

COUNT 44 — Theft of Property 41-2203 — Class C Felony.

That on or about the 25th day of October, 1983, E. F. Black, Jr. and James Ralph took unauthorized control over property belonging to Saline Memorial Hospital with the intent to deprive the owner thereof by submitting travel voucher for James Ralph, approved by E. F. Black, Jr., in order to pay expenses for a trip to Poplar Bluff, Missouri, that James Ralph did not take.

COUNT 45 — Theft of Property 41-2203 — Class C Felony.

That on or about the 17th day of January, 1984, Thomas Gilbert and James Ralph and E. F. Black, Jr. took unauthorized control over property belonging to Saline Memorial Hospital valued at \$598.20 with the intent to deprive the owner thereof by submitting a false travel voucher for a trip James Ralph was to have made to Dallas, Texas, but did not make for hospital business; said voucher was approved by Thomas Gilbert.

COUNT 46 — Theft of Property 41-2203 - Class C Felony.

That on or about the 16th day of July, 1983, Thomas Gilbert and James Ralph and E. F. Black, Jr. took unauthorized control over property belonging to Saline Memorial Hospital valued at \$224.20 with the intent to deprive the owner thereof by submitting a false travel voucher for James Ralph for a trip to Poplar Bluff, Missouri, and approved by Thomas Gilbert. Said trip was not taken.

COUNT 47 — Theft of Property 41-2202 — Class A Misdemeanor.

That on or about the 5th day of July, 1983, E. F. Black, Jr. and Craig Cook took unauthorized control over property belonging to Saline Memorial Hospital valued at \$185.00 with the intent to deprive the owner thereof by E. F. Black, Jr. authorizing a check from Saline Memorial Hospital to pay Craig Cook for attending a party at E. F. Black's house.

COUNT 48 — Member of Administrative Board Prohibited from Dealing with said Board 17-4106 Unclassified Felony.

That on or about the 5th day of January, 1982, Kenneth Baxley, while serving on the Board of Governors of the Saline Memorial Hospital, did enter into a contract to sell a safe he had purchased from

ALCOA for \$10.00 to the Saline Memorial Hospital for \$1,000.00; thereby profiting, directly or indirectly, through a contract with said Board in violation of Arkansas Statute 17-4106

(2) (b).

Theft of Property — Class A Misdemeanor.

That on the following dates James Ralph did take unauthorized control over property belonging to Saline Memorial Hospital with the intent to deprive them of their property by purchasing food that was in no way related to the conduct of Saline Memorial Hospital business on a Saline Memorial Hospital VISA card in the listed amounts:

COUNT 49 — 8-15-83

The Villa Restaurant, Blytheville, Arkansas ...\$28.74.

COUNT 50 — 8-20-83

Cajun's Wharf, Little Rock, Arkansas ...\$114.15.

COUNT 51 — 8-27-83

The Packet House, Little Rock, Arkansas ...\$48.09.

COUNT 52 — 10-8-83

The Cattleman's Restaurant, Texarkana, Arkansas ...\$70.40.

COUNT 53 — 10-12-83

The Bonanza, Forest City, Arkansas ...\$13.17.

COUNT 54 — 10-16-83

Fish Net Restaurant, Arkadelphia, Arkansas ...\$25.20.

COUNT 55 — 10-17-83

Red Lobster Inn, Little Rock, Arkansas ...\$64.71.

COUNT 56 — 10-28-83

El Patio Restaurant, Little Rock, Arkansas ...\$17.28.

COUNT 57 — 11-1-83

Spinnakers' Inn, Little Rock, Arkansas ...\$49.07.

COUNT 58 — 11-1-83

Hilton Inn, Little Rock, Arkansas ...\$14.00.

COUNT 59 — 11-9-83

Hilton Inn, Little Rock, Arkansas ...\$27.00.

COUNT 60 — 12-9-83

Riverfront Hilton, North Little Rock, Ar. ...\$171.43.

COUNT 61 — 12-13-83

Hilton Inn, Little Rock, Arkansas ...\$17.50.

COUNT 62 — 12-14-83

Red Lobster Inn, Little Rock, Arkansas ...\$26.43.

