

CASE/FILE NO.: OTM Review Summary

ORIGINAL DATE: September 13, 2010

INVESTIGATORS: Joyce Ann PERHAM, OPAR, FIU, Criminal Investigator  
Laura PALODICHUK, OPAR, FIU, Criminal Investigator

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### **BASIS FOR INVESTIGATION**

On September 13, 2010 John CARTER, DHS, Office of Payment Accuracy and Recovery, Fraud Investigation Unit, Manager requested investigation of potentially fraudulent practices by Julia A. HUDDLESTON specifically related to the federal grant; Money Follows the Person (MFP), named in Oregon as the On The Move Program (OTM). Specifically, it was requested the investigation be focused on possible conflict of interest issues, lack of management oversight, accountability for problematic issues within the program and fiduciary responsibilities of public monies by HUDDLESTON. Additionally the investigation was to review OTM payment process and the alleged lack of following state and federal policies and regulations to remit payments to vendors and providers. Another focus of the investigators was to determine if OTM employees received personal gain from OTM monies and/or vendors. Due to the nature of Linda WOELKE'S position she was placed on administrative leave because her job responsibilities included areas that were in question and were to be investigated.

## OTM REVIEW SUMMARY

### BACKGROUND OF SUBJECTS

#### SUBJECT 1

Name: HUDDLESTON, Julia A.  
Address: [REDACTED]  
Portland, OR 97219  
County: Multnomah  
DOB: [REDACTED]  
ODL: [REDACTED]

#### SUBJECT 2

Name: WOELKE, Linda  
Address: [REDACTED]  
Salem, OR 97306  
County: Marion  
DOB: [REDACTED]  
ODL: [REDACTED]

### SCOPE OF INVESTIGATION

Before the interviews were conducted an investigation plan was put in place, interview questions were developed collaboratively between the Department of Justice Medicaid Fraud Unit and the Office of Payment Accuracy and Recovery, Fraud Investigation Unit. This team included John CARTER, OPAR, FIU, Manager, along with Joyce Ann PERHAM and Laura PALODICHUK, Criminal Investigators OPAR, FIU and the Department of Justice Medicaid Fraud Unit members; Donna MADDUX, Senior Assistant Attorney General and Richard MAY, Investigative Auditor, CPA.

The Oregon Department of Justice's Medicaid Fraud Unit (MFU) opened a separate but interrelated criminal investigation, coordinating with but independent from the DHS investigation.

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### SECURITY OF THE EVIDENCE

The initial observations of PALODICHUK and PERHAM on 09/21/10 were as follows: PALODICHUK and PERHAM were welcomed into the DHS Seniors and People with Disabilities Office located at 500 Summer St. NE, Salem, OR on 09/21/10 by Carolyn WILSON, Executive Assistant to James TOEWS and Cathy COOPER. We were directed to Conference Room 167 by Nathan SINGER, Transition Services Analyst for SPD (Seniors and People with Disabilities, On The Move Program (OTM)). We were told by SINGER all the information pertaining to client files, provider files, vendors and contract information were located in Conference Room 167. We found Conference Room 167 as follows;

- There were boxes and boxes of files all over the conference table and stacked around the room. There was no specific order to the boxes. The boxes were not labeled.
- Files were found under the following categories:
  - Home modifications were labeled by first name or last name of the client or could be labeled by the provider's first name or last name. We also observed some files to be labeled under the project name. There was no consistent way of filing.
  - Some OTM client files were found to be labeled and filed by last name, followed by the first name. Some were found to be labeled and filed by the first name followed by the last name. Some were mislabeled.
- The contents of the files were not organized in any particular order. One had to completely dismantle the file and organize it in order to be able to review the file thoroughly.

We were informed by SINGER that some of the files came from HUDDLESTON'S cubicle and the other files came from WOELKE'S cubicle. SINGER explained that OTM staff moved all the documents into boxes and placed the boxes in Conference Room 167. We observed the door to Conference Room 167 did not lock, nor were the boxes secured in a locked storage area.

We were shown the desk of HUDDLESTON and WOELKE. The desk/cubicle areas were reviewed and the remaining items pertinent to this investigation were collected and moved to conference room 167.

We found a flash drive packaging, located the receipt for the only one that was purchased by OTM, we interviewed staff and were told HUDDLESTON was the last one seen with the flash drive/thumb drive for the

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past six to nine months. HUDDLESTON denied having the flash/thumb drive in her possession on 02/09/11 when questioned by MADDUX, MAY, PERHAM and PALODICHUK. It is our understanding there is agency information on the flash/thumb drive but it is not client specific. Anything on the thumb/flash drive could be obtained off the internet according to HUDDLESTON.

On 09/22/10 security door locks were placed on the two doors that led into conference room 167. From 09/22/10 to the completion of this investigation all evidence has either been in the possession of PALODICHUK, PERHAM and/or checked out/logged by SPD OTM Staff (Specific cases being paid/reviewed/completed) and the room has been consistently locked with keys checked in and out and or in the possession of PALODICHUK, PERHAM and CARTER. (Not Verbatim) **EXHIBITS 1-A through 1-V**

### INVESTIGATION INTERVIEWS

The OTM investigation interviews were done almost exclusively, face to face. The interview details were captured by handwritten notes and/or typed on the computer during the interviews. The notes were then summarized in a Statement of Facts form and sent to the interviewees to review and sign. Not all Statements of Facts were returned and signed. In the case of HUDDLESTON and WOELKE the interviews were recorded and then transcribed verbatim. Some communication before and after the interviews were done via telephone, e-mail and/or written communication. Often the investigators asked for additional documentation from the interviewees. During the course of the investigation, the following people were contacted and interviewed.

#### ACCOUNTING/CONTRACTS

#### INFORMATION SYSTEMS/HUMAN RESOURCES

11/18/10	LAMON, Michael – DHS, Office of Contracts and Procurement; Procurement Manager; LOCATION: Salem, OR	<b>EXHIBIT 176 (A-B)</b>
11/18/10	MOLLOY, William – DHS, Office of Contracts and Procurement; Contracts Specialist; LOCATION: Salem, OR	<b>EXHIBIT 178 (A-B)</b>
11/18/10	TRANSUE, Stella - DHS, Office of Contracts and Procurement; Administrator; LOCATION: Salem, OR	<b>EXHIBIT 187 (A-C)</b>
11/29/10	PHILLIPS, Steve – DHS, Office of Contracts and Procurement; Manager; LOCATION: Salem, OR	<b>EXHIBIT 183 (A-C)</b>

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12/01/10 WONG, Melody - DHS, Office of Contracts and Procurement; Accounting Tech 3;  
LOCATION: Salem, OR **EXHIBIT 191 (A-B)**

12/01/10 BREACH, Wayne – DHS, Contracts Payments Unit, Manager;  
LOCATION: Salem, OR **EXHIBIT 162 (A-B)**

12/02/10 WALTON, Nancy – DHS, Office of Financial Services - Disbursement Manager;  
LOCATION: Salem, OR **EXHIBIT 189 (A-D)**

12/06/10 YOUNG, Angela – DHS, SPD Human Resources, Senior Human Resources Manager.  
LOCATION: Salem, OR **EXHIBIT 156 (A)**

12/07/10 WALLACE, Brock – DHS, Human Resources, Analysis.  
LOCATION: Salem, OR **EXHIBIT 157 (A)**

01/12/11 BOYER, Michael – DHS, Office of Financial Services, Supervisor of Management Reporting;  
LOCATION: Salem, OR **EXHIBIT 161 (A-E)**

01/12/11 KRUMMEL, Tamara - DHS, Office of Financial Services, Grant Accountant;  
LOCATION: Salem, OR **EXHIBIT 161 (A-E)**

01/12/11 ROBSON, Julie - DHS, Office of Financial Services, Grant Accountant;  
LOCATION: Salem, OR **EXHIBIT 161 (A-E)**

01/12/11 KILLGORECATHCART, Margaret (Meg) – DHS, Information Systems Provider Pay Unit –  
Manager , LOCATION: Salem, OR **EXHIBIT 173 (A-E)**

### ADULT FOSTER HOMES – PROVIDER

11/08/10 MAKIN, Katrina -- Former Adult Foster Home Provider Blue Horizon;  
LOCATION: Enterprise, OR **EXHIBIT 177 (A-D)**

11/08/10 KEMRY, Bonnie – Adult Foster Home Provider/Owner;  
LOCATION, Haines, OR **EXHIBIT 164 (A-D)**

11/10/10 CORREA, Theresa - Adult Foster Home Provider/Owner;  
LOCATION, Milton-Freewater, OR **EXHIBIT 166 (A-D)**

11/10/10 KLIEWER, Steven - Adult Foster Home Provider/Owner -- Wallowa Valley Center for  
Wellness; LOCATION, Enterprise, OR **EXHIBIT 175 (A-D)**

12/07/10 BAXTER, Josh – Adult Foster Home Provider/ Owner;  
LOCATION: Waterloo, OR **EXHIBIT 158 (A-E)**

12/08/10 ROOS, Nate – Adult Foster Home Provider/ Owner Synergy;  
LOCATION: Lebanon, OR **EXHIBIT 174 (A-E)**

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12/08/10 KIMBALL, Bryan - Adult Foster Home Provider/ Owner Synergy;  
LOCATION: Lebanon, OR **EXHIBIT 174 (A-E)**

12/09/10 BITNEY, Diana - Adult Foster Home Provider/ Owner;  
LOCATION: Scio, OR **EXHIBIT 159 (A-G)**

12/09/10 PUGH, Tracy - Adult Foster Home Provider;  
LOCATION: Scio, OR **EXHIBIT 159 (A-G)**

12/09/10 VANATTA, Jacine – Director Willamette Manor;  
LOCATION: Lebanon, OR **EXHIBIT 186 (A-E)**

12/09/10 BORZY, Jamie - Adult Foster Home Provider/ Owner;  
LOCATION: Independence, OR **EXHIBIT 160 (A-M)**

01/03/11 OSGOOD, Candee and Ronald – Adult Foster Home Providers/Owners;  
LOCATION: Hermiston, OR **EXHIBIT 181 (A-R)**

### CLATSOP CARE

12/02/10 WEIR, Robert (Bob) - North Salem Seniors and People with Disabilities Office – Program  
Manager for field - counties: LOCATIONS: Marion, Polk, Clatsop, Yamhill and Tillamook.  
**EXHIBIT 141 (D-F)**

12/15/10 SCHACHER, Anita – Administrator, Clatsop Care Health District,  
LOCATION: Astoria, OR **EXHIBIT 184 (A-H)**

12/16/10 JOHNSON, Ted – President, Marathon Development, Inc.  
LOCATION: Bellevue, WA **EXHIBIT 172 (A-J)**

### PERSONNEL

#### Subject 1 - HUDDLESTON, Julia

02/09/11 HUDDLESTON, Julia - DHS – Seniors and People with Disabilities Office – Former OTM  
Program Director: LOCATION: Portland, OR **EXHIBIT 56 (TG-ZT)**

#### Subject 2 - WOELKE, Linda

02/03/11 WOELKE, Linda - DHS – Seniors and People with Disabilities Office – OTM Housing  
Coordinator; LOCATION: Salem, OR **EXHIBIT 147 (GF-LM)**

## OTM REVIEW SUMMARY

### SPD DIRECTORS

- 12/01/10 TOEWS, James – DHS – Seniors and People with Disabilities Office – SPD Director;  
LOCATION: Salem, OR **EXHIBIT 133 (X-AK)**
- 12/02/10 COOPER, Cathy – DHS – Seniors and People with Disabilities Office – Deputy Assistant  
Director; LOCATION: Salem, OR **EXHIBIT 28 (AC-AR)**

### SPD EXECUTIVE STAFF

- 02/11/11 FAY, Mary Lee – DHS – SPD – Developmental Disability Services;  
LOCATION: Salem, OR **EXHIBIT 169 (A-C)**
- 02/16/11 BURKET, Jeanette – DHS – SPD Office of Seniors and Disability Services;  
LOCATION: Salem, OR **EXHIBIT 163 (A-J)**
- 02/23/11 HARTWIG, Deanna – DHS – Federal Resource & Financial Eligibility;  
LOCATION: Salem, OR **EXHIBIT 171 (A-C)**
- 02/11/11 WILSON, Carolyn – DHS – SPD Administrative Assistant to TOEWS and COOPER.  
LOCATION: Salem, OR **EXHIBIT 190 (A-B)**

### OTM OFFICE STAFF (CENTRAL OFFICE)

- 11/03/10 HATA, Sandy - Seniors and People with Disabilities Office – Diversion Program Manager;  
LOCATION: Salem, OR **EXHIBIT 48 (AN-AO)**
- 11/16/10 WATKINS, Brent – DHS – Seniors and People with Disabilities Office – Program Developer  
DD Services/Prior OTM Supervisor; LOCATION: Salem, OR  
**EXHIBIT 139 (AE-AL)**
- 11/16/10 JESTER-HAINING, Margaret - DHS – Seniors and People with Disabilities Office – OTM  
Health Issues Coordinator; LOCATION: Salem, OR **EXHIBIT 63 EF-EK)**
- 11/16/10 TYRER, Stephanie - DHS – Seniors and People with Disabilities Office – Project Coordinator  
LOCATION: Salem, OR **EXHIBIT 135 (FC (1-2)– FM)**
- 11/17/10 SINGER, Nathan - DHS – Seniors and People with Disabilities Office – OTM, Operations and  
Policy Analysis 3, LOCATION: Salem, OR **EXHIBIT 121 (BK-BX)**
- 11/17/10 WHATLEY, Caryn - DHS – Seniors and People with Disabilities Office – Hearings Policy  
Analyst/Prior OTM Supervisor, LOCATION: Salem, OR **EXHIBIT 144 (AZ-BD)**
- 11/17/10 KRUESI, Loren - DHS – Seniors and People with Disabilities Office – Former OTM Transition  
Coordinator, Current Administrative Assistant, LOCATION: Salem, OR  
**EXHIBIT 73 (HL-HP)**

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- 11/17/10 KLINE, Cheree – DHS – Seniors and People with Disabilities Office – OTM Project Assistant,  
LOCATION: Salem, OR **EXHIBIT 71 (DW-DY)**
- 11/18/10 BROWN, Julia - DHS – Seniors and People with Disabilities Office – OTM Operations and  
Policy Analyst 3, LOCATION: Salem, OR **EXHIBIT 18 (DV-EA)**

### TRANSITION/DIVERSION/PAS COORDINATORS/FIELD MANAGEMENT

- 11/04/10 LEE, Trina – DHS – Seniors and People with Disabilities Office –  
Program Manager LOCATION: Klamath Falls, OR **EXHIBIT 79 (N-O)**
- 11/08/10 NORTON, Kimberly – DHS – Seniors and People with Disabilities Office – Transition  
Coordinator; LOCATION: Enterprise, OR **EXHIBIT 103 (I-L)**
- 11/09/10 MORDHORST, Jamie - DHS – Seniors and People with Disabilities Office – Transition  
Coordinator; LOCATION: Ontario, OR **EXHIBIT 98 (J-L)**
- 11/09/10 LATTA, Pam - DHS – Seniors and People with Disabilities Office – Transition Coordinator;  
LOCATION: Enterprise, OR **EXHIBIT 76 (F-K)**
- 11/09/10 NAWRAS, Desarae - DHS – Seniors and People with Disabilities Office – Transition  
Coordinator; LOCATION: La Grande, OR **EXHIBIT 101 (I-K)**
- 11/09/10 SHAW, Sheri – DHS – Seniors and People with Disabilities Office – Program Manager.  
LOCATION: La Grande, OR **EXHIBIT 119 (E-G)**
- 12/01/10 TATE, Scott - DHS – Seniors and People with Disabilities Office;  
LOCATION: Hermiston, OR **EXHIBIT 130 (K-R)**
- 12/08/10 MOORE, Randi – Cascade West Council of Governments – Manager/Transition Coordinator;  
LOCATION: Albany, OR **EXHIBIT 97 (F-L)**
- 12/08/10 GRIFFIN, Bonnie – Cascade West Council of Governments – Transition Coordinator;  
LOCATION: Albany, OR **EXHIBIT 43 (M-S)**
- 12/08/10 HUSKRA, Brony - Cascade West Council of Governments – Transition Coordinator;  
LOCATION: Albany, OR **EXHIBIT 55 (I-P)**
- 12/29/10 TOWNSEND, Deborah – DHS – Seniors and People with Disabilities Office - Line Supervisor.  
LOCATION: Hermiston, OR **EXHIBIT 134 (A-C)**
- 01/03/11 TATE, Scott – DHS – Seniors and People with Disabilities Office – Transition Coordinator;  
LOCATION: Hermiston, OR **EXHIBIT 130 (K-R)**
- 01/04/11 BEETLE, Kara – Multnomah County Aging and Disability Services – Transition Coordinator;  
LOCATION: Portland, OR **EXHIBIT 13 (J-P)**

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### UMPOUA

- 12/06/10 BAYLY, Merry – Douglas County Seniors and People with Disabilities Office – Program Manager, LOCATION: Roseburg, OR **EXHIBIT 11 (F-I)**
- 12/06/10 JENSEN, Michelle - Douglas County Seniors and People with Disabilities Office – Transition Coordinator, LOCATION: Roseburg, OR **EXHIBIT 62 (N-P)**
- 12/07/10 TAMM, Betty - Umpqua Community Development Corporation – Executive Director  
LOCATION: Roseburg, OR **EXHIBIT 168 (A-D)**
- 12/07/10 ENOS, Jodi - Umpqua Community Development Corporation – Project Manager,  
LOCATION: Roseburg, OR **EXHIBIT 168 (A-D)**

### VENDORS

- 01/10/11 PASCOE, Bill – Curotek, Owner/Operator;  
LOCATION: Milwaukie, OR **EXHIBIT 182 (A-F)**
- 01/11/11 KOBER, Michael – CMTS, Former Employee – Structure Services Director;  
LOCATION: Cottage Grove, OR **EXHIBIT 165 (A-J)**
- 01/11/11 HODGSON, Gary – Hodgie Construction, Contractor for OTM remodels;  
LOCATION: Albany, OR **EXHIBIT 192 (A-G)**
- 01/12/11 MULVEY, Walt - Fiber-Fab – Owner;  
LOCATION: Gervais, OR **EXHIBIT 179 (A-C)**
- 01/12/11 STOYER, Rhett - Fiber-Fab – Employee;  
LOCATION: Gervais, OR **EXHIBIT 180 (A)**
- 01/13/11 VINCENT, Bill – CMTS, Program Project Manager;  
LOCATION: Portland, OR **EXHIBIT 188 (A-E)**
- 01/13/11 BARRY-GIPSON, Sharon – CMTS, Accounting Office Manager;  
LOCATION: Portland, OR **EXHIBIT 170 (A-B)**
- 01/13/11 TABOR, Carrie and Steve – 1st Senior Care - Owner/Operators;  
LOCATION: Tigard, OR **EXHIBIT 185 (A-F)**
- 01/13/11 LUNDBERG, Lydia – Elite Care, Owner/Operator;  
LOCATION: Milwaukie, OR **EXHIBIT 167 (A-F)**

## OTM REVIEW SUMMARY

### PERSONNEL

PALODICHUK, PERHAM and sometimes MAY interviewed the above listed "Key" OTM personnel. Other documentation and sources were investigated for all OTM employees as follows:

- Each OTM paid employee (Central Office, Field and Supervisors/Managers) were reviewed through the search engine site named ACCURINT. **EXHIBITS 2-151**
- Related family members/associates were reviewed and placed in the Excel spread sheet for cross referencing. There were 2073 total entries. **EXHIBIT 152 (A-AY)**
- Each OTM paid employee (Central Office, Field and Supervisors/Managers) were reviewed through any and all names/alias for owning any business in Oregon where OTM monies were paid. **EXHIBITS 2-151**
- Specific employees were interviewed who were of interest either due to their position in the OTM Program and/or due to the activities in their area (county/city) where OTM projects were in the process of a contract and/or payments. It was determined their statements did not lead to further review on personnel issues. Their opinions/observations were received and reviewed regarding the OTM Program and the Central Office Staff communication to the field. **EXHIBITS 13,43, 55, 76, 79, 97, 98, 101, 103, 119, 130, 134**
- There was only one employee who had one relative that cross referenced with the same name as one of the OTM vendor/providers. After further research it was determined no relationship was established. **EXHIBIT 153 (A-D)**
- Julia BROWN (OTM employee) revealed she hired an OTM vendor (See Conflict of Interest Statement) dated 08/03/10 Julia BROWN was referred to the vendor John RUPPERT of Denali Construction by Linda WOELKE. Julia BROWN stated when questioned she did not get a discount or any special deals due to her association with the OTM Program. **EXHIBIT 18 (AZ) (EV-EA)**
- All OTM paid employee (Central Office, Field and Supervisors/Managers) names and alias names were run through The Oregon Judicial Informational Network (OJIN). All alias names were reviewed for current and or prior criminal history. After the review, it was determined that; Some OTM employees had prior histories that included but is not limited to traffic citations, parking tickets, marriage dissolutions, DUI'S, harassment, assault, recklessly endangering, disorderly conduct and restraining orders. All of these above charges were either dismissed or the fines were paid. **EXHIBITS 2-151**

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- HUDDLESTON was the only OTM employee found to have a criminal history with a felony conviction. (forgery) When questioned on 02/09/11 HUDDLESTON stated she did not disclose her prior criminal history to James TOEWS or Cathy COOPER when offered the MFP/OTM Director position. HUDDLESTON did not report her prior work history with PP & L on her PD100 (application) when she was previously hired in the late 1980's by PERS, a state agency. PP & L is the company where HUDDLESTON was employed and where she committed forgery. In the 1980's DHS by policy did not run criminal history checks on new employees.

**EXHIBIT 56 (A-I)**

**(CD-CE)(TK-TL)**

- Credit Backgrounds were reviewed for all Central Office OTM employees.
  - A comparison of revolving balances for HUDDLESTON was compared from September 2010 and January 2011.
  - OTM Central Office Staff were found to have debts of reasonable and explainable expenses.

**EXHIBITS 18, 48, 56 (GQ-HV),**

**63, 71, 73, 121, 134, 139, 144**

- Conflict of Interest

- HUDDLESTON reported her spouse Chris APGAR of Apgar and Associates on 12/01/09 being a sub-contractor for a vendor (NetSmart) who was awarded a contract with the Oregon State Hospital. The sub-contractor for the Oregon State Hospital was contacted and no wrong doing regarding HUDDLESTON was found by PERHAM. HUDDLESTON failed to disclose to COOPER she was the Manager of Apgar and Associates when reporting the possible conflict of interest.
- BROWN reported she hired an OTM contractor after she was referred by WOELKE. No special rate was received by BROWN from the OTM contractor. No wrong doing.

**EXHIBIT 56 (BW-BX 1-7) (BU)**

**(BV)(BY-CC)**

**EXHIBIT 18**

### Professionalism

- Only one Central Office staff member had an evaluation performed by HUDDLESTON while HUDDLESTON was the OTM Program Director.
- HUDDLESTON was reported by the majority of the Central Office OTM employees to be verbally and emotionally abusive, demeaning and difficult to work with and for. Other OTM

**EXHIBITS 18, 48, 63, 71, 73, 121,**

**134, 139, 144**

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- Field Staff and a few DHS Central Office employees painted a picture of HUDDLESTON also as being a very intelligent, strong, powerful and productive person. The community partners reported HUDDLESTON to be full of hope, promises and not providing what she promised and had committed to them. **EXHIBITS 11, 13, 18, 28, 43, 48, 55, 56, 62, 63, 71, 73, 76, 79, 97, 98, 101, 103, 119, 121, 130, 133, 134, 135, 139, 144, 147, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 173, 174, 175, 176, 177, 178, 179, 180, 181, 186, 187, 182, 183, 185, 188, 189, 190, 191, 192**
- WOELKE was reportedly difficult to work with in Central Office; by her peers and by the vendors/providers for the OTM program in the community. WOELKE was rude and curt as reported by some; others excused her behavior as just being "Linda." A number of people reported they liked WOELKE and felt they received good service/assistance. **EXHIBITS 11, 13, 19, 43, 48, 55, 62, 63, 76, 81, 83, 97, 98, 101, 103, 119, 121, 130, 134, 135, 139, 144, 158, 159, 160, 164, 165, 166, 167, 170, 172, 174, 175, 177, 179, 180, 181, 182, 184, 185, 186, 188, 192**
- OTM Central Office employees failed to oversee the OTM files in the standard filing procedures. (Lack of organization and management of files) **Per investigator PALODICHUK and PERHAM'S observations.**
- The payment system was disorganized and many vendor invoices had to be resubmitted multiple times before payments were made. **Per investigator PALODICHUK and PERHAM'S observations.**
- HUDDLESTON used state electronic devices/printers etc. for her own personal gain/use as admitted by HUDDLESTON during her interview on 02/09/11.

**EXHIBIT 56 (MA-NE)(QN-TF)**

- Security Access to the Barbara Robert's Building located at 500 Summer St., NE, Salem, OR was reviewed for all OTM Central Office employees. No inappropriate security issues were observed. **EXHIBITS 18, 48, 56, 63, 71, 73, 121, 135, 139, 144, 147**
- Training was reviewed for Central Office Staff as follows:
  - HUDDLESTON attended Managing Resources; Budgets, Contracts, Risk for DHS Managers in August 2005. She also attended Labor Management Contract Training in 2001 and Process Improvement in 2006. She attended SPD District Managers Module II and a PSU/SPD Collaborative class in 2009. **EXHIBIT 56 (ACF)**

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- All other OTM staff while working for HUDDLESTON had little to no staff training while working for the OTM program.

**EXHIBITS 18, 48, 56, 63, 71, 73,  
121, 135, 139, 144, 147**

### **WOELKE, Linda - OTM Operations & Policy Analyst - REVIEW**

A review of WOELKE was completed by PERHAM and PALODICHUK regarding all allegations and/or concerns during the OTM Review Process involving WOELKE. WOELKE was not found to have a relative and/or associate, immediate family or personally where they/she may have received financial gain from OTM monies. On **10/20/10** PERHAM reviewed the Oregon Business Registry and did not locate a business in WOELKE'S name. There was no Conflict of Interested located in WOELKE'S personnel files. No criminal history found on **09/23/10** through LEDS. There was a reported speeding ticket where she pled guilty in 2004. OJIN was run and again the traffic speed infraction was mentioned in 1994, and the 2004 traffic violation for speeding. DHS/SPD building access was reviewed on **10/20/10** and no unusual, odd or out of the ordinary usage was recorded. E-mail was reviewed by PALODICHUK. WOELKE was found to have a few personal e-mails, but no personal items were saved on her hard drive. PERHAM observed many trips to conferences/site visits but only one training recorded as having attended. WOELKE'S credit history was reviewed via (EQUIFAX) WOELKE'S report documents mortgage/s and auto loans. There were no excessive revolving charge card expenses.

**EXHIBIT 147 (A-SK)**

### **WOELKE INTERVIEW:**

**LOCATION:** Department of Justice Building, 1162 Court St., NE, Salem, OR

**TIME:** February 3, 2011 at 9:00AM

**INVESTIGATORS:** **Richard MAY, CPA**, Investigative Auditor, Medicaid Fraud Unit, Department of Justice  
**Laura PALODICHUK and Joyce Ann PERHAM**, Criminal Investigators, Fraud Investigation Unit, Office of Payment, Accuracy and Recovery, Department of Human Services

During the course of the interview it was noted by the above investigators: 1) Discrepancies in WOELKE'S statements, 2) What WOELKE described was in contrast to what had been discovered during the course of the investigation as being accurate.

**EXHIBIT 147**

Clarification regarding handwriting: Clatsop Care Center check request shown to Woelke February 3, 2011

**EXHIBIT 193**

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### HUDDLESTON, Julia - OTM Project Director

A review of Julia HUDDLESTON personally and professionally was observed and documented as follows:

On 09/13/10 PALODICHUK and PERHAM found that Julia A HUDDLESTON SS# [REDACTED] and date of birth [REDACTED] is related by marriage to Christopher Robin APGAR, SS# [REDACTED] DOB [REDACTED]. Marriage date is [REDACTED] in Oregon. We requested credit reports from DHS, OPAR; FIU staff and reviewed ACCURINT (An information server through the internet) and also utilized agency informational sources as follows: Associated names are Julia A HUDDLESTON, Julia A TORREY, Julia A HUDDLOSTON, Julia Ann JUDDLESTON, Julie HUDDLESTON, Julia A TORREG, Julia J TOOHEY and Julia A. TORREY. Julia A HUDDLESTON is the Manager for Apgar and Associates, LLC located at [REDACTED], Portland, OR 97219 and telephone number of [REDACTED]. Julia HUDDLESTON is also employed by the State of Oregon, (DHS) Seniors and Peoples with Disabilities where she was a Project Director (DHS GroupWise).

**EXHIBIT 56 (K-BE)**

### CONFLICT OF INTEREST:

A conflict of Interest Policy was in Julia HUDDLESTON'S personnel file. Conflict of Interest Policy was in HUDDLESTON'S personnel file and signed by HUDDLESTON on 03/22/88. **EXHIBIT 56 (BW-BX)** The form was dated 06/01/1986, no signature. On 12/01/09 Julia HUDDLESTON reported to Cathy COOPER that her spouse (Chris APGAR of APGAR and Associates) is a sub-contractor for the vendor recently awarded at 15 million dollar contract. (Oregon State Hospital) PERHAM did not observe any documentation in the above where HUDDLESTON reported to COOPER she was the Manager of Apgar and Associates. **EXHIBIT (BU)** Per Business Names Search under Apgar and Associates, LLC Julia HUDDLESTON is named the Manager of that firm. (Not Verbatim) **EXHIBIT (BX) (1-7)** On 12/29/09 e-mail communication from Angela YOUNG to Julia HUDDLESTON and Cathy COOPER; earlier conversation that spouse as sub-contractor would not be paid directly from the grant and COOPER would be able to sign for her. Questioned if it was limited to \$100,000.00 over 18 months. Julia HUDDLESTON responded that this was correct. **EXHIBIT (BV)** After much research I was referred to Tom STUCKE, owner/operator of NetSmart Technologies. Through e-mail communication STUCKE reported he approached Apgar and Associates. No conflict of interest was found by PERHAM. **EXHIBIT 56 (BY-CC)** PALODICHUK and PERHAM asked COOPER if COOPER she was aware that Julia HUDDLESTON was the manager for her husband Christopher APGAR'S firm/business. COOPER said that Julia HUDDLESTON did not disclose the above to her. From what COOPER read on HUDDLESTON'S disclosure, COOPER didn't see a conflict.

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### CREDIT HISTORY:

A review of the credit reports for HUDDLESTON and her spouse Chris APGAR were obtained on 09/14/10 and 01/24/11. These reports showed that HUDDLESTON and APGAR had substantial debt.

**EXHIBIT 56 (GQ-HV)**

### COURTS/CIVIL JUDGEMENTS

Various civil contract, small claims, civil money action, offense violation, judgments that were documented in the courts reflecting lack of payments to creditors between 1991-2003.

### CRIMINAL HISTORY

Julia HUDDLESTON, AKA: Julia Ann TORREY DOB [REDACTED], SS# [REDACTED]. Upon review of the relevant data bases it was found that HUDDLESTON/TORREY had: 1) Various infractions and violations including but not limited to driving without a license, driving without insurance, exceeding maximum speed, overtime meter parking etc. 2) In November 1987, HUDDLESTON/TORREY was charged with five counts of Theft 1 and five counts of Forgery 1. In December 1987, HUDDLESTON/TORREY pled guilty to two counts of Forgery I and the remaining charges were dismissed. HUDDLESTON/TORREY was ordered to pay restitution in the amount of \$15,915.04 to Pacific Power and Light, her former employer. Restitution was never paid in full.

**EXHIBITS 56 (CD-EK)**

### EMPLOYMENT:

- HUDDLESTON applied and had an initial hire date by the State of Oregon on 03/21/1988 **EXHIBIT 56 (H-I)** and worked as a Satellite Counseling Unit, Benefits Section Supervisor then was promoted to Manager, Membership/Employer Relations Section in July 1989 for the PERS system until 06/30/1989. **EXHIBIT 56 (C-G)** HUDDLESTON is also the Manager of Apgar and Associates, LLC a company owned by her husband Chris APGAR. **EXHIBIT (BX) (1-7)**
- Letter of Recognition to HUDDLESTON from Acting Administrator of DHS Lydia LISSMAN dated 07/13/01 for her research and assistance with the Arizona Long Term Care Project. **EXHIBIT 56 (FZ)**
- Letter of Thanks from Arizona Health Care Cost Containment System dated 05/25/01 regarding Julia HUDDLESTON'S feedback and advice she gave their agency. **EXHIBIT 56 (GA)**
- 2003 – Media Coverage: The Registrar Guard article “Auditors say state overbilled the feds.” Dated 02/26/2003. The auditors said the state relied on questionable accounting practices – including the

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revision of spreadsheets – to make the retroactive claims. Julia HUDDLESTON, the DHS official who oversees the loophole process, said retroactive payments are a long-accepted part of the federal law. “Under Medicaid Law, you can go back eight quarters and make a claim,” she said. But state auditors reported that they found no such leeway in the rules... Julia HUDDLESTON said, she and other human services officials’ understanding of the rules was that such paperwork wasn’t necessary. “We never felt we had to formally ask (federal officials) for permission to employ his new methodology,” she said.

### EXHIBIT 56 (ND)

- HUDDLESTON was hired as a Program Executive A - Field Examiner Supervisor March 21, 1988 and was promoted to Principal Executive Manager C in 1990 where she remained until she was promoted to a Principal Executive Manager E on 06/17/96, she continued to manage in that capacity until it was reclassified to a Principal Executive Manager F position where she remained for the remainder of her career at DHS until 08/31/10.

### EXHIBIT 56 (NP-QM)

- Privacy Program Statement of Understanding – signed/dated 07/03-11/03. **EXHIBIT 56 (GO)**
- SPD Data reporting warehouse enrollment form dated 06/16/2008. HUDDLESTON requested OTM database to be added to the system. HUDDLESTON identified herself as the user and the manager and signed on behalf of herself and the manager.

### EXHIBIT 56 (GL)

- DHS/Seniors and People with Disabilities Office authorized through US Bank Corporate Card on dated 09/08/09 HUDDLESTON to have a corporate card. The application was signed by COOPER on 09/09/09. A Department of Administrative Services Corporate Travel Card Agreement was also signed between HUDDLESTON and DHS/Seniors & People with Disabilities, Agency # 100815. Anticipated monthly travel entertainment expenses were documented as \$3,000.00 per month. Signed by Manager/Authorizer Approval Signature Catherine A Copper and Julia A. HUDDLESTON employee.

### EXHIBIT 56 (GE)

- Signature Authorization for Budgetary Expenditures: HUDDLESTON was signed as follows: There was only one sub delegation and that was for Request for Payments of Invoices. All of the following were specifically HUDDLESTON’S approval/disapproval; Contract Requests and Contracts, Purchase Orders/Requisitions, SPOTS Visa Applications, SPOTS Visa Log, Travel Advances, Travel Claims, Time Capture/Leave Slips. As signed by Cathy A. COOPER and Julia A HUDDLESTON.

### EXHIBIT 56 (GB)

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- Letter of Exception Request dated 05/27/09 from Stella TRANSUE, Administrator, DHS Office of Contracts & Procurement; RE: Oregon Cascades West Council of Governments OTM Coordinator was hired by the OCWCOG as of 04/01/08 and the position was terminated on 01/31/09. Due to Administrative oversight the contract necessary to reimburse the employees salary and expenses was not completed timely. Due to the oversight of \$79,211.06, the money is in the budget and HUDDLESTON authorized the request. HUDDLESTON could be held personally liable. NOTE: COOPER was not on the signature page. **EXHIBIT 56 (EN)**

- There was no employee property assignment form completed for HUDDLESTON per Caroline WILSON, Assistant to James TOEWS and Cathy COOPER via e-mail dated 12/08/10. **EXHIBIT 56 (EL)**

### TELEPHONE CHARGES

Reviewed charges and found many calls from Salem phone numbers to HUDDLESTON and a few from/to Astoria, La Grande, Ontario, The Dalles, St. Helens, Albany, Corvallis, Portland, Grants Pass, Beaverton, Eugene, Bend, Coos Bay, Klamath Falls, Hermiston, Scio, Enterprise, Hood River, Medford, Central Point, Scholls, all of Oregon and a few out of state in Payette, ID, Walnut Creek, CA, Woodlawn, MD, Vancouver, WA, Phoenix, AZ and Baltimore, MD. Many of the numbers were unpublished and investigators were unable to determine who the owner of those numbers were 800/888 numbers were also used.

**EXHIBIT 56 (AAA-ACC)**

### TRAINING

- PERSONNEL RELATED TRAINING – HUDDLESTON attended classes on Valuing, Embracing and Implementing cultural competency and Diversity, Cultivating a Diverse Workforce, Delivering Communication that Gets Results, Leadership Academy, Essentials of Human Resource Management, Ethics, Labor Management, E-recruit etc.
- CONTRACT RELATED TRAINING – HUDDLESTON attended Managing Resources; Budgets, Contracts, Risk for DHS Managers in August 2005. Labor Management Contract Training – 11/01/01. Process Improvement 02/27/06. SPD District Managers Module II – A PSU/SPD Collaborative Offering – 03/18/09.
- CLIENT RELATED TRAINING – HUDDLESTON watched a HIPPA Awareness Video, Attended Homecare Workers Bargaining Contract, and Managing HIPPA for Managers Module and Client Contact Module 2. (Not Verbatim) **EXHIBIT 56 (ACF)**

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### TRIPS

Annapolis, MD	(1) Trip – 10/25/09 – 10/29/09	Conference
Baker City, OR	(1) Trip – 06/08/09 – 06/09/09	Site Visits
Baltimore (City), MD	(1) Trip – 09/25/07 – 09/27/07	Training
Baltimore City, MD	(1) Trip – 03/01/09 – 03/04/09	Conference
Baltimore City, MD	(1) Trip – 04/12/10 -04/17/10	Training
Bend, OR	(1) Trip – 09/04/08 – 09/05/08	Conference
Central Point, OR	(2) Trips – 01/29-30/08, 04/13-16/08	Meetings
Coos Bay, OR	(1) Trip – 10/01/08	Site Visits
Enterprise, OR	(1) Trip – 02/06-07/08	Meetings
Hermiston, OR	(1) Trip – 04/23-24/09	Site Visits
John Day, OR	(1) Trip – 04/28-29/10	Meetings
La Grande, OR	(2) Trips – 11/12-14/08, 11/09-10/09	Site Visits/Present Training
Lakeview, OR	1) Trip – 06/20-21/10	Conference
Los Angeles, CA	(1) Trip – 10/05-06/09	Conference
Ontario/La Grande, OR	(1) Trip – 03/18-20/08	Meetings
Ontario/John Day, OR	(1) Trip – 10/15-17/08	Site Visits
Ontario, OR	(2) Trip – 04/30-05/01/09, 08/05-06/09, 08/18/09, 12/04/09	Site Visits
Pendleton/La Grande/Ontario, OR	(1) Trip – 06/29/08-07/02/08	Meetings
Pendleton, OR	(2) Trip – 02/19-21/09, 10/26-27/10	Site Visits/Meetings
Portland, OR	(3) Trips – 06/01/10, 06/14/10, 06/28/10	Training
Rogue River, OR	(1) Trips - 06/29-30/10	Meetings
Roseburg, OR	(1) Trip – 11/16-17/09	Training
Washington DC, DC	(1) Trip – 05/24-25/10	Conference

**EXHIBIT 56 (ACG-AEL)**

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### PROFESSIONALISM:

- HUDDLESTON failed her staff by not giving timely and/or appropriate evaluations of their work. (Per personal statements from all Central Office Staff.) **EXHIBITS 18, 48, 63, 71, 73, 121, 135, 139, 144,**
- BEEDLE RN, BSN, Joyce is a nationally-known expert on Alzheimer's and dementia who was hired as a consultant by HUDDLESTON. Envelope was dated stamped 09/24/10 and addressed to Julia HUDDLESTON c/o Sandy HATA. Handwritten note, no date saying as follows: "Hi Julia-Want a cup of coffee, a walk, a cocktail, a bike ride? My treat. I promise I won't ask or talk about work. Will follow your lead on that (Smiley face) Just moral support. Thinking of you, Joyce BEEDLE cell: [REDACTED] P.S. You are the best "box"/"Customer" I've ever had. Can I help now? **EXHIBIT 56 (MA)**
- Letter of Expectation written on 05/26/10 and addressed to employee STREY, Carrie. The letter was to assist her to understand her obligations and agency expectations regarding work performance; specifically related to attendance and time reporting along with appropriate work activities in her position. There were eleven sentences that started with "My expectation is that you" It was PERHAM'S observation that the tone of the letter was degrading. **EXHIBIT 56 (FA)**
- During HUDDLESTON'S tenure arranged with OSU Research Team Carmen STEGGELL to review OTM via a research project. The cost to this research was not to exceed \$500,000.00. The contract was signed by all appropriate parties. Grant allows for this type of action. PERHAM reviewed the individuals who were being paid by OSU for doing the research as follows; Dr.'s Karen HOOKER, Atiya MAHMOOD and Carmen STEGGELL for any personal relationship between them and HUDDLESTON. PERHAM did not observe any relationship other than a professional relationship.
- Letter of Exception Request dated 05/27/09 from HUDDLESTON to Stella TRANSUE of the Office of Contracts and Procurement. **EXHIBIT 56 (LR)**
- Many leave requests were not processed in a timely manner and found in HUDDLESTON'S personal lateral file after she left state employment. This includes FMLA, furlough, sick leave etc. request from staff.

