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Hospital Chief Executive Resigns Abruptly Following State Auditor's Office Revelations

Nebraska State Auditor Mike Foley announced today the release of a scathing letter alleging rampant financial abuse by the former Chief Executive and Financial Officer (CEO/CFO) of a fiscally strapped rural hospital in Friend, Nebraska. The Warren Memorial Hospital (Hospital), also known as the Friend Community Healthcare System, owned by the City of Friend (City), appears to have fallen victim to over $38,000 in improper credit card charges incurred by its erstwhile top administrator.

When the draft letter was sent to the Hospital's five-member Board and other City officials for final review, the implicated administrator stepped down suddenly.

Foley observed, "Rural hospitals in Nebraska are teetering under severe budgetary pressures, so such misconduct by a trusted administrator can be enough to push them over the edge of insolvency. It's definitely not Nebraska nice." With more than half of this State's rural hospitals operating on razor-thin margins, struggling with everything from employee turnover to soaring costs, Foley noted, any type of monetary mismanagement is particularly destructive.

The letter and supporting evidence are now being provided to appropriate law enforcement agencies. Meanwhile, Foley's office has been informed that the ex-administrator is attempting to make restitution to the Hospital for its financial losses and corresponding legal expenses.

While pleased that the former administrator appears to be "fessing up to his reported impropriety" by reimbursing the Hospital, Foley said that "the transactions speak for themselves." He added, "This type of wrongdoing undermines the outstanding work of those who provide desperately needed healthcare services to our rural communities."

Additionally, Foley's letter details thousands of dollars in golfing expenses racked up by the former administrator in Nebraska, Florida, Colorado, Nevada, Illinois, Tennessee, and perhaps other places – all reimbursed with Hospital funds. "Every limited dollar," Foley said, "should have gone directly to patient care instead of being wasted on an executive's lavish personal entertainment."

Adding insult to injury, according to the letter, the former administrator appears to have tried to deceive Foley's audit team by claiming disingenuously that he opened a second credit card account for the Hospital under his own name because the prior credit card was cancelled due to lack of payment. The auditors found, however, that the second credit card was obtained while the Hospital's previous one was still in use.

Nebraska statute criminalizes any willful obstruction or hindrance of an audit, examination, or related activity by the Auditor of Public Accounts, as well as any attempt to mislead someone tasked with carrying out those duties.

The following are among the hundreds of questionable expenses revealed in the letter to have been incurred by the Hospital's former chief executive:

- **Travel and Lodging:** United Airlines ticket upgrades, as well as extraordinary alcohol and room service charges at a Ritz-Carlton hotel and elsewhere.
- **Retail and Subscriptions:** Subscription streaming services (including YouTube TV and Hulu), online marketplaces like eBay, and wholesale clubs or retailers such as Sam's Club, Costco, and Menards.
- **Local Services and Dining:** Purchases at Dollar General, 402 Creamery Ice Cream Shop, Vic's Pizza, and Rocket Car Wash.

"It's always infuriating to see public money being misused," Foley remarked, "but depriving an important medical facility of scarce funds – solely for extravagant personal aggrandizement – is especially disturbing."

A full copy of the letter can be found at https://auditors.nebraska.gov.

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