COUNT 63 — 12-14-83

Riverfront Hilton, North Little Rock, Ar ...\$55.30.

COUNT 64 — 12-14-84

Hilton Inn, Little Rock, Arkansas ...\$18.75.

COUNT 65 — 12-17-83

Cajun's Wharf, Little Rock, Arkansas ...\$156.75.

COUNT 66 — 1-2-84

Sawmill Restaurant, Hot Springs, Ar ...\$9.50.

COUNT 67 — 1-2-84

Sawmill Restaurant, Hot Springs, Ar ...\$50.21.

COUNT 68 — 1-7-84

El Patio, Little Rock, Ar ... \$24.24.

COUNT 69 — 1-17-84

Sirloin's Inn, North Little Rock, Ar ...\$43.31.

COUNT 70 — 1-17-84

Mexico Chiquito, Little Rock, Ar ...\$31.10.

COUNT 71 — 1-21-84

Hilton Inn, Little Rock, AR ...\$18.75.

COUNT 72 — 1-25-84

The Villa Restaurant, Little Rock, AR ...\$23.47.

COUNT 73 — 1-28-84

Shorty Small's, Little Rock, AR ...\$22.68.

COUNT 74 — 2-4-84

Red Lobster Inn, Little Rock, AR ...\$98.48.

COUNT 75 — 2-10-84

Coy's Steak House, Hot Springs, AR ...\$45.24.

COUNT 76 — 2-1-84

Coy's Steak House, Hot Springs, AR ...\$31.50.

COUNT 77 — 2-11-84

Coy's Steak House, Hot Springs, AR ...\$57.20.

COUNT 78 — 2-11-84

Coy's Steak House, Hot Springs, AR ...\$20.00.

COUNT 79 — 2-11-84

Coy's Steak House, Hot Springs, AR ...\$9.75.

COUNT 80 — 2-16-84

El Patio, Little Rock, AR ...\$26.30.

COUNT 81 — 2-20-84

The Cowboy, Dallas, Texas ...\$30.00.

COUNT 82 — 2-2-84

Red Lobster, Little Rock, AR ...\$38.60.

COUNT 83 — Theft of Property 41-2203 — Class C Felony.

That from the 8th day of June, until the 6th day of December, 1983, E. F. Black, Jr. exercised unauthorized control over property to Saline Memorial Hospital in the amount of \$610.68 with the intent to defraud the owner thereof by permitting Robert Black, his son, to use a Saline Memorial Hospital telephone credit card to make a long distance calls to numerous recordings in New York City and Chicago, Illinois.

COUNT 84 — Theft of Property 41-2203 — Class A Misdemeanor.

That on or about the 7th day of November, 1983, E. F. Black, Jr. took unauthorized control over property belonging to Saline Memorial Hospital valued at \$39.80 with the intent to deprive the owner thereof by charging on the Saline Memorial Hospital VISA credit card miniature microphones to eavesdrop on employees of Saline Memorial Hospital.

Page 4 of 5

9-14-84

COUNT 85 — Theft of Property 41-2283 — Class A Misdemeanor.

That on or about the 4th day of March, 1983, E. F. Black, Jr. took unauthorized control over property belonging to Saline Memorial Hospital valued at \$101.70 with the intent thereof to deprive the owner thereof by charging to Saline Memorial Hospital VISA card a wireless microphone to use on eavesdropping on employees of Saline Memorial Hospital.

Against the peace and dignity of the State of the State of Arkansas.

Joe Kelly Hardin
SPECIAL PROSECUTING ATTORNEY

**STATE OF ARKANSAS
VS.**

E. F. Black, Jr., Thomas Gilbert,
James Ralph, Linda Black, Melvin
King, Kenneth Baxley, Craig Cook.

A TRUE BILL

Joseph Gaylo
FOREMAN

Presented to the Court by the Foreman of the Grand Jury and filed in open Court in the presence of all Grand Jurors on this 14th day of September, 1984.