**Per investigator PALODICHUK  
and PERHAM'S observations.**

## OTM REVIEW SUMMARY

### E-MAIL COMMUNICATION NON-WORK RELATED:

**02/26/03** – Made reservations with Hawaiian Airlines for tickets.

- **07/26/09** – Contacted regarding her student/parent etc. for No-enrolled students at CUA. Printed off at C:\Cocuments and Settings\JHUDDLES/Local Settings/TEemp/XPgrpwise\4A51B1E...

E-mail communication work related and Calendar for HUDDLESTON: PALODICHUK and PERHAM reviewed all communication received for HUDDLESTON located on the electronic computer systems:

- Observed personal communication from Catholic University Alumni Association. HUDDLESTON is a member of LinkedIn and PLAXO. An adult foster home provider in Roseburg contacted HUDDLESTON inviting her to be their friend on Facebook. HUDDLESTON received ongoing professional bulletins from various companies that include but are not limited to The Dealmakers Forum (Bringing You Senior Care M & A Deals and News,) York Solutions, Consulting Services, Oregon Healthcare Industry, The Lund Report, OTAC, ISP d-Pipeline. HUDDLESTON also was a Council Member to the ORCATECH-COUNCIL. HUDDLESTON had all the usual and customary policy/procedure and personnel communication from DHS. HUDDLESTON'S calendar went back several years. There was a meeting set up with the DOJ in June 2008, various meetings with Cathy COOPER and James TOEWS along with the routine meetings specifically tied to her position that include but is not limited to; grants, pot of money, management, training, presentations, visits to facilities/homes, meetings with transitional coordinator's throughout the state and various county personnel. A spread sheet was created to reflect the number of meetings HUDDLESTON attended and/or was delegated with her supervisor COOPER and TOEWS. (Per PERHAM and PALODICHUK'S observation from the electronic e-mail system and HUDDLESTON'S calendar)

#### **EXHIBIT 56 (BQ-BR)**

- APPOINTMENTS – Many MFP Team meetings, in 2007 there were many legislative meetings with HUDDLESTON, COOPER and TOEWS and others in attendance. HATA and HUDDLESTON had many meetings on an ongoing basis. Stephanie TYRER was asked to make reservations/meeting appointments etc. HUDDLESTON was on the SPD Executive Team and scheduled to meet as appropriate/routinely. Many appointments with the subject/topic to be discussed were documented as just "Cathy/Julia". The OTM Team met routinely along with strategy meetings and the OTM Policy Committee. There were many Linda WOELKE/Julia HUDDLESTON meetings along with meetings with Cheree KLINE and Stephanie TYRER.

#### **EXHIBIT 56 (BS) (1-131)**

## OTM REVIEW SUMMARY

- Multiple billings for Apgar and Associates were printed and in HUDDLESTON'S cubicle area/desk area.

### EXHIBIT 56 (QN-TE)

### INTENTIONALLY LEFT BLANK

#### RESIGNATION:

On 08/31/10 HUDDLESTON created and produced a letter of resignation dated 08/31/10. Initially it was to become effective as of 09/17/10, however that was crossed out and hand written in as August 31, 2010. The letter was signed by Julia HUDDLESTON, addressed specifically to James TOEWS, Assistant Director, Seniors and People with Disabilities Office and cc: Cathy COOPER and Angela YOUNG. HUDDLESTON documented she enjoyed working here and appreciated all that she had learned. **EXHIBIT 56 (ES)**

#### HR PROCESS OF HUDDLESTON LEAVING THE BUILDING:

WALLACE, Brock, DHS, Human Resource Analyst stated as follows: On Tuesday, August 31, 2010, I was asked to disable the GroupWise and Novell account for Julia HUDDLESTON. This was completed on the same date. I also assisted Angela YOUNG with securing the workstation computer tower of Ms. HUDDLESTON and it was placed at Ms. YOUNG'S desk area until it was turned over to Mr. Richard MAY, DOJ, on September 27, 2010. On September 3, 2010, Angela YOUNG and I secured the workstation computer tower of Ms. Linda WOELKE. This workstation computer tower was also placed at Ms. YOUNG'S desk area until it was turned over to Mr. Richard MAY, DOJ, on September 27, 2010. On September 3, 2010, I was asked to make a copy of Ms. HUDDLESTON'S and Ms. WOELKE'S network drives.

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These were copied to my H drive for storage and copies were then given to Mr. Richard MAY, DOJ, through the use of a thumb drive. The original copies of the H drives are still contained on my H drive. On September 3, 2010, I changed the password to Ms. WOELKE'S GroupWise and Novell accounts to prevent her from accessing them. (Not Verbatim) (Statement of Facts was obtained from WALLACE and witnessed on 12/08/10) (Not Verbatim)

### EXHIBIT 157

YOUNG, Angela, DHS, SPD Senior Human Resources Manager stated as follows: On Tuesday, 8/31/10 I met with Ms. Julia HUDDLESTON along with Cathy COOPER and James TOEWS. At the meeting we were to discuss possible concerns related to the On The Move Program, and our decision to place her duty station at home while we investigated the concerns. During the meeting, Ms. HUDDLESTON elected to submit her resignation, effective immediately. She indicated she would go and pack up her belongings and I told her I would meet her at her desk to pick up her BlackBerry and ID badge, which I did about 30 minutes after our discussion. I did not go through a separation checklist, nor accept any other state property. At approximately 11:30 later that morning, Brock WALLACE and myself went and picked up her computer and placed at my desk and it stayed there until it was picked up by Richard MAY, DOJ. Mr. WALLACE worked with our OIS personnel that same day to disconnect her access to GroupWise and other systems she had available to her. On September 3, 2010, Brock WALLACE and myself also picked up Linda WOELKE'S computer and it was in my possession until it too was picked up by Richard MAY, DOJ. Mr. WALLACE also worked with OIS to disconnect her access to GroupWise and other systems she had available to her. (Not Verbatim)(Per signed Statement of Facts dated 12/15/10 and witnessed) YOUNG also stated via e-mail on 11/18/10 that HR does not have records of staff training; that information has to be obtained from the Learning Center. (Not Verbatim)

### EXHIBIT 156

#### TORT CLAIM

On 09/23/10 via facsimile James D. TOEWS received a letter from Crispin Employment Lawyers on behalf of Ms. Julia HUDDLESTON. This letter was written due to recent media coverage of the Money Follows the Person Program. Julia HUDDLESTON will not tolerate further innuendo or groundless attacks against her work or her professional integrity in the news media.

### EXHIBIT 56 (EN)

#### LETTER OF EXPLANATION FROM JULIA HUDDLESON:

Dated 09/23/10 HUDDLESON documented she was employed by DHS from June of 1996 until her voluntary, unsolicited resignation on August 31, 2010. Julia HUDDLESTON served in a management capacity the entire

## OTM REVIEW SUMMARY

time and never was her competence or dedication to the agency and its programs questioned. From 2007 – August 2010 she designed and implemented the program On the Move in Oregon. The focus was on moving seniors and people with disabilities from nursing home/institutional long term care environments to suitable community settings, saving money for Medicaid. HUDDLESTON claimed the program had grown and thrived under her direction. HUDDLESTON claimed the reason she left the position was due to her frustration in the way in which SPD as a whole is managed. HUDDLESTON claimed she resigned due to a growing dissatisfaction with the way the SPD was being run. HUDDLESTON claimed everyone was aware of the Clatsop Project. HUDDLESTON said she resigned due to no longer having faith in the leadership of the agency.

**EXHIBIT 56 (EP-ER)**

### HUDDLESTON INTERVIEW

**LOCATION:** Department of Justice Building, 1515 SW 5<sup>th</sup> Ave., Suite 410, Portland, OR 97201,

**DATE/TIME:** February 9, 2011 at approximately 11:30AM through approximately 5:45PM

**INVESTIGATORS:** Richard MAY, CPA, Investigative Auditor, Medicaid Fraud Unit, Department of Justice, Laura PALODICHUK and Joyce Ann PERHAM, Criminal Investigators, Fraud Investigation Unit, Office of Payment, Accuracy and Recovery, Department of Human Services,

**DOJ ATTORNEY:** Donna MADDUX, Sr. Assistant Attorney General, Medicaid Fraud Unit, Department of Justice

**SUBJECT:** Julia HUDDLESTON (Former) Project Director, Money Follows the Person Grant, Seniors & People with Disabilities Office, Department of Human Services

**SUBJECT ATTORNEY:** Shelley D. RUSSELL Attorney at Law, Crispin Employment Lawyers, Crispin – Russell

During the course of the interview it was noted by the above investigators: 1) Discrepancies in HUDDLESTON statements, 2) What HUDDLESTON described was in contrast to what had been discovered during the course of the investigation as being accurate.

It was observed by investigators during the course of the interview that HUDDLESTON blinked excessively and cleared her throat when questioned about the flash/thumb drive and during the questioning on the Accounts and Payments/Contracts section of the interview. From the investigator's knowledge and training this is generally a good indicator of deception.

**EXHIBIT 56 (TG-ZT)**

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### UPPER MANAGEMENT SUPERVISION OVERSIGHT OF JULIA A. HUDDLESTON

Mary GEAR, (Former) Licensing and Quality of Care for DHS/SPD no longer works for the agency, thus she was not interviewed by PALODICHUK or PERHAM.

PERHAM and PALODICHUK interviewed other management in SPD to clarify how SPD routinely oversees those in positions where they manage employees and various programs. SPD at the time that HUDDLESTON was the OTM Project Director was included in the Executive Staff. The Executive Staff met routinely. Questions regarding; COOPER and TOWES and their oversight of Executive Staff was requested of the current staff along with COOPER and TOEWS statements. They stated as follows:

**BURKET, Jeanette Dated - February 10, 2011 TIME 4:00 PM**

Administrator for the Office of Seniors and Disability Services;

PERHAM asked BURKET to provide a written statement regarding her observations and accounts of working with the OTM Program Director Julia HUDDLESTON. BURKET was encouraged to relate her observations of the Executive Meetings where HUDDLESTON, Cathy COOPER and James TOEWS participated. BURKET documented as follows: OTM updates were provided to the Administrators and James TOEWS and Cathy COOPER on a regularly scheduled basis, as an alternating topic with other on-going special projects updates following our "Priorities" meetings. I can't recall if they began as monthly or bi-weekly updates, but would say on average we were updated once per month. Sometimes the meetings were cancelled due to absence or conflicts with Julia HUDDLESTON'S site visits or training commitments etc. The updates generally consisted of Julia HUDDLESTON presenting information related to a number of OTM placements made to date, capacity development going on, usually indicating what county or city or specific existing facility was involved and how many other interested parties or inquiries were on the horizon. The only project that I can recall that was discussed in detail related to the provision of start up costs that involved purchasing household furnishings (other than client related items) was the first dementia specialty home in [REDACTED]. I understood the start up costs included a sophisticated alert system to preclude residents from wandering, household furnishings and kitchen items etc. in addition to basic furnishings for client-specific use. I don't recall if remodeling of the house itself was being done. We had been previously told by Julia HUDDLESTON that the grant funding allowed all of these types of items as part of start up costs and I assumed the client-specific purchases were ultimately accounted for as part of the Diversion or Transition placement costs. I don't recall any of us asking

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for any detail related to exactly how startup costs or client-specific placement costs were being accounted for, other than Julia HUDDLESTON explaining the grant had multiple accounting and reporting streams and I understood the accurate tracking and reporting of expenses by particular categories and federal match rates was a very large part of the grant management duties she was performing. Much of the reported development during updates was related to the development of Adult Foster Homes and I understood from her updates (and from conversations overheard due to the close proximity of our desks) that most of these projects involved typical remodeling expenses such as installation of ramps, widening of doors, and bathroom renovations to accommodate client access and utilization of toilets, tubs, showers etc. I never recall (beyond the first home) any discussion or report related to purchasing general household items or furnishings for the operation of the home other than client specific items such as beds and dressers. I do recall over-hearing many conversations between Julia HUDDLESTON and the housing specialist Linda WOELKE, related to items providers were requesting be purchased (such as big screen TVs or elaborate-sounding home renovations like total house re-carpeting or new hardwood floor installation) and my impression of those conversations was that the items were being denied. I also overheard many conversations between Julia HUDDLESTON and potential providers where she explained OTM would not be able to approve their plans or accommodate the type of rate they were requesting or other guarantees of placements etc. I also overheard many conversations with what sounded like new provider inquiries and what I heard her explain about the program sounded completely like what we all understood - potential minor home renovation for ADA or client specialty need or access, client-specific furnishings if needed, the four bed limitation if an adult foster home, and never did I hear her say anything about guaranteeing placements or paying for vacancies. It's quite curious to me in retrospect that I never heard Julia HUDDLESTON discussing any of the contract development details or making any of the verbal provider promises that I later learned had been executed. I am away from my desk at meetings for much of every work day, but in retrospect it almost seems as if the business I overheard her conducting was by design and that potentially other conversations took place either away from her work area or when I was not present. But that's purely speculation – it could all have been by coincidence. I guess my point is that from what I knew of Julia HUDDLESTON'S intelligence and expertise related to budgets and federal reporting, and her clear grasp of our intent and expectations around the OTM project, I did not hear anything that caused me alarm related to how she was managing the program. (Other than an instance I reported during one of our meetings with James TOEWS and Cathy COOPER to express concern about the tone some of her phone conversations took and that her rudeness (or frankness depending upon your perspective possibly) potentially didn't reflect well on SPD. Sorry, I digressed a bit. Related back to our Priorities updates: There was a great deal of discussion around the development of OTM placements in Assisted Living Facilities (ALF) and Housing with Services during the monthly updates. Julia HUDDLESTON continued to tell us that CMS had approved the utilization of ALF's.

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Mary GEAR and I continued to question how this could functionally be made to work in pre-existing ALFs because we could not understand how four individual apartments could be successfully “carved out” unless major renovation was to take place to build a clear firewall between what would be the ALF and what would be the OTM units. We had questions about how the ALF licensing would be impacted, about how staff and visitor access could be utilized without compromising security of residents, about how the fire marshal would view these arrangements since a contiguous roof would be involved etc. Julia HUDDLESTON never answered our questions to any degree of substance but continued to assure us that she was “on top of the issues” we were raising and that all would be worked out in detail before finalizing any plans. Repeatedly, Mary GEAR would find out from her staff that Julia HUDDLESTON was already in the midst of development conversations with various ALFs and indeed was not involving the licensing and regulatory staff at all, nor were the promised meetings and true collaborative planning efforts going on with Mary GEAR’S staff, or my field manager for Diversion/Transition (Sandy HATA). Alternately, I would hear from our payment Exceptions Manager (also Sandy HATA) that Julia HUDDLESTON was by-passing the Exceptions Committee and moving forward with authorizing payments outside of the system we all agreed would be adhered to. Mary GEAR and I alternately and together brought our concerns forward in the meetings and/or privately with Cathy COOPER or James TOEWS and each time I was under the impression that either James TOEWS or Cathy COOPER or both had discussed these concerns and their expectations with Julia HUDDLESTON that she would work collaboratively with us to resolve these problems. During the next meeting, Julia HUDDLESTON would pledge anew to assure she would involve other appropriate staff in her planning and rate development. But the problems persisted and she did not ever follow through on her promises to work with all the other necessary sections and staff. We continued to find out after the fact that she was proceeding to work completely independently of other critical staff and business processes. I don’t recall any detail of the Clatsop project ever being discussed at the priorities meetings in terms of cost or financial partnership. I do recall knowing (but can’t remember if I learned of it exclusively at the Housing with Services meeting held in April ’10 in Portland or also discussed at Priorities) that planning with Clatsop Hospital District was going on related to the development of a campus that would include several units to be specialized to (I think) TBI, Bariatric, and possibly Dementia residents. (Specific to the meeting in Portland where Julia HUDDLESTON and Anita SCHACHER from Clatsop Health District presented this project, I am fairly certain the presentation occurred after both James TOEWS and Cathy COOPER had left the meeting as they had other obligations that afternoon back in Salem. I recall the Clatsop project was discussed sometime after lunch. I believe the project was to encompass total capacity of forty residents in contiguous small housing units. My impression, from the information Julia HUDDLESTON provided was that this was a housing development partnership (which we knew was encouraged by MFP/CMS) and my assumption was that the Clatsop Health District was providing the building financing and again, our

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“start up costs” would be client specific such as alarm systems, special technology and extraordinary equipment needs to meet specialty client population such as the bariatric need for specialized beds, toilets, commodes, Hoyer or other lift systems etc. There was never any mention to my recollection of SPD funding any actual construction costs, nor was there discussion of assurances we would pay for empty beds or guarantee capacity. There was certainly opportunity for Julia HUDDLESTON to have mentioned the latter, as Cathy COOPER, Mary GEAR and I all expressed concern about our ability to suitably place forty such clients in the remote and rural area of Clatsop County. I recall Julia HUDDLESTON assuring us that she had analyzed all the OTM client data related to clients waiting for placement and had talked with field staff or managers and she felt highly confident that there was indeed an ability to fill these units. I remained skeptical and I recall discussing this with Cathy COOPER and possibly Mary GEAR, but again as I think we believed this project was still in the talking stages of infancy, I think we all took a watch and see attitude and hoped for more info at a later update meeting. We did not review in detail any of Julia HUDDLESTON’S federal reports or financial accountings related to expenditures etc., although she did report when she had completed and/or submitted reports to CMS, and I assumed that the detail was shared in her private one-on-one supervisory confers with James TOEWS or Cathy COOPER. She also sometimes reported on questions and discussions she had had with CMS and reported their approval related to proposed planning she was doing. I recall her discussion specifically related to the OTM projects in ALF’S, and I believe she mentioned the Clatsop “campus” proposal also as something she had discussed with CMS, although I am not positive about that. Overall, I personally thought I had a very good working relationship with Julia HUDDLESTON and in discussions over most policy areas (not just OTM) she and I rarely disagreed in either principle or approach. I found her to be open to discussion and concerns and by all appearances; she was competently managing the grant expenditures and claims as she verbally represented her actions. Julia HUDDLESTON was highly capable, however, she also had a large ego and little interest or patience for processes or discussion that she didn’t have the ability to direct or control. However, I never suspected or anticipated she was capable of the degree of intentional deceitfulness that became rapidly apparent after I began asking questions related to OTM placement planning related to one specific client [REDACTED]. I immediately expressed my concerns about the placement planning to Cathy COOPER and a meeting was swiftly called. I believe it was Cathy COOPER, myself, Julia HUDDLESTON, Sandy HATA and Nate SINGER, but others may have been there as well. The concerns were in regard to the placement itself in terms of a miss match of client needs/values and the provider herself, the enormously outrageous and potentially unnecessary expenses related to the placement, but primarily the staffing ratios Julia HUDDLESTON appeared to be authorizing, the on-going payment rate which appeared to be completely unjustified and had not been scrutinized and approved by the Exceptions Committee as agreed upon, and terms within what appeared to be a contract still in development that authorized additional on-going payments for holding the provider’s fifth bed

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vacant, and what appeared to be a one month private pay rate payment for essentially evicting the private pay resident that filled the fifth bed. There may have been other questionable items, but those are what I recall now as being primary. Julia HUDDLESTON explained during the meeting that the contract we had was simply a proposal from the provider, that indeed she had agreed to none of the questionable items, and that it was simply an oversight that the rate had not been scrutinized by Exceptions Committee. She agreed to send it through and assured us that she was still in conversation with the provider about the development of a contract and essentially agreed with all our concerns as being valid and basically explained we had become alarmed unnecessarily based on lack of information about where she was in the process. I absolutely believed her until a week or two later Nate SINGER and/or Sandy HATA reported that Nate SINGER and other OTM staff were being directed by Julia HUDDLESTON to proceed with purchases and processing of a contract that contained all of the previously objected to terms and possibly some additional ones. At this point, I think Julia HUDDLESTON had left on vacation and I directed Nate SINGER to call a halt to all activity on finalizing any purchases or contracts and transportation plans related to this placement. I was frankly both outraged and dismayed that Julia HUDDLESTON had clearly deceived us and appeared to have had every intent to proceed with executing the highly questionable terms of this placement we had previously objected to and she had agreed were inconceivable to approve. I alerted Cathy COOPER and James TOEWS immediately. This alert rapidly joined what I later learned was a brewing "perfect storm" of issues and concerns they had been developing and was possibly the tipping point that caused them to call her in from vacation in order to obtain critically important explanations to her activities. My last contact with Julia HUDDLESTON was on the date she submitted her resignation. I ran into her into the hallway and she announced she had just resigned because she said she was not going to put up with "b---s--- accusations and interrogation" by James TOEWS and Cathy COOPER. I asked her what she could have been thinking related to [REDACTED] case and she started to say something, then just made an exasperated face and sort of waved away the question, seeming to imply it was pointless to discuss. I just said I wished her well on a personal note (and may have said I would miss her – not sure) and then did not see her again before she vacated the work area. I've had no contact or conversation with her since that date. In response to your question about receipt of formal performance evaluations within the SPD Administrative Team, I have not received any during my employment as an Administrator. However, I have always had at least monthly formal update meetings with Cathy COOPER where we discuss projects, accomplishments, assignments, problems, and strategies. There is also always access to either James TOEWS or Cathy COOPER for consultation and direction and that access is available to all of us. Those ad-hoc meetings are in addition to the monthly individual meetings scheduled and occur either at their initiative or mine. I always feel like I have clear direction from them and approval or shaping of my performance. I totally appreciate their openness and accessibility. There is no fear factor in going to them with issues or problems or

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to seek direction or ask for feedback on my own performance. I worked previously as an administrator in SPD during an earlier administration and performance evaluation was essentially received in the same manner – that is frequent contact and individual feedback on projects, outcomes and general performance but not formal written performance evaluations. (Verbatim)

**EXHIBIT 163 (A-J)**

### **FAY, Mary Lee      Dated - February 11, 2011**

Mary Lee FAY was contacted by Joyce Ann PERHAM, OPAR, Fraud Investigation Unit, Criminal Investigator. PERHAM asked FAY to provide a written statement regarding her observations and accounts of working with the OTM Program Director Julia HUDDLESTON. It was encouraged for FAY to relate her observations of the Executive Meetings where HUDDLESTON, Cathy COOPER and James TOEWS participated. FAY documented as follows: I am the Administrator for the Office of Developmental Disabilities Services, within SPD. I worked with Julia HUDDLESTON and the OTM project as it related to people with developmental disabilities. ODDS (Office of Developmental Disabilities Services) began using OTM early in the OTM process because we were closing Eastern Oregon Training Center. I participate in the SPD executive meetings, which are held weekly. Because DD services already had practices that were developed to move people from institutions, we were much more involved in the placement and development of people. We had a start up protocol developed from previous institutional downsizings. We had agreed to a per person amount for training of staff and purchasing of furnishings, etc. Most people were moving into homes that were developed for them as a group. Neither I nor my staff got involved in start up associated with housing modifications unless it was to be updated on time lines for housing completion. I got independent updates from Brent WATKINS on who was moving and when. We also involved Laura SOYSTER who was actively moving children from nursing homes. Laura SOYSTER also provided updates on who was moving and when. We used tools developed by the ODDS office to determine client rates and these were reviewed by me. General impressions: When questioned on how we were tracking expenditures or reinvestments, Julia HUDDLESTON often cut people off and said that it was either being worked on or that she had the information. When administrators would raise concern over how the reinvestments were being used or how other expenditures were being authorized James TOEWS and Cathy COOPER would acknowledge and ask that Julia HUDDLESTON and the budget staff work on the issues. OTM updates included general numbers of people who were targeted to move and the actual numbers of people moved. There would also be program updates (ones that I remember was the program outside of [REDACTED]). When OTM restructured and the staff reporting authority, the ODDS office assumed the oversight of the DD planning. We kept a schedule of development, expenditures and placements. There were a couple cases where Julia HUDDLESTON was asked to problem solve with us, about children who were moving home from nursing homes and into one of our "In home programs". Julia

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HUDDLESTON was responsive and would let us know what we could bill for under the OTM program. There were several programs that required home modifications and the OTM staff (not DD) were responsible for managing those projects. I have strong support and oversight by James (TOEWS) and Cathy COOPER). We have scheduled meetings twice a month to discuss DD program issues. This can range from my updating them on program issues to discussion of personnel or budget. Almost nothing waits for an appointment however, which means coming to their desks at any time. If they are there, they always make the time for whatever update I feel is needed or give advice on how to handle problems. I have to say, I have not had a formal evaluation very often, and as a manager, I am probably lax myself on giving them. They are typically the least likely place to get timely and useful information. So I would say I have very consistent support and supervision. I am in a high enough position where it is my job to make a lot of decisions for the program. All policy transmittals are signed by Cathy (COOPER), so she is aware on the day to day policy changes we implement. In our weekly meetings we always have time for updates on rules changes as well as policy or other information updates. James (TOEWS) asks each biennium that the programs develop a list of priority areas and we report back on those to him. I always present an initial plan and an update halfway through the biennium. Recently each of the managers from the DD office provided a one page summary of their program accomplishments and issues they are facing. They presented them to James (TOEWS) and Cathy (COOPER). For areas to improve: we have proposed several changes to SPD that would improve how we function, but they typically require new or different staffing. For example, we proposed that SPD have someone internal who can delve into our budget deeply and interface with Budget staff (we have had a lot of difficulty in this area). But that would have required DHS administrative approval and new staffing. Creating a new office (Mike MCCORMICK) has been their response (a good one) to that. I think the supervision and management of Julia (HUDDLESTON) was always a tightrope to walk. Julia (HUDDLESTON) was able to produce some very impressive work that supported SPD - primarily on the APD side. James (TOEWS) and Cathy (COOPER) recognized what she could do and she was usually assigned the more complex program design work. However, she was not an easy person to work with and it showed when there was conflict between what she was saying vs. what the field was seeing. Julia (HUDDLESTON) could not handle criticism very well - she was easily defensive. It was told that she acted differently with upper management than with others who were lower in classification, though I never observed that. I did not find it surprising that Julia (HUDDLESTON) would resign if her decisions were being second guessed and if she thought she would be challenged by James (TOEWS) and Cathy (COOPER). (Verbatim)

**EXHIBIT 169 A-C)**

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### HARTWIG, Deanna Dated - February 23, 2011 TIME - 8:48 AM

Per agreement, Deanna HARTWIG agreed to provide a written statement regarding specific questions regarding Julia HUDDLESTON, the OTM Program and the supervision at Seniors and Peoples with Disabilities Office. It is requested that any questions addressed regarding the above be held confidentially throughout the course of the entire review process. Deanna HARTWIG stated as follows: During the time Julia HUDDLESTON worked for me, I did not do a performance review or evaluation. In general, in her role as the manager of Data, Research and Rates Unit, she analyzed state and federal laws/rules, helped prepare SPD Legislative Ways and Means material, analyzed bills during legislative session, prepared annual nursing facility and community based rates (including analysis of prevailing wages, usual and customary charges, provider cost reports, etc.), participated in budget and forecasting meetings, developed and updated SPD Data Books, led meetings with providers regarding rate changes and conducted research on SPD programs.

Her outstanding qualities from my perspective are:

- Ability to analyze complex material and present it in clear, concise and understandable terms.
- Ability to perform thorough and complete staff work.
- Knowledge of DHS/SPD operations.
- Knowledge of the various funding sources and requirements.
- Ability to meet due dates.
- Ability to communicate, although her oral style could be considered brusque at times.
- Dependable in attendance and performance of assigned work.

Her negative qualities from my perspective are:

- Did not always include others in assignments when the issue or topic could have benefited from a broader perspective, which may have resulted in some staff perceiving her as a "Lone Ranger".
- Could appear to be dismissive of comments or suggestions made by other people which may have led them to think their suggestions or input were not valuable; or, if their comments appeared to be inconsistent with her ideas, they were being ignored.

Her middle of the road qualities:

- I considered Julia HUDDLESTON to be a "go to" staff. If I needed something done, I knew she could deliver. This is both a positive and negative quality, in that I could get a good product, but may not have "buy off" by others affected.
- Ability to work independently. She did not require a lot of supervision, but did not always seek direction when circumstances indicated.
- Although Julia HUDDLESTON could communicate well, sometimes when questioned she would respond with out answering the question, or make people feel like they "weren't getting it".

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What kind of oversight has James TOEWS and Cathy COOPER gave me in my position as Administrator of the Office of Federal Resource and Financial Eligibility.

- Evaluations (Written or Verbal): I do not have written evaluations, but receive ongoing, regular feedback related to both positive performance, and areas in which I could improve.
- Feedback: Yes, I received feedback. I meet regularly with Cathy COOPER and we review work being done in my office, program and policy changes required by changing circumstances within SPD or the Department, issues with state and federal partners, personnel issues, succession planning, staff development, topical issues, etc. The Administrators meet each Tuesday with James TOEWS and Cathy COOPER to review SPD priorities, program and budget challenges, management actions, areas of concern, etc. I meet with James TOEWS ad hoc. I have frequent contact in person, by phone or e-mail.
- Communication: James TOEWS and Cathy COOPER can be reached by me via e-mail, phone or going to their desks. I have always received a quick and helpful response from both.
- Type of Supervision: As I said earlier, I get ongoing, regular feedback related to both positive performance, and behavior they want me to demonstrate or actions they want me to take. Both are clear communicators of their expectations regarding my responsibilities. As an Administrator, I make daily decisions regarding the work of my Office. They expect me to know what issues, policies or program operations they need to be kept current on, and provide them information. They tell me if there are specific things they want regular updates on. This is communicated in both individual and group meetings.
- Review of Work: As necessary, as an Administrator, I'm expected to use my program/subject matter expertise (or that of my staff), professional judgment, and follow the SPD/DHS/DAS policies and procedures in the performance of my duties. Significant proposed or planned changes for my Office are discussed in the venues I've described, to ensure my decisions are in line with the goals established by James TOEWS and Cathy COOPER.
- Areas of Improvement: From my perspective, their supervisory and management styles compliment my working style; I wouldn't change anything. We have open, honest communication.

Did you observe any lack of foresight, supervision or other that may have been a reason for HUDDLESTON'S resignation and the OTM program coming to a "Stall" as we know it today? No, not from my perspective and limited involvement in the OTM project/program.

When questioned; "In a nut shell, are they (James TOEWS and Cathy COOPER) performing their jobs to help you do your job smoothly, consistently and professionally? Yes. They are always available to help me with

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issues, advise on ways to improve relationships with people I work with, and run interference if necessary. I have always been supported in the performance of my job. (Verbatim) **EXHIBIT 171 (A-C)**

### **COOPER, Cathy Dated - December 2, 2010 TIME - 08:45AM**

When questioned, COOPER stated as follows: COOPER has worked for the state of Oregon for the past 31 ½ years. COOPER started her career in April 1979. COOPER'S first position was with the Employment Department, she then moved on to the Department of Human Services and what is now known as The Seniors and People with Disabilities Office. COOPER'S current position/title is Deputy Assistant Director of Seniors and People with Disabilities. In 2003 SPD became a new entity as part of the DHS reorganization. It included parts of the current OVRs, Mental Health and Senior and Disabilities. Their challenge was to unify the various groups etc. Her job responsibilities from 2003 to present are the operational part of the deputy position. James TOEWS, SPD'S assistant director does the political and national work for the agency. COOPER oversees the agency administrators, OIS; she attends deputy job assignments and committees, in house audits, Information Technology Governance Committee (ITGC), and other steering groups. COOPER also does a lot of work with AAA Directors and the collaboration of field services. COOPER participates in the Ways and Means Committee; she does a lot of budgeting and accounting which is part of her position requirements.

In 2007 for the first time in years they started to see an increase in Nursing Home cases when trying to forecast the Nursing Home utilization for the next budget time period. The Nursing Home cost was expensive vs. the community based setting cost. This increase was of high concern, translating to 20 million additional dollars in the budget forecast numbers. At the time the agency chose to change their process to the Diversion and Transition Coordinators. Nathan SINGER and Sandy HATA were key employees in this new transition. They set goals to assist the clients to be discharged in a timely manner. There twenty three staff employed as Transition Coordinators throughout the state. This new program/process saved the state in the first two years about 14 million dollars. These dollars would have previously been spent on Nursing Home expenses.

At this same time the Fed's (CMS) were dangling the "Money Follows the Person" (MFP) grant opportunity to the states. Oregon SPD administration thought initially they could do this without their (Fed's) assistance.

