

CORCORAN DISTRICT HOSPITAL (CDH)

SYNOPSIS

Measure C was an 18 million dollar bond passed by the citizens of Corcoran to construct a new hospital. To date, approximately 12.6 million dollars have been spent, but construction of a new hospital building has not even started.

WHY THE GRAND JURY INVESTIGATED

The Grand Jury received a citizen complaint on June 1, 2010, concerning the expenditure of Measure C money and related real estate acquisitions. The complaint also included two other items over which the Grand Jury has no jurisdiction.

AUTHORITY

California Penal Code Section 933.5 provides that a Grand Jury may at any time examine the books and records of any special purpose assessing or taxing district in the county.

METHOD OF INVESTIGATION

The Grand Jury interviewed witnesses, attended board meetings, examined available documents, and toured the CDH.

BACKGROUND AND FACTS

According to the argument in favor of Measure C on the sample ballot, the 2005 resolution of Measure C, as approved by Corcoran voters, was to “provide new facilities and services..., Construct additional medical/surgical support facilities..., Construct a new acute care facility..., Build a new emergency department..., Provide new obstetrics/gynecological and Intensive Care Units...” It also was to “be used only to improve our hospital facilities – not to pay administrative or employee salaries.”

The CDH has been in existence since 1950. It serves the city of Corcoran and surrounding areas, as well as the Corcoran State Prison, the California Substance Abuse Treatment Facility and other state prisons when necessary. The Board of Directors is responsible for all of the financial and subsequent actions of the

hospital district. The Chairperson of the Board provides the general supervision, direction and control of the affairs of the District and oversight of all contracts. The CDH bylaws require the Board to meet regularly and to direct the Chief Executive Officer (CEO). The members of the Board receive no compensation, but are reimbursed for travel and incidental expenses. From 1998 to the present, the CDH has had eight CEO's.

In the early 1990's earthquake safety legislation required that the existing hospital be retrofitted or rebuilt to meet the new standards. The infrastructure of the hospital had also deteriorated and needed to be upgraded.

Plans were developed to build a new hospital and use the old building for office and storage space and other medical services. On June 7, 2005, Bond Measure C was passed to provide funds for the implementation of that plan.

A financial oversight committee was formed in about 2003, however that committee was eventually abandoned. Since 2009, a new financial oversight committee has been formed and is composed of two CDH Board of Director members and all of the upper CDH administrators.

A ten-acre parcel of land was offered as a donation for the purpose of building a new hospital. Architectural plans for the infrastructure and improvements were developed in 2005 at the cost of \$80,000. After community discussion, it was decided to develop the area around the existing building for a new acute care hospital rather than use the proposed donated property.

Further architectural fees were spent for the expansion of the existing site allowing the builder to own the facility and lease it back to the hospital. That plan was abandoned in favor of the current plan which is to build a community owned facility. To date the total architectural expenditures are approximately \$5,000,000.

The acquisition in 2008 of two lots near the existing hospital was questioned by citizens and lead to a complaint to the Kings County Grand Jury about a conflict of interest due to the involvement of a hospital employee. It appears to the Grand Jury that this allegation has merit. While examining the CDH Board minutes, the Grand Jury found that the minutes were incomplete in some cases, nonexistent in others, and no approval for the acquisition of properties was found. Interviews with Board members also indicated that there was no Board approval in the acquisition of the properties although required by their bylaws.

A number of lots were purchased from 2005 to 2009, without Board approval. There seems to have been a less than thorough evaluation process employed in the property purchase without the Board's involvement.

The purchase price of a number of properties were evaluated by market analysis and drive-by appraisals, as opposed to formal appraisals. Further, mention of payment for historical value appraisals was made at the April 2011 Board

meeting though the results of those appraisals have not been made public. It is the Grand Jury's opinion that the amounts paid for the properties were highly inflated.

The Grand Jury noted that the minutes of March 7, 2007, Board meeting stated:

“Approval of Authority;

1. The expenditure of \$10,000 or more for the lease or purchase of any unbudgeted item shall be approved by the Board.”

In attendance, at that meeting, were all five board members, the CEO, Chief Financial Officer, Chief Nursing Officer, two doctors, a unit manager, the Director of Facilities, and seven other named persons. No information, in any form, has been revealed to the Grand Jury that this “Approval of Authority” was ever revoked, and appears to have been ignored with respect to the property purchases in question.

