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Auditor Edelen Releases HealthFirst Special Examination, Finds Project Manager Pre-Selected, Has Conflict of Interest
Exam Questions Financial Stability of Organization Charged with Building Health Clinic

LEXINGTON, Ky. (July 25, 2013) – Auditor Adam Edelen today released a special examination of HealthFirst Bluegrass, Inc., which found that the project manager for a new health care facility on Southland Drive was pre-selected and has a conflict of interest, potentially jeopardizing a portion of a \$11.7 million federal grant for construction.

The exam, conducted at the request of Lexington Mayor Jim Gray, also found that the non-profit set up to run a primary care clinic for medically-underserved in Fayette County has cash flow problems that threaten the organization's financial viability.

"This examination should serve as a tool for the HealthFirst board – which I believe is comprised of individuals who are trying to do a good thing for their community – to get their house in order and keep this important project moving forward," Auditor Edelen said.

The audit found that HealthFirst pre-selected a project manager and then made sure that the criteria used to score candidates in a selection process would favor their chosen candidate. There does not appear to have been any consideration of the cost for the project management service or interviews conducted with candidates to determine whether they were more qualified.

The audit found the project manager has a conflict of interest by also having a minority ownership interest in the company serving as the landlord. Though not having a controlling interest, a 10 percent interest in a multi-million dollar property is significant, making it

improbable that he could remove any personal consideration when making decisions as property manager.

The findings of pre-selection and conflict of interest could jeopardize \$120,000 of the construction grant. The Auditor's office recommends HealthFirst discuss the matter with the federal agency that administers the grant and consider whether the procurement process for a project manager be performed again following policy and regulation requirements.

Auditors also questioned the financial stability of the organization because of late payments from Medicaid and aggressive revenue projections. The federal agency administering the grant recommends health centers maintain at least a month's worth of cash reserves, but cash flow projections do not indicate this is feasible for HealthFirst. This could jeopardize the organization's viability because it has limited options to acquire financial assistance if it runs out of money.

"As a steward of a significant amount of taxpayer money and operator of an important primary care clinic, the board has to get a better handle on its finances," Auditor Edelen said.

Mayor Gray, who does not appoint the HealthFirst board, said good health services are essential to the community and making sure the clinic is built is a priority.

"Our community needs this primary care clinic, and we must do everything possible to work with local and federal officials to move this project forward," Mayor Gray said.

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