They figured Oregon was already ahead in having the least amount spent in the Nursing Home setting. Oregon SPD executive team didn't want the On the Move grant initially. HUDDLESTON was the Budget Administrator in the past and she suggested SPD could save 40 million dollars by applying for the MFP grant (OTM). The decision was made to apply for the MFP grant from HUDDLESTON'S suggestion/encouragement. We, meaning the Executive Staff chose to go ahead. They looked internally for someone to oversee this program. HUDDLESTON suggested that they (SPD Executive Committee) appoint her director of the OTM program because she had the knowledge base, and they needed someone to get the

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work done. The Money Follows the Person program had to be up and operational very quickly. HUDDLESTON had budget experience along with rate setting experience and knowledge. She was savvy with writing and had done very well in grant and Federal waiver application writing and had been a really good project manager. The Executive Staff had concerns regarding HUDDLESTON'S fiery personality. They (Executive Staff) figured if they could keep HUDDLESTON'S personality and style in check it would be a working solution. All the usual line administrative staff who would have normally managed this position/assignment had histories of clashes with HUDDLESTON. It was decided that HUDDLESTON was to report directly to COOPER and TOEWS. Sandy HATA was hired as part of OTM (HATA had already been a SPD employee) and she seemed to have the ability to get along with Julia HUDDLESTON, get the job done and work cohesively. The other managers who were part of the Executive Staff were unable to get along with HUDDLESTON, which is why she was to report directly to COOPER and TOEWS. She reported to TOEWS and COOPER because of the need to make the program very visible in the organization. SPD wanted to message that this would increase the level of effort being put towards the reduction in NF clients. COOPER had no prior history of supervising HUDDLESTON previously. When HUDDLESTON was in the Budgeting Department she worked for Vic TODD, as a DHS employee, not SPD. The qualifications HUDDLESTON demonstrated in her previous positions led them to believe in her abilities to perform the job. From what they knew about the program, the "feds" were creating the program from the hip. There was very little protocol and policy outside what was in the Code of Federal Regulations (CFR). There was very little about this program in the early period. MFP was a part of the Federal Deficit Reduction Act of 2005, to help states to transition Medicaid clients from institutions to community services. There were few program guidance letters at the time Oregon received this grant. What they knew about the program was in the invitation to apply for the grant. It appeared that HUDDLESTON could read the invitation to apply for the grant and do the job within the grant parameters. Previously HUDDLESTON had done a model demonstration waiver (Independent Choices Waiver.) This waiver allowed people in their home to hire and pay their care providers and pay them through funds that would have been paid to a Medicaid enrolled provider. COOPER said that she felt that HUDDLESTON was going to the required meetings National CMS; MFP (2-4 times a year) and other meetings; she had weekly/bi-weekly teleconferences for state MFP Directors throughout the states. At any point if HUDDLESTON was unable to attend, someone would attend in her place. The agenda for the meetings were Q & A, and a blog was available. COOPER'S role in OTM was being HUDDLESTON'S direct supervisor. COOPER met with HUDDLESTON bi-monthly at which time HUDDLESTON spoke of the projects, developments, activities with staff etc. The first year HUDDLESTON managed field staff. After Veneta FRANK performed a Review of OTM it was determined that field staff being supervised at a distance was not working well, so they changed that process. FRANK informed TOEWS and COOPER that there were

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clear problem areas. COOPER met with the field managers; HATA was then brought in from the field to be the Central Office go between for the field staff. State statutory requirements regarding the move of state employees to some specific counties were completed. Some of the areas of concern were HUDDLESTON'S overbearing style of management, WOELKE'S ability to work with the providers and licensors and the many conflicts in miscommunication, licensing and health and safety. WOELKE was inconsistent in what she would require in one instance and not require in the next. WOELKE would waive some of the specific licensing requirements. Julia BROWN created the data system for the OTM program for federal reporting requirements. However, the data system was too complex and duplicate data entry was required. After FRANK'S Review, they ended up simplifying the data system. FRANK'S Review also showed where training and technical assistance had to be approved by HUDDLESTON. This duty was given to local staff where approvals could be made for some things. HUDDLESTON'S overbearing personality was dealt with by means of moving the field staff supervision from the central office. HUDDLESTON was the type of person they would coach, if she were found to be inappropriate in meetings, when addressed she would say "you are so right, I won't do it again, it just sort of come out of my mouth." HUDDLESTON would cycle, when things were working well, when relationships were going well she would do well. Then there would be a cycle where she would make outlandish statements, they would rein her back in and she would calm down, it was a personality trait. It is who she is said COOPER. People have worked with her forever, "if you can keep it in check, when it is escalating and it would keep it in check." HUDDLESTON was pulled in by COOPER when complaints of HUDDLESTON occurred. There was a shade of truth in what HUDDLESTON would say. COOPER said she found that due to people having ongoing clashes with her they wouldn't give her the benefit of the doubt. COOPER said HUDDLESTON, when requested, would produce report after report, this was one of her strengths. What COOPER and TOEWS found was that HUDDLESTON would give the requesters of the data what they needed; then people (the requesters) wouldn't look at what HUDDLESTON supplied. "They would complain their staff didn't know..." TOEWS would schedule a meeting for their staff; people wouldn't show up for the meetings and the cycle continued. TOEWS would ask why the meetings weren't happening. COOPER explained "we have very strong people with strong personalities and it does cause ongoing issues." Traditionally HUDDLESTON would have been supervised by a lower management staff. COOPER repeated she consistently met with HUDDLESTON, some weeks HUDDLESTON would say there wasn't anything new, sometimes she'd tell of the programmatic issues. The first year was about Human Resources related issues, Transition Coordinator's, program development, new guidelines, how to work with other organizations, putting information/documents in writing etc. When questioned about the Clatsop Care Center Health District project and the August 17, 2009 letter from HUDDLESTON to the District; COOPER said she never knew about the August 2009 letter from HUDDLESTON. COOPER said she knew nothing until she read a Daily Astorian

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article in June 2010 and it reported that DHS was going to grant \$1.8 million to the health district. COOPER was "SHOCKED". TOEWS was contacted by COOPER and he too didn't know anything about it. COOPER then scheduled a meeting with HUDDLESTON. Initially HUDDLESTON was questioned by COOPER regarding the article. HUDDLESTON said she spoke with Anita SCHACHER and they were both misquoted for the Daily Astorian article. COOPER questioned HUDDLESTON about the grant amount, the guaranteed service rate for clients, and guaranteed occupancy rate, all promised for five years. HUDDLESTON said "We didn't guarantee five year occupancy" or the client rates. HUDDLESTON said, she was going to ask for a retraction in the paper. COOPER asked HUDDLESTON to give her a copy of the retraction once it was printed in the paper. The next thing COOPER knew about the project contracts and terms was what she got on her desk in August 2010. HUDDLESTON explained at that time they were going to do four beds in a pod in a campus setting with pathway/walkways and grounds to encompass all the pods for a total of 32 and then 40 beds. COOPER asked if the model/design was going through public health, HUDDLESTON said yes, Mary GEAR was reviewing and licensing was involved. When further questioned, COOPER said she did not see a pattern of deception by HUDDLESTON prior to the discoveries this past summer. COOPER said once a month a development report was produced by HUDDLESTON for her. COOPER said that she discovered, after the fact, that HUDDLESTON would give her one report each month and she had a second report she shared with the OTM staff that contained different information. COOPER explained she had checked on HUDDLESTON'S statements in the past and if she questioned something HUDDLESTON said, she would check other sources and had always found what she understood HUDDLESTON to say to be accurate. COOPER then went on to explain that having to double check rules and regulations for feds/state was ongoing for this program. COOPER went on to explain that someone put a copy of the Daily Astorian article on her chair; it was from an unknown source. COOPER said the August 17, 2009 letter HUDDLESTON wrote to Clatsop Care Center Health District, promising OTM assistance, did not fall under the OTM grant scope at the federal or state levels. COOPER said the OTM grant does not grant money, that they have no authority to do so nor do they have any Medicaid authority to guarantee a service rate. COOPER said the service rate is only guaranteed for an individual at a particular acuity level as evaluated. COOPER said they have no authority to do contracts past the biennium. COOPER said HUDDLESTON was a Budget Administrator and she knew you can't do anything past the biennium. COOPER said she found out about the August 2009 letter written by HUDDLESTON to Clatsop Care on August 16, 2010. COOPER said the Clatsop Care contract of 1.8 million and a memo was on COOPER'S chair from an unknown source. COOPER said she went to TOEWS. TOEWS told COOPER that he was not approached about nor had any knowledge of the August 2009 letter. HUDDLESTON used the term rebalance fund as the source of funding for the Clatsop Project. COOPER said a rebalance fund is a designated pot of money in the OTM funds, which consists of the savings to the state for

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moving residents from a nursing home to a foster home setting under the OTM program. COOPER checked with Bob GEBHARDT, Budget Administrator. GEBHARDT told COOPER that HUDDLESTON and his staff had not completed a review of the OTM funding and they didn't know if they had enough money in the fund to provide the monies for the contract. (\$1.8 million) COOPER spent hours doing her own analysis; COOPER read through the Clatsop project file discovered the August 17, 2009 letter from HUDDLESTON to Clatsop and the three potential personal service contracts. TOEWS and COOPER sat down and they decided to have HUDDLESTON come in from vacation, and meet with them and Steve PHILLIPS from Office of Contracts and Procurement. HUDDLESTON agreed to come in on August 23, 2010. TOEWS, COOPER met with HUDDLESTON first, they tried to ask about the Clatsop Care letter, her authority etc. HUDDLESTON used the white board in the conference room to explain the funding. HUDDLESTON said, first she hadn't read the \$1.8 million contract, and thought staff reviewed them. COOPER expressed her great concerns about the wording of the contract. HUDDLESTON inferred she trusted her staff to do the contract language and they were responsible to make sure it was accurate and she didn't actually read the contract. COOPER explained in her position it is routine to always read anything you are signing and she wouldn't sign anything without having already read the document. COOPER expected HUDDLESTON should have read though the contract thoroughly. COOPER explained it was her experience previously that HUDDLESTON would have read all the details. Linda WOELKE was on the contract and there are several boxes where the originator of the contractor is documented, the DOJ, and usually someone from OCP and a line for legal sufficiency and review. Apparently due to the contract being for personal service WOELKE became the reviewer of the contract. COOPER explained it was unusual for a subordinate to have this role. COOPER said it wasn't until after HUDDLESTON was gone that COOPER found out that HUDDLESTON was given delegation from OCP and HUDDLESTON gave sub delegation authority to WOELKE. COOPER was not aware of the delegation authority form. PHILLIPS and TRANSUE thought they sent the first three pages of this document to COOPER. WOELKE was to do the day to day work according to the OCP documentation. TRANSUE delegated her authority to HUDDLESTON and HUDDLESTON delegated her authority to WOELKE. COOPER verified on the DHS 186 form that HUDDLESTON was not granted sub delegated authority. COOPER said when questions came up at Executive Staff Meeting about OTM, she would have a separate meeting with HUDDLESTON At those meetings COOPER would review with HUDDLESTON any questions regarding making sure things were within the scope of the grant/program. COOPER said that she later found that HUDDLESTON did not give the entire picture of what was going on. HUDDLESTON only gave what she thought they (Executive Staff and/or COOPER and TOEWS) "needed to know or what she (HUDDLESTON) thought they needed to know." HUDDLESTON didn't want people questioning her authority or expertise. SINGER and HATA later made COOPER aware of how controlling HUDDLESTON was, citing the

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██████████ case. HUDDLESTON was doing personal visits to the Nursing Home and the client's family because she didn't trust the Transition Coordinators. The first and second reviews from FRANK found HUDDLESTON hung onto every piece of control. They then delegated, so staff didn't have to do "mother may I" on everything. COOPER said it was her observation that HUDDLESTON'S thought process was due to the fed and state requirements; she needed to know what was going on. HUDDLESTON responded to the first FRANK review, when told of the areas of concern with "Oh, I was going to come to you" like it was her idea and see if the TC'S could be moved back to local supervision. Regarding the Clatsop Care project, COOPER said HUDDLESTON in "no way" could have signed off on that, it would have had to go to TOEWS for his signature. When HUDDLESTON was questioned regarding Clatsop Care; TOEWS asked what was the source of money that was marked for this promise; HUDDLESTON explained there were three buckets of funding, 1) Qualified, reg. Medicaid allowable program, waived rate, at this time it was 86% fed. match. 2) Demonstration was paid at 86% fed match, time limited 1 year. In this program you are allowed to do a whole list of services, there is also an allowance for behavior/peer support services reimbursement. This funding was for 12 months maximum. 3) Supplemental was a one time payment, paid at 72% rate for getting someone out of an institution. HUDDLESTON said they were allowed this change according to Feds. As example; one time allowable rent deposit, bad debt, one time household goods etc. When asked HUDDLESTON how she is able to do new construction under the grant; HUDDLESTON said it was one time request at 72% federal match. The rest would come out of the General Fund. HUDDLESTON was questioned regarding research and the budget, at the time SPD was out of balance by millions. HUDDLESTON said that the Budget Staff just can't get the rebalance calculated properly and it was the budget staff problem. The rebalance money was to go into making new community service homes etc. HUDDLESTON would always allege that SPD didn't rebalance the savings according to COOPER. HUDDLESTON spoke of the OTM grant and "rebalance" as the "line of credit" for OTM. The rebalance is the savings from moving the people from Nursing Home to community services. Once HUDDLESTON explained that all was allowable, Steve PHILLIPS of OCP came into the meeting. They spent 2-3 hours with PHILLIPS/COOPER and HUDDLESTON reviewing the Clatsop Care Contract, their concerns with the contract and at some time PHILLIPS left the room and HUDDLESTON said she would rewrite the Clatsop Care Contract. TOEWS came into the meeting about this time and spoke with HUDDLESTON about the revised contract, no guarantees, etc. The Bank of The Pacific wanted a letter from SPD regarding the guarantee. HUDDLESTON said that she would contact Anita SCHACHER as was requested by COOPER. COOPER recalled HUDDLESTON having worked most the afternoon and then responded via e-mail. HUDDLESTON said she had spoken to Anita SCHACHER informing her that the contract is separate from the letter the bank requested, and the letter is just for their files so the loan wouldn't be held up and that the guarantees were not part of the contract. TOEWS told COOPER after the fact that

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HUDDLESTON never had a discussion with Anita SCHACHER. HUDDLESTON never told Anita SCHACHER of the revision of the contract etc. TOEWS discovered this when he spoke to Anita SCHACHER on August 30 or 31st, 2010. The contract was revised due to the description of it being a housing unit with services model, then some lines said it was an RCF; there were many conflicting statements and a whole number of other concerns. The contract was an intergovernmental agreement. The 2009 date wasn't discovered until the date of the contract was questioned by COOPER and the letter HUDDLESTON sent to Clatsop Care was then given to COOPER. HUDDLESTON never told COOPER of the letter previously, COOPER repeated. HUDDLESTON explained this was a "starting point" giving the providers a sense of what they can do, not a promise. TOEWS requested a meeting weekly from all areas related to the OTM systems. HUDDLESTON then basically said she was leaving for vacation. TOEWS asked again about funding, she kept saying it was allowable, she said she was working with BPA (Budget Performance Analysis) the DHS budget organization. HUDDLESTON left on that Monday. COOPER said research was found to be challenging due to all the various files kept on the Clatsop project in different locations. COOPER said there were 9 file drawers against the wall that housed OTM files that included designs, construction bids, county requirements etc. COOPER started reviewing these files and started with Marathon (Ted JOHNSON) who thought DHS/OTM would give \$200,000 for the project. That soon escalated to \$1.8 million to develop the housing. At that time Clatsop Care had already obligated \$700,000 to this group as a draw on the funds that OTM was going to provide. COOPER discovered after the fact Anita SCHACHER was paying for this out of another loan from the county health dept. About \$730,000 and had already spent all due to HUDDLESTON'S promises. TOEWS, COOPER and YOUNG (Human Resources) met on August 26, 2010 and again on the 30<sup>th</sup>. They chose to interview HUDDLESTON and the plan was to place her on Administrative leave. HUDDLESTON didn't come to work on Monday (August 30, 2010) as was requested instead HUDDLESTON took off another day. HUDDLESTON came to work on August 31, 2010. COOPER did not receive any notification from HUDDLESTON that she was not coming in on August 30, 2010. HUDDLESTON was requested to come to the Human Resources Conference Room on the 4<sup>th</sup> floor. TOEWS, COOPER, YOUNG and HUDDLESTON were in the room. TOEWS asked 3 questions 1) about contracts/authority/personal service contracts that clearly state it is not for construction or work outside of client centered personal service contracts. (Contract page 2 of 29 of the personal service contract – paragraph 5) The contract showed that the monies were payable to Bank of the Pacific. 2) the questioning then went to the three like contracts that included two \$80,000.00 and one \$85,000.00. 3) Whether the exceptional rates were guaranteed to Clatsop Care Center Health District and whether this fell within the grant and SPD policy. HUDDLESTON muttered 1) First that she trusted staff to do the work and didn't know about that. 2) Second, Clatsop Care she thought she had the authority and it was within the line of credit money authorized from feds for program. 3) Third, regarding the exceptional rate

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section of the contract; SPD has a legal rate process and what will be paid along with a process within SPD for exceptional rate contracts. COOPER explained that HUDDLESTON created the exception process when she worked in the Rates Unit in the early 2002-3 time frame. COOPER explained there is a process for exceptions and everyone has to abide by that process. COOPER said even then, rarely is it ever authorized for a year. COOPER said on the [REDACTED] case there was an exceptional rate at the Nursing Home due to [REDACTED] complex medical level. The exceptional rate is at \$6,800 for the OTM provider for services. HUDDLESTON promised up to \$14,000 a month to the OTM provider twelve months. HUDDLESTON then explained the exceptional rate process is for exceptional rates after the initial 12 months. HUDDLESTON was told that was not accurate by COOPER. At this time HUDDLESTON got angry and she reached into her notebook and said she resigned. Everyone at the table was stunned. YOUNG then looked at HUDDLESTON and asked if she was resigning today, because the document has your resignation as being effective September 17, 2010. At that time HUDDLESTON revised her resignation to be as of the 31<sup>st</sup> of August, 2010. HUDDLESTON told TOEWS she was resigning immediately and asked YOUNG to get "one of her minions to come down and empty her desk." No one walked with HUDDLESTON back to her desk. YOUNG was at HUDDLESTON'S desk within five minutes of her leaving the conference room. YOUNG hovered in the area of HUDDLESTON'S desk, and didn't present herself to the staff as just "watching" HUDDLESTON gathering her things to leave the building. TOEWS and COOPER stayed upstairs and YOUNG received HUDDLESTON'S badge, Blackberry, and keys. COOPER didn't know anything about an agency laptop when questioned by PALODICHUK. COOPER was asked if she had a copy of the Employee Property List and she said Carolyn WILSON, the Administrative Assistance keeps the employee property forms and she would be the appropriate party to ask for that information. YOUNG proceeded with all the dismissal process and made sure HUDDLESTON didn't take any state property. HUDDLESTON had brought a couple of bags with her to work that day, prior to her resignation. COOPER said it appeared as she had planned to resign prior to the meeting as she left her resignation on her desk prior to her going to their meeting. She left personal items given to her from staff at her desk and left the building. COOPER further explained it is usual and customary for Human Resources to proceed as above. When further questioned COOPER explained in the "Budget Shop" there were lots of changes made since OTM came about. There have been four to five Budget Administrators. Currently Bob GEPHART is the Budget Administrator as of January 2010. COOPER explained the skill set of the budget staff was weak after two to three resignations. COOPER said if HUDDLESTON says one person was assigned and someone else came on it could have been Hugh CUNNINGHAM who came on board, but Chris BUI resigned and someone was reassigned. It was a reassignment, where these staff was never specific to HUDDLESTON and assigned as her staff. HUDDLESTON did not lose staff in July 2010. COOPER was then questioned about the delegation of authority and how it came about. COOPER said it was late last year (2009)

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or early this year (2010) there was a number of concerns by OCP and Accounting regarding the OTM payments/contracts. Nancy WALTON in Accounting and Steve PHILLIPS and Stella TRANSUE had concerns of the OTM program spending. TRANSUE set up a meeting with HUDDLESTON. PHILLIPS was concerned if contracts for construction were being done according to regulations/policy. BREACH and WALTON asked questions too. After meetings and discussion OCP chose to give HUDDLESTON delegation authority. COOPER either didn't hear this during the course of one of the meetings, or somehow she was not told, but HUDDLESTON was given delegated authority. COOPER again said she didn't have any knowledge of the delegated authority until after HUDDLESTON left her position. COOPER doesn't know why being the supervisor of HUDDLESTON she wasn't told of this appointment. COOPER said delegated authority is unusual and to do a bank loan is incredibly unusual. COOPER said OCP had concerns regarding the Davis-Bacon Rules, and if they needed to proceed with contracts per those rules. COOPER said after the fact WALTON had questioned many \$4,900.00 requests for payments and thought it wasn't right. WALTON thought that the requests rise to a contract level. COOPER said that WALTON and TRANSUE only saw the first requests for payments and concluded that OTM/HUDDLESTON was fragmenting payments. COOPER said the liability for the state was acknowledged and became a concern. COOPER said typically the invoice was for around \$12,000.00, but was broken out into 3 payment requests, all of which were less than the \$5000 limit. HUDDLESTON told other staff that the SPD budget and accounting systems were so antiquated it was the only way to get the payments out the door and paid. COOPER said when this type of behavior occurs the delegated authority is immediately taken away from the employee who does not follow proper channels for payments. COOPER when questioned said she was not aware of any letters of exceptions signed by HUDDLESTON regarding OTM expenditures from OCP. COOPER was not aware HUDDLESTON signed personal liability for any payment. No one asked COOPER if she wanted HUDDLESTON to have the delegated authority. TRANSUE explained to COOPER after the fact that once the delegated authority #286 form is signed by COOPER OCP proceeded and made decisions. COOPER understands that PHILLIPS and TRANSUE made the decision for the sub delegation to WOELKE. COOPER was then questioned regarding email communication and a DOJ subpoena having requested they safeguard the information and the lack of safeguarded information once access was granted to the system. COOPER explained she understood Brock WALLACE and Angela YOUNG made copies of HUDDLESTON'S e-mails. COOPER said she thought someone copied all of them at a printer. YOUNG protected the data per Human Resource protocol. COOPER said Brock WALLACE has a way of getting GroupWise to do more stuff and securing that emails etc. YOUNG met with COOPER and they discussed what had been done and what was planned. COOPER said they took all the right steps in the first 24 hours. When COOPER was asked about the (Thumb drive/Flash drive) COOPER said she assumed HUDDLESTON had a thumb drive and would take the agency laptop when she did training.

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Specifically COOPER didn't know if HUDDLESTON had a thumb and/or flash drive, but it would have been useful for her work to have one. COOPER said it would be a violation of policy to have the flash drive after termination in an ex-employee's possession. Flash drives are assigned to an employee, possibly used for multiple offices when working out and about. They are also used for emergency response, with personal/confidential information is on for emergency use such as e-mail, home personal numbers. COOPER said that that any SPD Flash drive would be password protected. COOPER explained "we all have double protected passwords." COOPER said testing is ongoing for emergency preparedness. COOPER said there were concerns with the H drive (employee's network share), HUDDLESTON having access to the system, the "I" drive or in GroupWise. Subpoenas were received by SPD, and the box of documents was given to DOJ as gathered. COOPER was then questioned regarding vendor payments being made. COOPER recalls HUDDLESTON was working with Accounting regarding provider payments. COOPER thought what was being paid was like all the other payments for other client services. COOPER said there were no red flags until late in August 2010. While HUDDLESTON was on vacation and COOPER was reviewing the OTM files she found payments that seemed odd. The coding was a weird code and the checks were being sent to a specific PO Box locally. After a half hour of research COOPER found all the payments were made to various providers and all the payments to code to CIIS (Children Intensive In-Home Services), all types of vendors with all the checks coming to Salem. COOPER questioned who was touching the checks, how they actually got to the vendors, then over the course of the next week or so, she was enlightened regarding the process. Cooper said the checks were picked up by KLINE or TYRER and brought to the OTM offices. KLINE and TYRER had custody of the check. Once the checks came to the OTM Unit, the checks were not secured, they could have been here a couple days to a week before being readdressed and sent to the vendor. No records of how or why they crossed out/lined out placed a different client's names on the check and put out etc. There were great concerns in this area said COOPER. COOPER said they surmise the vendors and providers got paid, due to no complaints having been received. COOPER explained this is not a typical way that the payments would be disbursed. COOPER said this was another HUDDLESTON way of getting out of doing the system correctly. Meg KILGORECATHART, Information Systems and Payment Manager, manages all IT business and provider payments. KILGORECATHART told COOPER there was not a huge volume. KILGORECATHART said when it was over a certain amount it would have been sent to Accounting. COOPER said HUDDLESTON knew this was not the appropriate way of paying vendors/providers and client services. HUDDLESTON was well educated and trained on the systems, she was prior budget administrator, and savvy regarding the work around and she knew how to work around systems. If she would have stayed on in her position she would have been reprimanded. When further questioned regarding OTM relationships to vendors/providers COOPER said SPD does a lot of work with vendors/contractors on behalf of the clients. If diversion work, such as needing a

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ramp, is needed, the offices across the state would request three bids, and then would complete a 437 request for the payment process. COOPER said she assumed OTM would do that same process. COOPER said there is threshold for staff spending limits on specific special need services; categories include minor remodeling, major remodeling, diets, chairs, shoes, hearing aids etc. "Deanna's Shop" does a report on these expenditures. COOPER said when questioned about the OTM loans/grants it came to COOPER'S attention after HUDDLESTON left state service, possibly the first week of September, that OTM had made loans to a few providers for personal remodeling to be done at the same time as the OTM remodeling on the provider's AFH. COOPER opened OTM mail in August 2010 and received an adjustment to a loan application submitted by a provider in Portland. Nathan SINGER or Sandy HATA found in WOELKE'S desk/cubicle area a file on "loans." In their search they found at least three (3) loans – 1 in the [REDACTED] area for \$45,000, one in [REDACTED] OR (AFH provider) who was doing a series of remodels. Apparently several providers asked if "While we have the contractor here could we have them do other work?" COOPER said out of the "generosity of the state employees" they provided siding and a sunroom in the home. The provider is to pay back about \$11,000.00 of the cost. COOPER never thought any state employee would think they had the right to "loan" money. COOPER explained if they (meaning the people who received the loans) were repaying this money, where was the money being repaid, and if they didn't pay back the money what were we doing about it? This also raised concerns about how the loans were being financed. Was OTM using Grant money? When the loan was repaid, did Oregon reimburse CMS? COOPER said no staff reported the "loan" situation to her. WOELKE and HUDDLESTON were the only sources that knew about these monies. The day HUDDLESTON resigned, WOELKE went past the desk when HUDDLESTON was at meeting with COOPER/TOEWS. WOELKE asked via a note for HUDDLESTON to contact her prior to leaving the building. WOELKE left sick that day and no one knew why the loans came about, just what they found in the records. COOPER explained that HUDDLESTON was questioned regarding the [REDACTED] case especially in her communication with the providers in regards to the payments and the exception process. HUDDLESTON explained it was allowable under the OTM program. HUDDLESTON explained the foster home provider had five beds. The provider was willing to accept [REDACTED]. The care provider was willing to move one of [REDACTED] clients, who was receiving Hospice care, (Per HUDDLESTON'S request) if they (client and family) agreed to the move so the provider would again only have four residents in the AFH. HUDDLESTON agreed to pay extra money to move the client from the AFH. HUDDLESTON promised \$4,500.00 to the provider [REDACTED] to give to the clients family. They (OTM Program staff) made huge promises on equipment to the tune of a \$72,000.00 bed that is being leased at nursing home facility. They promised to place equipment/tracks for Hoyer lifts and the most extravagant equipment you could imagine. HUDDLESTON was case managing this alone. HUDDLESTON said she was working with the TC's in [REDACTED]. HUDDLESTON said she

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didn't think it was a good plan anyway when questioned by COOPER and TOEWS. HUDDLESTON said "just don't do it" after she had already obligated the department to all the charges incurred. However, [REDACTED] didn't move due to [REDACTED] physical condition deterioration along with all the bizarre requirements. The payment exception rate and equipment came to about \$6,500-\$6,800 a month. HATA and SINGER got involved and realized many other promises were made to the AFH providers. HUDDLESTON was contacted by the [REDACTED] and copied to the rest of the staff. HUDDLESTON told staff she was paying \$6,800 a month, however she told the [REDACTED] she would be paying \$14,000.00 month payment. COOPER said HUDDLESTON lied to agency staff regarding the exceptional rate to the [REDACTED] home. COOPER explained the [REDACTED] had been a private pay only adult foster home, they never took a Medicaid contract previously, yet somehow HUDDLESTON and the [REDACTED] got in communication.. COOPER said [REDACTED] is from the [REDACTED]; [REDACTED] was in [REDACTED] accident and is totally dependant for all [REDACTED] care needs due to his complex medical condition. [REDACTED] was trying to find an appropriate home for [REDACTED] in their home community. [REDACTED] [REDACTED] may have found the [REDACTED] home for HUDDLESTON. Then with more research and after the fact all the other cases came about including Umpqua etc. During the bi-monthly meetings with COOPER, HUDDLESTON spoke of Umpqua; however, just that she was working with the local housing authorities and ear marked OTM monies for federal funding. COOPER thought HUDDLESTON was getting places for clients, not doing housing projects. COOPER said there were no new contacts since HUDDLESTON and WOELKE left. COOPER said WOELKE was placed on leave due to WOELKE'S signature being on all these documents. COOPER couldn't recall if [REDACTED] was involved in that decision. COOPER explained due to the pending investigation, WOELKE being so closely tied etc., it was best to do it without her here. COOPER when questioned regarding HUDDLESTON'S ability to supervise explained HUDDLESTON'S personality was to reprimand staff and their procedures. COOPER was contacted by Julia BROWN three times over past 3 years. BROWN spoke of an incident where she had been treated unfairly by HUDDLESTON and COOPER gave her ideas on how to deal with HUDDLESTON. The next time BROWN contacted COOPER it was on how to do career option counseling etc COOPER gave her direction and she went forth and did as instructed. COOPER said BROWN initially thought HUDDLESTON had treated her unfairly regarding some e-mail communication and HUDDLESTON didn't like being referred to HUDDLESTON vs. Julia, HUDDLESTON felt disrespected. COOPER shared that no one else complained of HUDDLESTON to TOEWS or herself. COOPER recalled only once did she hear HUDDLESTON raise her voice to WOELKE. At the time Jeannette BURKETT stayed in the area and observed WOELKE to speak to HUDDLESTON in the same tone HUDDLESTON spoke to WOELKE it was concluded this may possibly be their communication style. COOPER said other staff had opportunities to complain to COOPER; COOPER has an open door policy. COOPER wasn't aware of a fear factor until after HUDDLESTON left and things were

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said by staff. In regards to OTM and what kind of oversight was in place to make sure state and federal laws were being adhered, COOPER said a large organization has quality assurance "Deanna's Shop" they overview and review, they also have reviews through OPAR, the provider/Medicaid Fraud Unit, PERM a federal auditing system, through Program Integrity (Fed/State audit system,) Internal Audits "Dave LYDA'S Group" and Program Risk Analysis. Most OTM, specific oversight was on a federal level that included technical assistance for grantees, who do oversight via sub contracts such as Mathematica, the Lewin Group & Associates and First Addition the newest subcontractor for the fed's for CMS to reviews. These sub contracts do all the reports, budgets etc. and they did analysis for the grant. Mathematica started asking questions and HUDDLESTON started redoing spread sheets in July 2010. Then Mathematica would come back questioning numbers and HUDDLESTON would respond to them saying, "oh then I did something wrong." Mathematica questioned Oregon's high client transition costs. Jerry MING and Tami HUMMEL would get the numbers for HUDDLESTON who would modify the report and forward to the federal source. Why it was set up this way was from HUDDLESTON according to COOPER was not the norm. COOPER said Accounting staff were told that there were things that were unique to OTM that HUDDLESTON only had it in her data sets. COOPER said that they have a Life Survey where OTM gets payments of \$100 per survey and that would be the only data information stored in the OTM data vs. accounting. COOPER said in her management experience she has removed managers from the agency. COOPER said she knows how to recognize red flags and has taken the appropriate steps.

### EXHIBIT 28 (A-AT)

#### TOEWS, James Dated - December 1, 2010 TIME - 10:00 AM and January 24, 2011 TIME - 04:10 PM

On the above date TOEWS was interviewed regarding Julia HUDDLESTON and the OTM Program. TOEWS stated as follows: TOEWS stated he has worked for the State of Oregon since October 1985. TOEWS was hired to administer the Developmental Disabilities Program. TOEWS said he continued in this capacity until reorganization in 2001. TOEWS explained his position was Deputy for SPD until 2003 when he was appointed Director of SPD (Seniors and People with Disabilities) where he oversees senior and disability programs. TOEWS explained in his current position he oversees budgets, relationships with counties, licensing and regulatory, and all of SPD's program/s. TOEWS regularly testifies before and reports to the legislature. When questioned about how the OTM/MFP program came about in Oregon, TOEWS explained that the US Congress passed it as a part of the Deficit Reduction Act in 2004 or 2005. TOEWS said in 2007 SPD made the decision to apply for the MFP Grant. TOEWS explained the program is designed for states that have a high institution population. The goal was to assist people (clients) out of long term care institutions. (Nursing Facilities=NF) TOEWS explained Oregon leads the pack (states) in a national study, due to it having the lowest rate of nursing home clients and of developmentally disabled individuals in institutional care because of

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extensive use of Medicaid waivers to place clients in alternative settings. TOEWS said it was a long debate between himself and his executive staff about whether they (Oregon - SPD) should apply for the MFP Grant. TOEWS went on to explain that in 2007 the State of Oregon nursing home clients/count increased for the first time in 20 years, by 5%. TOEWS explained this was concerning to the agency. TOEWS explained it was their conclusion that it was partially due to providers dropping Medicaid contracts or not taking in people with high acuity levels. TOEWS said that hospitals were also discharging clients faster. TOEWS explained this influx of nursing home clients caused the state to start a Diversion Program for the nursing homes. TOEWS explained that the group of staff that ran this program was different than the Transition Coordinator's. This new diversion plan worked and the long term care numbers started coming down. TOEWS said right in the middle of this process it was still being debated (strongly) about obtaining the grant from the federal government for MFP monies. The thought process explained by TOEWS was "why take on federal reporting when our numbers were good." TOEWS explained COOPER and he along with the Executive Team foresaw MFP as a way to serve people with really complex medical needs and it would bring community services to a whole new level. They (The Executive Team) finally agreed. The request to apply for the monies was sent to the Emergency Legislative Board. Once given permission, the task of writing the grant was given to HUDDLESTON. HUDDLESTON wrote the grant as requested by TOEWS. HUDDLESTON knew our (SPD/DD) systems. TOEWS said HUDDLESTON is an excellent writer and her expertise had been used before. HUDDLESTON knew the Federal Medicaid Program inside and out, she was very good. TOEWS explained in the past he had gone to HUDDLESTON often requesting research and she had proved to be intelligent and excellent writer. TOEWS recalled HUDDLESTON had written three long range plans previously. HUDDLESTON had provided a presentation to the Executive team. TOEWS when further questioned said he was not sure if HUDDLESTON was originally part of the Executive Team meeting that discussed possibly applying for the OTM Grant. TOEWS said the Executive Team consisted of Deanna HARTWIGHT, Mary Lee FAY, and Jeanette BURKETT and others. HUDDLESTON was a member of the Executive Staff team where the Budget Unit and Human Resources were included. TOEWS said HUDDLESTON headed up the research and rate setting area. TOEWS was asked if he had supervised HUDDLESTON before she started working for the OTM/MFP program. TOEWS said no. TOEWS said her prior supervisor was Deanna HARTWIG. TOEWS was asked how Julia HUDDLESTON was chosen to oversee the OTM program. TOEWS explained it was kind of by default. TOEWS said we (Executive team) talked about it at length; we had concerns even back then. TOEWS said HUDDLESTON had a lot of interpersonal issues and was known for her bullying behavior. TOEWS said they chose to backfill HUDDLESTON'S position in the Rate Setting Unit/position. HUDDLESTON then wrote the OTM Grant. TOEWS said HUDDLESTON was not considered Executive Service at that time. HUDDLESTON'S position was a management position. TOEWS said the Department did

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not do any "checks" on their employees at the time. However, that has since changed. TOEWS was asked; What were the qualifications that HUDDLESTON demonstrated previously that made her the best candidate for the position. TOEWS said she had communication skills, a historical relationship with federal officials; and she expressed interest in having the position. TOEWS said he didn't think HUDDLESTON came and asked for the position. TOEWS said HUDDLESTON'S qualifications and training for the OTM position were strong. TOEWS said HUDDLESTON knew the agency policies, procedures and she knew the system. TOEWS said there were reservations about HUDDLESTON'S supervising skills. HUDDLESTON had previously gotten pretty nasty with other employees. When asked how this problem was dealt with, TOEWS said HUDDLESTON was sent to Leadership Academy and she was coupled with Ramona FOLEY who would be her mentor. TOEWS said they were conscious of her inabilities and wanted her to succeed. TOEWS said this all occurred in or about 2007 or 2008. TOEWS said they saw improvements for awhile. TOEWS recalled he would call HUDDLESTON in occasionally and read her the riot act if she did something that was not appropriate. TOEWS said HUDDLESTON would be defensive and one would need to allow her to sort through the problem. None of these conversations/interventions were documented said TOEWS. TOEWS was asked what role he had relative to the OTM Program. TOEWS explained HUDDLESTON reported to COOPER and himself. TOEWS said we (COOPER and TOWES) are kind of interchangeable for staff. TOEWS said initially weekly meetings were set up between HUDDLESTON and COOPER or him, later, the meeting schedule shifted to every two weeks, then less frequently. By the time HUDDLESTON left the update meetings were probably monthly. During the meetings they looked at a lot of paper, they would track numbers, cases pending etc. TOEWS didn't know if notes were taken at these meetings. Again, TOEWS said any staff could come to him. TOEWS said they (COOPER and TOEWS) started hearing from their field staff and AAA's (Area Agency on Aging) that there was a lot of tension between Central Office and "their staff." TOEWS said at that time they chose to commission Veneda FRANK to do a program review. After the review was completed and FRANK reported back to TOEWS and COOPER they decided the OTM supervision system wasn't working and the decision was made to reallocate staff. At that time HATA and SINGER were brought into the OTM Unit. HUDDLESTON was then the Grant Manager and handled the finances for OTM, but no longer supervised the field staff. TOEWS said HUDDLESTON also dealt with the housing services group that she chaired. TOEWS explained with their blessing, HUDDLESTON was granted permission to talk community members to develop new OTM housing options. TOEWS was then asked, in regards to Clatsop Care, if he knew about the letter written by HUDDLESTON in August 2009 promising specific SPD/OTM financial (grant) support. TOEWS said "no." TOEWS recalled there was a newspaper article in the Daily Astorian after the letter was written. TOEWS said "Anita" (SCHACHER) made some statements in the Daily Astorian paper. COOPER told TOEWS that she went to HUDDLESTON, who when questioned told COOPER the newspaper

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article was inaccurate. TOEWS was asked if he questioned COOPER to see if COOPER called Anita SCHACHER for better clarification regarding the article. TOEWS said he didn't think COOPER called SCHACHER regarding the article. TOEWS was asked if he contemplated the occupancy rates and would the occupancy rates be guaranteed. TOEWS explained the guaranteed occupancy rate came to light to him when the 1.8 million contract came to his attention. He said that SPD did not have the authority to guarantee occupancy rates or payment rates. TOEWS explained neither he nor COOPER had seen a contract with that dollar amount. TOEWS explained it was discovered the week of August 20, 2010. TOEWS said he called HUDDLESTON (who was on vacation) and requested she come to the office. TOEWS recalled they had a major confrontation. TOEWS said he asked HUDDLESTON "How are you guaranteeing occupancy?" HUDDLESTON said that they weren't guaranteeing occupancy, "that is not true." HUDDLESTON then told TOEWS "I didn't draft it." HUDDLESTON told TOEWS "I never agreed to that." TOEWS said that he and COOPER directed HUDDLESTON to rewrite the Clatsop Care Contract that day. TOEWS and COOPER then asked HUDDLESTON about the funding source for the Clatsop Care Contract and would it be within the OTM Grant to fund the Clatsop Care Project. TOEWS explained he observed HUDDLESTON to write on the white board in the conference room the fund sources within the grant that made the Clatsop Project an allowable expense. TOEWS explained he and COOPER directed HUDDLESTON that day to call Anita SCHACHER and explain the occupancy was not a guarantee. HUDDLESTON wrote an e-mail to TOEWS stating that she had talked to SCHACHER and that SCHACHER understood that neither the occupancy rate nor the payment rates were guaranteed. Anita SCHACHER told TOEWS a few days later that she and HUDDLESTON never had that conversation. When questioned regarding having seen any patterns of deception prior to the above by HUDDLESTON; TOEWS said yes, in regards to the [REDACTED] case. TOEWS said it was in either June or July of 2010. TOEWS said several staff reported to him and COOPER what they were hearing. TOEWS said at the time the things being heard seemed so bizarre to him. HUDDLESTON was gone when it was reported. HATA, COOPER and BURKET met with HUDDLESTON upon her return. At the time HUDDLESTON told the trio that the hearsay was untrue. COOPER told TOEWS; HUDDLESTON had a plausible explanation regarding the case. TOEWS explained SINGER had emails where it was documented that HUDDLESTON was not being truthful regarding the [REDACTED] case. TOEWS explained that up until that time he had not observed any deceptive pattern by HUDDLESTON. TOEWS said it was at this time they (COOPER and he) talked regarding removing HUDDLESTON from the position. TOEWS said in regards to the [REDACTED] vacant bed payment promise; He went to Mike MCCORMICK who ran all the rates for the OTM clients. It was found that the plan for the [REDACTED] case was to send out two separate payments. The Rates Unit would not have observed this payment nor connected the two payments. It was asked of TOEWS if a person with HUDDLESTON'S background would or could find a way to go around the

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system. TOEWS said yes. TOEWS said he is "stunned that it happened." TOEWS said in HUDDLESTON'S defense, "We had said from the beginning we were going to push the envelope and move very tough clients. We are pushing outside our typical systems." HUDDLESTON is a very bright woman said TOEWS. TOEWS explained the other confrontation with HUDDLESTON was around the exception process. TOEWS said that SPD has standard published rates. TOEWS explained that SPD had an exception process that is time consuming and HUDDLESTON was one of the employees who helped design the original system. TOEWS said the exception system was redesigned for Money Follows the Person. (MFP) TOEWS explained he believes that it was clear; any exception rate had to go through that process. TOEWS said the [REDACTED] case and the rate promised by HUDDLESTON had not gone through the exception process. TOEWS explained he and COOPER reviewed the file. TOEWS explained the exception process was designed for behavioral and medically complex cases. HUDDLESTON was aware of the exception process, knew and helped design the process and ran the Rates Unit for years and years. TOEWS said HUDDLESTON knew you couldn't guarantee an exception rate a year out. TOEWS said HUDDLESTON knew the way it should have been handled. Again, TOEWS explained HUDDLESTON was part of the redesign process for the exception rates. TOEWS said the policy was very clear and I think HUDDLESTON understood that. TOEWS was asked if the commitments outlined in the letter to Clatsop Care fall under the scope of what was allowable under the federal guidelines for the Money Follows the Person grant. TOEWS said he didn't believe so. TOEWS said they had queried HUDDLESTON when it became apparent that it (Clatsop Care) was a grant tied to new construction. TOEWS said at the same time the contract was hitting their desk which was the first time they were aware that OTM was to "grant" \$1.8 million to the Health District. Stella TRANSUE (OCP) then sent down the three personal service contracts related to the Clatsop Care project. TOEWS said they (HUDDLESTON) actually tied those contracts to OTM clients who were not to be served by the Clatsop Care project. TOEWS said he knows that they were going to hit the \$250,000.00 with the three payments. TOEWS said they were stunned. TOEWS said he is still obsessing on the \$1.8 million contract. The OTM grant makes it clear they cannot use the money for new construction. Stella TRANSUE sent the three contracts to SPD around the 25<sup>th</sup> or 26<sup>th</sup> of August, 2010. It was at this time that COOPER and TOEWS contacted Human Resources, Suzanne HOFFMAN and Bruce GOLDBERG regarding the discoveries. TOEWS was asked if he knew what is allowable under the federal guidelines. TOEWS was asked who would have been responsible for that research prior to any promises. TOEWS said he wouldn't have even known to review it. However, now he knows there were many email communications. TOEWS said every manager knows that you cannot make guarantees without a contract. TOEWS said "I think it is grossly inappropriate." HUDDLESTON completely denied that she had given the go ahead, she blew it off, explained TOEWS. TOEWS said HUDDLESTON had