Benton County Page 585
9-14-84

Penalties for convictions

The punishment for any possible convictions that may result from the various charges filed in indictments handed down today by the county grand jury are:

Class B felony theft of property; 5-20 years imprisonment and a fine not exceeding \$15,000; Class C felony theft of property, 3-10 years and a fine not exceeding \$10,000; Class A misdemeanor theft of property, up to a year's imprisonment and up to \$1,000 fine; criminal attempt, one grade lower than a conviction would carry for the spe-

cific crime attempted; public servant bribery, which is a Class D felony, up to six years in prison and a fine not exceeding \$10,000; and conspiracy to commit public servant bribery, which is a Class A misdemeanor, up to a year in prison and a fine not exceeding \$1,000.

The punishment for violations of an Arkansas statute that prohibits board members from profiting through contracts with said boards is an unclassified felony.

Grand jury sets meeting Thursday

The Saline County grand jury that returned indictments Friday for seven persons will be in session again this week. That meeting is scheduled for 5 p.m. Thursday at the county courthouse.

Joe Hardin, who served as special prosecutor for the lengthy investigation, said another meeting of the panel will also be necessary, but no date has been announced for the follow-up session. The jurors plan to complete the final report of the hospital probe in those two meetings.

One of the recommendations that came out of the investigation included the request for the remaining members of the hospital board to resign their positions. Since the five members left on the board have not resigned willingly, Hardin said the grand jury does not plan to pursue the matter at this time.

"The procedure for removing board members would be to hold a hearing before the county judge," Hardin explained. "If that type of hearing were held, we would have to present evidence gathered during the investigation and we don't want to do that before any trial is held. Our first priority has to be the criminal trial."

The five persons who now compose the hospital board are Mary Frances Izard, chairman; Dr. Jim Porter, J.B. Tittle, Robert Haynes and Jim Curtis. Jim Villines and Raymond Thomas, who had been serving on the board, recently submitted their resignations.

Arraignment for the seven persons indicted is scheduled for Monday, Oct. 1. Hardin said pleas will be entered, but he does not know whether trial dates will be set at that time.

The grand jury returned in-

dictments for E.F. Black Jr., the former administrator of Saline Memorial; Black's wife, Linda; Jim Ralph, the hospital's former director of purchasing; Tommy Gilbert and Melvin King, former associate administrators of the medical facility; Kenneth Baxley, a former member of the hospital board; and Craig Cook, a former employee in the hospital's purchasing department.

Margaret Parish, who presented testimony on two occasions before the grand jury, is reported to have made a payment of \$1,730.40 Friday morning to the county general fund. Parish was listed in hospital personnel records as a nurse recruiter for the early part of 1984.

County Treasurer Tommie Adams said that the payment made by Parish is the only one he received Friday.

opinion

A job well done

Many of the rumors have been put to rest; the rest of the talk likely will be silenced when the report is issued.

The Saline County grand jury did exactly what it was assigned to do. It investigated all aspects of mismanagement at Saline Memorial Hospital and indicted seven individuals it believed were somehow responsible for criminal wrongdoing regarding the hospital.

Joe Hardin, the prosecuting attorney-elect who served as special prosecuting attorney for the hospital case, kept his promise to investigate the situation at the county medical facility to the fullest extent. He also headed the probe at no charge to the county, a promise he made during the campaign.

Dan Harmon served as Hardin's special deputy prosecutor. Working at a reduced hourly rate, Harmon put his all into the investigation.

Hardin and Harmon have shown themselves to be public servants of the highest caliber.

Unfounded complaints will be voiced by some elements of the community who are not satisfied with the number of indictments returned or the number of people indicted. We believe the prosecutors and grand jurors did the best job possible under less-than-ideal circumstances.

~~We believe those people deserve nothing but praise.~~

The grand jury will meet Thursday to finish the comprehensive report promised by the prosecutors. That report will become public after trials of those individuals charged in connection with the grand jury investigation.

That report will be published verbatim in *The Courier* upon its release.

Saline Countians owe a debt of gratitude to the 19 grand jurors and the two special prosecutors for a job well done.

DB

Grand jury won't be dismissed yet

Joe Hardin and Dan Harmon, who have been serving as special prosecutors for the county grand jury that has been investigating allegations of financial wrongdoing at Saline Memorial Hospital, said today that they do not plan to dismiss the grand jury yet.

