




Memorandum



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To: The Honorable Carlos A. Gimenez, Mayor, Miami-Dade County
The Honorable Rebeca Sosa, Chairperson
And Members, Board of County Commissioners, Miami-Dade County

From:  Christopher Mazzella, Inspector General

Date: February 14, 2013

Subject: Criminal Charges Filed Against Former CEO of the Miami Beach Community Health Center, Inc.; Ref. IG12-33

An investigation by the Office of the Inspector General (OIG) has resulted in the Miami-Dade State Attorney's Office (SAO) filing charges against Kathryn Abbate, former CEO of the Miami Beach Community Health Center, Inc. (MBCHC). Abbate was charged with one count each of Organized Scheme to Defraud and Grand Theft 1st degree. In addition to the State charges, Abbate was also charged by the U.S. Attorney's Office for the Southern District of Florida with a count of Theft Concerning Programs Receiving Federal Funds. The timing of the charges was coordinated by both prosecuting authorities and the OIG.

In August 2012, the OIG opened an investigation into the embezzlement and unauthorized compensation of over \$7 million in federal, state and county funds from the MBCHC by its former CEO, and others. This theft, which was highly publicized in the media, triggered our inquiry into whether county funds and/or county-administered funds were at risk.

By way of background, the MBCHC is a not-for-profit, consumer-directed healthcare corporation serving the medically underserved population in South Florida. MBCHC, one of the oldest public health clinics in Florida, currently operates from four locations (three in Miami Beach and the fourth in North Miami, which also serves as its headquarters). MBCHC has grown into a fully integrated medical facility offering a broad spectrum of services for patients of all ages. Presently, MBCHC serves over 20,000 people per year. More than half of its clients are people under the age of 19; are of ethnic origin; and/or are uninsured, underinsured, or indigent.

Through the Ryan White Program, significant funding—as administered by Miami-Dade County (the County)—is provided to MBCHC for HIV/AIDS treatment and for prevention and education programs. According to MBCHC's 2011 annual financial statement audit¹ MBCHC receives the following funding from the County:

¹ Financial Statement Audit prepared by Morrison Brown Argiz & Farra, LLC

- \$5,993,437 in contract service revenue from the Ryan White Program
- \$498,857 from the Children's Trust
- \$325,284 from the Healthy Start Coalition of Miami-Dade, Inc.
- \$164,956 from the Public Health Trust

Furthermore, in 2006, the Miami-Dade Board of County Commissioners approved an \$8 million allocation from the Building Better Communities Bond Program funds for the purchase and renovation of property located at 710-720 Alton Road in Miami Beach. The incumbent tenant, MBCHC, was previously leasing the facility and operating out of it. The facility (commonly referred to as the Stanley C. Meyers Center) is now owned by Miami-Dade County and leased to MBCHC for one dollar per year.

For the past several months, the OIG and the SAO have been actively investigating MBCHC's former CEO and others in positions with fiduciary duties. From the onset of our investigation, it was apparent that internal controls were either non-existent or were severely lacking, and that these conditions allowed the devastating financial loss to occur.

During the course of our investigation, OIG Special Agents have been in constant contact with the Miami-Dade Office of Management and Budget (OMB). These communications prompted OMB, in October 2012, to conduct an audit of MBCHC's funds from the county-administered Ryan White Part-A, Minority Aids Initiative. OMB's audit revealed significant deficiencies in MBCHC's program administration. Consequently, OMB required that special terms and conditions be implemented prior to it releasing any additional funds to MBCHC. Some of the most disconcerting audit findings are listed below:

- Extensive amounts of related party transactions were not communicated to or approved by the MBCHC Board
- Overall lack of control over the check disbursement process
- Lack of review and reconciliation in many areas of the accounting function regarding the recording of transactions
- No proper controls to prevent or detect fraud

In late November 2012, MBCHC provided the County with written notification stating that many of the audit issues are being addressed, including the termination of MBCHC staff members employed during the period when the theft occurred.

With regard to funds received from the Children's Trust (the Trust), MBCHC executives addressed the Trust's Finance and Operations Committee on September 27, 2012 and represented that significant remedial action had been taken since the former CEO's termination. The OIG also expressed its concerns to several Trust Board members and officials. Subsequently, the Trust informed the OIG that it has approved a resolution that dictates oversight of its current contract with MBCHC.

The OIG and the SAO are pleased that the County (OMB) and the Children's Trust have heightened its monitoring of MBCHC activities. However, given the organization's discredited fiduciary controls and administrative weaknesses that enabled these crimes to occur, we cannot stress enough the need for continuous enhanced scrutiny of MBCHC's management practices and finances.

For your information, the OIG's and State Attorney's investigation of these improprieties is continuing.

cc: Honorable Katherine Fernandez-Rundle, State Attorney
Honorable Wifredo A. Ferrer, U.S. Attorney
Maria Alonso, Chair and Board Members, The Children's Trust
Modesto E. Abety, President-CEO, The Children's Trust
Edward Marquez, Deputy Mayor, Miami-Dade County
Jennifer Moon, Director, Office of Management and Budget, Miami-Dade County
Charles Anderson, Commission Auditor, Miami-Dade County
Jane Gross, Chairperson, Miami Beach Community Health Center, Inc.