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been a Budget Manager working outside of SPD for DHS, had written waivers etc. TOEWS said if you look at the original grant application she knew it backwards and forwards. "I am mystified." explained TOEWS. TOEWS was asked if he had any thoughts about why HUDDLESTON resigned. If there wasn't any self dealing or profiting. TOEWS said she may have felt this grant took her outside the normal constraints. TOEWS said she was pushing the envelope. TOEWS said they have theorized. HUDDLESTON had taken a lot of vacation time, drawing it down to the 250 hours limit. She had written her resignation letter before their meeting on August 31. TOEWS said HUDDLESTON said "James is on a witch hunt." TOEWS said he didn't know if it is like a compulsive gambler thing or not. HUDDLESTON is bright and ambitious, presented at national meetings etc. TOEWS thought that HUDDLESTON was going back to graduate school and wanted to be a national healthcare consultant. TOEWS was asked if he thought HUDDLESTON may have used her position to enhance her husband's business. TOEWS said no. Her husband already had a reputation established. TOEWS recalled HUDDLESTON did sign a conflict of interest statement regarding a contract her spouse had with Oregon State Hospital. TOEWS said that Jeanette BURKET was in the cubicle next to HUDDLESTON. He said that she recalled that HUDDLESTON made many comments about her (HUDDLESTON'S) husband, Chris APGAR. BURKET had said that HUDDLESTON made many comments that APGAR was going on spending binges and BURKET recalled that HUDDLESTON had said that she and APGAR have big financial problems. TOEWS was asked who would need to sign off on this type of project if Julia HUDDLESTON did not have authority. TOEWS said it would have to have his or COOPER'S signature. Currently signature audits are taking place. TOEWS as asked what was his understanding of OTM'S relationship with vendor and providers and how is it suppose to work. TOEWS said they should have all been vendors with contracts. TOEWS said he knows this because of his Fairview experience and having to obtain equipment and startup costs. TOEWS said it was all contracted and went through the bid process. TOEWS further stated we (meaning OTM) "had no legal or policy authority to make grants." TOEWS explained COOPER got pulled into one or more meetings with accounting. TOEWS said they had a series of meetings and HUDDLESTON agreed to correct her practices. She never asked if she could use a different process according to TOEWS. TOEWS said direct communication was done with the program staff and with the vendor. The Umpqua and Clatsop projects were structured like a grant; both had DOJ Legal Sufficiency sign off. They went through the Office of Contracts and Procurement, and went to the Tax and Finance section of Oregon Department of Justice (DOJ). They appeared to approve them. CMS has been updated about the problem areas and has been informed that laws may have been broken. The contracts themselves were very poorly written. The dollars appeared to be a down payment that parlayed into bigger loans. Since talking to CMS, it is TOEWS report that they should have not relied on HUDDLESTON. TOEWS said they have asked CMS about new construction being covered via OTM monies. A solid answer regarding that question has not

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been received from CMS. It is evolving. They are trying to figure it out said TOEWS. TOEWS said Medicaid has never paid for new construction before. CMS has told the SPD staff if you want to know if a project could be covered, send it in and we will see if it is possible. TOEWS said they have not seen where either the Umpqua or Clatsop Care projects were reviewed with CMS. TOEWS said HUDDLESTON and WOELKE probably had it deep in their minds that they could do the projects without consulting CMS. TOEWS said CMS was not aware of the Umpqua and Clatsop projects. TOEWS was asked why was Julia HUDDLESTON was given a \$100,000 delegation authority. TOEWS said he doesn't know why. TOEWS said when they "tumbled on to these 80,000 grants and contracts" it was within her signature authority. TOEWS had not seen the delegation form. TOEWS was asked if he needs to sign off on delegated contract authority, TOEWS said that is his question to DHS internal audits. TOEWS was asked; what is the difference between signature authority and delegation authority. TOEWS explained it was who has the ability to sign to a specific amount. HUDDLESTON had authority to get contracts and sign under \$100,000. However, it says that OCP needs to approve it. TOEWS was asked why HUDDLESTON and WOELKE'S emails weren't preserved the day that HUDDLESTON resigned and WOELKE left the office and was then placed on Administrative Leave. Later in the day he clarified that Human Resources had picked up both of their hard drives and saved their emails. TOEWS said on August 23<sup>rd</sup> the Human Resources Administrator for the day gave them instructions once they decided that they would tell HUDDLESTON she would be placed on Administrative leave. At the time TOEWS explained they did not know WOELKE had sub delegation authority. TOEWS said he didn't think WOELKE was technically a Sub Delegation Authority. When WOELKE went on leave he and COOPER talked to Brock WALLACE of Human Resources. With HUDDLESTON she came to work on a Tuesday vs. the prior arranged Monday and they had already notified the Director's Office and Human Resources. TOEWS explained we didn't know what was going to happen and wanted internal audits. It was on their radar screen. TOEWS was questioned if they left it up to Human Resources to do and he said they struggled with it and finally decided on Friday to put WOELKE on leave. TOEWS was asked what steps were taken to lock down HUDDLESTON and WOELKE'S emails and documents. TOEWS said the talked to Human Resources and he cannot answer that question. Again he clarified that later in the day he confirmed that Human Resources had picked up their computers and saved their emails. TOEWS explained it was his suspicion that HUDDLESTON was planning to exit well before she did. TOEWS said they usually rely on Human Resources to handle dismissal processes. COOPER had lengthy conversations with Angela YOUNG of Human Resources even though HUDDLESTON was out of the office. TOEWS recalled they called HUDDLESTON upstairs, it was himself, YOUNG and COOPER, they had the confrontation; HUDDLESTON pulled out her resignation letter and then someone from Human Resources followed her downstairs and secured HUDDLESTON'S computer. WOELKE'S situation was a little different said TOEWS. TOEWS was asked what steps did he take or did not

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take to preserve the emails after they received the DOJ'S request letter and subpoena. TOEWS said the question "we" posed to Human Resources was; "How do we lock her down." TOEWS explained they didn't want HUDDLESTON to have access to anything. TOEWS explained they were originally planning to place HUDDLESTON on leave and were absolutely stunned when she resigned. TOEWS explained it was at this time Human Resources (Angela YOUNG) was referred to and took the routine and appropriate action regarding HUDDLESTON'S departure from the agency. TOWES was asked if employees were going through HUDDLESTON'S desk prior to their meeting would that have caused someone to alert HUDDLESTON. TOEWS explained BURKET heard HUDDLESTON talking to creditors, etc. regarding to moving money around in her personal accounts. TOWES said he didn't think HUDDLESTON was in the office late evenings. TOEWS recalled HUDDLESTON to be usually hard at work at her desk. The day HUDDLESTON resigned; a group she was leading, who were designing homes sang her praises. They were stunned when we told them she had resigned that day. TOEWS was asked who had been responsible for gathering the materials that were subject to the subpoena and request letter from the DOJ. TOEWS was asked if he spoke with Human Resources later to see if emails had been preserved. TOEWS explained what the DOJ received was everything that they could get their hands on. TOEWS said it was his assumption that all emails were saved by Human Resources. What the techies said was that they could go back and retrieve 30 days worth of emails. TOEWS said he has been told that WOELKE documented everything. TOEWS explained one of the critical questions was that they were asking HUDDLESTON was which/who the clients were related to the contracts with Clatsop Care. HUDDLESTON responded to TOEWS and COOPER that "I didn't set those up." COOPER said, "But you signed it" TOEWS explained the information gathered for the [REDACTED] was gathered through the course of the discovery process. TOWES explained Clatsop Care was about to have a groundbreaking ceremony shortly before this happened. TOEWS said he was still struggling with the question if this was even an allowable expense. TOEWS said the goal was to salvage the Clatsop Care project if possible. TOEWS was asked if it is a violation of DHS policy/procedures for a flash drive containing confidential client information to be in the possession of someone after they have terminated their employment with the agency. TOEWS explained he wasn't aware HUDDLESTON had a flash drive. TOEWS was asked: what is the normal procedure taken in this circumstance. TOEWS said this has never happened in the 25 years he has worked for the agency. All the other experiences he has had with top manager leaving were due to other issues. TOEWS said he is not involved with lower level employees. TOEWS explained he did not know what states HR takes to identify storage devices and possession for HUDDLESTON and WOELKE and what may be in their possession. TOEWS will get back regarding that question. TOEWS said when questioned who is/was responsible to maintain records regarding State property assigned to OTM employees and if Julia HUDDLESTON, who verified her compliance with this requirement. TOEWS said he wasn't sure whose

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responsibility it was for keeping record regarding property. TOEWS said he would check and get back with the investigative team. TOEWS said ultimately, they were responsible. TOEWS didn't know why staff may be assigned a flash drive or if they were password protected, however he would get back with us on that question. TOEWS was asked; what were the events that transpired that caused him concern regarding the OTM program. He was asked to describe in detail his interactions with Julia HUDDLESTON and Linda WOELKE. TOEWS said he had no dealings with WOELKE. TOWES explained when we found out WOELKE was intimately involved with the contracts John CARTER suggested that she (WOELKE) be placed on administrative leave. TOEWS said that they decided to follow CARTER'S suggestion and WOELKE was placed on Administrative Leave. TOEWS explained since that time, it was discovered WOELKE was manipulating the bids and going outside the bid process. TOEWS said they were talking to the DOJ and it was observed a bid had been made and then a brother of one of the bidders was awarded the bid. TOEWS couldn't recall the names connected to the bid. TOEWS also said there was a Lebanon project. A home was remodeled and the Curotek System was put in place and they are still debating whether commitments were made. TOEWS said it could have been a disaster. TOEWS spoke of the Canyon Rim project and it having not materialized. However, there had been a lot of discussions regarding that project. TOEWS explained it is in a Maupin assisted living facility. Apparently the USDA gave a big grant and mortgage and OTM was planning to put money into it. This is one that CMS appeared to say you can use assisted living self contained apartments with independent egress assuming the OTM client has their own lock and key, and a landlord tenant relationship. TOEWS stated virtually no assisted living facility is going to sign up for that. Canyon Rim was but four or five units that were being discussed for clients with high acuity needs and rates. He thought this was in the verbal discussion stage. TOEWS said the Wallowa Health District reported (from their newspaper) HUDDLESTON was having conversations with Lakeview as well, but nothing happened. TOEWS said it was his thought that in HUDDLESTON'S mind, all states are struggling with the four or less requirement. Most foster homes even struggling at only having five in the home to make it financially. TOEWS said for the most part there are two people on duty at a time. TOEWS said one needs really high rates to sustain financially. "I think "Julia" (HUDDLESTON) was trying to conceptualize side-by-side projects to share staff cost. HUDDLESTON was trying to move away from small homes. TOEWS said "to be honest \$1.8 million" probably could have been a good deal (for the Clatsop Care Health District project). WOELKE documented everything. TOEWS was asked if he had any contact with Julia HUDDLESTON since her resignation. TOEWS said he sent her a letter regarding a "name clearing" hearing. TOEWS also said he has not had any contact with WOELKE since she was placed on administrative leave. TOEWS was asked if Julia HUDDLESTON ever formally or informally was reprimanded for issues regarding OTM program/procedure or employee interactions. TOEWS said "I don't think we ever formally reprimanded her. "

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TOEWS was then asked if it was ever brought to his attention that Julia HUDDLESTON was allegedly verbally unprofessional toward her employees. TOEWS said he was not comfortable with the way that HUDDLESTON was treating people. TOEWS said he didn't hear her yelling. PERHAM asked TOEWS; what is SPD'S protocol for setting up a new program, and asked specifically if there were a check off list. TOEWS said that there was no check off list. TOEWS said he thought their grant management throughout the department was insufficient, said the agency has struggled with administrative issues including the proper links between budget, accounting, contracts and the program. TOEWS said most of SPD's grants are under \$3 million, and OTM was much larger. TOEWS said this is clearly more of a Medicaid program. TOEWS said his focus was more on the budget side. TOEWS said there are chronic staffing shortages in SPD's administrative areas, challenges with coding things the right way etc. TOEWS recalled a month before HUDDLESTON left they finally got a budget person assigned to her. TOEWS said this worried him a lot. TOEWS said he didn't think they did a good job with this program. TOEWS said the smaller grants are much easier. TOEWS said they have run huge programs since the beginning of time. This is the first time, in his time that something has happened. TOEWS said it is very clear though, regarding contracts and budget, payments etc. what the proper process for employees. TOEWS said "It went on for so long without us noticing." TOEWS was asked who reviewed the program protocol for compliance with State rules, regulations, policies, law and the grant guidelines and how often were reviews done and by whom. He was also asked who the watchdog was. TOEWS said he is responsible for SPD, including OTM. Every year SPD does a risk assessment, and reviews areas that may be at risk. TOEWS said SPD prioritizes what needs to be done. TOEWS said he doesn't do it personally and he depends on systems in place. TOEWS said the Secretary of State Audits Division has come in several times and done reviews. TOEWS said they also periodically form field teams and do reviews. TOEWS said we don't typically monitor/review each grant unless we consider it at risk. COOPER and TOEWS asked for an internal audit to "tear this place apart" (in other words, to thoroughly audit OTM and the administrative functions that were bypassed or manipulated. TOEWS explained one can't rely on your managers in the typical sense for this type of audit or review. TOEWS was asked if he believed that some of the audit detail should fall to OCP. TOEWS said when he ran DD and closed Fairview they moved millions of dollars. TOEWS recalled they had a contract manager who would balk when they (DD) would push constantly to get things out the door. The contract manager would stick her finger in his eye, told him they would do it the right way and she knew if things were outside of policy. OCP may not know what OTM had the ability to do, said TOEWS. TOEWS said he wondered why didn't someone call him and tell him that there were a lot of \$4,900.00 checks going out the door. TOEWS said he wasn't sure that current system works. TOEWS said he needs to put SPD's own business office together and that may be the result of this review. TOEWS said one holds your managers accountable. However, they don't have time to check everyone's work. TOEWS had no further questions

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when given the opportunity. TOEWS said they were so shocked. He was stunned when HUDDLESTON resigned. TOEWS said "I would love to talk to Julia and find out what was in her head." TOEWS said "I defended her a lot. She often did exceptional work." TOEWS said he was most stunned regarding the personal loans to providers. TOEWS said she would she have known she was outside of policy...it is so far removed. When the final interview occurred; HUDDLESTON she was questioned about her authorizing work without a contract, issuing contracts for client payments and new construction tied to prime numbers that don't have to do with OTM clients, authorizing payments outside exception process. She knew there was an exception process and she denied this. At this time TOEWS told HUDDLESTON we are prepared to put you on leave pending an audit. HUDDLESTON responded by saying "you won't find anything; it has been run extremely well." HUDDLESTON produced her resignation at this point. HUDDLESTON then commented to YOUNG, "I suppose one of your minions will escort me downstairs." TOEWS suggested that BURKET be contacted for her comment as HUDDLESTON accosted her in the hall after she left the conference room and she resigned. It was a conversation regarding the [REDACTED] case, she was very angry. HUDDLESTON changed the date on her resignation letter during the interview. TOEWS couldn't recall if YOUNG asked HUDDLESTON to change resignation date from two weeks out to that day. Interview concluded. **EXHIBIT 133 (A-BM)**

### UPPER MANAGEMENT SUPERVISION SUMMARY

- HUDDLESTON failed to report accurate and complete information. TOEWS and COOPER relied upon the information provided by HUDDLESTON and therefore did not see a need for change within the program.
- Investigator PERHAM and Investigator PALODICHUK discovered that James TOEWS and Cathy COOPER followed routine management practices as established in SPD. The level of supervision for HUDDLESTON was consistent with the level of supervision for similar upper level management positions within SPD as follows:
  - TOEWS and COOPER had routine meetings with upper level management staff in group settings and individual (one on one) appointments.
  - Meetings are for the most part are attended by all participants.
  - Ongoing communication, positive and negative, is received at routine meetings.
  - Evaluations are not the "norm" in SPD.
  - Immediate direction is given the upper level management staff and they are expected to follow direction.

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- TOEWS and COOPER are available for “immediate” consultation, communication, discussion, chat, etc. in person, (open door policy), by phone, e-mail and/or any other type of communication used in the DHS professional setting.
- TOEWS and COOPER trust their upper level management staff to perform their duties within all policies, procedures and the law.

### **Pertinent Information**

- TOEWS and COOPER had not discovered any prior areas of concern regarding HUDDLESTON being deceitful and/or not “painting” a true picture of the subject/topic.
- When the problem areas occurred regarding the accounting/contracts COOPER and TOEWS referred HUDDLESTON back to the OCP for consultation, evaluation and review. OCP failed COOPER and TOEWS by not communicating to them that they had given HUDDLESTON delegation authority.
- TOEWS and COOPER understood and observed HUDDLESTON to have the intelligence, education, experience and training to follow the specific guidelines for the OTM Program and the state and federal rules/policies. What TOEWS and COOPER did not see or observe until mid 2010 was that HUDDLESTON had consistently disregarded the systems in place in order to reach her payment, rate setting, OTM client numbers, project (Clatsop Care/Umpqua etc.) goals. Once this discovery took place HUDDLESTON was called in for a meeting and HUDDLESTON immediately resigned.
- During the course of the OTM Review, PALODICHUK and PERHAM witnessed day to day communication between TOEWS, COOPER and upper management staff. Both were observed to be very approachable, considerate, professional and dedicated.
- We observed and overheard upper management staff communicating in and outside of the specific cubicle settings of TOEWS’ and COOPER’S offices. We observed ongoing meetings in the conference room on a daily/hourly basis. We overheard open and free communication and heard laughter from time to time. At no time did we hear anyone raise their voice, or demonstrate frustration by hearing an inappropriate tone. We did not hear any staff communicate in a demeaning or inappropriate manner to each other or from TOEWS’ or COOPER.

## OTM REVIEW SUMMARY

# CENTER FOR MEDICAID AND MEDICARE SERVICES (CMS) AND STATE OPERATIONS

### **CMS: Money Follows the Person Rebalancing Grant Demonstration; July 26, 2010**

This document in section two outlines the MFP operational protocol. This protocol in Sub-Appendix VI; identifies a qualified residence as:

1. A home owned or leased by the individual or the individual's family member, the lease/deed must be held by the individual or the individual's family member.
2. A residence, in a community-based residential setting, in which no more than 4 unrelated individuals reside.
  - This residence may be owned and operated by a person or organization other than the individual.
  - A residence in which no more than 4 unrelated individuals reside and that is part of a larger congregate care setting (campus) separated from typical community dwelling would not be considered a qualified residence.
  - Caregivers, such as personal attendants, are not counted in the four maximum related individuals.
3. Qualified Residence Apartment with an individual lease. **EXHIBIT 194 (A-BD)**

### **CMS: Money Follows the Person; On the Move Program; Federal Reporting:**

The Money Follows the Person grant federal grant, which operated in Oregon as "On The Move" (OTM) had the following reports due to the Centers for Medicare & Medicaid Services (CMS):

Annually – "Maintenance of Effort" (MOE) form  
MFP worksheet for Proposed Budget  
MFP Supplemental Budget Request Information

Semi-Annually – Semi-Annual Form SF269

Quarterly - MFP Financial Reporting Forms (A, B, C, D)  
CMS 64  
SF-425  
MFP data files (finders file, Participation Data File, Services File, Service Code Crosswalk,  
Quality of Life Survey

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The Semi Annual Form SF 269 is prepared and signed by SPD accounting personnel. All the other reports were prepared by OTM staff under the supervision of Julia HUDDLESTON. During the review of the MFP/OTM program, several issues were found in the various reports to CMS.

### SF-269

The SF-269 Financial Status Report, which is a semi-annual report, reports the current expenditures in total, the split of the total between the state share and the federal (grant) share of the paid expenditures. It also reports the cumulative expenditures from the prior report and the cumulative total (prior report cumulative and current expenditures). The cumulative paid expenditures reported on the "current" report and then reported on the next semi-annual report. On the 12/31/2009 SF-269, the total expenditure from 6/30/2009 is properly reported, but the split portions reported are the state and federal split from the 12/31/2008. The 12/31/2009 cumulative total and its splits do appear to add up, so the difference in the federal/state splits between the 6/30/2009 cumulative and the 12/31/2009 "prior reported" are included in the current expenditures for 12/31/2009. While an error, this does not appear to affect the overall report totals.

There is also a place to report total un-liquidated obligations (items that are "encumbered" or obligated, but not yet paid, such as year end payroll, for example) and the state and federal share of the un-liquidated obligations. Reporting of un-liquidated obligations is not consistent. The reports for 12/31/2007, 6/30/2009, and 6/30/2010 report \$0.00 un-liquidated obligations. The reports for 6/30/2008, 12/31/2008, 12/31/2009, and 12/31/2010 do report substantial un-liquidated obligations, and report the entire amount of unlimited obligations as federal portion, without any state portion. In addition, the un-liquidated obligations reported appear to be a "plug," as the "un-liquidated obligations" and the federal share of actual expenditures equal the total funds authorized line, with an unobligated balance of federal funds reported as \$0.00 in all reports for which the "un-liquidated obligations" are reported. In other words, for the 6/30/2008, 12/31/2008, 12/31/2009, and 12/31/2010 SF-269 reports, the entire federal amount authorized is reported as either spent or obligated. The actual expenditures reported on the following reports never come close to the amount listed as un-liquidated obligation. It is not clear what effect this had on the federal grant funds, although it may be an attempt to report all funds as obligated so funds can't be pulled back by CMS.

### Money Follows the Person Demonstration Worksheet for Proposed Budget -

This is a report filed annually which calculates the "rebalancing" money for each year, the average program and administrative cost per MFP/OTM client served, and also helps to calculate the budget request for the next year

## OTM REVIEW SUMMARY

of the project. This form uses actual costs for calendar years completed; projected costs for years after the current year, and a combination of actual and project costs for the current year. The "rebalancing" monies are calculated from state share of the enhanced federal match for OTM plus the difference between the regular state federal match and the "increased Federal match" for expenses. These monies are to be "reinvested" back into the OTM program and not into the state general fund. (The term "rebalancing" comes from the concept that the purpose of Money Follows the Person is to rebalance senior services between institutional care and in home or small group/congregate care.)

HUDDLESTON apparently filed the report for the fiscal year 2009. When reviewed by Mathematica, which is a CMS contractor hired to review grant reports from the various states and offer technical assistance, they noticed that the average cost per OTM recipient was very high. HUDDLESTON suggested that it was because she was using projected information all through the budget worksheets. The actual expenditures for 2007, 2008 and 2009 were available or should have been available from the SF-269s covering those years.

After HUDDLESTON resigned, Nathan SINGER was assigned to work with the OTM reporting information. He found that HUDDLESTON used the wrong Federal Match percentages in her worksheet. She used a lower match rate that resulted in a larger rebalance amount for each year. She also used projected numbers of OTM clients placed in the worksheets, which actually lowered the average cost. As part of SINGER'S analyses, he also found that HUDDLESTON was using projected numbers for the grant expenditures, but was not able to replicate or recalculate her numbers. Again, it is not clear what the actual effect of using projected or otherwise untraceable numbers had on administration of the grant.

There is one potential issue that could have arisen from using projected client placement numbers instead of the actual numbers for the years 2007-2009. The grant called for placing 90% of the projected recipients by the 3<sup>rd</sup> year, or CMS could reduce grant money. Based on reports from the various states, CMS did offer the option for states to reduce their projections with no grant penalty. HUDDLESTON did not take the opportunity to re-establish the goals of placed clients. As mentioned above, she was still reporting the original projected numbers in the Budget Worksheet, not the actuals. It was found in the investigation that HUDDLESTON was pushing staff to meet the projections, with the observation that the grant could be reduced if they did not meet 90% of the goal.

To conclude, while it is not certain what effect the reporting issues had or will have with CMS, HUDDLESTON was not reporting the proper numbers to CMS. I also note that SINGER thought that the instructions for the

## OTM REVIEW SUMMARY

various were not as clear as they might have been. Also, CMS has not been able to find all the reports presumably submitted to them, so it is not clear what was actually submitted and whether the files left by HUDDLESTON were drafts or submitted reports.

**EXHIBIT 195 (A-B)**

### ACCOUNTING/CONTRACTS/PAYMENTS

#### PAYMENT PROCESS:

PALODICHUK and PERHAM interviewed OTM Staff regarding OTM's current and historic payment practices. We then spoke to Contracts and Accounting staff to learn the proper payment and contracting procedures per state policies. We learned that vendors who had submitted invoices over \$5000.00 should have an executed contract in place. We learned that OTM payments were to be "client specific" and related to the client's needs. Client prime numbers were written on the invoice and were then approved and signed by HUDDLESTON before forwarding them for the payment processing. We learned during the course of these interviews and documentation review, that OTM payments were being processed in three different ways:

- A portion of OTM invoices were processed with executed contracts.
- A portion of OTM invoices were processed and paid through the Office of Financial Services, that were over \$5,000.00 and without a contract in place.
- A portion of OTM invoices were paid through the SATH system by OTM office staff. Many of these invoices were over \$5,000.00 and should have had an executed contract in place and paid through Contract payments. Consistently these invoices were of a high total dollar amount, but were "fragmented" into smaller payments to the vendor.

#### Additional information learned during the investigative process follows:

- HUDDLESTON was asked to submit a Letter of Exception to OCP Administrator, Stella TRANSUE on 6/27/08. This letter was a request for an exception to the payment process, due to no executed contract in place for the vendor in question. The amount of the payment to be made was \$7,943.71.
- On 2-15-10, TRANSUE provided clarification, regarding who received copies of the Letter of Exception. She wrote; "Usually the letter is sent to the manager of the staff that requested the exception. Our letter template says administrator, this is the manager signing the letter. In the OTM letters, this was probably Julia HUDDLESTON."
- HUDDLESTON was asked to submit a Letter of Exception to OCP Administrator, Stella TRANSUE on 5/27/09. This letter was a request for an exception to the payment process, due to no executed contract in place for the vendor in question. The amount of the payment to be made was \$79,211.06.

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- HUDDLESTON authorized 15 separate unaffiliated payments totaling \$284,127.83 to be paid. These payments were not “client specific”.
- In December 2009, Managers Nancy WALTON and Wayne BREACH contacted OCP Administrator, Stella TRANSUE to notify her about HUDDLESTON’S effort to have invoices paid over \$5000.00 without a contract.
- WALTON contacted Cathy COOPER, HUDDLESTON, along with other members of OCP staff to arrange for meetings to address payment and contract issues. The initial meeting occurred on 2/1/2010.
- Email documentation indicates that HUDDLESTON continued to be resistant to following State procedures regarding correct payment and contracting processes.
- OCP, Contracts Manager Steve PHILLIPS and contracts specialist William MOLLOY worked with HUDDLESTON and WOELKE to develop contract templates, statements of work etc.
- E-mail documentation indicates that HUDDLESTON continued to submit invoices for payment for over \$5000.00 without executed contracts after 02/01/10.
- PHILLIPS, developed with the approval of TRANSUE, a State of Oregon Delegation Agreement for HUDDLESTON that was signed by HUDDLESTON and PHILLIPS on 05/18/10. HUDDLESTON was allowed procurement authority for up to \$100,000.00 for minor housing remodel and renovations. According to the delegation, HUDDLESTON could sub-delegate procurement activities to an individual in writing.
- HUDDLESTON indicated during her interview on 02/09/11 that she had sub-delegated contract procurement activities to WOELKE. The OCP staff has stated that they have no record of this sub-delegation.
- Documentation indicated that WOELKE was acting in a contract procurement capacity in the course of her duties.
- HUDDLESTON reported during her interview on 02/09/11 that she was unfamiliar with the policies, proper procedures regarding contracts and payments.
- Training records indicated HUDDLESTON attended Managing Resources; Budgets, Contracts, Risk for DHS Managers in August 2005.
- We understood Money Follows the Person (MFP) and/or in Oregon's case On the Move (OTM) did not have a Deputy Project Director. Typically that person is responsible for the operational side of the program. One hundred OTM vendors received payments of over \$5,000.00. Of those one hundred vendors only thirty three (33) had contracts in place with the Office of Contracts and Procurement.

## OTM REVIEW SUMMARY

### **SATH Payment Reporting:**

On **02/23/11** BROWN provided PERHAM and PALODICHUK with a query from the SATH system. It documented payments made by OTM office staff. These payments were not processed through the accounting department.

**EXHIBIT 196 (A+)**

### **SFMA Reporting:**

On **01/31/11** BREACH provided PERHAM and PALODICHUK with a query from the statewide accounting system (SFMA) showing all payments with and without a contract made for the On the Move Program.

**EXHIBIT 197 (A+)**

### **Unaffiliated OTM Payments:**

- A **report query** from **02/01/11**, regarding OTM payment made using unaffiliated coding was received. This report indicates that \$284,127.83 in OTM payments were not tied to specific clients and the unaffiliated coding was used. A 220,588.00 payment was made to Eastridge Development LLC.
- **11/14/09: E-mail between Stephanie TYRER and HUDDLESTON with cc to Julia BROWN.** Subject is Oregon Q4 2009 submission DRAFT5.xls. She writes, "Julia, We have reviewed the report and this would be our FINAL draft to you for your review. We wrote narrative and I included some explanation around the \$220,588 Housing expenditure that is not tied to any participants to date. I left some blanks where I was unsure of the numbers and thought you might be able to fill those in. Please let me know if this is not something we want to address, but I figured seems how it's such a large number we couldn't just say nothing. Reply from HUDDLESTON to TYRER. She writes, "This is looking good, ladies. Thanks. No narrative around the \$220K, please. Theoretically, I should be putting out all GF out front, and then reimbursing after people move. Since the net result is the same, I have chosed (sp) to not perform the interim steps. I don't want to specifically draw this to CMS intention, though....Please send me the final and I will sent it to John Sorenson.

**EXHIBIT 198 (A-B)**

- On **02/23/11**, Julia BROWN, MFP (Money Follows the Person) data and research analyst provided the following statement regarding the payments that were processed but not affiliated with OTM clients. BROWN writes, "Unaffiliated Housing aka Zelda (ID 485) is a dummy record in the OTM database used to track expenditures not affiliated with specific OTM participants.

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- The record was created when we identified Home Modification payments that had gone out but we had no mechanism to track these payments. At first we tried to separately track these payments in two separate tables:

- T\_Housing\_Proj\_Contractor - unique vendors
- T\_Housing\_Proj\_Invoice - payments paid to vendors in T\_Housing\_Proj\_Contractor.

But this system fell into disuse because HUDDLESTON wanted to tie these expenditures back to a participant as soon as one moved into the home where modifications were made. Unaffiliated Housing (Zelda) payments were predominantly for Group Homes.

- Often, we had some idea of the potential participants for whom the home was being prepared. But we always affiliated them after the payment had been made. That process could take a few months. At first we tried to diligently divide each payment across each participant. For example, \$1000 payment would become 4 X \$250 if four participants shared the home. This became a data entry nightmare.
- Steph (Stephanie TYRER) & I simplified workflow by simply switching the ID number of Zelda with the ID of a participant in that Group Home. Some expenditure was never affiliated to a participant and remains Unaffiliated. Other expenditures are affiliated to people who never became participants - these were never listed under Zelda. Unaffiliated Housing became known as Zelda after I was debugging some code that required all to have something in the Prime record.”)

**EXHIBIT 199 (A)**

### INTERVIEWS

#### WALTON, Nancy

On 12/02/10 Nancy WALTON stated as follows; WALTON is the Disbursement Manager of the Office of Financial Services. WALTON said she had e-mail communication documents for reference if needed by the investigators. WALTON worked in the Accounts Payable Unit, which handles non contract payments.

WALTON'S job is to review payment before they are processed. WALTON started to notice that payments were being input in excess of \$5000.00. WALTON explained that she first asked Contracts if there was a contract associated with the payment. When she learned that there was not she contacted HUDDLESTON, who told her it did not need to have contract. WALTON stated she understood from HUDDLESTON, that there was some sort of an agreement in place so no contract was needed. WALTON then contacted Stella TRANSUE with questions, specifically if the invoices that exceed \$5000.00 should have contracts. WALTON then had a discussion with Wayne BREACH and Stella TRANSUE regarding developing a plan of action.

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WALTON and BREACH started sending other examples of payments without contracts to Stella TRANSUE. Some payments were held by WALTON until a contract was in place. WALTON said in these cases the services had already been done. WALTON said it was her understanding OTM, HUDDLESTON and WOELKE, were going to work with Contracts and Procurement. However, WALTON kept seeing invoices coming through Budget and Accounting Unit without contracts. WALTON said she hadn't heard about the fix to the problem with the OTM payments. Again, WALTON contracted Stella TRANSUE. Apparently the Office of Contracts and Procurement (OCP) hadn't been contacted by HUDDLESTON. WALTON said she got Steve PHILLIPS involved. WALTON explained Stephanie TYRER was the OTM go between and she contacted her one day. TYRER told WALTON that they needed to get vendors paid. TYRER was doing what she was being told by her supervisors said WALTON. WALTON said a meeting was scheduled for February 2010, and then it had to be rescheduled. Stella TRANSUE, Steve PHILLIPS, Wayne BREACH, Julia HUDDLESTON, Shawn JACOBSEN and Cathy COOPER attended the meeting along with WALTON. PHILLIPS had done research into the OTM grant, and he looked to see if HUDDLESTON had authority to continue the way she was requesting the payment be process. PHILLIPS said HUDDLESTON didn't have that authority. At this time it was decided that HUDDLESTON would granted signature authority. WOELKE was given authority to sign off on items but she didn't have the #286 authority. WALTON said WOELKE was not supposed to have ability to do contract agreements. HUDDLESTON was very uncooperative, defensive and she was not happy that she was being questioned. HUDDLESTON said they need to proceed with payments that the system that they were attempting to put into place was hampering this. WALTON observed HUDDLESTON saw them (Accounting and Contracts), as a barrier to getting things paid. Steve PHILLIPS and Stella TRANSUE said they would work with HUDDLESTON. They said they would work on a faster process that would be legal. HUDDLESTON complained in the meantime they have payments waiting. HUDDLESTON said that had some payments in process that couldn't wait for contracts. WALTON said they were not going to pay any more. HUDDLESTON said she was going to send a list of outstanding projects that needed to be paid. WALTON said they weren't going to process payments until they had a list of the projects that were outstanding. WALTON said they kept asking for the list but never received it. HUDDLESTON was to work with Steve PHILLIPS on the process. WALTON said after a period of time, all of a sudden invoices were being sent to accounting again and they wanted them paid without a contract. At this point WALTON told HUDDLESTON that even if COOPER told her, she would not pay without a contract. WALTON said they never got any more invoices from OTM after that. WALTON thought "where are the payments". WALTON said she knew they were still doing work. WALTON said that she heard through the rumor mill that OTM didn't want to send anything up to their unit. WALTON said that she heard that they were making payments

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through another payment system. WALTON said that she believed that this occurred so they OTM was not questioned about paying invoices without contracts.

**EXHIBIT 189 (A-D)**

### **BREACH, Wayne**

On 12/01/10, when questioned, BREACH stated as follows: Wayne BREACH is the Manager of the Contract Payments Unit of the DHS Office of Financial Services. BREACH supervises the staff that pays the contract invoices. BREACH explained when contracts are received/executed – they are received electronically – on a shared drive. Sometimes accounting gets the invoice first and then determines if a contract exists, but if procedures are followed correctly, we will see the contract first, and then can be prepared for when the invoices arrive. Questions were asked and the accounting team knew there were OTM contracts to be paid. We realized there was a problem when Nancy WALTON noticed there were invoices over \$5,000.00. WALTON asked questions to HUDDLESTON. The answer from HUDDLESTON via WALTON was “no we don’t need a contract just be quiet and pay it.” TRANSUE was contacted by WALTON and BREACH and a meeting was set up where the three spoke regarding the concern. This occurred sometime in January 2010. BREACH stated as far as he knew the OTM program was having invoices submitted, payments were being made and no one noticed anything out of the ordinary prior to January 2010. BREACH first became aware of a potential problem in November 2009 when contacted by a vendor regarding an invoice of approximately \$25,000 (\$28,064.36) that had not been paid. The vendor didn’t have a contract when questioned by BREACH. The name of the vendor was Inline Builders, LLC. WALTON’S Unit had been involved with the vendor and they (WALTON’S UNIT) ended up completing the payment process after more research occurred. JACOBSEN (a supervisor) also got involved. BREACH explained invoices under \$5,000.00 may or may not require a contract. If the cost is over \$5,000.00 the staff question/review for a contract. When an invoice is sent to accounting an invoice/contract number are matched, delegated authority is checked, date of contract must match the service date. Then there are controls in place via the system that don’t allow payments to exceed the maximum amount of the contract. If the invoice transaction passes the edits in the system, then the payment is made. SFMA (Statewide Financial Management Application) is the system used for making and tracking these payments. TRANSUE, PHILLIPS, WALTON, HUDDLESTON, COOPER, BREACH and Shawn JACOBSEN had a meeting February 1, 2010. Questions were asked regarding payment requests by OTM. HUDDLESTON told the group they were the barriers to the OTM payments being made timely and were jeopardizing the entire program. Most of the meeting was about delegation of authority etc. COOPER sat there and watched. The rest of the group was saying they didn’t feel comfortable paying the OTM invoices the way HUDDLESTON/OTM were asking them to pay them. TRANSUE informed the staff of what needed contracts and what services didn’t require contracts. HUDDLESTON was told she couldn’t continue this pattern. It was suggested that

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some delegation of contracting authority may be an option, but contracts would still need to be in place. COOPER didn't demonstrate an opinion on the process, just an observer/support of HUDDLESTON. BREACH said OTM staff was bypassing BREACH'S team, WALTON was new to the unit and a lot of times when program staff pressure employees to pay invoices they pay the invoices – due to the delegated authority of the requester asking them to pay the invoice. HUDDLESTON'S signature was on the forms. BREACH stated more training of accounting staff in the area has occurred due to this situation. The supervisors are requiring staff to notify them if there are requests for over \$5,000.00. HUDDLESTON knew the system and knew better than to try this type of process. WALTON said she was getting pressure from HUDDLESTON who claimed she was under the gun and needed to get people paid. After the fact, some contracts came about.

### EXHIBIT 162 (A-B)

#### WONG, Melody

On 12/01/10, when questioned, WONG stated as follows: WONG explained she works in Contract Payments and is supervised by Wayne BREACH. WONG works on state agency contracts through this agency. Official title is Accounting Technician 3. PALODICHUK explained our job is to review the OTM Program that includes contracts and payments/process of the OTM system. PALODICHUK explained Nathan SINGER gave us her name so we would talk to her about how she had contact from someone from OTM payments. WONG said that at the beginning she received an invoice from SINGER, she looked at the signature authorization and she noticed the person had authority to sign. She didn't need to check that because of prior knowledge. DHS has an "I" drive where the research is done to verify if the person who signs has the authority. She looked at the screen that tells the contract start/end date and amount. The number of the contract/vendor number is in place. WONG then reviews another screen that tells if they are eligible for payment via the contract. All invoices are not the same, new contact person for this program is now Nathan SINGER. WONG went to C-STAT and saw that the contract is open, she prints it, goes to vendor screen and may observe no vendor number, prior to that she looks for vendor name then observes the list and match the vendor number that matches the address. A copy is made. If no vendor number located she checks on the "I" drive for a contract, if not there, they call the contract unit to send them the CTII form with the vendor name and address and phone number. She then gives to the disbursement unit to add that information to the system. This may take 2-3 days. She then prints out the C-Stat with vendor name, number, budget amount and writes down the amount. Then co-worker edits the information and it is then paid. After payment is made a voucher number is received and she is able to match the payment to the invoice number. If no contract, the case goes to the disbursement unit. Sometimes people make mistakes. WONG worked with TYRER and KLINE from the OTM Program. WOELKE was contacted by WONG at times requesting the vendor number if it is missing. WONG said that KLINE and TYRER

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requested payments and it was always connected to a contract. Sometimes the contracts expired and the proper notification was made.

**EXHIBIT 191 (A-B)**

### CONTRACTS

Approximately 100 OTM vendors received payment of \$5000.00 or more.