"We've decided to let them stay in session until the first of the year," Hardin said, "because we aren't sure that all charges have been filed in connection with the investigation."

Harmon emphasized that the "investigation is continuing" and added that "sometimes witnesses in trials will implicate others in their testimony."

The two special prosecutors were planning to meet today with Ron Morris, controller at Saline Memorial, to look at some additional questionable material that has been discovered at the medical facility. Hardin said Morris notified Izard that he had found some records that concerned him and Izard in turn notified Harmon.

The prosecutors said they still hope to have all trials pertaining to that

probe in Saline County. "And we'd still like to try as many together as we can because of the cost to the county of multiple trials," Hardin added.

Defense attorneys for some of the persons indicted have stated that they object to a mass trial, but both Harmon and Hardin seem confident that all charges filed against E.F. Black Jr., the hospital's former administrator, could occur in one trial.

In the grand jury's indictments, Black was charged with 48 criminal offenses including felony and misdemeanor charges.

The grand jury also handed down indictments for Black's wife, Linda; Jim Ralph, the hospital's former director of purchasing; Tommy Gilbert, the former associate administrator who was named acting administrator after Black's resignation on March 5; Melvin King, the other former associate administrator; Kenneth Baxley, a former member of the hospital board, and Craig Boone, an employee in the hospital's purchasing department.

Lovell resigns deputy position

John Lovell, a local attorney who has been serving as a deputy prosecutor for this district, has resigned that position.

Prosecuting Attorney Bob Alsobrook said today that Lovell submitted his resignation Monday.

Alsobrook said Lovell gave no reason for the resignation other than "he just wanted to resign."

Alsobrook said he plans to appoint a replacement for Lovell within the "next week to 10 days."

Lovell said today that he chose to resign now because, "I've done it for seven years and don't have the time to do it. I've done it so long that I just didn't want to do it anymore."

opinion

Staying in session

It was interesting to note that Joe Hardin, special prosecutor, and Dan Harmon, his deputy, plan to keep the grand jury investigating Saline Memorial Hospital in session until the first of the year.

Hardin and Harmon, acting on additional information provided by Ron Morris, hospital controller, say some potential evidence has come to light which may, or may not, require more study by the grand jury.

The prosecutors also point out that if trials begin on any of those charged by the grand jury, additional information could come about as a result of testimony in those trials. If that occurs, a new grand jury would have to be called and that could be a costly and time-consuming process.

While we are hopeful any wrongdoing has already come before the panel, we believe keeping the jury empaneled would be proper, although unusual.

DB

Benton Courier
9-21-89

Grand jury report due Tuesday

The Saline County grand jury that has been involved in a lengthy investigation into alleged financial wrongdoing at Saline Memorial Hospital will present a comprehensive report of its findings Tuesday morning to Circuit Judge John Cole.

That action is scheduled to take place at 10 a.m. in open court at the Saline County Courthouse.

The report from the grand jury will be published in *The Benton Courier* Tuesday if it becomes available in time to meet the day's deadline.

After the report is issued, the jury will be dismissed, despite a statement last week by Joe Hardin, special prosecutor, that the jury would not officially adjourn until the first of the year.

"I think Danny (Dan Harmon,

special deputy prosecutor) and I can handle anything else that comes up," Hardin said Thursday night.

The grand jury handed down indictments last week for seven persons: E.F. Black Jr., the former administrator of the hospital; Linda Black, his wife; Tommy Gilbert, the hospital's former associate administrator who became acting administrator when Black resigned March 5; Melvin King, the hospital's other former associate administrator; Jim Ralph, the hospital's former director of purchasing; Craig Cook, a former employee in the hospital's purchasing department; and Kenneth Baxley, a former member of the hospital board.

Harmon said today that notices have been sent to those persons to

be arraigned at 9 a.m. Monday, Oct. 1. At that time, the judge will set time limits for pre-trial motions regarding wishes for trial settings, he said.

Harmon noted that "after any motions are made to the judge, we should then find out how many trials will be held and their location."