The Grand Jury found that in March 2006 and again in June 2006 a combined total of \$291,000 was spent on operating expenses for the CDH. This appears to be in conflict with the intent of Measure C as those funds are to “be used only to improve our hospital facilities – not to pay administrative or employee salaries.” The Chairman of the Board of Directors of the CDH and four others signed the sample ballot which was made available to the voters.

In the course of the investigation the Grand Jury found that some of the CDH employees received substantial salary increases during the time of Measure C expenditures. In examining the Board minutes that were made available to the Grand Jury by the CDH, no mention of those increases was documented as an approved action item. The Attorney General's pamphlet on the Ralph M. Brown Act (Brown Act) requires that public employees' salaries must be set in open session and are, therefore, public information.

A nine million dollar United States Department of Agriculture loan is pending for an outpatient facility.

FINDINGS AND RECOMMENDATIONS

Finding 1

Open and closed session minutes were inadequate, sporadic and inconsistent, and at times not signed by the Board Chairperson or Board Secretary.

Recommendation 1

Detailed minutes should be taken consistently at all open Board meetings, signed by the Board Chairperson or Board Secretary, and made available to the public. Closed session minutes should also be taken consistently and actions required by

the Brown Act to be reported out of closed session should be contained in the regular minutes of the Board.

Finding 2

No written approvals of property purchases were found. In only one instance was it noted that the CEO was directed by the Board to only inquire into the purchase of a property. That property and other properties were subsequently purchased without evidence of Board discussion or approval found in the minutes from 2005 to 2008.

Recommendation 2

The CDH needs to adhere to its adopted bylaws, as presented to the Grand Jury during this investigation. Said bylaws state that the purchase of CDH property, “requires authorization of the Board of Directors and the written signatures of both the Chairperson and the Secretary.”

Finding 3

According to the Board minutes of March 7, 2007, all purchases over \$10,000 must be approved by the Board.

Recommendation 3

The Board should abide by its own directives.

Finding 4

The Grand Jury questions the CEOs’ and Board’s knowledge of and adherence to the Brown Act, their by-laws, and Local Hospital District Law.

Recommendation 4

New Board members need to be properly instructed on the Brown Act and current Board members should receive Brown Act refresher courses on a regular basis. The CDH by-laws should be adhered to. Local Hospital District Law (Health and Safety Code 32000-32492) should be studied by the Board and the hospital administration in consultation with legal counsel.

Finding 5

Money from Measure C may have been spent contrary to the intent of the measure. It seems clear to the Grand Jury that there was not adequate oversight protecting the interests of the citizens of Corcoran. The CDH Board of Directors apparently did not fulfill their obligation to the hospital and to the community.

Recommendation 5

The CDH Board of Directors should adhere to its policies and established by-laws regarding procedures for financial oversight. A majority of the financial

oversight committee should consist of Corcoran citizens, not affiliated with CDH. It should be in place to provide direction for the expenditure of Measure C money and any further funds allocated to the CDH.

Finding 6

The salaries of the hospital employees were increased in 2007. Those increases have not been made public and were not discussed and adopted in accordance with Brown Act requirements.

Recommendation 6

The Brown Act should be followed.

COMMENTS

In the course of the investigation, the Grand Jury received sworn testimony from some witnesses contrary to other witnesses' statements and in direct conflict to documented evidence received by the Grand Jury.

Specific requested documents, even under subpoena, were often not received in a timely manner, were sometimes incomplete and, in the case of some records, not at all.

Subsequent to the filing of the citizen complaint to the Grand Jury, a majority (three of five) of the CDH Board have been newly elected.

The current Kings County Grand Jury recommends that the 2011/2012 Grand Jury continue with the investigation of CDH.

RESPONSE REQUIREMENT

Penal Code Sections 933 and 933.05 require that specific responses to both the findings and recommendations contained in this report be submitted to the Presiding Judge of the Superior Court of Kings County within 90 days.