- 33 of the 100 vendors had executed contracts.
- 67 of the 100 vendors did not have executed contracts per state policy/rules/guidelines.
- 19 contracts were procured for vendors who provide services that included; foster home training, behavioral consulting and/or coaching, home modification project management, and studies regarding the population that OTM was serving.
- The files were reviewed for these 19 contracts. Many of these contract request forms were signed by TYRER who had no authority to request contracts. Many of these contracts were for a dollar amounts over 5,000.00. There was no evidence of bid solicitation included with the contracts.
- The first OTM home with construction modifications was opened in April 2008.
- Approximately 31 different construction companies have been used on OTM home modifications. These projects had modifications greater than \$5000.00.
- Many of these companies were utilized on multiple OTM home modification projects.
- 12 constructions companies out of 31 have executed contracts in place.
- The first contract executed for an OTM used construction company was on 05/13/10.
- There was a Contract Number Journal that was located in WOELKE'S cubicle/desk area. In writing that appears to be WOELKE'S are contract numbers listed with contractor names and project ID. From viewing this journal page (note there was only one page written on in the journal) it was observed that specific contract numbers had been used for more than one contractor. Names were erased and whiteout was used.

**EXHIBIT 200 (A-E)**

### INTERVIEWS

#### TRANSUE, Stella

On 11/18/10, when questioned, TRANSUE stated as follows: TRANSUE explained HUDDLESTON came to her a couple of years ago. HUDDLESTON and TRANSUE set up a price agreement list for remodeling. This past spring, Nancy WALTON, Disbursements Manager for the Office of Financial Services (OFS) came to TRANSUE and questioned how things were being processed without contracts in the OTM Program. Steve PHILLIPS and TRANSUE reviewed WALTON'S concern. PHILLIPS was the point person for the review and

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interacted with HUDDLESTON and WOELKE. PHILLIPS found that "things weren't working out." COOPER and HUDDLESTON then had a meeting with PHILLIPS and it was determined that by the "fed's" the remodels didn't have to be classified as construction for OCP categories. PHILLIPS told TRANSUE he explained to COOPER and HUDDLESTON they couldn't continue their current process. PHILLIPS explained to TRANSUE there is a template and check list, for these types of expenditures and they needed insurance, three bids etc. TRANSUE was not sure if a contractor's license was required, but they asked for that also. TRANSUE said after the meeting, PHILLIPS put together the document and delegation responsibilities. TRANSUE stated a couple of the OTM contracts were completed and OCP staff found they were not accurate or complete. TRANSUE explained more instructions were provided to WOELKE. TRANSUE said at that time the work was transferred from Steve PHILLIPS to Mike HEWITT. OCP gave HUDDLESTON and WOELKE the contract numbers and the template to proceed with the process. All this occurred in May 2010. On May 18, 2010 HUDDLESTON signed the delegation authority agreement and PHILLIPS signed the document on May 20, 2010. TRANSUE explained HUDDLESTON was not delegated prior to that day and time. TRANSUE said it was communicated to COOPER and HUDDLESTON there had been no prior delegation/authority for HUDDLESTON. TRANSUE said when the OTM grant was given or disbursed to the State of Oregon Seniors and People with Disabilities Office the Office of Contracts and Procurement was aware. TRANSUE explained OCP didn't know enough about the new program to have suggested delegation. TRANSUE said the official delegation came around due to the contract numbers requested by OTM staff. OTM (HUDDLESTON and WOELKE) explained there was a need to get the contracts out quickly. OCP staff was not involved in any of the previous contracts according to TRANSUE. OTM staff (HUDDLESTON and or WOELKE) was always observed to be in a RUSH to get the money out quickly. TRANSUE explained HUDDLESTON had been around long enough in the DHS arena to know that you don't go around the contract process. TRANSUE explained it felt like they figured out ways to get payments paid quicker than through the OCP office and proper process. The OCP staff has worked with HUDDLESTON for many years in other capacities. TRANSUE explained another agency has similar needs and they had already set up a way to process these types of request. TRANSUE said there were price agreements set up. Some never were used by OTM. TRANSUE explained each time you need something done, you do a work order/contract. When questioned regarding contract numbers, TRANSUE said it is not normal to reuse a contract number for two different companies. The contract numbers issued were to be used then reported/sent back to OCP after it was used on a contract. TRANSUE said there was an exception letter to government entities, as OCP is more flexible with government entities. TRANSUE said anything under \$150,000.00 the process is pretty easy. TRANSUE explained that some procedures are not the best practice, but it helps to get the vendors paid, thus they have to be flexible. TRANSUE explained HUDDLESTON had to sign a letter early on after a job was completed due no contract

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being in place where she had to explain why the correct process didn't occur, what she would do to prevent it from happening again and that she may be held personally responsible. TRANSUE explained that when processing non profits they have less flexibility in the contract process. TRANSUE, stated that the interim controller Shawn JACOBSEN and Nancy WALTON also were concerned regarding the OTM system and payment process. It was advised that the OTM system currently in place was not good practice to OTM staff in the spring of 2010. TRANSUE said COOPER hadn't been kept in the loop regarding the delegation. TRANSUE said regarding the Clatsop Care and Umpqua contracts she had little knowledge and the DOJ is currently involved. TRANSUE said the signature was not checked on those contracts and MOLLOY "messed up on that one!" TRANSUE said initially when the grant was talked about by herself and HUDDLESTON, TRANSUE when further questioned said that HUDDLESTON was aware that contract administration class was available and they were required to attend. They are also required to understand the responsibilities of following proper state procedures/rules and laws regarding contracts. **EXHIBIT 187 (A-C)**

### **PHILLIPS, Steve**

PHILLIPS was the Manager for the Office of Contracts and Procurement;

On 11/29/10, when questioned PHILLIPS stated as follows: I was first made aware of a potential contracting violation by my supervisor, Stella TRANSUE. She asked me if I were aware of the "On The Move" project. I said that I was vaguely aware of it from a meeting that Bill MOLLOY and I had with the OTM folks about the project 12 to 18 months earlier. I explained as best as I could recall from that meeting that the OTM managed by Julia HUDDLESTON was going to be receiving a great deal of grant money from the feds for the managing of the OTM project. Julia (HUDDLESTON) wanted to know from our office (OC&P) what the procurement requirements would generally be. We, (Bill (MOLLOY) and I) explained to Julia (HUDDLESTON) and a few others from her program in the initial meeting with her what the procurement requirements were likely to be. We discussed that in lieu of any specific federal requirements related to procurement it was typical for the feds to just say that all procurements made as a result of the "grant" and the grant application would simply default the state procurement requirements as found in ORS 279ABC. For Oregon one must foster competition when any procurement is over \$5,000.00. Often times the act of fostering competition means a written solicitation requesting interested vendors to submit a bid or proposal in response to the solicitation which in turn all bid proposals will be evaluated and a winning bidder/proposer selected based on the requirements in the solicitation and the procurement code. Typically these processes can take up to 90 days to do. In any case when the procurement exceeds a \$5,000.00 threshold some type of solicitation must be completed. If under that amount the program could make a direct award but that did not preclude them from providing that award through a contract. Fast forward to Stella (TRANSUE) discussing it with me (PHILLIPS). Stella (TRANSUE) explained

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that the accounting had been receiving invoices from OTM for projects that have been completed. Although many of the invoices were paid accounting finally came to us wondering if the invoices should be paid off contract. Through discussion with accounting we discovered many invoices being paid for services that should have been under some type of agreement but were not. Many totaling more than \$5,000.00 each and upwards of close to \$100,000.00 in a few situations. That was the reason OC&P (myself) contacted Julia (HUDDLESTON) to find out what was going on. This contact started several e-mail strings to ascertain the scope of what OTM had been up to. As we discovered that OTM was not preparing these remodeled services appropriately and clearly not the way that we had talked it through with them through the initial meeting we had with them began the communication with them describing what they must do from this point forward before any more invoices would be paid by accounting. I explained that they were possibly out of compliance with procurement rules and advised them strongly to cease all further procurement without OC&P involvement immediately. That communication was sent to Julia (HUDDLESTON) and Julia's supervisor (Cathy COOPER) among others. Although addressed at a high level there were other issues with what was happening at that time in OTM rather than simply circumventing procurement rules. There was evidence to suggest that money was potentially being diverted to providers who appeared to have a special relationship with the program and if that was any one individual or not could not be determined. Also evidence existed of a lack of what I would call contract administration of vendors performing the service, not that there were legally binding contracts in place to administer any way but evidence suggested poor workmanship in a few of the projects performed which led us to believe that there were problems with administration of the relationship with vendors as well. As a possible fix, OC&P prepared a delegation of authority with OTM providing OTM with the ability to continue to administer the project through these remodels. This included parameters around authority, contract templates which provided the vehicle to identify the responsibilities of vendors as well, protecting the state's assets through risk identification and mitigation, and processes to follow from start to finish. That was executed by both offices giving Julia HUDDLESTON the authority to act under the delegation. As the months passed we began advised by folks like Cathy COOPER that questionable contract-type activity still existed. On at least two occasions the Department of Justice had to be contacted for advice. I suppose that is when the issues with OTM project finally became bigger than just OC&P and accounting. Generally Julia (HUDDLESTON) was friendly and simple enough to deal with overall. She (Julia HUDDLESTON) did seem less than willing to follow procurement rules and commented more than once that we are going to make it difficult for her to manage her program (OTM). Also she (Julia HUDDLESTON) did not seem to be very timely in her responses back to me throughout the whole delegation process. I recall that from beginning to end the delegation process it took several months. During that time OTM was advised not to perform any more projects. It is my recollection that OTM continued to make deals during the interim delegation development period. I base that

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on the fact that accounting continued to receive additional invoices to be paid from vendors providing services to OTM. (Verbatim)

**EXHIBIT 183 (A-C)**

### **LAMON, Michael**

On 11/18/10, LAMON when questioned stated as follows; LAMON said from the onset OTM didn't fit all the normal categories for OCP. OCP staff chose to put OTM under facility supplies category instead of personal service. LAMON was on a rotation project at the time and did not participate initially in the set up process. LAMON explained he came back to OCP in April 2010. LAMON stated in early to mid May 2010 a review began of OTM contracts. LAMON stated that there are few exceptions regarding about whom has the authority to create contracts. LAMON said OTM received the grant then the OTM program was set up. At a point prior to his oversight of the OTM contract, a delegation of authority for contracts was set up by OCP and OTM. To be specific it was Stella TRANSUE and Steve BAILEY. According to LAMON, TRANSUE spoke with COOPER, WOELKE and HUDDLESTON about the delegation of this authority. Around June 2010 LAMON started to get complaints regarding the lack of contract numbers being delegated to the OTM program. LAMON explained OCP has a system called C-STAT that would give a block of numbers for contracts under certain parameters. LAMON started to hear the need for more numbers and observed that something didn't look right and the number of contracts they were issuing didn't all show up in the C-STAT system. LAMON explained that the OTM staff (mainly WOELKE) wasn't entering the required information into the C-Stat system after it was assigned to a vendor. The entries should have had contractor names, insurance, etc. and all should be documented. OCP staff asked OTM WOELKE and/or HUDDLESTON to review these contracts. OTM staff sent some documents to OCP. Once received OCP staff observed real anomalies. They saw "patterns of what the state doesn't practice." OCP staff had concerns that there was no statement of work that included in the documentation that was provided to OCP. LAMON explained this is not the normal way we process. It was evident they signed contracts after the work was done. This is against state law on personal services contracts. There were consistent sloppy contract practices by OTM. Due to the concerns about the OTM contract process OCP requested to review all OTM contracts. At this time no new numbers would be issued until that process was done. WOELKE was offered contract training, but according to LAMON she knew how to oversee federal grants etc. LAMON explained to WOELKE "the state did it this way and it needed to be done accordingly." LAMON said WOELKE explained the emphasis was "we have to do this fast, the providers need to be paid etc." LAMON said it appeared OTM employees would get the work done, then do the contract/paperwork after the fact. Initially when OTM contract concerns occurred a small review took place. Then due to increased concerns a larger OTM contract review was initiated. All contracts were then required to be sent to OCP for review. At that point OCP tried to provide technical assistance for WOELKE in

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the area of contract writing and procedure. LAMON explained it was during one of these meetings that WOELKE explained contracts needed to be made ASAP so payments could be made for the Roseburg and Clatsop Care projects. LAMON explained three \$75,000.00 contracts were sent from the OTM Program (WOELKE and HUDDLESTON) for the same provider (Astoria) Clatsop Care. LAMON explained to PALODICHUK and PERHAM in the state procurement law there are certain thresholds. 1) \$5,000.00 - One can directly negotiate. 2) Anything above \$5,000 one has to address to competitive solicitation. 3) Or one can do a smaller/intermediate procurement of three proposals. 4) There are sole source providers. 5) If the contract is for over \$150,000.00 a formal solicitation process is required. This process is open for 30 days and gives the proposers a chance to ask questions etc. LAMON explained Clatsop Care was one contract that the more he learned about it, the more horrified that he became. LAMON said initially OTM staff requested (3) \$75,000.00 contracts for Clatsop Care. LAMON said, state law states you can't fragment (break up) a contract. LAMON explained he was told many different contract dollar amounts for Clatsop Care project that began at around \$250,000 and worked its way to 1.8 million. OCP staff thought "what is going on!" WOELKE told LAMON they had the 1.8 million grant going to Clatsop Care. OCP wanted to see a copy of the grant. OCP was provided by OTM with a letter signed by HUDDLESTON that documents HUDDLESTON committing the state (of Oregon) to fund 1.8 million dollars to the Clatsop Care facility. LAMON explained HUDDLESTON doesn't have authority to authorize that amount, only the director etc. would have the authority to authorize. LAMON said that OCP contract specialist William MALLOY worked up a grant document, he obtained DOJ approval and the grant was issued to Clatsop Care. The grant was signed and went to COOPER. LAMON went on to explain that was when COOPER became aware of what was going on and she didn't sign the Clatsop Care grant/contract. The Clatsop Care Grant/contract was not executed. LAMON said Clatsop Care didn't receive any monies that he is aware of. LAMON explained that WOELKE through HUDDLESTON requested that Clatsop Care be paid because they had obtained a loan. When asked LAMON explained contract numbers should only be used once. LAMON went on to explain one contractor may have many numbers due to contracts being connected with one, two or more clients. OCP knew OTM was attempting to do another contract, this one being with UMPQUA. WOELKE wanted this contract rushed. Umpqua was another multi room facility plan.

### EXHIBIT 176 (A-J)

#### MOLLOY, William

William MOLLOY was a Contract Specialist (retired) for the Office of Contracts and Procurement. On 11/18/10, when questioned, MOLLOY stated as follows: MOLLOY stated he has known of Julia HUDDLESTON for many years. MOLLOY explained she knows about the contract process and the procedures expected for someone with her background, years of experience with the State of Oregon

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Department of Human Services and for her current and prior positions. MOLLOY explained with the documents he produced there was no question as to HUDDLESTON'S lack of following protocol for the OTM contracts. MOLLOY explained that HUDDLESTON was "fragmenting" contracts, which is a violation. PALODICHUK and PERHAM asked for copies of the communication between HUDDLESTON and MOLLOY and he agreed to allow PERHAM to copy his documents. After reviewing with MOLLOY briefly and with the printed copies of MOLLOY'S documents the following was discovered; MOLLOY first became aware of the OTM program in January 2008. MOLLOY attended a VCON meeting on 02/20/08 regarding \$80,785.00 and a five year commitment of \$114,727.864 being given to DHS/SPD for OTM. HUDDLESTON, PHILLIPS, MOLLOY and TRANSUE were in attendance. MOLLOY attended an "On the Move" housing and assistive technology conference. The "Welcome and Introduction" was by HUDDLESTON. There was a State Policy in Practice distributed to attendees that was written by Robert L. MOLLICA. The Medicare Program Demonstration Project dated July 26, 2006 was also released to the participants. E-mail dated 04/07/08 - Initial e-mail from HUDDLESTON to MOLLOY and cc. to Brent WATKINS, Caryn WHATLEY and Linda WOELKE regarding moving to approve the CMS Operational Protocol for the Oregon on the Move Program. HUDDLESTON wanted it in place by the end of April 2008. HUDDLESTON made a draft with some background statements for the RFP and attached for his review and comments. HUDDLESTON stated her next thought is to build the description of what they are interested in contracting for from that background. E-mail - 04/07/08 - Response from MOLLOY to HUDDLESTON. Direction was given to HUDDLESTON regarding the above such as "What do we want to buy," "When do we have to have it", "How much can we pay for it" and "How are we going to evaluate each proposer's ability to meet our needs" part. In this instance, the fact that we aren't really setting absolutes but are open to proposer suggested methods to meet our needs is critical. The program's success in defining the specific populations by location and needs is probably the most critical part of this solicitation. No more communication occurred until a draft document was received from OTM dated 07/17/10 - generic contract between DHS and a contractor for the OTM program regarding the statement of work, contract limitations, amendments; waiver; consent, documents, merger clause and signatures, contractor data and certification, signature page, statement of work and outcome, general provisions, contractor warranties, stop-work order. It was 1 of 11 pages. Next information received from OTM was in October 2009 a Delegation Agreement between SPD, On the Move Project for Procurement Authority for up to \$100,000.00 for minor housing remodel and renovation. This was not a signed document. It appears to be a draft. There was also an OTM Vendor Set-Up Form. No more communication until an e-mail dated 02/22/10 between Steve PHILLIPS and HUDDLESTON: PHILLIPS documented based on the responses provided by CMS it appears that the feds see the expenditure of money for what you're typically using if for, as not construction. PHILLIPS is fine with that from a procurement standpoint. However, the remainder of the modifications needs to be on a

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contract with the vendor selected to provide the housing remodels. So she knows, "we have been doing this type of procurement for SPD's Community Housing section for years." Hence, the development of the contract template and a process of executing these will be relatively simple and quick. PHILLIPS planned to turn this back over to MOLLOY and through assistance from April BARRETT, develop the process for the OTM'S use. HUDDLESTON returned the E-mail documenting WOELKE is their point of contact. MOLLOY responded to HUDDLESTON and WOELKE this same day suggesting a good solution would be for WOELKE and him to get together to modify the current Agreement to Agree format they are already using for CMTS (#128397) etc. Higher dollar limitation and clearly identify that BOLI wages and Federal Davis-Bacon are not applicable. Then on 03/03/10 WWOELKE sent MOLLOY contracting process for individual home modification and community housing with services development modifications. MOLLOY sent back to WOELKE other than a sample form contract, and a requested dollar amount what additional do you think we need to support a delegation requested. PHILLIPS to MOLLOY, additional needs; 1) must be registered to do business within the state. 2) Must have a valid CCB license. 3) Must not have been disbarred/disqualified 4) Contract Form (obtain from April and modify for your use with OTM) 5) Inserting these additional steps into WOELKE'S process. Shortly thereafter between the dates of 03/25/10-04/13/10 the Signature Authorization for Budgetary Expenditures (DHS 0286) for HUDDLESTON was completed. HUDDLESTON has no sub delegation for contract requests and contracts, purchase orders/requisitions, SPOTS Visa Applications, SPOTS Visa Log, Travel Advances, Travel Claims or Time Capture/Leave Slips. HUDDLESTON does have sub delegation for Request for Payments of invoices. The form was signed by COOPER on 03/16/10. There were two other signed DHS0286 forms for HUDDLESTON one signed by TOEWS on 07/01/05 and a third form by Vic TODD on 02/10/05. An e-mail dated 03/25/10 PHILLIPS to HUDDLESTON and WOELKE at 1:54PM. Regarding the OTM Contracting Process. cc'd to COOPER, BREACH, MOLLOY, TRANSUE and WALTON. Contents explained to HUDDLESTON that the delegation to OTM from OCP, Contraction Process and Contract Form to be reviewed and were attached. The process was created from the process currently being utilized by WOELKE with a few changes and additions. Instructed to read carefully and make sure it is fully understood and provides OTM the flexibility necessary to get work done under a contractual relationship and provide accounting with the vehicle to make payment as well. E-mail dated 03/30/10 from HUDDLESTON to PHILLIPS cc'd to BREACH, COOPER, MOLLOY, TRANSUE, WALTON and WOELKE regarding Vendor Set-up Form updated 10/09. Comments and questions regarding contract template, delegation agreement and the OTM Process document. The first information received by MOLLOY regarding the Clatsop Care Center Health District, A start date of 07/01/10 and end date 06/30/2013. The form was signed by HUDDLESTON and WOELKE on 07/16/10. An e-mail was received on 07/12/10 9:17AM from MOLLOY and LAMON. OTM has been issued at least 25 contract numbers, but MALLOY only saw three documented as follows: #132194 L3 Construction; missing

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documents, vague language and no itemization of cost. Contract#132195 Synergy Development, LLC; Is missing documents, no end date, and pen and ink changes, not initialed by anyone. Contract #132196 Denali Construction; is missing standard documents along with no bid, just a copy of the bid request etc. E-mail dated 07/13/10 2:41PM from WOELKE to HEWITT and MOLLOY; Requested RUSH order and priority on contract # 132202. The contractor is waiting to be paid. Mentioned contracts 132203, 132204 and 1322-5 for Clatsop Care Center as also very time sensitive. E-mail 07/13/10 5:08PM from LAMON to MOLLOY and WOELKE. WOELKE was thanked for meeting with OCP the previous day and giving LAMON the High-level overview for the program. Documented her inquiry and understand the urgency for getting a grant agreement in place with Clatsop Care Center. The need of Tax ID was requested and other information. Also, stated the need to create a grant file, signature from HUDDLESTON to commit the funds, description, detailed as to need, purposes of grand administration requirements etc. In addition “we’d ask you to consider what the maximum grant amount should be if it’s going to be more than the sum of the amounts of the three Clatsop Care contracts.” DOCUMENT dated 07/14/10, Agreement # 132781. Tax ID number supplied. CAPITAL REQUEST – OTM 07/15/10 from Marathon Development, Inc. addressed to HUDDLESTON. \$1,600,888.00 requested. The request was signed by Ted JOHNSON, President and cc to SCHACHER, CEO and Pam RUSH, BOP. E-mail 07/16/10 3:47PM to WOELKE from HUDDLESTON, cc. to Angela YOUNG. No need for a Feasibility Study on Clatsop Care grant. They are simply contributing money for construction cost. YOUNG/HUDDLESTON’S conclusion needs to be sent to contract staff. Between July and August 2010 there was a lot of communication regarding Clatsop Care Center and Umpqua both of which were a construction project and requested large amounts of funds/grant monies. No e-mails were received prior to 08/19/10 where COOPER or TOEWS were included in the conversations/informational exchange between WOELKE, HUDDLESTON, MOLLOY, PHILLIPS, TRANSUE etc. regarding Clatsop or Umpqua projects.

(Verbatim)

**EXHIBIT 178 (A-B)**

### **E-mail Documents - Novell GroupWise**

During the course of the investigation PALODICHUK and PERHAM obtained copies of e-mail documentation relating to the contracting and payment processes. These emails provide insight into the actions that Accounting and Contracts and Procurement took with HUDDLESTON and WOELKE to remedy non compliant payment and contract procedures.

**02/20/08 Appointment request from Stephanie TYRER sent to Julia HUDDLESTON, William MOLLOY, Steve PHILLIPS, Stella TRANSUE, cc to Jennifer BITTEL, and Stephanie TYRER.** The subject is listed as, “On the Move RFI/RFP Discussion.” During this meeting MOLLOY received a document

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dated 1-19-08: Oregon's MFP Project – "On the Move in Oregon" This exhibit was provided by William MOLLOY, former contract specialist from the Office of Contracts and Procurement (OCP). MOLLOY had attended this meeting as a representative from OCP at the invitation of HUDDLESTON. This document outlines qualified residences.

Independent housing

Specialized living

Adult or child foster care

**EXHIBIT 201 (A)**

**03/03/08 E-mail from HUDDLESTON to MOLLOY with cc to PHILLIPS and TRANSUE.** Subject is listed as MFP Housing Meeting – Delegated. Housing and Assistive Technology meeting document with agenda listed provided by William MOLLOY.

**EXHIBIT 202 (A)**

**04/07/08 E-mail from HUDDLESTON to TRANSUE, MOLLOY, cc to Brent WATKINS, Caryn WHATLEY and WOELKE.** She wrote, "First off – congratulations, Stella! Bill, I received word today that CMS is moving to approve our Operational Protocol. I should have funding in place by the end of this month. I started to draft some background statements for the RFP (sort of a who, what and how) that I've attached for your review and comment. Is there a specific format that you would like me to use in putting this together? My next thought is to build the description of what we are interested in contracting for from this background. Thanks."

**Reply from MOLLOY to HUDDLESTON, TRANSUE, with cc to WATKINS, WHATLEY and WOELKE.** He writes, "The History and Background information is pretty much a stylistic and program call. Basically, what general information do you want to put in there to alert a prospective vendor on what this solicitation is all about. I rarely find any need to change any of that. I'm much more interested in the "What do we want to buy", "When do we have to have it", "How much can we pay for it" and "how are we going to evaluate each proposer's ability to meet our needs" part. In this instance, the fact that we aren't really setting absolutes but are open to Proposer's suggested methods to meet our needs is critical. The Program's success in defining the specific populations by location and needs is probably the most critical part of this Solicitation. The Evaluation/Scoring Criteria in how we are going to choose among those competing concepts will also be very important."

**EXHIBIT 203 (A)**

**06/27/08 Letter of Exception:** This letter is addressed to Stella TRANSUE Administrator for the OCP and is signed by HUDDLESTON. The letter of exception was approved by Stella TRANSUE with a cc: for the file, accounting and the Division Administrator. The content of the letter follows.

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“Dear Ms. TRANSUE,

This letter is to request an exception to the payment process on the above referenced contract. The services provided by Step Forward are being approved and paid for by the On the Move in Oregon (OTM) funds. These services, although appropriate for our program participants and qualified for OTM funding were verbally authorized outside of On the Move staff communications. We were apprised of this work after it had been performed on behalf of our clients. (home modifications on two properties for EOTC clients. To avoid this situation in the future, all housing modifications, assistive technology purchases and household goods will be approved by Linda WOELKE, OTM housing specialist, before services are performed. In consideration of these circumstances, please grant an exception for the payment of services performed effective January 30, 2008 through June 20, 2008 in the amount of \$7,943.71.

I, Julia HUDDLESTON, having allowed or authorized services to be performed outside a contract understand that if DHS/Seniors and People with Disabilities/On the Move in Oregon receives an audit exception or is otherwise contested for the actions, I may be personally liable for the amount of payment. Additionally, in accordance with ORS 291.990, I, Julia HUDDLESTON, if convicted of violating any provision of ORS 279A.140 shall be punished by a fine of not less than \$500 and no more than \$3,000.”

### EXHIBIT 204 (A-W)

**05/19/09 E-mail from TYRER to MOLLOY.** She writes, “Hi Bill, Can you tell me where we are on these contracts? I haven’t seen anything final and it’s been a couple of months.”

**Reply from MOLLOY to TYRER with cc to HUDDLESTON, PHILLIPS and Patricia JOHNSON.** He writes, “Look at the e-mails on this subject, it appears to me that as of January 26, 2009 12:34 pm in an email to you, cc Julia, Trish JOHNSON and Steve PHILLIPS, I reference emails going back to October and that I had never received a request and asking for a resend. We also had raised the hiring freeze issue, the HR issue of paying another governmental employee and retroactive contracting that needed to be dealt with. I still don’t have a 118 contract request; therefore no contract is pending. I have scanned the emails and have attached them.

**Reply on 05/20/09, from HUDDLESTON to MOLLOY and TYRER, with cc to Patricia JOHNSON and PHILLIPS.** She writes, “Sorry that we dropped the ball on this, Bill. As you know, SPD routinely contracts with the AAAs to deliver services. This OTM contract is along that same line. Rather than have OTM services delivered by state employees, SPD elected to have them delivered by AAA employees. IN regards to the hiring freeze, the like positions in state offices are approved exceptions to the hiring freeze. If you need me to have James/Cathy provide documentation about that exception for paper trail purposes, I will be happy to do so. I

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recognize that we have an issue with the retroactive contracting, but I also owe Cascades West 134,359.86. Please help me understand what alternatives may be available. Steph is completing the 118's that we will send up either later today or tomorrow.

**Reply on 05/21/09, from MOLLOY to HUDDLESTON, with cc to TYRER, JOHNSON and PHILLIPS.**

He writes, "I and Steve have had further discussions on this. Based on our guidance from the Cabinet, we will need written approval from James/Cathy that this not a hiring freeze situation. We think we may have a solution but it will depend on an analysis of the historical situation and require Stella's approval as DPO so we will wait to look at your 118's."

**Reply from HUDDLESTON to MOLLOY and TYRER, with cc to JOHNSON and PHILLIPS.** She writes, "Not a problem, Bill. The 118 should be on their way later this morning. I will get a written statement from Cathy to you late today."

**EXHIBIT 205 (A-C)**

**05/20/09 E-mail from HUDDLESTON to TYRER.** There is an attachment labeled DE0118 OCWCOG July 2009 to September 30 2009.doc. She writes, "Same changes on the others and bring me copies to sign."

**EXHIBIT 206 (A-C)**

**05/26/09 E-mail from MOLLOY to HUDDLESTON with cc to Eileen BLACKMAN, and TYRER.** He writes, "Per our conversation this afternoon, attached is the Letter of Exception Template which needs to be submitted to cover the Transition Coordinator from April 1, 2008 through January 31, 2009 in the amount of \$79,211.06. The completed letter and any questions about its completion should be directed to Eileen BLACKMAN, our OC&P Contract Assistant. I will be initiating two separate intergovernmental Agreements for the other Transition Coordinators as we discussed."

**Reply from HUDDLESTON to MOLLOY cc to BLACKMAN and TYRER.** She writes, "Thanks Bill. I'll get the exception request completed and submitted tomorrow."

**EXHIBIT 207 (A)**

**05/27/09 E-mail from HUDDLESTON to BLACKMAN with cc to MOLLOY and TYRER.** She writes, "Eileen: The letter of exception is attached. We will e-mail a PDF with signature."

**EXHIBIT 208 (A)**

**05/27/09 Letter of Exception:** This letter is addressed to Stella TRANSUE Administrator for the OCP and is signed by HUDDLESTON. The letter of exception was approved by Stella TRANSUE with a cc: for the file, accounting and the Division Administrator. The content of the letter follows.

## OTM REVIEW SUMMARY

“Dear Ms. TRANSUE,

This letter is to request an exception to the payment process on the above referenced Contract with the above reference Contractor. “On the Move in Oregon” OTM is the state’s Money Follows the Person program managed through the Seniors and People with Disabilities Division. The program assists people living in nursing homes to return to their homes and communities. Locally stationed staff, referred to as Transition Coordinators, implement the program. The Oregon Cascades West Council of Governments (OCWCOG) provides Medicaid eligibility and case management services to seniors and people with disabilities who live on Linn, Benton and Lincoln Counties. An employee of the COG was hired as an OTM Transition Coordinator effective April 1, 2008 and terminated from that position January 31, 2009. Due to administrative oversight, the contract necessary to reimburse the COG for the employee’s salary and other expenses was not completed timely. They ensure that this circumstance does not happen again, internal process has been modified to require that all necessary contracts be in place prior to an employee’s effective hire date as an OTM coordinator. The OTM project coordinator, who coordinates payments, will attend DHS contract administration training no later than September 1, 2009. In consideration of these circumstances, please grant an exception for the payment of services performed effective April 1, 2008 through January 31, 2009 in the amount of \$79,211.06. The money is in our budget to cover the amount(s) we are requesting.

I, Julia HUDDLESTON, having allowed or authorized services to be performed outside a contract understand that if DHS/Seniors and People with Disabilities/On the Move in Oregon receives an audit exception or is otherwise contested for the actions, I may be personally liable for the amount of payment. Additionally, in accordance with ORS 291.990, I, Julia HUDDLESTON, if convicted of violating any provision of ORS 279A.140 shall be punished by a fine of not less than \$500 and no more than \$3,000.”

### EXHIBIT 209 (A-E)

**06/01/09: E-mail from MOLLOY to HUDDLESTON with cc to TYRER.** He writes, “Attached is my draft of the Reimbursement Agreement above for the period of February 1, 2009 through June 30, 2009. If it meets your approval, I will use it for the template for the period July 1, 2009 through December 31, 2009 as well to do Agreement #128759. I need the dollar breakdown for that period however. We computed it as being a total of 87,188.00 for these same two people, but I don’t have the Salary, Payroll, Recurring figures as is shown in this document on Page 7.

**Reply from HUDDLESTON on 6-2-09 to MOLLOY with cc to TYRER.** She writes, “This looks good, Bill. Steph, can you please get Bill the information he needs. One thing to be aware of Annie McDaniel is resigning effective June 30, 2009, and we will be hiring a yet to be named TC.”

### EXHIBIT 210 (A)

## OTM REVIEW SUMMARY

**12/07/09 E-mail from WALTON to HUDDLESTON.** She writes, "Hi Julia, I released a payment batch today for Wade that had payments for the following 3 OTM contractors: Sid JOHNSON & Co. \$27,493.90, In-Line Builders \$28,064.36, Hodgie Construction \$53,650 and \$769.98. I didn't see any contract numbers on the documents and Wade said he wasn't aware of any contracts for them. Since they are over\$ 5,000 are there contracts for them that we are not aware of.

**Reply from HUDDLESTON to WALTON with cc to BREACH, HARMS, and Carolyn ROSS.** Nancy: Each scope of work goes through a formal bid process. Can you let me know what exactly you are after? No, there is not a formal DHS "contract".

**EXHIBIT 211 (A)**

**12/14/09 E-mail from HUDDLESTON to PHILLIPS with cc to TYRER.** She writes, "Do you have 30 minutes or so to sit down and talk Wednesday or Thursday afternoon?"

**EXHIBIT 212 (A)**

**12/18/09 E-mail from PHILLIPS to WOELKE and HUDDLESTON.** He writes, "Hello, Julie and Linda. Thank you for time on Thursday. Issues:

If federal dollars are involved, the Davis/Bacon Act applies as well as the little Davis Act. We have concluded that the little Davis act applies but that these projects are exempt. However, The Fed Davis act does. That will have to be checked because at last check that amount was \$2000.00. If that is still true PWR will still apply according to the feds. There is no evidence of an agreement in place with DHS and the contractor or, DHS and the home owner. As a result, there is no risk mitigation plan in place either. That is problematic because if something goes wrong you can bet the State will be named because of our involvement. And, since there is not Agreement in place what authority does the program have to request Accounting make payment? And Accounting to make the actual payment? You do currently have a selection process in place and I am very grateful for that but because these state funds and these need to be on contract, it needs to either be handled through this office to your program. We are happy to look at that but we first need to understand the particulars and have the authority issue addressed.

Julia, we will continue to review the website you provided me with on Thursday to see if information gathered from there can assist us in answering to these issues but until then or if you have additional information, we recommend that you cease with these agreements."

**Reply from HUDDLESTON to PHILLIPS, WOELKE, with cc to Wayne BREACH, Cathy COOPER, MOLLOY, TRANSUE and Nancy WALTON.** She writes, "Thanks so much, Steve. Can you please explain what you mean by the word "Agreement in item 2? There is, as Linda explained, a formalized scope of work

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agreed to by all parties as well as an owner-signed "Home Modification Agreement". Are you looking for something more? There is no agreement/contract to which DHS is a party to. (With the copies I have seen that I obtained from accounting, as near as I can figure the agreement is with the vendor and the home owner. A formalized scope of work does not bind DHS and the contractor nor do anything in the way of addressing risk except implying the state's good name. If you want to have some type of agreement with the owner that is certainly a possibility.)

These home modifications are essential to the continued success of the OTM program which, as you know, has operated now since April 2008 – almost 24 month. The continued success of the OTM program is crucial to SPD meeting its budget reduction targets. I'm looking forward to very expeditious resolution of these issues. (Agreed. However, if we don't address the appropriate levels of authority or proper contract form, assuming issues exist, we may unnecessarily, subject DHS to risk; thereby, possibly taking some of that value away. If you have additional information that would assist us that would be great.)

**Reply from PHILLIPS to HUDDLESTON and WOELKE, with cc to COOPER, WALTON, TRANSUE, BREACH and MOLLOY.** He writes, "See my responses below in blue." **EXHIBIT 213 (A)**

**01/07/10 E-mail from PHILLIPS to HUDDLESTON.** He writes, "Hello, Julia. The OTM issue that came to light back in December has come up again as accounting has a couple more invoices that are in need of paying for which they are seeking our advice on. Because this office could not determine that your process provides the necessary authority, we cannot provide any advice to accounting other than we do not recommend they make payment. Since I do not have any additional information in regards to the specific need of OTM, there is little else I can do other than to once again recommend that you cease with your current process until such time as authority can be determined and confirmed or created."

**Reply from HUDDLESTON to PHILLIPS:** She writes, "Steve, Cathy COOPER and I are setting up a meeting with you and Stella to work through this issue and what proposed solutions you may have. In the meantime these contractors have performed work that will allow DHS clients to leave nursing homes and return to the communities. Any decision not to meet our payment obligation will need to be thoroughly staffed at the administrative level since it will destroy our credibility with contractors and shut down this program. Since the program has already moved 163 people and is a necessary component for the SPD to meet legislative goals, I would strongly recommend that payments be made."

**Reply from PHILLIPS to HUDDLESTON with cc to COOPER, WALTON, JACOBSEN, TRANSUE and BREACH.** He writes, "Thank you Julia. Also, our recommendations to accounting were just that. The ultimate decision to make or not make payments will not come from this office." **EXHIBIT 214 (A-B)**

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**01/07/10 E-mail from WALTON to PHILLIPS.** She writes, "Hi I just received several OTM invoices today to pay and it looks like 8 of them are for over \$5,000. There is one for \$39,740.00 and one for \$71,320.00. Since the services have already been provided, do we go ahead and pay?"

**Reply from PHILLIPS to WALTON and TRANSUE, with cc BREACH.** He writes, "All I can tell you is that I met with Julia to determine what authority she had for requesting the work be done and of course the authority for payments made. Based on that conversation and information I was given, I still have the same concern. It may be time to take this to a higher level."

**EXHIBIT 215 (A)**

**01/08/10 E-mail from WALTON to HUDDLESTON.** She writes, "Julia, please include Shawn, Wayne and I in the meeting also."

**Reply from HUDDLESTON to WALTON.** She writes, "We're keeping the meeting at management level. I will be happy to invite you and Shawn. Please confirm that invoices will continue to be processed while we look for resolution."

**Reply from WALTON to HUDDLESTON with cc to COOPER, PHILLIPS, TRANSUE BREACH and JACOBSEN.** She writes, "Yes we are processing the invoices fro the work that has already been done. Please let me know if you have questions on any of them."

**EXHIBIT 216 (A-B)**

**01/29/10 E-mail from PHILLIPS to HUDDLESTON, cc to Cathy COOPER and TRANSUE.** He writes, "Julia, You have previously mentioned that your group has a bid process for determining who receives award for these specific projects. To better serve your program can you please bring copies of three examples of these bid documents and who received award in each case a long with any other supporting documentation? This may serve us well once we have made a determination that you're on solid ground. Thank you and I look forward to meeting with you and Cathy."

**EXHIBIT 217 (A)**

**01/29/10 E-mail from HUDDLESTON to WOELKE.** Subject is FW: On the Move (OTM). She writes, "Will you please gather up 3 examples and leave 7 copies in my in box? Meeting is management only – mainly cuz I don't want to deal with Bill MOLLOY! Thanks."

**EXHIBIT 218 (A)**

**02/01/10 E-mail from TYRER to COOPER, HUDDLESTON, WALTON, JACOBSEN, TRANSUE, PHILLIPS, BREACH.** Subject is labeled: OTM Contracts and AP Discussion.

**EXHIBIT 219 (A)**

## OTM REVIEW SUMMARY

**02/01/10 E-mail from HUDDLESTON to PHILLIPS with cc to COOPER, WOELKE, WALTON, Shawn JACOBSEN, TRANSUE and BREACH.** She writes, "Linda created the attached step by step explanation of current OTM contracting processes. Please let me know if you need more information or have questions. I look forward to discussing what changes are needed."