However, he said "the venue is still Saline County until some change is made. I have confidence that Judge Cole will make decisions that are fair to the defendants and fair to the state."

Harmon and Hardin believe the trial should be held in this county, but some of the attorneys for the defendants have voiced public objections to that plan. No motions have been filed in connection with the grand jury indictments.

Jury set to release final report

The Saline County grand jury that has been involved in an extensive investigation into financial wrongdoing at Saline Memorial Hospital will be dismissed Tuesday after the panel presents a comprehensive report of its findings to Circuit Judge John Cole.

That action is scheduled to take place at 10 a.m. in Saline County Circuit Court at the county courthouse.

Joe Hardin, who has served as special prosecutor for the hospital probe, and Dan Harmon, special deputy prosecutor, said last week they will be able to handle the investigation from this point forward.

The seven persons who were indicted by the grand jury Aug. 14 are to be arraigned Oct. 1 before the circuit judge. Those indictments were

for: E.F. Black Jr., the former administrator of Saline Memorial; Black's wife, Linda; Tommy Gilbert and Melvin King, the two former associate administrators of the hospital; Jim Ralph, the former director of purchasing for the facility; Craig Cook, a former employee in the hospital's purchasing department; and Kenneth Baxley, a former member of the hospital board of directors.

The report will be published verbatim in Tuesday's *Benton Courier* if it is released in time to meet regular newspaper deadlines.

Hospital board to discuss counsel

Saline Memorial Hospital Board of Directors will be meeting at 6 tonight in the hospital conference room to continue discussion of the hospital's legal counsel and may be making a decision regarding an attorney.

At an Aug. 28 meeting, the board went into executive session to discuss the situation involving an attorney

but did not make a selection. At the conclusion of that closed session, the board authorized the administration to seek legal counsel from the attorneys they believed to have the capability of representing the hospital until there was adequate opportunity for discussing the hospital's relationship with present and future prosecuting attorneys.

The county medical facility has been operating without an attorney since the resignation in early August of Dan Moudy, who formerly served in that capacity.

Since that time, two board members — Jim Villines and Raymond Thomas — have resigned from the seven-member board. In addition to other reasons, both said their resignations were based on the procedure by which the board planned to replace Moudy.

During the recent campaign of prosecuting attorney-elect Joe Hardin, Hardin volunteered to serve as attorney for the hospital free of charge. Villines and Thomas indicated they believed that if the prosecuting attorney's office were willing to represent the hospital minus a fee, then the board had the fiscal responsibility to the community to utilize this service.

Hardin has recently been serving as special prosecutor in a grand jury investigation of the hospital, which he has done without monetary compensation in fulfillment of another

campaign promise.

Prior to that August meeting, Steve Mason, vice president of operations for Hospital Management Professionals Inc. (the firm hired by the board to handle day-to-day activities at the hospital), had interviewed John Lovell and W. Lee Tucker of the Tucker and Lovell law firm and Gary Arnold of the Gibson, Ellis and Arnold firm because those were the attorneys that Moudy had recommended, Mason said. Thomas and Villines indicated they had not been informed prior to Mason's action that he planned to interview the attorneys regarding the possibility of being hired to provide legal counsel to the hospital.

The former hospital attorney was once associated with the Tucker and Lovell firm and Arnold served as his campaign manager in his recent unsuccessful bid to become the district's prosecutor.

Also scheduled for discussion at tonight's meeting is an update on the radiology construction project by architect Larry Black; ambulance repair; bid openings for equipment for the obstetrical department; and discussion of bid solicitation for environmental services, laundry, waste and insurance needs of the hospital.

Complete text of Saline County grand jury report...

SALINE COUNTY GRAND JURY REPORT OF ALLEGED FINANCIAL IRREGULARITIES AT SALINE MEMORIAL HOSPITAL

In response to a request by Special Prosecutors Joe Kelly Hardin and Dan Harmon, the Grand Jury was charged by Judge John Cole to investigate the alleged financial irregularities at Saline Memorial Hospital.

