



COMPTROLLER'S INVESTIGATIVE REPORT

Lincoln Health System

November 3, 2020

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



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,

A handwritten signature in black ink that reads "Justin P. Wilson".

Justin P. Wilson
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 base of operations in 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

LINCOLN MEDICAL CENTER
106 MEDICAL CENTER BLVD
FAYETTEVILLE TN 37334

ALL ITEMS MUST BE COMPLETED BEFORE SUBMITTING TO ACCOUNTING
ATTACH SUPPORTING DOCUMENTS

Preparation Date: 4-12-19

MAKE CHECK PAYABLE TO: AMOUNT OF CHECK \$ 17,000.00

Candie Starr
[Redacted] Rd
Fayetteville TN 37334

EXPLANATION TO BE TYPED ON CHECK: DEBIT ACCOUNT NUMBER (S)

Relocation Allowance [Redacted] \$ 17,000.00
up to \$30,000 including \$ _____
realty fees - see attached \$ _____

Per Agreement Attached

Candie A Starr 4-12-19
REQUESTED BY DATE

[Redacted] 4/12/2019
APPROVED BY DATE

CHECK NUMBER _____ DATE _____

Disposition: Payroll - DD Mail Deliver to: _____

Date check needed: _____

[Redacted] TITLE [Redacted]
Murfreesboro, TN 37130

Settlement Statement

File No./Escrow No.: [Redacted]
Print Date & Time: April 11, 2019 8:05am
Officer/Escrow Officer: [Redacted]
Settlement Location: [Redacted] Murfreesboro, TN 37130

Property Address: [Redacted] Rd., Lot 3, Murfreesboro, TN 37128
Buyer: [Redacted]
Seller: [Redacted] Starr and Candie A. Starr
Settlement Date: April 11, 2019
Disbursement Date: April 11, 2019

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
	\$ 425,000.00	Financial Sales Price of Property	\$ 425,000.00	
		Deposit including earnest money		\$ 5,000.00
		Loan Payment		N/A
		Prorations/Adjustments		
	\$ 3,709.20	Rutherford County Taxes from 4/11/19-1/1/20	\$ 3,709.20	
		Loan Charges to (lender co.)		N/A
		Other Charges		
		Appraisal Fee to Buyer	\$ 385.00	
\$ 450.00		Title Charges & Escrow / Settlement Charges		
\$ 50.00		Settlement Services		
\$ 2,708.00		Document Prep		
		Owner's Title Policy		
		Commission		
\$ 17,000.00		Real Estate Commission to [Redacted] Realty		
		Government Recording and Transfer Charges		
\$ 1,574.00		Recording Tax		
\$ 130.00		Recording Deed of Trust		
\$ 30.00		Digital Storage Fee		
		Payoff(s)		
\$ 287,400.68		Lender: [Redacted] Mortgage Services		

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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

<p>June 27, 2017</p> <p>Candie A. Starr [REDACTED] Murfreesboro, TN 37128</p> <p>Dear Candie:</p> <p>On behalf of the Board of Trustees, I am pleased to extend to you an offer of employment as the Chief Executive Officer with the Lincoln Health System (LHS) effective July 10, 2017. Your employment with LHS is at-will and neither this letter nor any other oral or written representations may be considered a contract for any specific period of time.</p> <p>This offer is contingent on your successful completion of the following:</p> <ul style="list-style-type: none"> • Background check relative to information relevant to the duties of this position. • Passing an employment drug / alcohol screening which may be conducted pre-employment. <p>Your bi-weekly salary will be \$6,923.08 which equates to \$180,000 annually.</p> <p>As an LHS, you will have the opportunity to participate in a number of benefit programs including health, life, vision, dental, disability insurance and a retirement plan. Paid Time off will be accrued to 28 days annually. It includes vacation, sick, personal and holidays. You will be eligible for an \$180,000 life insurance policy paid for by the health system after one (1) year of continuous full time employment. You will serve a 90 probationary period which will begin on your hire date (July 10, 2017).</p> <p>Please review the letter carefully and call ([REDACTED]) if you have questions or require further clarification. Please signify below your acceptance by checking your election, signing and returning this letter to us by June 30, 2017.</p> <p>We feel you match our community very well and that the health system can thrive as we work to improve health care services provided to our community.</p>	<p>June 27, 2017</p> <p>Candie A. Starr Murfreesboro, TN 37128</p> <p>Dear Candie:</p> <p>On behalf of the Board of Trustees, I am pleased to extend to you an offer of employment as the Chief Executive Officer with the Lincoln Health System (LHS) effective July 10, 2017. Your employment with LHS is at-will and neither this letter nor any other oral or written representations may be considered a contract for any specific period of time.</p> <p>This offer is contingent on your successful completion of the following:</p> <ul style="list-style-type: none"> • Background check relative to information relevant to the duties of this position. • Passing an employment drug / alcohol screening which may be conducted pre-employment. <p>Your bi-weekly salary will be [REDACTED] which equates to [REDACTED] annually. You will also be allocated a relocation allowance of up to \$30,000, which can include realty fees. Please complete and sign the enclosed Relocation Allowance Agreement.</p> <p>As an LHS, you will have the opportunity to participate in a number of benefit programs including health, life, vision, dental, disability insurance and a retirement plan. Paid Time off will be accrued to 28 days annually. It includes vacation, sick, personal and holidays. You will be eligible for an [REDACTED] life insurance policy paid for by the health system after one (1) year of continuous full time employment. You will serve a 90 probationary period which will begin on your hire date (July 10, 2017).</p> <p>Please review the letter carefully and call ([REDACTED]) if you have questions or require further clarification. Please signify below your acceptance by checking your election, signing and returning this letter to us by June 30, 2017.</p> <p>We feel you match our community very well and that the health system can thrive as we work to improve health care services provided to our community.</p>
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Alteration by Starr

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.
- 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.