**Reply on 02/02/10 from PHILLIPS to HUDDLESTON, cc to COOPER, WOELKE, WALTON, Shawn JACOBSEN, TRANSUE and BREACH.** He writes, "Julia, To determine what I am really dealing with I will need to see a copy of the OTM Grant. Contemplating this program without that is somewhat a shot in the dark and quite possibly may result in a process which is something much more complex and cumbersome than it has to be. Can you please get me a copy of that Grant which includes all the requirements of the Feds to expend the money?"

**Reply from HUDDLESTON to PHILLIPS, with cc to BREACH, COOPER, JACOBSEN, TRANSUE, WALTON, WOELKE.** She writes, "As we just discussed, I have attached: 1. the initial funding availability announcement; 2. the approved Operational Protocol with 2010 amendments." **EXHIBIT 220 (A+)**

**02/03/10 E-mail from PHILLIPS to HUDDLESTON.** He writes, "Good morning, Thank you again for the documentation you sent me yesterday. After review of the rather large document (you rightly warned me) I discovered on page 36 of the application document references to certain requirements of the grant that spoke to process should DHS receive a grant. Section 2 states:

### Usual Requirements

a) Specific administrative policy requirements of grantees as outlined in 45 CFR 74 and 45 CFR 92, apply to this grant opportunity. An assortment of other requirements are listed but for the sake of this conversation this requirement is where I focused my attention. Upon review of those CFR's 74 does not apply because it is speaking to awards made to entities other than public bodies. 92 however, is applicable. In reviewing the CFR you will notice that there exist requirements around procurement specifically found at section 92.36, which states; "When procuring property and services under a grant, a State will follow the same policies and procedures it used for procurements from its non-federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal Statutes and executive orders and their implementing regulations." This clearly means that procurements made utilizing these dollars will be done so utilizing our state's procurement code. Further, because of the nature of what you're procuring it makes these "Public Improvements" as excerpted from the code: (127) "Public Improvement" is defined in ORS 279A.010 (1)(cc) and means a project for construction, reconstruction or major renovation on real property by or for an Authorized Agency. "Public Improvement" does not include: (a) Projects for which no funds of an Authorized Agency are directly or indirectly used, except for participation that is incidental or related primarily to project

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design or inspection; or (b) Emergency work, minor alternation, ordinary repair or maintenance necessary to preserve a Public Improvement. Because these are public improvements it will mean that the template we create as the vehicle to make these happen will include construction terms and conditions rather than the provisions we would use for personal services. Also, Prevailing Wage Rate (PWR) applies as well because these are Federal dollars their threshold for PWR is \$2000.00. I will begin to create that template and develop a process for implementing and also working with Stella to create the delegation for your unit. Before spending additional time on it though, I feel it necessary to allow you the opportunity to contemplate the information given here and provide any additional feedback necessary that may change the current course I am taking.”

**Reply on 02/04/10 to HUDDLESTON to PHILLIPS with cc to COOPER and TRANSUE.** She writes, “Steve – I’ve asked for some TA form the National Project office on this issue. All 32 state projects are doing construction projects that exceed 2,000, using the standard mix of Federal and State funds. I’ve never heard this issue come up in any of the project director discussions. I would like to get a hit on what the national project office at CMS thinks. The TA turn around time is not suppose to exceed 3 business days. I appreciate your patience.”

**Forward on 02/16/10 to Bob MOLLICA, Ernest MCKENNEY and Rhonda SIMMS from HUDDLESTON with cc to COOPER, PHILLIPS, John SORENSON and TRANSUE.** She writes, “Bob, Ernest and Rhonda: I have attached the email that I received from Steve PHILLIPS, who manages the Oregon DHS Contracts Unit. As I shared with Rhonda, Oregon has made minor home modifications under its 1915 waivers since the early 1980’s. The approval level under the waiver is set at \$5000. We’re also providing home modifications exceeding the \$5000 waived limit through our MFP program as a supplemental service. In some cases, these are modification to an adult foster home which is a small business that will provide care for 4 or fewer individuals who need the home modified to meet their physical needs. In other cases, these are modifications to an individual’s home to allow them to move there from an institution. If the reasoning below is correct, it would seem to impede Oregon’s ability to fund any home modifications that exceed \$2000 for any client – waived or MFP. Have you run into this issue in other states?”

**Reply from MOLLICA to MCKENNEY, SIMMS and HUDDLESTON with cc to PHILLIPS, TRANSUE, SORENSON and COOPER.** He writes, “I haven’t heard that this is an issue in other states. WE might be able to raise it at the end of the TA training call on the 24th. Rhonda, can we take 5-10 minutes at the end of the call next week to see if or how other grantees are dealing with this. John, do you know from the federal level if Davis- Bacon applies to home mods funded by federal grants.

**Reply from HUDDLESTON to PHILLIPS, cc to TRANSUE, COOPER, Ronald HENDLER and John SORENSON.** She writes, “Good morning Steve. I just spoke with Ron HENDLER and John SORENSON at CMS. John is Oregon’s project officer; Ron is the national technical lead. AS you know, I forwarded your

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email to me, dated February 3, to the project office and asked for advice. Ron's advice is that, under the federal regulations that authorized the Money Follows the Person projects (section 6071 of the 2005 Deficit Reduction Act), and under home and community-based services regulations, expenditures for home modifications are not construction expenditures. Rather, they are viewed as service expenditures. Consequently, at a federal level, regulations pertinent to treatment of federally funded construction (like the Davis Bacon Act) wouldn't apply. Ron asked me to pass on to you that you are welcome to contact him to discuss this further if you wish. His email is above; his phone is [REDACTED]."

**EXHIBIT 221 (A+)**

**02/05/10 E-mail from WALTON to HUDDLESTON with cc to COOPER.** She writes, ".....Loren brought up 3 bills today for processing: Home Sweet Home Sales \$8530.00; Fiber-Fab \$1007 and Curotek Corporation \$5424.60. Are these 3 parts of the estimated 35 you mentioned in the meeting the other day that are in process and need to be paid? By the way, I haven't received anything yet to show the ones in process – is that done? I want to be sure that we process those timely and then hold off on anything else until the contract piece gets completed. If you could get the list to me asap that would be great....."

**Reply from HUDDLESTON to WALTON.** She writes, "Thanks, Nancy. Thanks for the reminder on the list. Linda's mom had surgery this week, so she's been out for a couple of days. I will remind her on Monday."

**Reply on 02/11/10, from WALTON to HUDDLESTON cc to BREACH and COOPER.** She writes, "Hi Julia – any luck on the list yet? I've received one more invoice for payment for 1st Senior Care so I'm think the list Linda is putting together has bout 31 "in-process" that we need to pay yet? I just want to be sure that we (AP) pay the ones that are already in process and then we will stop paying them. Once the contracts are in place it will be Wayne BREACH'S team making the payments."

**EXHIBIT 222 (A+)**

**02/11/10 E-mail from HUDDLESTON to PHILLIPS, TRANSUE with cc to BREACH, COOPER, JACOBSEN and WALTON.** She writes, "I just sent Nancy the list of current projects that staff developed for me on Monday. I'm concerned, though, because it's already out of date. Is there any way to put a process in place that meets contractual requirements while we work with the Money Follow the Person national project office and DOJ on the applicability of the Davis – Bacon Act to project modifications? I am very concerned about stopping new projects while we wait – especially given the absolute necessity of home modifications towards SPD's budget reduction goals in nursing homes. I'm also concerned in that this Federal grant is just an extension of the Medicaid grant. If the Act applies to OTM, then it would apply to all Medicaid- funded home modifications that exceed \$2,000. Thanks and all the Baltimore folks are still shut down with Snowmageddon."

**Reply on 02/16/10 from PHILLIPS to HUDDLESTON and TRANSUE, with cc to COOPER, WALTON, JACOBSEN and BREACH.** He writes, "Based on what our expectations are sure, we could put a process in

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place but it could be very different than what is needed assuming response from Baltimore to counter to how we are approaching this. Do you want us to proceed?"

### EXHIBIT 223 (A)

**02/22/10 E-mail from PHILLIPS to HUDDLESTON.** He writes, "Good morning Julia! Based on the responses provided by CMS it does appear that the feds see the expenditure of this money for what you're typically using it for, as not construction. I am fine with that from a procurement standpoint. However, the remainder of the modifications do need to be on a contract with the vendor selected to provide the housing remodels. As you know we have been doing this type of procurement for SPD's Community Housing section for years. Hence, the development of the contract template and a process for executing these will be relatively simple and quick. My plan is to turn this back over to Bill MOLLOY and through assistance from April BARRETT, develop the process for OTM's use. This will require additional collaboration from your program. I believe that will be Linda WOELKE? Please confirm Linda as the point of contact ASAP."

**Reply from HUDDLESTON to PHILLIPS.** She writes, "Steve, Thanks for your attention to this issue. Linda WOELKE is our point of contact. She will be at a required training this afternoon through Thursday at noon, but back in the office at the end of the week."

**Reply from MOLLOY to HUDDLESTON and WOELKE with cc to PHILLIPS.** He writes, "Per this series of e-mails, I think a good solution would be for Linda and I to get together to modify the current Agreement to Agree format we are already using for CMTS (#128397) etc. to have a higher dollar limitation and clearly identify that BOLI wages and Federal Davis Bacon are not applicable."

### EXHIBIT 224 (A)

**03/03/10 E-mail from WOELKE to MOLLOY.** She writes Hi Bill, attached please find the contracting process for individual home modification and community housing with services development modifications. Please let me know if you need anything further and what our next steps are.

**Forward from MOLLOY to PHILLIPS.** He writes other than a sample form contract, and a requested dollar amount, what additional do you think we need to support a delegation request from Stella to the OTM program.

**03/04/10 Reply from PHILLIPS to MOLLOY.** He writes, Bill additional needs: 1) must be registered to do business within the state. 2) must have a valid CCB license. 3) must not have been disbarred/disqualified. 4) contract form (obtained from April and modified for your use with OTM) 5) inserting these additional steps into Linda's process.

### EXHIBIT 225 (A-D)

## OTM REVIEW SUMMARY

**03/16/10 Signature Authorization for Budgetary Expenditures:** This form is signed by HUDDLESTON and Cathy COOPER. According to this form, HUDDLESTON has approval to sign contract requests and contracts up to 150,000, purchase order/requisitions, requests for payments of invoices, (with the ability to sub delegate this), Spots visa log, travel advances, travel claims, and time capture/leave requests.

**EXHIBIT 226 (A)**

**03/18/10 Appointment request from WALTON to COOPER, HUDDLESTON, JACOBSEN, TRANSUE and PHILLIPS.** The subject is listed as: Discuss OTM payments.

**EXHIBIT 227 (A)**

**03/22/10 E-mail from MOLLOY to April BARRETT.** He has attached and email from WOELKE from 3-3-10. He writes, "Here is her 'process' per our meeting this morning."

**Reply from BARRETT to MOLLOY.** She writes, "Here is my stab at it..."

**Reply from MOLLOY to WOELKE.** He writes, I've re-named April's stab and added my comments as well."

**Reply from BARRETT** writes, "I don't know how to respond to your comments without creating another so here is what I came up with when it comes to liens. (I asked Heber what his process is)

**Reply from MOLLOY** If lien(s) are filed, who are they served on? Us the owner or both? Who is in charge of ensuring lien satisfaction is accomplished?

**Reply from BARRETT** The lien documentation is written up by SPD housing using the mortgage short form (they will be sending me samples and process here shortly). The lien is between SPD and the home owner, it is sent to homeowner to review, sign and record with County Assessor's office. SPD also send promissory not to homeowner outlining "forgiveness" and/or payment terms. Once County files the lien the county send SPD either a copy or original depending on day and County. Every 6 months homeowner is to send SPD a letter saying whether or not they still reside at home and utilize the modifications in which the lien was processed for. SPD starts the paperwork for when the homeowner sells, and the satisfaction of lien.

**Reply from MOLLOY** Is OTM the "Procurement File" custodian or are we?

**Reply from BARRETT** For the ones we did, OC&P were the official holders. So here is another question Heber brought up: OTM will be a short term thing compared to the length of time the liens will be for (he has some up to 20 years). Who is responsible for the lien storage and archival? SPD – Housing has volunteered to take this on so that when the homeowners go to sell 20 years from now and find out they forgot about an outstanding lien someone with knowledge will be able to research it and take care of any outstanding documents and such.

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For one of the comments:

In some cases [ADB1] a contracted consultant is used to evaluate property, consider modification options, prepare scope and diagrams and manage project.

[ADB1] Shouldn't this be in all cases? Should we tighten the strings and say if we need consulting it should be done as part of the bid process by at least 3 potential contractors? Why is the contractor managing the project? Might want to clarify the scope of term "managing".

**Reply from HEBER** says this causes issues. If a consultant is coming in, we need to have a contract with that one contractor for the consulting piece putting in the contract that he is not guaranteed the actual modification work. And, having each bidder do the consulting piece at the same time as bidding causes problems as well. Instead, Housing works with homeowner to figure out what will be the best solution for the client needs, and bids it out so the bids are apples to apples. Hope this helps a little. Heber is more than happy to provide any information as he can as he believes the processes between his unit and OTM should be the same if possible.

**Reply from PHILLIPS to BARRETT and MOLLOY.** He writes, "As I read it, the whole lien process for OTM when applicable, won't happen often and when it does, will be prior to utilizing this process. I'm not entirely sold yet that we need to address it contractually or as part of this process except for what is already explained."

**EXHIBIT 228 (A-C)**

**03/25/10 E-mail from PHILLIPS to HUDDLESTON and WOELKE, with cc to BREACH, COOPER, MOLLOY, TRANSUE and WALTON.** He writes, "Good afternoon, Julia. Attached are the following documents:

Delegation to OTM from OC&P

Contracting process

Contract Form

Please review the attached documents. The delegation provides the authority for OTM to perform this body of work. The Contracting Process form was created from the process currently being utilized by Linda with a few changes and additions that outline what OC&P will require of OTM to put these contracts in place. The contract form should be read carefully to make sure it is fully understood and provides OTM the flexibility necessary to get work done under a contractual relationship and provide accounting with the vehicle to make payment as well."

**Reply** Thanks, Steve. I will get back to you early next week.

**EXHIBIT 229 (A-BR)**

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**03/26/10 E-mail from WOELKE to HUDDLESTON.** She writes, "Julia, I have reviewed the 27 pages that upstairs think are necessary and there are a couple of problems and I have some questions. First of all this contract has worked fine for CMTS and Stay at Home but is not very user friendly for the many smaller contractors that we do business with, there are way to many pages to read. There are a couple of parts that really need to be changed. I will leave a marked and tabbed copy in your in- box to look at. Sheeesh."

### EXHIBIT 230 (A)

**03/30/10 E-mail from HUDDLESTON to PHILLIPS with cc to BREACH, COOPER, MOLLOY, TRANSUE, WALTON and WOELKE.** She writes, "Hi Steve. Thank you for all this hard work. After review, we have just a few comments and questions:

#### **Contract Template:**

Page 6; item 2A – all change orders must be approved by DHS. DHS, in turn, will obtain property owner approvals as necessary. Bill: Concur

Page 7, item 1A: Linda points out that not all contractors have letterhead. Bill: I can't find the offending item.

Page 16, item 18 – a general contractor will usually sub-contract with electricians, plumbers, tillers, etc...depending on the parameters of the work to be done. Could OTM provide a contract with authorization to sub-contract with appropriate specialties as the GC sees fit? Bill: I think that could be included in a Required Subcontractor's exhibit or the Vendor Agreement.

Page 19, item 3 – I understand that DHS is being counseled by DOJ to require the liability insurance amounts that you have noted as a result of the OHSU decision. However, we confirmed with CCB that statue requires contractors to carry \$500,000 general liability insurance. Most actually carry \$1,000,000. I would lie to discuss allowing an exception to the usual counsel to require \$1,000,000 general liability insurance since we will severely restrict our pool of interested contractors if we require them to pre-pay an additional \$500,000 in liability insurance. Bill: And how will this protect the State of Oregon when one of the Contractor's illegal immigrant day worker with three prior convictions assaults one of our homeowner's family members?

Page 20, item 4 – same issue as above.

#### **Delegation Agreement**

Part IV, Section L: Can we define a time frame in which OTM must provide the requested report? Bill: Quarterly, annually, every January 1 for the preceding year? Some time certain does seem appropriate.

Part V: I assume that the "Attachment #2" reference is the OTM process document. Is that correct? Bill: Yup.

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### OTM Process Document

Page 2, #14: The OTM vendor set up form is an enrollment form that we use to enroll OTM “vendors” and set them up for payment through the OTM system. I’ve attached a copy. Please note that we spelled vendor incorrectly in our document. Bill: Good catch

Page 2, #1: “Aging in Place” is a phrase used in long-term care to convey the idea that residences should be modified to be fully accessible, allowing the individual to remain there even if health needs reduce their physical abilities.” Bill: Add the Definition and capitalize in the document.

**04/02/10 Reply From PHILLIPS to HUDDLESTON.** Julia, I have addressed the suggestions in the forms through TRACK. Let me know if you are now comfortable with these. If so, we will need to discuss a start date. Thanks.

**EXHIBIT 231 (A-B)**

**05/18/10 State of Oregon Delegation Agreement:** Procurement authority for up to \$100,000.00 for minor housing remodel and renovations. Expiration date: December 31, 2012. This agreement was signed by HUDDLESTON and PHILLIPS for TRANSUE. I. Authority Granted: Authority is granted to Julia HUDDLESTON, for OTM, acting on behalf of the OTM, (responsible party) is delegated specific procurement authority to:

Conduct informal selection process,

Award Contracts

Execute Contracts,

Conduct contract administration

(collectively, conduct procurement), only for the specific procurement of simple remodel and renovation construction projects in accordance with all of the conditions of this agreement.

Sub-delegations. The responsible party may sub-delegate procurement activities, in writing, to an individual (sub delegate).

**EXHIBIT 232 (A)**

**07/12/10 E-mail from MOLLOY to LAMON.** He writes, “Although OTM has been issued at least 25 contract numbers I have only seen three. My review is as set forth below. The files are on your desk.

#132194; L3 Construction, LLC

Missing: Secretary of State print out, federal debarment check, OMS web, CCB certificate, federal tax I.D. information. No bid document just a request for bids with vague language. It may be necessary. GFI if not present. There is no itemization of cost just the maximum of \$16,000.00.

#132195; Synergy Development, LLC

## OTM REVIEW SUMMARY

Missing; Secretary of State printout, federal debarment check, OMS web, CCB certificate, federal tax I.D. information. No end date to the contract. Pen and ink changes are in the SOW for \$1,150.00. Not initialed by anyone.

132196; Denali Construction

Missing; Secretary of State printout, federal debarment check, OMS web, CCB certificate, federal tax I.D. information. Denali Construction was an ABN of Mr. Rupert. Data certification was by Denali Construction and Design, LLC. Also by Mr. Rupert which does still exist. There is no bid just a copy of the bid request document date, May 10, 2010, which requested that bids come in by May 14, 2010. It also requested permit costs and a schedule, none of which is included. There is no itemization or costs just a maximum of \$10,000.00.

### EXHIBIT 233 (A-B)

**09/03/10 E-mail from TRANSUE to COOPER.** She writes, "Attached is a list of contracts and agreements that OC&P has record of for On The Move Program. Also attached are the contracts pending. There is a delegation in place for On the Move program to Julia for informal contracts. She is delegated the authority and before any additional contracts are solicited or awarded under this delegation this must be updated. I will send an email to Linda WOELKE (and cc you), explaining this delegation is suspended until a change is made to the delegation as she was the staff person working directly under Julia with this delegation."

**Reply from COOPER to TRANSUE.** She writes, "Thanks Stella. Are you indicating that Julia delegated informal contract authority to Linda WOELKE? Do you have something in writing that confirms this?"

**Reply from TRANSUE to COOPER.** She writes, "The delegation attached was granted to Julia. I did not include the contract form. It does state the Responsible Party (Julia) can sub delegate in writing. The Responsible Party remains responsible to monitor all procurement activities under the delegation."

### EXHIBIT 234 (A)

**09/03/10 E-mail from TRANSUE to WOELKE with cc to COOPER, LAMON and MOLLOY.** She writes, "Linda, all procurement activities utilizing the delegation issued by me to On the Move must stop. The delegation was granted to Julia HUDDLESTON. Until this delegation is updated no solicitation or contracts can be processed."

### EXHIBIT 235 (A)

## OTM REVIEW SUMMARY

### ESTATE CLAIMS

During the interview process we learned that HUDDLESTON had told OTM office and field staff, along with SPD staff, that charges related to OTM would not be tied to client's estate claims. When payments were made in the SATH system, by OTM office staff system, they were input using a client's prime number. Often payments, for example, home modifications, were made against a client's prime number that never moved into the home for one reason or another. In a few cases, there was never any plan for the client to move into the home. OTM staff have been in contact with the Estate Administration Unit, and started the process to remedy incorrect charges to client's estate claims.

**EXHIBIT 236 (A-P)**

### EXCEPTIONAL SERVICE PAYMENT RATES

#### Client A:

- Client A was residing in a nursing home facility. Client A needed to transition out of that facility quickly, due to it closing. Client A's has a diagnosis that does not include obesity. Client A's guardian signed an informed consent for participation on the OTM project on 7/24/09. Client A transitioned from facility into an AFH on 7/28/09. This AFH which had served Dementia and Alzheimer patients; had been visited by WOELKE on 7/23/10, to determine if it could be modified to become a Bariatric Home for OTM. Home modifications began in October 2009, to convert this home to care for bariatric clients. Standard rate for bariatric clients is \$6,100.00 per month for the 12 month OTM client year. After moving into this home, an exceptional rate of \$3,134.20, was approved through the exceptions process for client A, making the total service payment for this client; \$4,867.20. This rate was still below the \$6,100.00 service payment rate approved for OTM bariatric clients. HUDDLESTON approved an extra payment of \$1,232.80 for client A's OTM year, making the total amount paid per month, \$6,100.00.

**EXHIBIT 237 (A-H)**

#### Client B:

- OTM was attempting to move Client B, who had high care needs back to [REDACTED] hometown. A placement was identified and the potential providers assessed the client on 6/11/10. This provider was licensed to care for 5 non related individuals in [REDACTED] home. This assessment was sent to HUDDLESTON on 6/15/10. The provider reports that [REDACTED] spoke to HUDDLESTON on 6/16/10. On 6/30/10, the provider contacted HUDDLESTON via email and mentioned that they had been actively remodeling their shower bathroom to accommodate the client's needs. On 7/7/10, HUDDLESTON then contacted the provider by e-mail and

## OTM REVIEW SUMMARY

stated that she and Sandy HATA had reviewed the assessment of the client needs and were prepared to approve placement of the client in their AFH. HUDDLESTON went on to state that they were willing to approve payment of 15,383.00 (\$14,489.30 client service payment and \$523.70 room and board payment; paid by client), per month for the client for 90 days, with the ability for additional 90 day extensions during the 365 days after the date. HUDDLESTON also agreed to pay 4500.00 to a fourth resident living in the home who decided to move out, so that the four resident rule was not violated. Several draft contracts were exchanged between the provider and HUDDLESTON beginning 7/12/10, with the final draft completed on 8/13/10. In the final draft HUDDLESTON agreed to the following:

- OTM will pay [REDACTED] to hold the bed for client from 8-1-2010 through [REDACTED] date of placement at the rate of \$100.00 per day.
- SPD/OTM agrees to an initial total monthly service payment rate for clients care of \$14,859.30. Payment will be made in two parts. The Medicaid service payment rate will be calculated using exceptional service payment criteria. OTM will pay the difference between \$14,859.30 and the approved exceptional service payment amount. The service payment rate will be reviewed at approximate 90 day intervals. The review will focus on clients changing service and staffing needs.
- Provider will agree to limit its capacity to 4 unrelated individuals between the date of client's placement and the earlier of the date on which SPD/OTM gives notice that the client will not return to AFH. AFH and SPD/OTM agree that SPD/OTM will make a payment of \$4500 monthly to AFH to maintain the AFH serving no more than 4 unrelated individuals through the earlier of these dates.

### EXHIBIT 238 (A-DK)

## HOME MODIFICATIONS

During the course of the OTM investigation PALODICHUK and PERHAM reviewed approximately 95 OTM home modification files. We documented the following:

- If Home ownership was verified.
- If a Scope of work was completed.
- If a home modification agreement was signed by home owner.
- If the project had documentation that at least three bids had been request and or received.
- Who the project manager was for the modification.
  - CMTS
  - STAY AT HOME

## OTM REVIEW SUMMARY

- WOELKE
- MARC MIRRASOUL
- None
  - If the Contractor Construction Board online system had been accessed to determine if the contractor awarded the bid had liability insurance or had a history of corrective actions.
  - If copies of permits were included in the modification file, and/or if verification of permits had been obtained.
  - If a lien had been executed on the property. (Not used in cases where the owner of the home was a client or family member and only if the overall cost of the project was over \$10,000.00.)
  - If the provider received startup funds or front loading funds.
  - Whether or not the home owner received a “loan” from the OTM Grant monies to enable the home owner to have additional home modifications that were not client related yet paid by OTM funds.

### EXHIBIT 239 (A-F)

During the home modification review the following two cases need to be highlighted as examples of when poor processes are in place:

#### Client C

- Potential OTM placement is identified. OTM pays assistive technology assessment, personal care aid and home modifications totaling \$30,207.00. After modifications were completed, it was determined the providers could not be licensed due to criminal history etc. These concerns were shared with HUDDLESTON and WOELKE while modifications were taking place. **EXAMPLE**

#### Contractor A

- Was awarded more home modification jobs than any other contractor. In two to three instances no bids were asked or given to the agency prior to commencing work. This contractor received duplicate payments on more than once occasion. (see section for vendor overpayments) A contract was never executed for this contractor on any job. Multiple complaints were received from home owners regarding the poor quality of work being provided by Contractor A. In one case a new contractor was hired by WOELKE, at OTM'S expense, to correct the construction flaws. Contractor A continued to be hired for OTM remodeling and construction jobs. E-mail between WOELKE and Contractor A indicates that he was on vacation during a portion of the time that OTM paid his company to remodel OTM homes.

### EXAMPLE

## OTM REVIEW SUMMARY

### Contractor C

- WOELKE awarded a home modification job to a contractor whose license had lapsed. This was a home modification job that was supervised by WOELKE. In this email dated 5-28-10 from WOELKE to HUDDLESTON, she writes, "Julia, remember yesterday when you were in my cube and I told you the contractor who had the lowest bid on the job had allowed his license to lapse? Well I discovered today that it is against the law for him to even be tendering a proposal when he is not licensed. He is a nice fellow and did an excellent job on [REDACTED] home and was the contractor of choice [REDACTED]. I had to call him to tell him he didn't have the job after all. It wasn't fun but he was graceful about it. In my ignorance yesterday I thought it was just a matter of him getting his paperwork in order but I checked with the CCB today. Even if he gets his license business straightened out before he starts work, he has gone against the rules. The next lowest bidder is a contractor who did the work on [REDACTED] and also did a very good job. They are going to start on June 7<sup>th</sup> and think it will take about 30-35 days." There is no documentation in the provider's home modification file that indicates that WOELKE checked with CCB to find out if the contractor had a valid license. There was no contract in place for this contractor. The contractor was paid a total of \$55,296.38 to modify the provider's home.

### EXAMPLE

## HOME MODIFICATION "LOANS"

OTM Central Office employees that OTM funds had been used in three separate occasions to "loan" money to homeowners and/or providers who were having their homes modified by OTM dollars. This "loan" allowed homeowners and providers to have additional remodeling done. This remodeling was not client specific. The loans were given for twelve months at no interest cost to the owner and/or provider. On 02/09/11 HUDDLESTON was questioned regarding her knowledge of the home modification loan practice. HUDDLESTON confirmed that she knew of the loans and they had occurred. HUDDLESTON justified this practice by explaining that the additional modifications benefited the client.

### Home 1

- Total amount of loan was **\$11,550.00**. A lien was done on this property and the homeowner made payments of \$962.00 for six months, before the OTM program was put on hold. The loan was for payment of pavement for a new driveway, siding on the addition to the home, etc.

### EXHIBIT 240 (A-H)

## OTM REVIEW SUMMARY

### Home 2

- OTM agreed to pay for half of a family room addition to the AFH. OTM was billed for \$94,634.00 for home modifications by the construction contractor. OTM'S portion of this modification was \$33,000.00. The loan was given to pay for the family room addition, upgrades for wood floors, tile showers, skylights, etc. The documentation obtained indicates that that the provider loan amount is between **\$43,000 and \$61,000**. PERHAM and PALODICHUK have requested additional documentation from the contractor to aid in determining the correct loan amount. There is no lien in place for this home, and no payments have been made by the provider. **Additionally**, Stay At Home was paid approximately \$5000.00 to develop a Scope of Work, solicit bids and supervise the modification of this home.

**EXHIBIT 241 (A-I)**

### Home 3

- The total loan amount for this home is approximately **\$10,000.00**. OTM paid for new plumbing, electrical work and landscaping. There is no lien in place for this home, and no payments have been made by the provider.

**EXHIBIT 242 (A-F)**

## VENDOR DOUBLE PAYMENTS

PERHAM and PALODICHUK discovered multiple vendor overpayments while reviewing invoices. These invoices were contained in the home modification and client files for provider loan recipients. It appears that invoices were often double paid due to WOELKE submitting invoices twice for payment.

### Contractor A

- In April 2010 Contractor A was overpaid \$47,390, when the contractor billed in three invoices for separate items for the total amount of the job, and then again in one invoice that totaled the amount cost of the job. The contractor repaid the State of Oregon/OTM for the overpayment.
- In January 2010, Contract A was overpaid \$71,320.00. The contractor submitted two invoices, with the same number to WOELKE. One invoice was for \$71,320.00 and the second for \$72,655.00. The second invoice included an additional charge for a change order totaling \$1335.00. WOELKE submitted one invoice on 12/30/10 and the second on 1/20/10 for payment. Contract A cashed both checks. This error was not caught until the investigation and repayment has not been made by the contractor.
- In December 2009, Contractor A submitted to WOELKE, invoice 246. The total for this invoice was \$1400.00 and broke the cost into two items, \$550.00 and the other for \$850.00. This invoice was paid in

## OTM REVIEW SUMMARY

January 2010. In January 2010, Contractor A submitted to WOELKE, invoice 246 again, this time with only the item totaling \$550.00. This invoice was paid in April 2010. The overpayment was not caught until this investigation and the contractor has not paid this amount back to The State of Oregon/OTM.

### EXHIBIT 243 (A-AC)

#### **Contractor B**

- In June 2010 Contractor B submitted an invoice to WOELKE for a 95% draw request totaling 24,108.00. In July, Contractor B submitted a second invoice to WOELKE for the same 95% draw request, now totaling 24,250. The first invoice was paid on 6/25/10; the second was paid on 7/20/10. Contractor B deposited both checks. The overpayment was not caught until this investigation and the contractor has not paid this amount back to The State of Oregon/OTM.

### EXHIBIT 244 (A-H)

## "START UP" FUNDS

OTM developed a document which provided guidelines to providers regarding the availability of Startup Funding. According to OTM records, 13 AFH providers have received Startup Funding. TYRER reported that there was a process in place to track for startup funds that were disbursed, but that it was not consistently followed. According to TYRER some providers submitted receipts after they had purchased the items and were then reimbursed. Others were sent funds with the expectation being that they would provide receipts to reconcile the money that they were forwarded by OTM. Providers would often get 20,000 in start up funds, even when only one or two clients had been identified as potential placements.

**The following is the letter sent to providers:**

### **Start-Up Expenditures On the Move In Oregon**

#### **GUIDELINES**

1. Start up costs will not exceed \$5000 per resident.
2. Start up costs funded by the On the Move in Oregon (OTM) project must be pre-approved by the project office in Salem.
3. Start up amounts funded by OTM must be used only for items and services listed below.
4. Start up funded by OTM cannot be used for the Contractor's administration or overhead costs.

## OTM REVIEW SUMMARY

### ALLOWABLE COSTS

#### 1. Services and Supplies

- Program and office supplies
- Initial staff training (training materials; training fees)
- Local travel costs
- Initial supplies of food, maintenance and housekeeping items
- Initial insurance premiums not to exceed the first month coverage
- Professional contract services
- Initial licensing and filing fees
- Incidental items needed by clients during their first 30 days in the home.

#### 2. Capital Outlay

- Furnishings and equipment - i.e. necessary household furnishings and appliances
- Office furnishings and equipment

### ACCESSING OTM START UP FUNDING

1. As soon as it's known that Contractor will request start up funding, Contractor completes an OTM Vendor Form (attached) and submits it to [Stephanie.Tyrer@state.or.us](mailto:Stephanie.Tyrer@state.or.us).
2. No later than 15 calendar days prior to the date on which start-up funding is requested, Contractor should submit a request for start-up funding. The request should list the total amount of start up funding requested; the name and address of the residence for which the funding is being requested; and the OTM residents who will move to the residence. A detailed budget should accompany the request, breaking the total amount requested into the allowable costs listed above. Any individual item purchase that exceeds \$500 should be individually noted in its appropriate cost category. The request should be sent to [Stephanie.Tyrer@state.or.us](mailto:Stephanie.Tyrer@state.or.us) with a copy sent to the locally stationed Transition Coordinator.
3. Start up funding budget approval will be done through the Central Office project team.
4. No later than 60 days after the date on which the first resident moves into the home, Contractor must file a reconciliation of amounts received to amounts actually expended. Appropriate back up documentation (i.e. receipts) must accompany the reconciliation. Unexpended start up amounts must be returned to the OTM project along with the reconciliation.

**EXHIBIT 245 (A-B)**

## OTM REVIEW SUMMARY

The following is an e-mail string between Accounting and HUDDLESTON with discussion regarding startup funding and whether or not it is allowable under State policies and procedures.

**03/02/10 E-mail from Loren KRUESI to HUDDLESTON, TYRER and WALTON.** Subject: Start Up Fund Request; [REDACTED] writes, "Julia: Your approval for \$19,970 in start up costs has been hand delivered to AP this morning. Nancy told me that she would process this as soon as she could."

**Reply from WALTON to HUDDLESTON.** She writes, "Is there a contract for this one since it is start up costs – does that mean they haven't done work yet?"

**Reply from HUDDLESTON TO WALTON with cc to KRUESI, TYRER, and BREACH.** She writes, "Nancy: This is not a construction payment. It is a payment to a long-term care service provider for costs associated with furnishing the home. Please process the payment."

**Reply from WALTON to HUDDLESTON.** She writes, "Hi we do not have this provider in the DAS system so we need to set them up. In order to do so we need the following: tax id or ssn; legal name of the business; address and phone number. I understand it isn't a construction payment but it is over \$5,000 so shouldn't there be a contract? Thanks"

**Reply from HUDDLESTON to WALTON.** She writes, "Let me check with DD – but they've done them forever, and I believe that it works because these are services providers so they do have/will have Medicaid contracts."

**Reply from WALTON to HUDDLESTON.** She writes, "Should they be paid out of MMIS if it is Medicaid?"

**Reply from HUDDLESTON to WALTON.** She writes, "Why don't you call me? This program is not Medicaid. It might work better if I explain it to you."

**EXHIBIT 246 (A)**

**03/03/10 E-mail from Roxanne WOOD to KRUESI.** She writes, "For each of these new vendors to be put into the statewide vendor system, I need their tax id number, legal business name, payment address, telephone number, & fax number if you have it. Without this information, I can not add them to the system."

**Reply from KRUESI to WOOD, with cc to HUDDLESTON, TYRER and WALTON.** Subject: Start Up Fund Request; [REDACTED] He writes, "Legal Business Name: [REDACTED] LLC, TaxID: [REDACTED] Payment Address: [REDACTED] Fax Number, Thank you, Lo"

**Reply on 03/04/10, from WALTON to HUDDLESTON, WOOD, TYRER and KRUESI.** She writes, "Roxanne, please get this vendor set up in SFMA and let me know when it is done. Julia – I am out of the

## OTM REVIEW SUMMARY

office so doing this from memory – is this the one that is over \$5,000? If so, are you doing a contract? If this isn't the one over \$5,000, please disregard. Thanks!"

**Reply from HUDDLESTON to WALTON.** She writes, "This is the one that is over \$5,000. This will be a service provider, and will have a Medicaid contract as such. Community-based care service providers are not paid through MMIS."

**Reply from WALTON to HUDDLESTON and BREACH.** She writes, "Wayne – since there is a Medicaid contract should these be going through your team to pay? Thanks," **EXHIBIT 247 (A-B)**

**03/08/10 E-mail from TRANSUE to HUDDLESTON.** She writes, "Julia, Steve is out this afternoon so I am checking on this issue. Nancy WALTON brought a document for payment of start-up funds for one of the OTM houses. The request is for \$19,970. The OTM participant states in an e-mail" I tried to estimate the amounts a little higher so that we requested enough." I am sure startup funds are allowed under your federal grant. How are these connected with the OTM house, are they part of the contract/grant agreement with the homeowner? The request is approved in the e-mail, is there a later accounting if the estimate was too high or some of the items not purchased? Where are the parameters of the start up funds in the federal grant? Are start-up costs written off if the homeowner gets out of the program or are the funds collected by the state?"

**Reply from HUDDLESTON to TRANSUE, with cc to COOPER, PHILLIPS, and WALTON.** She writes, "I've attached the policy, Stella. It's a clone of one that has been used by DD for several years. Thanks for following up, and please let me know if you have other questions."

**Reply from TRANSUE to HUDDLESTON.** She writes, "Julia, Thanks for sending the start up information. Questions that remain: is there a later accounting if the estimate was too high or some of the items not purchased? What are the parameters of the start up funds in the federal grant? Are start-up costs written off if the homeowner gets out of the program or are the funds collected by the state? Is there an inventory taken of start up items? How are the start up funds checked and documented? I see initial cost of liability insurance at \$750 for [REDACTED], yet your guideline states not to exceed the first month coverage; maybe the annual cost is \$9000? Contract services for \$1000 – what is this for? These invoices are public record, so detailed information is important."

**Reply from HUDDLESTON to TRANSUE with cc to COOPER, PHILLIPS, WALTON.** Stella: In the policy providers are told that they must file a detailed accounting of expenditures with back-up documentation such as receipts not later than 60 days after the date that the first resident moves in. The federal program allows states to pay for any services that aid in the transition without further definition: that's why we chose to use the same definition of start up costs that has been used with the office of Developmental Disability Services for many years. Start up funds are checked and documented via receipts for all items purchased not later than 60

## OTM REVIEW SUMMARY

days after the date that the first resident moves in. At that time, if [REDACTED] first monthly premium for liability insurance is less than the \$750 requested, we will expect and enforce repayment of any amounts to which the provider is not entitled. We will do the same with the contract services.

It's a good question that you pose about going out of business. What we have told providers on home modifications is that they need to provide Medicaid services for 5 years to achieve total lien forgiveness at a rate of 20% per year. That doesn't seem appropriate here since much of what is purchased are items without a long life (like flatware) but that are necessary to running a home. Let me check with DD and see what they do.

**Reply from WALTON to HUDDLESTON, COOPER, TRANSUE, BREACH, JACOBSEN, and PHILLIPS.** She writes, "Julia- we need the actual federal grant award that allows SPD to advance federal dollars please. Our basic federal agreement is that federal funds are drawn on a reimbursement basis. We could be in violations of our CMIA agreement by advancing federal dollars. A different option may be to advance general fund. We haven't processed the payments to [REDACTED] yet. The request for [REDACTED] is for \$2,698 but includes payment for training, computers, printer/fax/copier and office supplies – should they be going through state price agreements/contracts for these items?"

Also, the payment for [REDACTED] is for several items – should any of them have a price agreement/contract? I don't mean to be a barrier in this process....however; I am not willing to approve processing these payments with so many outstanding issues/concerns. Cathy – if you want to approve each of these payments, I will attach a copy of the e-mail trail with your approval and we will process them. Julia – just as a fyi – these two requests came up without signature approval from you."