The prime concern of our investigation was the alleged use of hospital funds for materials, equipment and entertainment not related to hospital business. For twenty-four days, we interviewed 137 persons who were employees, hospital board members, county officials, contractors, or others associated with Saline Memorial Hospital. Our findings are limited to the time period of June, 1981 to present.

The financial reports provided for our investigation are listed below:

1. Personnel records on employees at Saline Memorial Hospital;
2. Gasoline credit cards of persons authorized to have credit cards and all gasoline purchase records;
3. All invoices for attorney's fees since 1975;
4. Copies of Saline Memorial Hospital Policies and Procedures concerning purchases, travel, and the use of hospital property by hospital employees;
5. Copies of all VISA cards since beginning at hospital;
6. Copies of year-end audit reports, any management letters and minutes of all budget committee meetings for the past ten years;
7. VISA card monthly statements;
8. Copies of all of the Board of Director's Budget Reports for the past ten years;
9. Copies of all Board of Director's Minutes for the past ten years;
10. All outside auditors' reports for the past ten years;
11. Copies of all Arkansas State Police reports.

12. Copies of Joint Commission recommendation and deficiency reports for the past ten years;

13. Copies of contracts and budgets of administrators of area hospitals for the past three years;

Based on these documents and witnesses' testimony, we learned that Saline Memorial Hospital has expended a substantial amount of its resources for materials, travel, and entertainment not related to the hospital's business. These expenditures have been extremely large in current years 1982-83, and evidence exists that these expenditures have taken place for many years. We are unable, due to time and non-existence of financial records to determine the amount of expenditures involved throughout the past ten years. There is no justification for the use of hospital funds other than for the use and benefit of Saline Memorial Hospital. The high cost of medical services would add to the prohibition by the law of using hospital funds for other than hospital business.

It is our conclusion that the expenditures listed below were not for hospital business, but only for the benefit of the individuals involved. This list should not be construed to be all-inclusive.

1. Falsifying overtime payroll in the amount of \$10,078.54 for the year 1983 and January of 1984 for Carla Hart.
2. Falsifying overtime pay in the amount of \$6,859.93 for James Ralph in the year 1983.
3. False check to M.N. Mabry of \$1,850.00 for alleged DGR material.
4. Spending of \$800.00 petty cash on October 15, 1983, for personal use.
5. Spending of \$500.00 petty cash for personal use in December, 1983.
6. Spending of \$1,190.55 on January 18th, 1983, in connection with Rivendell.
7. Spending of \$3,783.14 to fly Rivendell officials for a ski trip to Colorado on January 27, 1983, to February 1, 1983.
8. Spending of \$660.00 for lunch in New Orleans.

9. Spending of \$2,398.10 for travel in Eastern part of United States.

10. Spending of \$94.73 for purchase of Razorback football jackets on October 22nd, 1983.

11. Purchase of chain saw for E. F. Black, Jr. in the amount of \$344.23.

12. Purchase of surveillance devices for E. F. Black, Jr. in the amount of \$248.65.

13. Purchase of stereo for E. F. Black, Jr. from Audio World in the amount of \$596.92.

14. Falsified travel voucher of E. F. Black, Jr. on June 24th, 1983, in the amount of \$391.48.

15. Expenses of \$256.60 on October 4th, 1983, to Golden Nugget Gambling Casino; this not related to hospital business.

16. Purchase of stereo and video stand and cassettes for own personal use on December 19th, 1983, in the amount of \$356.40.

