/2003 | | |
| Invoices with support to be returned | 12/12/2003 | | |
| Expected invoice payment | 12/26/2003 | | |

\$ 394,281



Invoices To Be Processed by Joe Macri

| Invoice Number | Amount | Invoice Concept |
|----------------|--------|-----------------|
|----------------|--------|-----------------|

| | | |
|---|-----------------------|---|
| 1 | A-200300225 \$ 55,536 | JACKSON HEALTH SYSTEM: Security services - Review of Accounts Payable/Purchasing Process, period ending August 20, 2003. Aging: 91 days |
| 2 | A-200300232 \$ 14,108 | JACKSON HEALTH SYSTEM - Security Services: Design work for surgical area Requester(s): Surgical Administration/Plant operations Scope: 1. Initial review of Surgical areas, including preliminary design. 2. Subsequent value-added assessment of device allocation on plans. 3. Obtain change order pricing from Security One. 4. Develop access control procedures. Aging: 16 days |
| 3 | A-200300235 \$ 17,820 | JACKSON HEALTH SYSTEM - Security Services: Provision of investigator personnel, period 09/15/03 - 11/09/03. Aging: 15 days |
| 4 | A-200300230 \$ 812 | SECURITY SERVICES: Oversight of campus-wide system installation, period 06/01/03 - 08/27/03. Aging: 37 days |
| 5 | A-200300233 \$ 1,884 | JACKSON HEALTH SYSTEM - Technical support services for vendor RFP: Meeting with selected vendor (Security One), walk-through and provision of plans, period 12/15/02 - 12/31/02. Aging: 16 days |
| 6 | A-200300185 \$ 1,175 | JACKSON HEALTH SYSTEM - Security consulting services for Security Department Reorganization, balance remaining, period ending 2/17/03. Aging: 281 days |
| 7 | A-200200142 \$ 14,287 | JACKSON HEALTH SYSTEM - Security consulting services for Phases 1 & 2: central campus and protective shield, (remaining balance), period ending 06/30/02. Aging: 477 days |
| 8 | A-200300210 \$ 5,438 | JACKSON HEALTH SYSTEM: Security Services - Review of South Wing 2nd Floor and GI Station area, period ending 01/17/03. Aging: 135 days |

| | | |
|---|----------------------|--|
| 9 | R-200200150 \$ 1,300 | JACKSON HEALTH SYSTEM - Security consulting services for Phase III, period ending 01/09/03. 50% of billable professional services for the following work: Campus-wide Distributed Model, Human Interface/Involvement, Logistics Supply Chain and Property Protection programs and Corporate Security Services. Assessment of existing systems. Aging: 190 days |
|---|----------------------|--|

| | |
|--|------------|
| | \$ 112,360 |
| | \$ 9,179 |

Group of 17 invoices with remaining balance for travel expenses lacking adequate support/ receipts. Invoice Numbers are as follows: 200200177, 200300208, 200300183, 200200187, 200300166, 200300172, 200300193, 200200187, 200200176, 200300209, 200300174, 200300181, 200200196, 200300211, 200300186, 200300195, 200300227

EXHIBIT

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Composite

Invoices To Be Processed by Ken Meinke

| Tally | Inv Number | Amount | Invoice Concept |
|-------|-------------|-------------------|--|
| 1 | A-200300215 | \$ 45,509 | JACKSON HEALTH SYSTEM - Security services - logistics position candidates/interview process, period 03/04/03 - 05/20/03. Aging: 134 days |
| 2 | A-200300234 | \$ 83,000 | JACKSON HEALTH SYSTEM - Security services - fees for IMG consultants hired by JHS, period 11/01/03 (J.Macri/P.Gannon/M. Aprigliano). Aging: 16 days |
| | | <u>\$ 128,509</u> | |

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Invoices To Be Processed by AJ Cook

| Qty | Inv Number | Amount | Invoice Concept |
|-----|------------|--------|-----------------|
|-----|------------|--------|-----------------|

| | | | |
|---|-------------|-----------|--|
| 1 | A-200300200 | \$ 31,817 | JACKSON HEALTH SYSTEM: Security Services - Support for departmental security improvement implementation, period ending 02/22/03. Engaged reference meeting, instruction and advice regarding implementation of the Asset Protection Program. Asset management review of HRHC and Ms. S. Siers' department. Conducted satellite and clinic visits and provided asset protection briefings based on review reports. Initiated pilot scheme for prescription protection. Provided par level advice and implemented stock reduction exercises. Aging: 169 days |
| 2 | A-200300201 | \$ 31,393 | JACKSON HEALTH SYSTEM: Security Services - Support for departmental security improvement implementation, period ending 03/27/03. Continuation review of clinics/satellite locations. Provided asset protection reports and presentations. Attended executive/director meetings. Supervised audit team for purchasing/accounts payable. Provided audit update briefing. Reviewed current receiving dock configuration, operations and security. Aging: 169 days |
| 3 | A-200300202 | \$ 15,417 | JACKSON HEALTH SYSTEM: Security Services - Support for departmental security improvement implementation, period ending 04/28/03. Engaged with implementation of security logistics recommendations and Asset Management Program. Aging: 169 days |
| 4 | A-200300178 | \$ 56,991 | SECURITY SERVICES: Review of Surgical Supplies process, preparation of implementation matrix for JHS Departments, period ending 01/18/03. Aging: 302 days |
| 5 | A-200200199 | \$ 8,614 | JACKSON HEALTH SYSTEM - SECURITY SERVICES: Review of surgical supplies process, period ending 01/25/03. P. Gannon - Meetings with Surgical, Anesthesia, Pharmacy, Nursing, Materials Management, Cath Lab, GI Station, Finance and IT. Preparation and presentation to Trustee/JHS work group. Aging: 177 days |

\$ 144,232

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EXHIBIT

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Composite