### EXHIBIT 248 (A-C)

**03/10/10 E-mail from LAMB to WALTON.** She writes, "Hi Nancy. Here is the Federal-State Cash Management Improvement Act (CMIA) Agreement for State FY2010. The section I showed you about State interest liabilities is 8.6.1: "8.6.1: The State shall be liable for interest on Federal funds from the date Federal funds are credited to a State account until the date those funds are paid out of program purposes."

There used to be a section on "pre issuance" of federal funds that is not in the 2010 agreement for some reason. Here is the text from the 2008 CMIA:

"Pre-Issuance: The State shall request funds such that they are deposited in a State account not more than three days prior to the day the State makes a disbursement... The amount of the request shall be the amount the State expects to disburse. This funding technique is not interest neutral."

DHS has defined "program purposes" and "disbursement" as the actual rendering of services by the contractor. Payments to a contractor made in advance of services rendered is a violation of the CMIA and those federal funds may be subject to interest penalties depending upon which grant is being used. We do have some

## OTM REVIEW SUMMARY

programs that give advanced payment to contractors, however those payments are from general funds until the contractors submit their periodic activity statements. Then the advance is reversed from all general funds and charged to the federal grants at the appropriate match rate.”

**EXHIBIT 249 (A)**

**03/10/10 E-mail from WALTON to BREACH, COOPER, HUDDLESTON, JACOBSEN, PHILLIPS and TRANSUE with cc to LAMB.** She writes, “Hi – I have scheduled a meeting on Thursday the 18th from 8:00 – 9:00 in room 472 to discuss OTM payments. Attached is the Federal – State Cash Management Improvement Act Agreement for State TY2010 which I referred to in my earlier e- mail. Julia – could you please bring a copy of the federal grant award that allows SPD to advance dollars to the meeting or sent it out to everyone before the meeting?”

**EXHIBIT 250 (A)**

**The following is an e-mail string between Jeffrey CLOPEIN from CMS and SINGER regarding startup funding, home modification etc.**

Clopein, Jeffrey D. (CMS/CMCS)" <Jeffrey.Clopein@CMS.hhs.gov> 10/8/2010 10:35 AM >>>

Hi Nathan,

I've asked Ron for additional insight and here is his comments.. He has some of this is red but not sure if you can see the difference if the red does not show up on your screen. Compare Ron's comments with mine. Have a good weekend.

Jeffrey D. Clopein, M.A.

Project Officer

Division of Advocacy & Special Initiatives (DASI)

Disabled & Elderly Health Programs Group (DEHPG)

Center for Medicaid, CHIP and Survey & Certification

7500 Security Blvd Mail Stop MS: S2-14-26/Room S2-15-04

Baltimore,MD 21244-1850

Phone: 410-786-7252/Fax: 410-786-9004

[jeffrey.clopein@cms.hhs.gov](mailto:jeffrey.clopein@cms.hhs.gov)<mailto:jeffrey.clopein@cms.hhs.gov>

## OTM REVIEW SUMMARY

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From: Hendler, Ronald R. (CMS/CMSO)  
Sent: Friday, October 08, 2010 6:55 AM  
To: Clopein, Jeffrey D. (CMS/CMCS)  
Subject: RE: Oregon procedural question

Jeff you are on target- but I have just a little to add.

Yes, our policy is that transition services may only be reimbursed with grant funds once the individual moves from the institution. We know cash flow was an issue for some providers when the demonstration first began but the policy is the same as the policy for transition services under 1915(c) waivers prior to the Demonstration. Many State are using Administrative claims funding to pay the provider up front, then make the financial accounting action after discharge into the community, debiting the charge to administrative claims and crediting the charge to the service category. Hope this helps. If the payment prior to discharge was a practice in the past, but the expenses would have been justified after discharge, then we would not make OR give back the funding, but correct the partice immediately. -Jeff

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From: Clopein, Jeffrey D. (CMS/CMCS)  
Sent: Thursday, October 07, 2010 4:33 PM  
To: Hendler, Ronald R. (CMS/CMSO)  
Subject: FW: Oregon procedural question

From: Nathan M SINGER [mailto:nathan.m.singer@state.or.us]  
Sent: Thursday, October 07, 2010 4:28 PM  
To: Clopein, Jeffrey D. (CMS/CMCS)  
Cc: Cathy A COOPER  
Subject: Re: FW: procedural question

So Jeff-

For items like home modifications, rent applications, or rent subsidies etc. how are we supposed to pay for these if they are needed prior to transition? Our original understanding was that we couldn't pay for qualified expenditures prior to transition, but could pay for items necessary for transition under demonstrative and

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supplemental. Currently, we have made payments while the person is still in the NF for home modifications and for rental applications so the person could actually transition out of the NF, without these payments the participant wouldn't be able to transition to the community. These were processed through the grant and tied to the individual under supplemental or developmental benefit/services. I am looking on some possible clarification on ways we can continue to process these types of payment, as this would hinder our ability to relocate individuals through MFP.

Thank you again for your assistance!

Nathan Singer  
Transition Services Analyst

>>> "Clopein, Jeffrey D. (CMS/CMCS)" <Jeffrey.Clopein@CMS.hhs.gov> 10/7/2010 6:56 AM >>>

Hi Nathan,

Yes, our understanding is that transition services can only be billed and paid once the individual moves from the institution. We know cash flow was an issue for some providers when the demonstration first began but the policy is the same as the policy for transition services under 1915(c) waivers prior to the Demonstration. Hope this helps and if not let me know as I'm not aware of this being an issue for years but never say never , I guess-smile-

Jeff

From: Nathan M SINGER [mailto:nathan.m.singer@state.or.us]

Sent: Wednesday, October 06, 2010 5:41 PM

To: Clopein, Jeffrey D. (CMS/CMCS)

Cc: Cathy A COOPER; Sandy K HATA

Subject: procedural question

Yesterday in the New Applicant Training on Benefit and Services it was mentioned that Transition Services and other supplemental funds for items provided while the individual was still in the institution should not be billed until the date of transition. These could be items like rental application fees, household set-up costs, modification costs tied to the client, etc. The question(s) I have is: first, is this an accurate statement concerning not billing until the date of transition and second, if we are not to pay until the date of transition how are other States getting these providers/vendors to bill later?

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We are just wanting to clarify as we work towards procedural modifications of our program.

Thank you again for your assistance!

Nathan Singer

Transition Services Analyst

(Verbatim)

**EXHIBIT 251 (A-C)**

02/25/11 Statement of Facts Form from Nathan SINGER regarding Start Up Funds.

**EXHIBIT 252 (A-B)**

### FRONT LOADING FUNDS

HUDDLESTON approved Front Loading Funds to some OTM providers. In an e-mail dated 02/11/10, HUDDLESTON approved an AFH provider request for 10,000.00 in payroll "front loading" funds. She explained to the provider that front loading costs were considered a "loan" and that they will need to be pay back. She explained that she would like to recoup half (\$5000) from each of the first two full months of service payment that were received by the provider." According to SINGER, there was no process in place to recoup this money from the providers. It is unclear whether any repayments were made by providers who received front loading funds. Further review of files will need to occur to determine which providers received Front Loading Funds and if these funds were receipted back into the OTM system.

KRUESI explained to PALODICHUK and PERHAM he was task by HUDDLESTON to develop a front loading promissory note. KRUESI developed the promissory note. KRUESI stated on 03/02/10 that HUDDLESTON never put the front loading promissory note into place. **EXHIBIT 253 (A-E)**

### CLATSOP CARE HEALTH DISTRICT

PALODICHUK, MAY and PERHAM interviewed Anita SCHACHER, Director of Clatsop Health Care Health District and Ted JOHNSON of Marathon Development Inc. Both SCHACHER and JOHNSON provided the investigators with additional written documentation outlining the development process between them and HUDDLESTON of OTM. These documents along with information from OTM files and OTM staff interviews

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confirmed HUDDLESTON'S commitment to use OTM funds for new construction along with guarantees of occupancy. HUDDLESTON attempted through different avenues to remit payments to Clatsop Care for construction draws.

- 06/01/10 OTM payment request signed by HUDDLESTON for \$250,000.00. Notations on form indicate the amount is to be split between three contract numbers and that \$250,000.00 will be assigned to two client prime numbers. Neither client assigned reside in the Astoria area.
- 06/24/10 Three OTM payment request forms with personal service contracts was attached and signed by WOELKE and HUDDLESTON. Two payment request for \$85,000.00 each and one for \$80,000.00. HUDDLESTON stated during her interview on 02/09/11 that she request the payment request be retracted.
- 07/21/10 Copy of expend transaction entry. Vendor is identified as Clatsop Care, amount of payment is \$28,442.00. SCHACHER confirmed this payment was received by Clatsop Care. This payment paid was to reimburse Clatsop Care for half of a feasibility study that HUDDLESTON had agreed to pay.
- 07/24/10 Contract Request form submitted signed by WOELKE and HUDDLESTON. For "contract" not to exceed amount; \$1,507,035.00.

As mentioned above HUDDLESTON'S contract delegation authority was limited to \$100,000.00. During the course of the interview on 02/09/11 with HUDDLESTON, she asserted several times that the Clatsop Care Project fell within the parameters of the OTM Grant. HUDDLESTON claims she told John SORENSEN of CMS of Clatsop Care project. Further, HUDDLESTON said SORENSEN had never told her that CMS gave her the approval to proceed with the new construction project. Investigators have reviewed CMS Protocol/Application for MFP/OTM grantees. The guidelines are clear in this document regarding what is considered appropriate or qualified residence setting and addresses new construction as not within the grant parameters.

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### INTERVIEWS

#### Anita SCHACHER:

SCHACHER is the Administrator for the Clatsop Care Health District. On 12/15/10, when questioned, Anita SCHACHER stated as follows; Anita SCHACHER said that she had been with the Clatsop Care Center Health District (Health District) since 1972 and is currently the Chief Executive Officer (CEO) of the Health District. She stated she got involved with OTM in January 2009. At the time the Health District was planning to build another nursing home and had found a piece of property across the river. They (meaning the health District) were going to tax payers for more money and about this same time the economy tanked Anita SCHACHER lamented. SCHACHER said she received a letter from the state regarding the move of clients out of the nursing homes into the community. SCHACHER and the Health District are part of the Oregon Association of Nursing Homes. At the time the association was in a panic, thinking that nursing homes would take a big hit if the state were to increase their efforts to move clients out of nursing homes. So, in February 2009 SCHACHER had a meeting with the management staff of the local nursing home. SCHACHER thought instead of fighting the state they should partner with the state. If the goal was to take people out of the nursing home and move into adult foster homes (AFH), she thought the Health District should design a campus. The local DHS office called SCHACHER and said they heard they were interested in working with OTM. Local DHS personnel said the OTM program was designed for stand alone AFH's. SCHACHER explained that she did not believe that stand alone AFH's would work for them (the health district). SCHACHER said they had prior experience working with an AFH hospice home and it did not seem to work very well. They (the health authority) started playing with a campus design, and played with the operational portion. They thought shared staffing at night could be used if a duplex model was followed for the facility. In March-April 2009 they contacted Julia HUDDLESTON and set up a meeting for May 22, 2009. HUDDLESTON met with SCHACHER, her Board of Directors and Ted JOHNSON of Marathon Development. JOHNSON was brought to work with the Health District when they were contemplating a nursing home campus design across the river earlier, prior to January 2009. Anita SCHACHER explained she had met JOHNSON at a conference six years earlier and was impressed with him. SCHACHER kept telling her board to bring in JOHNSON. Once he was brought into the group things really started moving according to SCHACHER. JOHNSON is a developer said Anita SCHACHER; the plans were presented to HUDDLESTON. HUDDLESTON was excited with SCHACHER'S plan for an "OTM" campus and told SCHACHER the state is enthused about their project. At the May 2009 meeting HUDDLESTON asked for a proposal from Anita SCHACHER. At this time SCHACHER said they put together a building committee, including architects to start on the design. In July 2009 HUDDLESTON attended a meeting in Portland with the architects and SCHACHER. The architect's office is named LRS Architects. Dan PERGIEL and Dan EDWARDS were the LRS employees involved with project. They reviewed the design. HUDDLESTON was

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one of many that were at this meeting including Dan PERGIEL, Dan EDWARDS, Don ACCUARDI (Board Member) Ted JOHNSON, and herself. The design at the time was a duplex with a connector. They went over the aesthetics of the design. The Clatsop Care Health District Board of Directors approved a proposal letter dated August 3, 2009 for the construction of a 32 unit campus, consisting of 4 connected duplexes, each duplex having 4 residents. There would be eight homes with four people per house. SCHACHER said she thought they were writing a letter to HUDDLESTON to meet the OTM Grant specifications/qualifications and doing at HUDDLESTON'S request. SCHACHER said that she received a letter from HUDDLESTON on about August 18, 2009 approving the project. SCHACHER said from there it was full speed ahead for the Health District. The board chair was not happy that there was no formal request or commitment from the State of Oregon. In September 2009, Anita SCHACHER drafted an agreement requesting the state fund 50% of a feasibility study. SCHACHER only got responses by HUDDLESTON via telephone and nothing in writing. HUDDLESTON told SCHACHER she was 95% in agreement to SCHACHER'S email. Anita SCHACHER explained she is a trusting person and felt it was in HUDDLESTON'S lap and to go ahead and finish the agreement and obtain the signatures for the feasibility study. Meanwhile, they were full speed ahead for the project said SCHACHER. No site as of this date, they were working with the architect, financing and they actually got an offer of financing the same month they identified their site in November of 2009. The Bank of the Pacific provided a nice finance package. They worked with another person out of Warrenton who offered a turn key operation to the Health District, however it did not feel comfortable and it was not their vision. They found a site at the "Mill Pond" area off downtown. The Mill Pond site was identified not to be large enough originally. However, later the architect said it was perfect and an offer was made on the mill site property. The property was for sale at \$1.5 million and they agreed on one million fifty thousand dollars. At the time HUDDLESTON suggested they increase the units from 32 to 40. The original proposal had four duplexes and it was suggested they make one duplex a two story to double size operationally. Again, SCHACHER said she got nothing in writing from the OTM/HUDDLESTON and/or state concerning this proposal. SCHACHER said that HUDDLESTON did approve the expansion, possible with an e-mail, but "I don't know." SCHACHER said the meeting that really "blows her away was January 7, 2010" SCHACHER, JOHNSON, EDWARDS, PERGIEL and four Health District board members went to Salem for a meeting to discuss the project. SCHACHER didn't know if anyone took minutes at the meeting. SCHACHER recalls there to have been a lot of state employees at the meeting, which was held at the DHS building. Silvia RIEGER, DHS, SPD Adult Foster Home Licensor was at the meeting. The Clatsop Care project was presented by Anita SCHACHER. The AFH Licensor (Silvia RIEGER) made it clear that the project could not be licensed as adult foster homes. Anita SCHACHER had the understanding that the OTM program criteria was for AFH'S. SCHACHER said at this point they had worked about three months on the project and were deeply into it. HUDDLESTON was looking at SCHACHER during

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the licensor's (RIEGER'S) statements and smiling and shaking her head giving SCHACHER the impression, "don't listen to her, don't listen to her, don't listen to her" Anita SCHACHER explained she had known HUDDLESTON for years, as a strong, intelligent lady. She stated that "you listen to her (HUDDLESTON) when she talks. She used to "scare the bee gee bees out of me" said SCHACHER. HUDDLESTON used to be in the SPD Nursing Home Rate Setting Unit, she was powerful. Anita SCHACHER said when the woman finished speaking, HUDDLESTON said she was sure she could get an exception and license the project as a Residential Care Facility (RCF). HUDDLESTON was still promising OTM funds for the project. HUDDLESTON said that she could get an exception to license the facility as a RCF. HUDDLESTON stated "I'm pretty sure I can get an exception for this project." Anita SCHACHER met at lunch with their project team who attended the meeting and they started trying to make their design better under RCF vs. AFH criteria. They were excited about this new turn of events. Anita SCHACHER had trusted HUDDLESTON that the project would meet OTM criteria. SCHACHER said they then met with the building and plans people to go over the project design. One of the main reasons for doing that was the Fire Marshal was not happy because there was a fair amount of publicity and he was concerned the state was moving nursing home people into the community and the buildings the people were being housed in were not up to the same standards and safety requirements as a nursing facility. SCHACHER said that HUDDLESTON wasn't at this meeting; the architects were the ones who set up the meeting. HUDDLESTON saw all the copies of all the planned project plans. None of the plans had to be signed off by HUDDLESTON. WOELKE started working with Anita SCHACHER at this time (January 2010). SCHACHER said she recalled WOELKE being at the January meeting in Salem. They sent off the new draft RCF planned OTM project by email. SCHACHER got a phone call from WOELKE. WOELKE said "we don't like the RCF design. We want you to go back to the duplex design." Anita SCHACHER started looking at the duplex design and she liked it also. Another email was communicated on January 13, 2010 from Ted JOHNSON to WOELKE, a woman named Cheryl WELLS and board members. Shortly after that a phone call came about from WOELKE, go back to the original design. The excitement was over the original design. It was innovative. Anita SCHACHER was glad, at some point a phone conversation with the okay to proceed with the duplex plan occurred. SCHACHER didn't recall if she got an exception, provision, etc. SCHACHER just recalled it was okay to proceed. The duplex plan documented all the buildings were attached to each other. One floor was bariatric and the second floor would be for head trauma clients. All these plans were to meet OTM grant criteria and the choices of what kind of care to provide. Dementia needs would be housed in the other units. SCHACHER said that HUDDLESTON told her that the duplex project could be licensed as an RCF for licensing purposes and still meet the OTM criteria. SCHACHER said they put out bids for this plan. Geotech Services did the market study, finance, CMGC (form of contracting) certified maximum...SCHACHER said the Health District didn't have a lot of cash. They

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had heard that on another project OTM funded \$250,000.00 so they thought they would ask the State of Oregon for the same amount. HUDDLESTON said she could provide that amount. HUDDLESTON said it wasn't available for a couple of months and they would have to do some paperwork. SCHACHER said she thought "Nice change, something in writing!" In February 2010, HUDDLESTON sent an email to SCHACHER stating that it would take a couple of months to do the paperwork, but that OTM would fund the \$250,000. In March 2010 HUDDLESTON said that in April 2010 the \$250,000.00 would be available and the remaining grant monies would be distributed when construction began. SCHACHER said that she was not sure if this information was given to her via telephone or in an e-mail. SCHACHER said she confirmed the project/plan with Marathon Development, the architect, WALSH (the contractors), the property owner was questioned, the bid process is completed and the project is awarded to the Project Developer, Architect, Geo Tech Services and contractor. In April 2010 a design packet is sent to city of Astoria and Geo Tech completed the "Hazmat" report. On April 22, 2010 SCHACHER was invited to a conference/meeting held at Cedar Sinai with Robyn STONE from the American Association of Homes and Services for the Aging and The Institute for Future Aging Services who were in town. They got those of us doing innovative projects to give a presentation, SCHACHER presented their project and HUDDLESTON was also in attendance. It was well attended conference, there were lots of people and many other people were working with OTM. There was a woman from Washington, DC who gave a presentation on a project. Everyone at the conference was excited. They were told it was a great project. No one questioned why OTM was funding this project. SCHACHER gave them specifics, showed the plan, where the funding was coming from, the process, "everything." In April 2010, the Health District put earnest monies/deposit of \$35,000 deposit on the property. In May 2010 money started flowing out the door. (They started paying bills incurred by the project.) The architects were doing design development and construction documents. They opened an account at the Bank of the Pacific. At one point, HUDDLESTON signed off on something that was related to the bank. SCHACHER stated possibly Ted JOHNSON had that document. They met with the City of Astoria for design review. SCHACHER said the City of Astoria's Hearings are always packed and intense and opposition is the norm. The main point of contention was the height of the building. There was support, they liked it, and now they (Health District) owe the City of Astoria \$14,000 for all the permits for the building, due to them being ready to break ground. The approval for \$250,000.00 was found in documents. The \$250,000.00 was going to be sent via three separate agreements that make up the \$250,000.00 amount. SCHACHER said she and her board made a lot of effort to get things in writing from SPD/OTM/HUDDLESTON. She kept getting HUDDLESTON complaining of it being a complicated project, it was difficult to write and this was per both WOELKE and HUDDLESTON. On July 15, 2010 JOHNSON requested HUDDLESTON for the capitol funding. On August 25, 2010 SCHACHER signed the agreement with State of Oregon for 1.8 million dollar grant. When questioned why the

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overall amounts changed from \$1.5 million to \$1.8 million. SCHACHER explained it was due to the increased number of units 32-40 + cost of the specialized bariatric unit. SCHACHER said this was a joint project with the state. The state did everything from picking the products to the fencing; the staffing needs were all created via joint discussion and agreements. Including JOHNSON, the Fire Marshal, HUDDLESTON, WOELKE and the architects. JOHNSON understood the OTM Grant didn't fund new construction. However, it would fund the pieces of the construction to meet the needs of those they served. For example the lifts, the wider doors, the special memory needs and the electronic monitoring. JOHNSON had it all carved out in the project explanation. OTM also wouldn't pay for the "brick and mortar." The modification would serve the needs, ADA bathrooms, lock down systems JOHNSON was quite easily able to separate the \$1.8 million from the building construction costs so the funds would meet the needs of the residents to be moved into the project. The Bank of the Pacific was ecstatic about project. The 1.8 million construction cost along with the guaranteed rates. SCHACHER said HUDDLESTON assured the bank officials that the facility would be not only be nice to look at but would be operated by good staff and she wouldn't have trouble filling the beds. TOEWS later told SCHACHER that SPD doesn't/can't guarantee beds/occupancy. The bank's reason to fund this project was due to the guaranteed occupancy and rates. There was no contract received for the guaranteed rates/clients. The bank was really pushing HUDDLESTON for additional guarantees of rates/occupancy. However, it was never put in the contract per SCHACHER. SCHACHER said that HUDDLESTON never said that OTM could not guarantee the occupancy or the care rates. SCHACHER said it was devastating for the project to fail five days before ground breaking. SCHACHER said the health district only had the word of the state of Oregon. They had nothing in writing. SCHACHER said had they gone ahead and built the project, HUDDLESTON didn't have the rates set and Mike MCCORMICK said they couldn't give the rate promised. The last contact with HUDDLESTON was when she was on vacation in August 2010. In an email HUDDLESTON said that the status of the contract was being worked on and she had come in from her vacation to work on the contract. From that day forward there has been no contact from HUDDLESTON. TOEWS called and let them know there was a problem, but no hint of problems from HUDDLESTON. WOELKE has not contacted SCHACHER since about the same time frame, the last week of August 2010 or the week before. HUDDLESTON had confirmed she was going to be at the ground breaking. SCHACHER thought HUDDLESTON believed in the project and she could make it happen. SCHACHER said by statute they had to get contracts in place for their health district. Regarding the Memory Care System, they made it clear to HUDDLESTON their project would not want Curotek installed. SCHACHER said the health district did receive one check from OTM. SCHACHER said it was ironic as there was no agreement for that OTM money either. OTM agreed to and paid for half of the feasibility study. The money just showed up one day, there were no problems; it was in the amount of \$28,442.00. SCHACHER was not told to use specific vendors, just specific products.

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HUDDLESTON agreed to the final project plan. HUDDLESTON never communicated she ran an exception or of any problems with the project or process.

**EXHIBIT 184 (A-H)**

### **CLATSOP CARE DOCUMENTS**

During the course of the investigation PALODICHUK and PERHAM obtained copies of documentation relating to the Clatsop Care Health District projects. These documents, which include emails, letters, etc., outline the process of planning for the Clatsop Care Health District complex and HUDDLESTON and WOELKE'S participation with this project.

**05/22/09 Julia HUDDLESTON calendar entry: From: Julia HUDDLESTON To: Julia HUDDLESTON, When: May 22<sup>nd</sup> 2009 at 10:30 am (5 hours 30 minutes, Where: Astoria Subject: Clatsop Care – Health District Board and Executive Director Note: All day long; start at 10:30 with OTM and the future/ lunch/ their plan.**

**EXHIBIT 254 (A)**

**05/22/09 CCCHD (Clatsop Care Center Health District) Meeting Notes:** HUDDLESTON was a guest at this meeting, according to SCHACHER; she was invited to this meeting to share with the board information regarding the On the Move program. Highlights from the meeting notes are listed below:  
“Julia HUDDLESTON shared with the Board that this program was born from several perceived needs including the need to increase community based care capacity; providing increased options to nursing home placement; and reduce the number of dollars being spent on nursing home care. It is the State’s opinion that smaller homes could provide more efficient services and a higher quality of life for an identified population.”  
“In response to a question regarding how this would fit into new construction, Julia said that the State would front fund development costs through the rate structure. There would be an estimate of the cost to build a basic structure (example \$1.00 a square foot) and the cost to build to meet fire codes, ADA, and install track lifts, etc. (example \$1.50 a square foot) and the State would fund the difference (example \$.50 a square foot) The model the State is supporting includes four units of stand alone housing with 24/7 staff and an additional 6 hours per day staffing. On call nursing of 5 hours per resident per month would also be required – which would total 20 per month or approximately 5 hours per week.....Ms. SCHACHER explained her concept of having staff similar to that of the Green Houses on the East Coast with a ‘staff team leader’ for each home and multi-disciplinary teams to over see other tasks and training; e.g. nursing, activities, social services, meal planning, etc. for all home. The State will pay approximately \$4500.00 per month per client that has been a nursing home resident for six months, is transferred from the nursing home and meets specific criteria. The homes that receive funding from the State must serve entirely Medicaid clients for a period of five years. If Clatsop Care

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were to participate in the program, we would be the regional program, serving the entire North Coast, and the State would guarantee occupancy. If we agree to participate in this program no other provider will be sanctioned by the State for our service area.

**EXHIBIT 255 (A-Q)**

**07/27/09 Julia HUDDLESTON calendar entry: From Julia HUDDLESTON, To: Julia HUDDLESTON, When: Monday July 27<sup>th</sup> 2009 at 4:00 pm (2 hours), Where: Astoria, Subject: Clatsop Care Center, Astoria.**

**EXHIBIT 256 (A)**

**07-28-09 E-mail from Ted JOHNSON to HUDDLESTON.** He thanks her for meeting with them the previous day in Astoria. He writes, "Per our discussion, we are working on a letter to you which outlines the proposed project. We are hopeful that by Friday of this week you will have it in your hand."

**EXHIBIT 257 (A)**

**07/29/09 Julia HUDDLESTON calendar entry: From: Julia HUDDLESTON To: Julia HUDDLESTON, Brent WATKINS, Bob WEIR When: Wednesday July 29<sup>th</sup> 2009 at 2:30 pm (1 hour) Where: Bob's office, Subject: Clatsop Care Discussion.**

**EXHIBIT 258 (A)**

**07/30/09 E-mail from HUDDLESTON to SCHACHER.** "Let's talk – but I think that the connected duplex idea could be do-able. That same day SCHACHER forwards this email to Ted JOHNSON with the following, "I sent an email to Julia and alerted her that I would be pushing for the duplex idea. This is her response. Anita"

**EXHIBIT 259 (A)**

**07/30/09 E-mail from HUDDLESTON to Licensing department including Sylvia RIEGER.** "I need you, oh licensors! A provider interested in development is asking me about the possibility of building 2 individual homes built for 4 residents each. These would be separate and distinct structures but might be connected by a covered walkway. The provider wants to share staff coverage between the two structures. Can that work with existing AFH licensing rules? Thanks."

**Reply that same day from Sylvia RIEGER to HUDDLESTON, Connie RUSH, Trevin BUTLER, and cc to WOELKE, Morgen BRODIE, and Marie CERVANTES.** "Julia, the homes would have to be legally separate residences, so if building codes allow for share, covered walkway, it would be okay. Although the licensee could share substitute caregivers between the homes, a resident manager or the licensee would need to be the primary, live-in caregiver in one specific home, not both, unless the homes are approved for shift caregivers."

**EXHIBIT 260 (A)**

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**08/03/09 Letter from SCHACHER from Clatsop Care Center to Julia HUDDLESTON.** In the letter Ms. SCHACHER thanks HUDDLESTON for attending a meeting on 7-27-09. Ms. SCHACHER writes that the purpose of her letter is to:

1. Provide a description of the proposed project. 2. Project Timeline 3. Provide overall Project Estimate which includes Hard/ Soft and Land Costs 4. Identification of potential project cost impacts associated with the On the Move in Oregon Adult Foster Home Model 5. Clatsop Care's request to On the Move in Oregon to share in the anticipated project feasibility cost 6. Identify level of participation from On The Move in Oregon related to additional project cost 7. Identify On the Move in Oregon's level of participation, post construction related to project occupancy/operating deficit guarantee. 8. Provide a conclusion -- Request for On the Move in Oregon Participation:

1. On the Move will participate in 50% of the cost of the pre development/feasibility budget.
2. On the Move will participate in 3,676,840 in project costs. Project costs will be paid as directed by Clatsop Care's construction lender, lender to be determined.
3. On the Move will participate for 5 years in the post construction operation of the project by maintaining/guaranteeing the project occupancy at 93% and monthly per resident rental rates of \$4500.00. Preliminary annual operating costs of the project are anticipated in the range of \$1,024,590 (duplex configuration) or \$32,018 per resident annually. Should operating cost exceed the anticipated range, On The Move will supplement revenue to meet Clatsop's targeted Net Operating Income necessary to maintain Clatsop's lenders debt coverage loan requirements, to be determined.

The Clatsop Care Center Health District Board of Directors is scheduled to meet at 6:00 p.m. on August 18, 2009. We value your interest and would welcome suggestions to our proposal. Your response to this letter prior to our board meeting would be appreciated. If the On the Move response is positive it is my feeling that the Board will move forward per the schedule outline in item 2 above. **EXHIBIT 261 (A-K)**

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**08/02/09 Julia HUDDLESTON calendar entry: From: Julia HUDDLESTON To: Julia HUDDLESTON, Linda WOELKE** When: Wednesday August 12<sup>th</sup> 2009 at 10:30 am (30 minutes) Where: Julia's Subject: Clatsop Care Proposal.

**EXHIBIT 262 (A)**

**08/13/09 E-mails from JOHNSON to SCHACHER.** Ted tells Anita that he spoke with Linda WOELKE. He explains that she had a couple of questions. Anita tells him that Julia had responded to her email and told her that they would have an answer by noon on Monday and that HUDDLESTON also had some questions and would be contacting him.

**EXHIBIT 263 (A-B)**

**08/17/09 Letter from Julia HUDDLESTON to Clatsop Care Health District** stating that On the Move agreed to:

- Participate in 50% of the cost of pre-development/feasibility costs
- Participate in at least 50% of the cost of design and construction of 8 homes up to 1.8 million dollars.
- Participate in the project for at least 5 years post-construction
- Agree to maintain project occupancy at 93%
- Service rates will be at least \$4,500.00 plus the Medicaid room and board monthly payment.

**EXHIBIT 264 (A-B)**

**08/19/09 E-mail exchange between SCHACHER from CCC and HUDDLESTON.** SCHACHER writes to HUDDLESTON that the board passed the motion to proceed with the CCC project. She mentions that they cannot move forward "until we have some formal documentation (contract, grant agreement, grant award) regarding the participation of OTM in the feasibility study."

HUDDLESTON writes to SCHACHER that same day. "How about a written agreement between you and us? OTM will fund 50% of the feasibility study up to a maximum of \$62,500. There will be no obligation to pay back if the board decides not to go forward."

**08/19/09 CCC Board of directors** holds a meeting and passes a motion to proceed with the project.

**EXHIBIT 265 (A-B)**

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**11/20/09 Julia HUDDLESTON calendar entry: From: Julia HUDDLESTON, When: Friday, November 20<sup>th</sup>, 2009 at 1:00 pm (3 hours) Where: LRS Architects, 720 NW Davis Portland, Subject: Clatsop Care Project**

**EXHIBIT 266 (A)**

**11/20/09 E-mail from HUDDLESTON to Ted JOHNSON at Marathon Development.** HUDDLESTON tells JOHNSON to let SCHACHER know that she will not be attending the meeting that day because CMS had arrived onsite unexpectedly. JOHNSON replies to HUDDLESTON the same day. He mentions that they made a lot of progress and that they have two sites that they will make offers on. He also reports that they have the potential to increase from 32 units to 40 units. He asks if that will work for HUDDLESTON. He tells HUDDLESTON that SCHACHER will be calling her to discuss questions that had come up at the meeting.

**EXHIBIT 267 (A)**

**11/24/09 E-mail from HUDDLESTON to SCHACHER with a cc to JOHNSON.** She writes to SCHACHER that JOHNSON will be coming to Salem on 1-7-10, and invites SCHACHER to join them. She tells SCHACHER that licensing staff will be on site so questions will get answered by "the experts". She also mentions that she could include management from Northwest Senior and Disability Services since they would be the on-going case management entity.

**EXHIBIT 268 (A)**

**12/03/09 E-mail from JOHNSON to HUDDLESTON with cc: to SCHACHER and Troy JOHNSON from Marathon Development.** In the context of the email, JOHNSON provides HUDDLESTON with an update on construction, development schedule, information about the selection of the Mill Pond site as the building site, and a funding update. JOHNSON provides with a copy of a schematic Floor/ site plan and asks that HUDDLESTON review the "big picture questions" and provide him with feedback. These questions were:

1. Clatsop's lender has endorsed the increase in the project size and would fund the proportionate loan increase. Clatsop would need OTM to fund their proportionate share to make it work. Do the increased bed count, increased funding request and project schedule need OTM's approval?
2. Will a duplex configured building meet OTM requirements?
3. If the duplex configuration is acceptable, is the "shared service" area identified in the floor plan acceptable?
4. Please look at the resident and personnel flow. Is the building floor plan acceptable?
5. Are the room sizes acceptable?

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6. Regarding the site plan. The buildings are connected by a breezeway allowing residents and staff to move from building to building protected from the elements, is this acceptable?
7. All building will face into the center of the site. Is the site plan acceptable?

**EXHIBIT 269 (A-G)**

**12/10/09 Julia HUDDLESTON calendar entry: From Julia HUDDLESTON, To: Julia HUDDLESTON, When: December 10<sup>th</sup>, 2009 at 4:00 pm (1 hour) Subject: Conference call with NWSDS about Clatsop Project.**

**EXHIBIT 270 (A)**

**12/10/09 E-mail from JOHNSON to HUDDLESTON. He sends her the latest "draft" site and floor plans.**

**EXHIBIT 271 (A-D)**

**12/15/09 E-mail from JOHNSON to HUDDLESTON. He asks if she has had an opportunity to meet with her colleagues regarding the email that he had sent on 12-3.**

**EXHIBIT 272 (A)**

**01/04/10 E-mail from JOHNSON to HUDDLESTON. He provides her with an agenda for the meeting on 1-7-10, and tells her to feel free to edit or add agenda items. Item 9 on this agenda is OTM funding timeline, and item 10 is OTM approval requirements; design, plans, construction, licensing, operations. HUDDLESTON responds by saying, "This looks fine to me Ted."**

**EXHIBIT 273 (A-B)**

**01/06/10 E-mail from HUDDLESTON to Ted JOHNSON. "Ted: Sorry for the late notice but – if you can bring the code cite from the building department that makes each side of a duplex a separate and independent unit from the other, conversations will like be much simpler than they otherwise might!"**

**EXHIBIT 274 (A)**

**01/13/10 JOHNSON E-mails HUDDLESTON, SCHACHER and LRS architects to outline the general changes proposed to the site and floor plan that arose from the January 7<sup>th</sup> meeting. EXHIBIT 275 (A-C)**

**01-15-10 Julia HUDDLESTON calendar entry: From Julia HUDDLESTON, To: Julia HUDDLESTON, When: Friday, January 15<sup>th</sup> 2010 at 1:30 pm (2 hours) Where: The Village, 947 Olney Ave, Astoria Subject: Clatsop Care development \$\$ review**

**EXHIBIT 276 (A)**

## OTM REVIEW SUMMARY

**01/20/10 Julia HUDDLESTON calendar entry. From: Cheree KLINE To: Cheree KLINE, HSB: 162, Julia HUDDLESTON When: Wednesday January 20<sup>th</sup>, 2010 at 3:00 pm (1 hour) Where: HSB 162, Subject: Room for Anita SCHACHER meeting** **EXHIBIT 277 (A)**

**02/25/10 Ted JOHNSON sends an Outlook invitation to SCHACHER, HUDDLESTON, Pam RUSH, and Don ACCUARDI to participate in a conference call. The purpose of the call was to introduce HUDDLESTON to RUSH and discuss the flow of funds from OTM and the Bank of the Pacific related to the Clatsop project. This appointment was then changed to 3-5-10.** **EXHIBIT 278 (A)**

**03-05-10 Julia HUDDLESTON calendar entry: From Julia HUDDLESTON, When: Friday March 5<sup>th</sup>, 2010 at 8:30 am (1 hour) Subject: Clatsop development conference call, Notes: Dial-in Number: (888) 346-3950 Participant Entry Code: 804250(#)** **EXHIBIT 279 (A)**

**05/05/10 E-mail from JOHNSON to HUDDLESTON and SCHACHER. CCC is moving along: Julia promised "a few months ago" that CCC could anticipate getting \$250,000 from OTM in April to offset costs as the project proceeds to permits. In the conference call with Pam RUSH on March 5<sup>th</sup>, they stated that \$250,000 would be deposited in Bank of Pacific for draw downs. Still on track for closing construction loan about July 15<sup>th</sup> and will need the balance of OTM funds then. Please let me know if the 250,000 can now be place in escrow at Bank of Pacific.** **EXHIBIT 280 (A)**

**05/11/10 Letter from Troy JOHNSON, Project Manager at Marathon sends letter written on 4-28-10 to Julia and Anita. This is an application letter to Bureau of Labor and Industries to request a determination for licensing as a "residential" project as opposed to a "commercial" project. EXHIBIT 281 (A-H)**

**05/13/10 E-mail from JOHNSON to SCHACHER. He writes, "Anita, I talked to Julia today, she will be getting in touch with you to put together an agreement for the \$250,000. She said that it will not take very long. If you have not heard from her in a few days could you call her."** **EXHIBIT 282 (A)**

**5/20/10 E-mail from WOELKE to HUDDLESTON. She writes, "Julia, Sorry about having to leave yesterday, I have taken allergy meds since I was 19 and this last year I have had instances where it is very difficult to get adjusted, my head was too stuffy to think. I wanted to hear your presentation on the CMS call, how did it go? Completely different- Since Clatsop CC was on our original list that was provided to contracts do you think that might allow us to make a payment request instead of the contract process?"**

## OTM REVIEW SUMMARY

**Reply from HUDDLESTON to WOELKE.** She writes, CMS thinks we have done a wonderful work on the section Q stuff. I think that I have had one internal meeting and I have talked to one provider group on the phone. I worry about CMS sometimes!

Go ahead and try with Clatsop-though I think that the amount will spook them.

**EXHIBIT 283 (A)**

**05/25/10 E-mail from WOELKE to HUDDLESTON.** She writes that she had submitted the vendor set up for CCC; Anita wants to visit the Bitney home on Thursday and they are scheduled to do so first thing; She called Diana to make appointment and Diana about "the pool" Linda told Diana that she would have to talk to Julia about it.

**EXHIBIT 284 (A)**

**06/01/10 OTM payment request signed by HUDDLESTON.** 250,000 is the amount and it is to be split between [REDACTED]. It is to be split between three contract numbers, 132203, 13204, and 132205.

**02/10/11 Statement of Facts from TYRER regarding process to pay \$250,000.00.**

**EXHIBIT 285 (A-C)**

**06/02/10 E-mail from JOHNSON to HUDDLESTON.** "Julia, As an update, the Clatsop Board took the necessary Board action to authorize a new bank account at Bank of the Pacific on 5-25-10. The account will be open today or tomorrow. We are eager for the infusion of capital as Clatsop has several design invoices to pay. Thanks Julia. **Reply from HUDDLESTON to Ted JOHNSON, with cc to SCHACHER.** "I signed the approval yesterday."

**EXHIBIT 286 (A)**

**06/10/10 Daily Astorian newspaper.** Headline is: Astoria Pioneers Unique Care Project. SCHACHER was interviewed and she described the project in detail. HUDDLESTON was quoted as saying, "I think their project's wonderful," said Julia HUDDLESTON, a project manager with Oregon Department of Human Services, noting that it provides 40 new units of capacity on the coast. It's a "Money Follows the Person" project, HUDDLESTON added, funded by the federal Centers for Medicare and Medicaid Services. According to the DHS website, it will "demonstrate that long – term institutionalized populations of people with complex medical and long-term care needs can be served in their communities with wrap-around packages of supports and services." HUDDLESTON said the new strategy for long-term care is based on research in the field over the last 25 years.

**EXHIBIT 287 (A)**

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**06/10/10 E-mail from HUDDLESTON to Carla DELONGCHAMPS, Sandy HATA, Nathan SINGER, Bob WEIR and WOELKE.** Written in the Subject line, "Check out the front page story." Written in the context area is, <http://www.dailyastorian.com/>

**06/10/10 Reply from WOELKE to DELONGCHAMPS, HATA SINGER, WEIR and HUDDLESTON.**  
Great positive public exposure. **EXHIBIT 288 (A)**

**06/16/10 E-mail from Ted JOHNSON to HUDDLESTON.** "Hi Julia, Per my voicemail. CCCHS would like to complete the necessary paperwork ASAP to facilitate the transfer of \$250,000 to Bank of Pacific. OTM funds are in high demand to meet the project commitments made by CCCHD. Can the documentation be completed today or tomorrow? Is there something that CCCHD needs to do to move this process along. Please let me know."

**Reply from HUDDLESTON with cc to Pam RUSH, Heidi ROBERTS, and SCHACHER.** "I just checked with our payment processing staff. As you can imagine, since these payments are outside of conventional Medicaid, our checks and balances are extensive. The payment will be process today. The check will be cut out of a physical location at the State Data Center after close of business tomorrow. Friday is a mandated State Data Center after close of business tomorrow. Friday is a mandated state furlough day for all employees. The Data Center will mail the check to us (OTM) on Monday. As soon as we receive the check, we will mail it to the Bank of the Pacific." **EXHIBIT 289 (A)**

**06/17/10 Letter from HUDDLESTON to Dan JONES, Deputy State Fire Marshall; Oregon Office of State Fire Marshall.**

"Dear Dan, This letter responds to your request for additional information from the "On the Move in Oregon" (OTM) project and the project that is being built by the Clatsop Health District. Specifically this letter confirms that:

1. There will be no Medicare reimbursement being paid to the project. The OTM program is partially federally funded under Title XIX of the Social Security Act, as is Medicaid. Only OTM and Medicaid reimbursement will be paid to the project.
2. Nursing care, if required, will only be supplied to a resident as provided under Oregon's residential care facility regulations. Any delegation of care from a nurse to direct care staff will confirm to RCF regulations and to Oregon's Nurse Delegation Act.

**EXHIBIT 290 (A)**

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**06/22/10 E-mail from Dan EDWARDS; Architect for LRS Architects to Daniel M. JONES; Deputy Fire Marshall; Office of State Fire Marshall; Oregon State Police.** He writes, "Hi Dan. Did you get a letter of confirmation for the resident types the state would be approving for our On The Move project in Astoria? I have been told that she has contacted you. I have no copy of what she has sent you and would like to have a copy so I can be sure we all agree."

**Reply** sent the same day from **Daniel JONES to Dan EDWARDS cc to Troy JOHNSON** from Marathon Development. He writes: "Dan I have attached her letter. As an RCF, they will not be able to have residents that are incapable of self-preservation, as would be found in Nursing Facilities. RCFs are not defend in place facilities. I would like to know that intended residents that Clatsop Healthcare is proposing to house in this facility."

**Forward from Troy JOHNSON to Ted JOHNSON**, he writes: "Ted, I contacted Dan this evening to see if he had information regarding the letter from Julia. The following is Dan's correspondence with the SFM and the referenced letter." Attached to this email is a copy of the before reference letter from Julia HUDDLESTON to Dan Jones on 6-17-10.

**EXHIBIT 291 (A)**

**06/23/10 Letter written by Ted JOHNSON at Marathon Development.** This letter is addressed to Anita SCHACHER from CCCHD, Julia HUDDLESTON DHS, and Pam RUSH; VP Bank of the Pacific. "Dear Anita, Julia, Pam: Pursuant to the letter (attached) dated August 17, 2009 regarding the collaboration between Clatsop Care Center Health District and the State of Oregon Department of Human Services, we are offering an accounting to date of the Pre-Development/Feasibility costs relative to the Clatsop Care Center Health District Innovative Care Campus Project. These costs are illustrated in the attached in Draws 1 through 6 and summarized as follows" The total reimbursement amount is 56,884, with 50 % OTM's responsibility total amount is 28,442. JOHNSON directs SCHACHER and HUDDLESTON to review the information and sign in the approved area and fax the page to Pam RUSH, at Bank of Pacific. The exhibit provided shows that this form was signed by both SCHACHER and HUDDLESTON. (On the top of the letter is hand written, "We will need to cut a check to Clatsop for \$28,442.00. It appears to be written by Julia HUDDLESTON.")

**EXHIBIT 292 (A-B)**

**06/24/10 OTM Payment Request Form; Clatsop Care Center: Requested total 85,000.00, Approved by Julia HUDDLESTON. Attached Agreement 132203: State of Oregon Personal Services Contract signed by Linda WOELKE and Julia HUDDLESTON.**

**EXHIBIT 293 (A-D)**

## OTM REVIEW SUMMARY

**06/24/10 OTM Payment Request Form; Clatsop Care Center:** Requested total 85,000.00, Approved by Julia HUDDLESTON. Attached Agreement 132204: State of Oregon Personal Services Contract signed by Linda WOELKE and Julia HUDDLESTON.

**EXHIBIT 294 (A-D)**

**06/24/10 OTM Payment Request Form; Clatsop Care Center:** Requested total 80,000.00, Approved by Julia HUDDLESTON. Attached Agreement 132205: State of Oregon Personal Services Contract signed by Linda WOELKE and Julia HUDDLESTON.

**EXHIBIT 295 (A-D)**

**07/07/10 Letter written by Ted JOHNSON at Marathon Development.** This letter is addressed to Anita SCHACHER from CCCHD, Julia HUDDLESTON DHS, and Pam RUSH; VP Bank of the Pacific. "Dear Anita, Julia, Pam: Pursuant to the letter (attached) dated August 17, 2009 regarding the collaboration between Clatsop Care Center Health District and the State of Oregon Department of Human Services, we are offering an accounting to date of the Design cost to date relative to the Clatsop Care Center Health District Innovative Care Campus Project." The total amount requested for reimbursement for draw's 6 through 8 is 124,829. JOHNSON directs SCHACHER and HUDDLESTON to review the information and sign in the approved area and fax the page to Pam RUSH, at Bank of Pacific. The exhibit provided shows that this form was signed by HUDDLESTON.

**EXHIBIT 296 (A-D)**

**07/12/10 E-mail from Ted JOHNSON to Pam RUSH.** "Hi Pam, per my v-mail, did the \$250,000 arrive in CCCHD's account? Has the disbursement forms prepared by Marathon met Bank of Pacific's approval?" Pam RUSH responds to this email the same day and writes, "I haven't seen the funds; does Julia know where they are in process? As far as the disbursement packages, they look fine. I would like the budget sheet that Marathon provides to match the final budget when it is ready, but we're good for now."

**07/12/10 E-mail from Ted JOHNSON to HUDDLESTON.** "Hi Julia, I checked with Pam RUSH at Bank of the Pacific and the 250,000 has not be received, could you check and see if it has been sent what the status might be. I have attached Pam RUSH's contact/ address information. That same day HUDDLESTON emails Stephanie TYRER and Linda WOELKE and attaches her email from JOHNSON and writes, "Que pasa?"

**07/12/10 E-mail from SCHACHER to Ted JOHNSON.** She writes: "Ted, I spoke with Linda WOELKE this afternoon regarding this. The 'powers that be' did not like the three contracts that were submitted to attain our funds. Because we are a Government Municipality if I understood correctly they are going to apply directly for the Health District to receive the grant. She said it is a simple process but no guarantee on how quickly the funds would be released. The Health District is doing okay right now in terms of cash flow and keeping the bills paid. Do we anticipate any big ones soon and/or are we behind on paying some? In an interesting twist, I

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got an email from Ticor Title asking for signatures so that they could release \$35,000 we had paid down on Richard Lee's property. He still owes us \$24,000."

**Reply from Ted JOHNSON to SCHACHER.** He writes: "Anita, I spoke with Julia this afternoon about the 250,000 she mentioned Linda WOELKE had solved a problem, but did not go into any detail. I hope the release goes pretty fast, as I am trying to make sure the Health District does not get strung out financially. Julia said that she had approved CCCHD'S first draw for 25,000 approx and that the second draw for \$125,000 was approx was on her desk. She said the reimbursement form Marathon was using was ok with her. I will be drawing for the \$35,000 earnest money deposit next draw. In the end I am shooting for a max Health District funds in the Mill Pond deal of \$25,000.

I update Julia on the need for the balance of the funds \$1.3 – 1.4 million (she said to estimate high) on August 16<sup>th</sup> our anticipated closing date. She said that nothing extra is needed from me other than a letter saying when the funds are needed. She wants to get the ball rolling now, I hope that Linda WOELKE'S progress related to the grant will be smooth. I will be copying you on my email to Julia"

**Reply from SCHACHER to Ted JOHNSON.** She writes, "1.3 – 1.4? What happened to 1.5 – 1.6?"

**Reply from Ted JOHNSON to SCHACHER.** He writes, "With her paying \$250k it is what's left to pay. But we will take more if it is available"

**EXHIBIT 297 (A-C)**

**07/13/10 E-mail from WOELKE to LAMON and MOLLOY.** She writes, "I just sent a message regarding 132202 and requested a RUSH order of priority because the contractor is waiting to be paid and also said it was the only time-urgent contract I'd sent to you. Actually, however, Contracts 132203, 132204, and 132205 for Class of Care Center is also very time sensitive. I would appreciate any assistance/guidance you can offer to expedite setting this up as a sub grant arrangement so we can provide payment as soon as possible."

**07/13/10 E-mail from LAMON to WOELKE, with cc to MOLLOY, HUDDLESTON and TYRER.** He writes, "Linda thanks for meeting with us yesterday and giving me the high level overview for your program. We're glad to follow up on your inquiry and understand the urgency for getting a grant agreement in place with Clatsop Care Center. Bill and I have been doing some research on what kind of entity Clatsop is and it appears that they may be both a governmental entity and a private non-profit. When we issue the grant to them we need to be sure the tax I.D. and other information is from the governmental entity part of the organization a municipal corporation. To create a grant file for the grant that will roll up your three previous contract forms we will need a signed 118 probably Julia by the person with the authority to commit the funds. Also we will need a description as detailed as it needs to be for the purposes of your grant administration requirements of what activities Clatsop will perform and the uses to which they will put the grant funds. In addition we'd ask you to consider what the maximum grant amounts should be if it's going to be more than the sum of the

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amounts of the three Clatsop Care contracts. If you will need them to do more under the grant later be sure to include those activities and any additional grant funds they may receive.”

**Reply from HUDDLESTON to LAMON, MOLLOY, WOELKE with cc to Stephanie TYRER.** She writes, “Mike thanks to you and Bill for all your help with this. Linda please talk to me about amounts for Clatsop. I will be back in after program managers tomorrow probably about 3:30.”

### EXHIBIT 298 (A-B)

**07/14/10 E-mail from WOELKE to SCHACHER.** She writes, “Hi Anita, I am working with our contracts office to get this payment and future money for the project paid through a grant process. I have attached a form contracts requires be completed by you. The tax number and other information you put in should match the governmental entity par of your organization. Please return it to me as soon as you can. Meanwhile I am putting together the pieces we need to get the grant payments set up for you. We’ll get it together here pretty soon promise.”

### EXHIBIT 299 (A)

**07/15/10 Letter from Ted JOHNSON addressed to HUDDLESTON.** “Dear Julia, As a follow-up from our call on Monday July 12, 2010 I have listed below CCCHD’s project timeline and OTM capital needs request related to the finance closing and commence of construction of the 40 unit Mill Pond / OTM project.

#### OTM/Capital Request:

<b>Project Cost:</b>	<b>\$8,007,832</b>
<b>Loan:</b>	<b>\$6,156,944 (76% of cost)</b>
<b>OTM Capital Request:</b>	<b>\$1,850,888</b>
<b>OTM Deposit Received:</b>	<b>-250,000.00</b>
<b>OTM Net Capital Requested:</b>	<b>\$1,600,888</b>

### EXHIBIT 300 (A-B)

**07/16/10 E-mail from HUDDLESTON to WOELKE, cc to Angela YOUNG.** She writes, “Angela YOUNG, Senior HR manager and I just spoke about the need for a Feasibility Study for Contracting Out Work to be completed for the Clatsop Care Health District grant. Since we are simply contributing money for construction cost, Angela doesn’t believe that a feasibility study needs to be completed. Please share this e-mail with Contracts staff, and let them know that we will be happy to complete any required notification form that they might need.”

### EXHIBIT 301 (A)

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**07/16/10 Contract Request Form: Signed by Linda WOELKE and Julia HUDDLESTON.** Part 4: "Supporting construction of 40 units of specialized housing for seniors and people with disabilities" Part 6: Contract not to exceed amount; \$1,507,035.00. **EXHIBIT 302 (A)**

**07/16/10 E-mail from WOELKE to HUDDLESTON.** She writes, "Julia, I just talked to Anita to ask her a couple of questions and she told me that she does plan on opening with 4 bariatric residents but the whole floor will be designed for bariatric and when they are up to speed they will have eight. And speaking of 8, she said they have come up with the final cost and it will be 8 million. I'm not sure how they can tell her a final number until it is finished but that is what she said. Is the number I should use for the maximum grant still going to be \$1,507,035.00?"

**Reply from HUDDLESTON.** She writes, "Yes!" **EXHIBIT 303 (A)**

**07/20/10 E-mail from HUDDLESTON to WOELKE.** Number 2 is: Do you have a copy of the original Clatsop Care cost proposal (from the meeting in a 137 in the winter)? Can I have a copy if you do?"

**EXHIBIT 304 (A)**

**07/21/10 Copy of expend transactions entry.** The vendor is identified as Clatsop Care Center and the amount of payment is \$28,442.00. **EXHIBIT 305 (A)**

**07/26/10 E-mail from WOELKE to Mike LAMON and William MOLLOY.** She writes, "Hi Mike and Bill, What is the status of OTM'S 118 submission for Clatsop Care Center? Attached please find a ltr from the IRS to Umpqua Community Development Corporation. OTM also needs to make an agreed upon payment to Umpqua for housing development. Does the status of Umpqua allow us to submit a 118 in the same way as CCC?"

**Reply on 07/29/10 E-mail from MOLLOY to WOELKE.** "I've just reviewed the request and even for a grant, it's a little short on specifics. The entire definition of how much and when and for what is: "OTM will provide up to \$1,507,035.00 to Clatsop Care Center Health District for the development of the project. The monies will be disbursed when draws are presented. All draws requests will have full documentation and written approval of Julia HUDDLESTON, OTM and Anita SCHACHER CCCHD Chief Executive Director." "Up to" \$1,507,035.00 is a sum between zero and the maximum. What are the "draw requests" going to be for? Are these for one or multiple of architects and contractor or sub-contractor draws? What constitutes "full documentation"? All we have is a blank check of up to \$1,507,035.00 for a four building development whose terms of disbursement are whatever Julia or Anita decide. This will not get past DOJ."

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**07/28/10 E-mail from WOELKE to George KING and Mike LAMON.** She thanks him for issuing new K numbers 132642 – 132651.

**07/29/10 E-mail from WOELKE to MOLLOY with cc to HUDDLESTON and LAMON.** She writes, “The “up to” figure need to be changed to \$1,850,888.00 (item #6) The draw requests will be for cost incurred over the course of a month period and will include architectural expenditures and development fees and related costs for required construction review. The project is just about to finish the predevelopment phase with groundbreaking scheduled in four weeks. Once construction begins the draws will include line items related to that phase. Each draw will have itemized, line by line cost and copies of invoices to back up expenditures. This is how a construction project works. The draws will be review by OTM’s Director and Clatsop Care’s Chief Executive Officer, upon approval, funds will be disbursed by Bank of the Pacific.

The 118 request was sent to OCP on 7/19, it is not 7/29. Will ten days be a typical response time?

OTM is dependent upon your assistance to successfully navigate the contracting process and accomplish our mission. This Clatsop Care Center project is just one example of a partnership OTM has formed and OTM will be forming many more over the course of this grant period. It is very important for OTM, representing Oregon’s DHS/SPD, to be a dependable partner and a timely funder. Please advice (sp) what further information is necessary to move this request forward.”

**Reply from LAMON to William MOLLOY, WOELKE, cc to HUDDLESTON.** He writes, “Linda, Bill, We seem to have a little difficulty getting past the impasse on what should go into the statement of work. Linda, would you be open to either coming to the Library or having us come over from the Library to meet with you early next week for about an hour to hammer out an outline of what should go into the Statement of Work. From reading your email, it seems like you know what the project is for, what it’s going to accomplish, who’s involved and when you need it done. I think a not – overlong directed conversation on it would give us enough fodder to come up with grant document that will clear the DOJ legal sufficiency hurdle. Let me know if you’d like to do this and I’ll set up an appointment. If you’ve got more of these coming, then establishing an approach now will assist with speeding up the production on future request.”

**Reply from WOELKE to LAMON, cc to MOLLOY and HUDDLESTON.** She writes, “Mike, Thank you very much. This is exactly what we need. I am happy to meet with you anytime Monday or Tuesday. The DHS building may be better in case I need to run and get any information that might be needed. If you give me a time or times, I can find a room to set up a mtg.”

**EXHIBIT 306 (A-D)**

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**08/03/10 E-mail from LAMON to WOELKE.** He writes, "Linda this is the session we talked about on Thursday in which we'll strive to work up an outline for the "allowable activities" section for your Clatsop housing grant. I've attached an outline of a presentation that the other manager Steve PHILLIPS, presented not long ago to Multicultural Health. It characterizes some of the critical distinctions between contracts and grants."

**EXHIBIT 307 (A-H)**

**08/03/10 E-mail from JOHNSON sent to Linda WOELKE.** He writes: "Nice talking with you today, attached is the OTM Capital Request letter sent to Julia early July. Please let me know how your meeting goes and if there is anything else that I can provide you to help move the process along."

**Reply from WOELKE to Ted JOHNSON.** She writes, "thank you Ted, I will let you know."

**EXHIBIT 308 (A)**

**08/03/10 E-mail from JOHNSON to Denise MEGARD at Marathon Development, cc to SCHACHER, HUDDLESTON, WOELKE, TYRER.** He writes, "Denise please add Linda WOELKE and Stephanie TYRER, DHS – State of Oregon, to the Clatsop Care Center Draw Request Distribution list. Their email address is above."

**EXHIBIT 309 (A)**

**08/03/10 E-mail from HUDDLESTON to SCHACHER.** She writes, "Are you around this week to talk?"

**Reply from SCHACHER to HUDDLESTON.** She writes, "Tomorrow is a.m. meeting and then to the fair with the residents in the p.m. Thursday morning 9-11:30 open: Friday 9-11:30 open and 1-3 p.m. open."

**Reply from HUDDLESTON to SCHACHER.** She writes, "How about if I call you Friday morning at 10 am? What's a good number?"

**EXHIBIT 310 (A)**

**08/04/10 E-mail from WOELKE to LAMON, MOLLOY with cc to HUDDLESTON.** She writes, "Bill, Attached please find a one page summary that includes the topics covered in our meeting yesterday. I have also included the funding request letter and a project timeline, project budgets and also estimate exclusions and clarifications. Providing this funding to the project is very time sensitive. In a huge project like this the lender wants to see cash invested in the venture. OTM is providing the cash. A delay in the progress of the project could result in increased cost and also delay in completion. It is very important to OTM to get this grant payment approved and processed as quickly as possible. Please let me know if there is anything I can do to assist you with this. What kind of time line do you anticipate for this to wind through the process?"

**08/05/10 E-mail from WOELKE to MOLLOY.** She writes, "Bill thanks for being so responsive. I made a few edits to the agreement and it is attached. Page 1- 1. Added On The Move in Oregon after Seniors and

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People with Disabilities and lower cased the w in. 2. Changed the address. Page 8 - Changed language of Paragraph No. 3. The remainder of the grant after the initial payment of \$250,000.00 needs to go to the Bank of the Pacific for third party disbursement according to the procedure described in Paragraph No. 1 and second half of Paragraph No. 3. Can we eliminate Paragraph No. 4 on Page 8. There are legitimate travel costs associated with this project and it will be cumbersome to separate invoices and even line items if this has to remain. All invoices and line items will be scrupulously reviewed. Thanks again for your help. If Anita is the first signature once you okay can I email the agreement to her. I'm sure we can have Page 3 and 5 back within minutes."

**Reply from MOLLOY to WOELKE.** He writes, "All of those changes are fine and I deleted the travel language on Page 4. The next signature after my okay has to come from a DOJ attorney. We do not send contracts to the other parties until DOJ has reviewed and approved them for legal sufficiency. This is to avoid the problem where she signs this version and DOJ won't approve the contract without changes that she hasn't seen."

**Reply from WOELKE to MOLLOY.** She writes, "Thank you."

**Reply from MOLLOY to WOELKE.** He writes, "I just pushed the button sending it to DOJ. Cc to you and Julia and Mike LAMON. The standard is supposed to be no more than 14 days at DOJ. For customary and routine matters the time is usually quite a bit less. Since this is a grant agreement it goes to business transactions rather than to the human services attorney who handle much of our work. The response time varies from attorney to attorney even in that section."

**EXHIBIT 311 (A-G)**

**08/06/10 Julia HUDDLESTON calendar entry: From Julia HUDDLESTON, When: Friday August 6<sup>th</sup>, 2010 at 10:00 am (30 minutes) Subject: call Anita SCHACHER, Notes: 503-325-4676 ex 407**

**EXHIBIT 312 (A)**

**08/06/10 E-mail from WOELKE to Pam RUSH, Anita SCHACHER, and Ted JOHNSON, cc to HUDDLESTON.** She writes, "All the grant agreement for the CCC funding was sent by the DHS contract unit to the Dept of Justice yesterday. I will let you know when I hear any news, it will probably be at least a week."

**Reply from SCHACHER to WOELKE, cc to Ted JOHNSON.** She writes, "One of the final things the Bank of the Pacific is asking for is a contract between CCCHD and On the Move that reflects the participation of On The Move for 5 years in regards to maintaining / guaranteeing the project occupancy at 93% (when does this begin and end) and the monthly resident rates – including increase of rates based on net operating income – My guess is such a contract has been drawn up for your other projects – Anyway, if we could get this going it would be greatly appreciated. We have ground breaking scheduled for September 11 at 1:00 pm complete with the

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Weanie Wagon and sodas – and some dignitaries too. Sure hope that you and Julia will be able to be in attendance. I am going to CC this to Ted in case I forgot to include something.”

**Reply from WOELKE to SCHACHER.** She writes, “Anita this is a Julia question re the contract or contracts.”

**Reply from Ted JOHNSON to SCHACHER and WOELKE.** He writes, “Hi Linda, As mentioned by Anita, we need a contract between DHS and CCCHD that outlines the contract rent amount, the term and potential rent increases. Julia had previously answered these questions verbally when she said (I am paraphrasing) that he (sp) rents will continue indefinitely (subject to the legislature approval) rents will increase subject to unionized wage increases and the sustained 93% occupancy will continue. Can you help us get this document prepared for DHS, CCCHD and Bank of Pacific?”

**EXHIBIT 313 (A-C)**

**08/09/10 E-mail from WOELKE to SCHACHER, cc to HUDDLESTON, Michael LAMON, William MOLLOY.** She writes, “Anita, attached please find grant contract approved by DOJ. It requires your data completed on page 3 and signature and date on page 5. Once you have reviewed and agree, please complete page 3 sign and date page 5 for grantee and then return those two pages to me asap. We do need you to mail the original two pages to me at the address below and we will get the DHS signature and get it to Contracts. Also, please fill in the agreement number on attached CTII form which you have already completed and return it to me. Thank you. We’re almost there.”

**Reply on 08/11/10, from SCHACHER to WOELKE.** She writes, “Have been in Portland meeting with the architects and checking out ceiling lifts etc. Will overnight the contract tomorrow a.m.”

**Reply on 08/12/10, from WOELKE to SCHACHER, cc to HUDDLESTON.** She writes, “Ok. What is the latest on the lift system and making the rooms private rooms?”

**EXHIBIT 314 (A-C)**

**08/13/10 E-mail from HUDDLESTON to Cathy COOPER, with cc to Kimberly HECTOR, James TOEWS and WOELKE.** She writes, “Cathy I have left the IGA between Clatsop Care Center Health District and SPD/OTM with Kim for your review and approval. This IGA contributes 1.8 million towards Clatsop Care Health District’s creation of a 40 new units of licensed RCF for people with dementia 24, PVI 8 and bariatric needs 8 in Astoria an area in which there is significant need for Medicaid capacity. NWSDS has been involved in development of this project and is supportive. Facility planning and licensing has proceeded through all steps required of an RCF pre-construction. Groundbreaking is scheduled for September 11, 2011. All funds to be contributed are OTM program dollars and are available within OTM’s existing federal line of credit. In return for participation in upfront front Clatsop Care Center agrees to operate this facility for the exclusive benefit of Medicaid and OTM residents during its five years of operation. In years six through ten a majority of 40 beds

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will be available for Medicaid and (OTM, if it's still around) residents. OTM participation is consistent with OTM average remodel costs which range between \$15,000.00 and \$750,000.00 a participant. Our average remodel cost per participant is about \$40,000.00. This project is slightly higher at \$46,000.00 per participant due to the need for significant enhancements in order to serve eight-person bariatric population. Data that Mike MCCORMICK recently developed suggests that the average length of stay for a Medicaid resident in a contract RCF like this development is about one year two months. If that LOS holds true we will gain Medicaid access for about 150 people over the first five years of this contract at an average cost of about \$12,500.00 per participant. Please let me know if you have any questions or concerns. Linda WOELKE has been OTM point person working with the District on what the actual development will look like on the ground and can answer any questions.

**EXHIBIT 315 (A)**

**08/23/10 E-mail from HUDDLESTON to MOLLOY and PHILLIPS with cc to COOPER and TOEWS.**

She writes, "Steve and Bill: As we talked about this morning, the attachment is a "track changes" version of the Clatsop Care center Health District grant contract , using the Umpqua CDC template as a base. The base template has been changed to reflect information specific to the CCCHD project, and to change the word Grantee to Recipient throughout the contract. I would appreciate your review, and also your inclusion of language related to CCCHD's need to obtain title insurance. I understand that after your review, the contract will again need to go to DOJ, and that you will submit it to AAG Cynthia BYRNES for legal sufficiency review. I just got off the phone with Anita SCHACHER, CEO of Clatsop Care Center Health District., and let her know that DHS was doing a "re-do" of the contract. She is expecting to review a modified agreement after your review and after DOJ review. I let her know that there were substantial change sin the statement of work section to better define the obligations of CCCHD in regards to grant funds, and other changes are made throughout the document. Thanks for your help on this. I will be paying attention to e-mails from the two of you for the rest of the week, so please let me know if you have any questions. **EXHIBIT 316 (A-AC)**

**08/23/10 E-mail from SCHACHER to Ted JOHNSON.** She writes, "The powers that be sent the contract back for a redo. Julia is actually on vacation this week but came into the office to get it redone – Then I need to sign it again, etc. The attorney did not like that it did not state when the State was getting for their dollars – i.e. provisions of 40 units of residential care etc. It was also lacking in remedies. In conversations with her she also stated that she has a template for the contract that the Bank of Pacific wants and she promises both that and the contract will be on my desk by week's end."

**EXHIBIT 317 (A)**

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**08/23/10 E-mail from HUDDLESTON to COOPER and TOEWS.** She writes: In the same conversation with Anita about the re-do of the contract, I told her that the Medicaid contract is separate from the construction grant contract.

I told her that I would be happy to send a draft template, but that the actual contract won't be executed until shortly before opening (because they need to be a licensed RCF in order for us to have a contract for RCF services). She said that would be fine; the bank wants a contract for their files; it won't hold up the loan. I also reminded her again that the vacancy factor is a part of the rate calculation, and she said that she understood. I will put that in writing when I send the templates (which will be early next week because we need to do a cut and paste of existing AFH contracts).

**EXHIBIT 318 (A)**

### UMPQUA COMMUNITY DEVELOPMENT CENTER

HUDDLESTON initially met with Betty TAMM from Umpqua Community Development Center (Umpqua CDC) on 6/19/08, to discuss developing special needs, (DD) housing in Roseburg Oregon. Umpqua CDC has obtained property in Roseburg that had an existing home already on it that they wished to work with OTM to develop as an OTM AFH. They intended to development additional housing on the property to be used for DD population. In an email dated 2/18/09, TAMM asked HUDDLESTON if she could provide a Letter of Commitment, that they could include with their application to Oregon Housing. Specifically TAMM asks if OTM could commit to spending \$43,000.00 to make the Grace's House (an existing structure) ADA accessible. She mentions that she anticipates that the total cost to remodel the home will be approximately \$76,000.00. She also asks if HUDDLESTON can provide the name of a service provider for the home or commit to securing one. That same day HUDDLESTON emails WOELKE and asks her to put together a letter for her, "to commit to the \$43,000 and finding a service provider." This letter, signed by HUDDLESTON is sent to TAMM by WOELKE on 02/24/09.

On 11/10/09, WOELKE emails TAMM and writes, "Hi Betty, Please give me a call when you have a few minutes, OTM can pay for more than we originally discussed and there are other things to talk about." In other email strings between, HUDDLESTON, WOELKE, TAMM and Jodi ENOS, from Umpqua CDC, the discussion centers on DHS/SPD's efforts to locate an AFH provider for Grace's House, and develop an appropriate lease for this arrangement.

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On 05/10/10, WOELKE submits a Vendor Set-up request for Umpqua CDC. On 06/15/10, WOELKE e-mails Merry BAYLY, Program Manager for SPD in Roseburg Or. She shares with BAYLY concerns that TAMM has with the AFH provider contract that is being developed. She writes, "OTM will be spending over \$200,000, we are still working on development/construction costs."

On 07/07/10, TAMM sends to WOELKE, a itemized list of the costs associate with the Grace's House modifications. The total cost is \$200,076.00, broken down by the following items: Architecture: \$8424.00, ADA and Egress Improvements: \$121,803.00 Heating and Cooling Systems: \$15,179.00, Associated Site Costs (roadway paving, sidewalks, parking improvements: \$38,070.00, Contractor Overhead and Profits: \$14,000.00, Construction Insurance: \$2,000.00. On 07/08/10, WOELKE e-mails TAMM and ENOS. She writes, "I have attached two contracts and will be sending a third. As you will understand when you review them they are bureaucratic overkill and one more won't make any difference. I will send the third soon. I am in fact meeting with the Contracts office regarding the inappropriateness and inefficiencies of the contract contents." On 07/26/10, WOELKE e-mailed LAMON and MOLLOY from OCP, she writes, "Attached please find a ltr from the IRS to Umpqua Community Development Corporation. OTM also needs to make an agreed upon payment to Umpqua for housing development. Does the status of Umpqua allow us to submit a 118 in the same way as CCC?" On 08/11/10, WOELKE submits a contract request from for Umpqua CDC, listing that the contract should not exceed \$200,076.00. This form is signed by HUDDLESTON and WOELKE.

### EXHIBIT 319 (A-W)

## WALLOWA COUNTY HEALTH CARE DISTRICT

In April 2010, HUDDLESTON began having conversations with Ted JOHNSON, from Marathon Development, about OTM collaboration with Wallowa County Health Care District (WCHCD) for development of a new residential care home. Starting in May 2010, HUDDLESTON'S GroupWise calendar indicates that she was participating in phone conferences with JOHNSON and Dave HARMAN, CFO of WCHCD. JOHNSON shares with HUDDLESTON in a series of emails progressing plans for the project with WCHCD. The emails indicate that discussions were taking place regarding OTM guaranteed occupancy rates, service payments, and the amount of money that OTM was willing to give to WCHCD.

According to a news article dated 09/16/10, from the Wallowa County Chieftain, WCHCD placed a measure on the 11/2/10 general election ballot. Measure 32-32 was placed on the ballot to replace an expiring district tax of

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75 cents per \$1,000 assessed value with an estimated 65.7-cent-per \$1000 tax for 10 years. This measure was added to the ballot, according to the article, because of HUDDLESTON'S reassurance that OTM would help subsidize build and operation of the above mentioned center.

A second article from Wallowa County Chieftain dated 1-5-11 was reviewed. According to the article, WCHCD, "Seeking ways to help finance the project last spring, the hospital board discovered the On The Move in Oregon, a program administered by the Department of Human Services (DHS) in Salem that promised a \$400,000 grant for a cash down payment plus a guaranteed rate of occupancy and a higher rate per person than the standard.

**EXHIBIT 320 (A-BX)**

### OREGON STATE UNIVERSITY – OTM EVALUATION

An agreement was put in place between the OTM Program and Oregon State University (OSU) to provide Quality of Life Survey. The OSU Contract was established on 04/01/09. The project was presented to the Research Advisory Board on August 19, 2009. Carmen D. STEGGELL, PhD., Atiya MAHMOOD, PhD. and Karen HOOKER, PhD from the Center for Healthy Aging Research of Oregon State University and the Linking Individuals, Families and Environments (LIFE) group. The project was intended to demonstrate that long-term institutionalized populations of people with complex medical and long-term care needs can be served in their communities with wrap-around packages of supports and services. The evaluation has not been completed as of this day/time. PERHAM reviewed the OTM/MFP policies and found this study was within the parameters of the grant. **EXHIBIT 194 (G-H)** To date OSU staff visited twelve clients in various parts of the State of Oregon. The planned commitment for this project was for \$500,000.00. As of this day/time the agency has expended approximately \$70,978.89. Twelve visits divided by \$70,000.00 = \$5,833.00 per survey.

03/03/11 E-MAIL from HATA to PERHAM. Confirmed the OSU contract is still in place as of this day/time. However, they gave verbal notice and will be sending a 60 day notice to discontinue the contract. HATA confirmed on 03/02/11 with COOPER the above. SINGER is following up with the contracts Unit either tomorrow or Monday to issue the notice. (Not Verbatim)

**EXHIBIT 121 (A-CS)**

**SUMMARY OF FINDINGS FOR  
SENIORS AND PEOPLE WITH DISABILITIES  
ON THE MOVE PROGRAM**

- All On the Move (OTM) employees were cross referenced with OTM vendors and/or providers. No personal relationships were established between OTM employees, vendors or providers. This investigation did not discover any personal gain by OTM employees throughout the State of Oregon.
- Julia A. HUDDLESTON was the designated OTM Program Director from 2007 until her resignation on August 31, 2010.
- Linda WOELKE was hired by HUDDLESTON to oversee the construction and home remodeling process for OTM.
- HUDDLESTON had the knowledge, education, experience and training to follow the specific guidelines for the OTM Program including State and Federal rules/policies.
- WOELKE attended Contracts Training and had one on one consultation from the Office of Contracts and Procurement staff. WOELKE was a part of meetings related to developing a contract process for OTM.
- HUDDLESTON attended Contracts Training, was a prior Rates Setting and Exception Rates Manager, prior SPD Budget Manager and a Grant Writer. Given the experience listed above she failed to:
  - Follow State procedures for contracts and procurement.
    - Letter of Exception to OCP for payment in 2008.
    - Letter of Exception to OCP for payment in 2009.
  - HUDDLESTON knowingly and intentionally failed to follow State procedures for payments.
    - Fragmented payments
    - Multiple payment systems used.
    - Duplicate payments occurred.
  - HUDDLESTON led OTM staff and clients to believe that payment made on the client's behalf to vendors would not be attached to their Estate Administration claim. Invalid claims occurred.
  - HUDDLESTON failed to adhere to State procedures by not following the exception rate process.
- HUDDLESTON attempted to "grant money" for new and existing construction using OTM grant monies. This is a direct violation of state and federal policies and procedures.

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- Clatsop Care
- Umpqua
- HUDDLESTON knowingly and intentionally failed to report figures accurately in annual and semi annual reports to the Centers for Medicare and Medicaid Services (CMS).
- HUDDLESTON also failed to communicate and review planned projects accurately to CMS especially new construction and learn if the projects were within the parameters of the OTM and/or Money Follows the Person (MFP) grant.
- HUDDLESTON knowingly and intentionally loaned money to providers which is a direct violation of State and Federal policies.
  - Three confirmed loans to providers for home modification not directly client related. These loans were to be paid back with zero interest over a twelve month period.
  - (Advanced monies) Front loading funds were used to advance payroll cost to providers. These monies were to be paid back. No specific repayment plan was in place to recoup the monies by OTM staff.
- HUDDLESTON developed an OTM process to provide start up funds to providers that were not client related and appeared to be routine business cost. There was no repayment requirement although providers were to submit receipts of purchases. These were identified as appropriate and allowable cost by HUDDLESTON. Examples are:
  - Office computers, furnishings, equipment and supplies
  - Initial insurance premiums, licensing and filing fees.
  - Initial staff training, travel cost.
  - Initial food supplies, maintenance and housekeeping items.
- HUDDLESTON and WOELKE treated specific vendors as sole providers without technically establishing them as sole provider as required by State policy.
- During the course of the investigation it was reported by OTM staff, vendors and providers that HUDDLESTON lacked professionalism:
  - HUDDLESTON knowingly and intentionally used state equipment for her personal use. (E-mail, printer, computer, blackberry, flash/thumb-drive and laptop).
  - HUDDLESTON was demeaning to staff.
  - HUDDLESTON made promises to providers and vendors that were not within her authority to approve and/or not within the State or Federal program, policies and guidelines.
  - HUDDLESTON did not provide OTM staff with yearly evaluations.
  - HUDDLESTON promised training and promotions to staff that never transpired.

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- HUDDLESTON failed to provide training and supervision to staff to enable them to appropriately perform their job duties.
- HUDDLESTON often failed to report complete and/or accurate information regarding OTM to other members of DHS.
- HUDDLESTON failed to keep accurate and up to date records which would allow for sufficient documentation review. There was an inadequate and disorganized filing system.

Investigator PERHAM and Investigator PALODICHUK discovered that James TOEWS and Cathy COOPER followed routine management practices as established in SPD. The level of supervision for HUDDLESTON was consistent with the level of supervision for similar upper level management positions within SPD as follows:

- TOEWS and COOPER had routine meetings with upper level management staff in group settings and individual (one on one) appointments.
- Meetings are for the most part are attended by all participants.
- Ongoing communication, positive and negative, is received at routine meetings.
- Evaluations are not the "norm" in SPD.
- Immediate direction is given the upper level management staff and they are expected to follow direction.
- TOEWS and COOPER are available for "immediate" consultation, communication, discussion, chit chat, etc. in person, (open door policy), by phone, e-mail and/or any other type of communication used in the DHS professional setting.
- TOEWS and COOPER trust their upper level management staff to perform their duties within all policies, procedures and the law.

HUDDLESTON failed to report accurate and complete information. TOEWS and COOPER relied upon the information provided by HUDDLESTON and therefore did not see a need for change within the program.

*All supporting evidence and documentation will be made available to the DHS Internal Audit Section upon request.*