17. Charge of \$450.00 on April 20th, 1982, for trip not related to hospital business.

18. Purchase of camera for own personal use in the amount of \$570.27.

19. Purchase of camera for own personal use on March 6th, 1983, in the amount of \$292.03.

20. Bought chain saw for own personal use on September 11th, 1982, in the amount of \$299.27.

21. Spent \$543.44 for a New Year's Eve party not related to Saline Memorial Hospital business.

22. Spent \$353.00 for a trip not related to hospital business on January 18th, 1984.

23. Purchase of chair and desk for own personal use in the amount of \$469.00.

24. Purchase of table for E. F. Black, Jr. for his lake house in the amount of \$98.00.

25. Purchase of video camera and recorder system for E. F. Black, Jr. in the amount of \$1,995.00.

26. Purchase of video cassette recorder and twelve tapes for E. F. Black, Jr. in the amount of \$1,054.00.

27. Purchase of bar equipment for parties in the amount of \$309.45.

28. Purchase of camera tripod and equipment for own personal use in the amount of \$221.00.

29. Purchase of battery pack for own personal use in the amount of \$59.95.

30. Purchase of shrimp and steak for party not related to hospital business in the amount of \$362.20.

31. Purchase of shrimp and oysters for party not related to hospital business in amount of \$273.50.

32. Purchase of shrimp, steaks for parties in the amount of \$445.15.

33. Personal trip to Eureka Springs, Arkansas, on July 5th, 1983, in the amount of \$277.00.

34. False travel voucher for \$724.00; trip not taken.

35. Pay of \$185.00 for attending party.

36. Buying of a safe for \$1,000.00 that the hospital did not need and did not use.

Numerous other purchases concerning items, food and trips not related to hospital business occurred, but will not be reported in this report. Most of these purchases and charges were accomplished by using the numerous hospital credit cards.

DISCOVERY OF IMPROPER CONDUCT

E. F. Black, Jr. began working for Saline Memorial Hospital in 1974 as the assistant administrator. Rumblings of improper spending surfaced in 1978 and 1979. A member of the Quorum Court at that time, Peggy Butler, brought up some of these matters at a Quorum Court meeting during an executive session. The members of the Court instructed the deputy prosecuting attorney, Dan Moudy, who was present at that meeting, to investigate the matter. At the next Quorum Court meeting, Mr. Black appeared with Kenneth Baxley, then Chairman of the Board of Saline Memorial Hospital, along with other hospital staff. Dan Moudy, Deputy Prosecuting Attorney, never reported the problem to the then prosecuting attorney, Dan Harmon, or any other law enforcement agency. At about the same time, the hospital board had all charge cards recalled. There were approximately 27 people who had charge cards at that time. Shortly thereafter, the charge cards were re-issued, and when the problem came to light again in early 1984, seven people had VISA cards.

Improper spending surfaced again in 1984, when Ron Morris, Comptroller for Saline Memorial Hospital, reported questionable spending concerning the Rivendell Project.

Doctor Jim Porter, Chairman of the Saline Memorial Hospital Board courageously confronted E. F. Black, Jr. with this information, and E. F. Black, Jr. resigned.

This series of actions prompted the calling of the Grand Jury.

We wish to thank the employees of Saline Memorial Hospital and Ron Morris and Doctor Jim Porter for their cooperation in this investigation.

Several problem areas were discovered during our investigation. We shall address each of these problem areas so that corrective measures may be taken to prevent their recurrence.

CREDIT CARDS

The use of credit cards at Saline Memorial Hospital for entertainment was abusive. Throughout testimony very little evidence existed that legitimate hospital business was being conducted while expenditures for this entertainment occurred. The following is a chronological list containing the places visited and the total amount spent each month for food and beverages:

January 1982
Shorty Smalls
Bennigans
Villa Italian

Total Amount Expended: \$75.06

March 1982
Shorty Smalls
TFI Fridays
Busters
Villa Italian

Total Amount Expended: \$100.17

April 1982
Lite Switch
Shorty Smalls
Busters
Valentyne's Restaurant, Orlando, Florida
Shrimp Oyster Beer
Bennigans
Old Fisherman's Wharf, Coco Beach, Florida
Blue Claw Sea Food, Melbourne, Florida
Sheraton Inn

Total Amount Expended: \$273.00

May 1982
Villa Italian
Shorty Smalls
Golden Buddha Restaurant

Total Amount Expended: \$40.19

June 1982
Buc's
Sawmill Restaurant
Knights Court Lounge
Chinatown Express Restaurant

Total Amount Expended: \$55.81

July 1982
Anderson's Cajun Wharf
Shorty Smalls

Total Amount Expended: \$19.57

August 1982
Pinocchio's, Poplar Bluff, Missouri
Bennigans
Cotton Bowl, Poplar Bluff, Missouri
Hilton Inn
Busters
Rollo's
Pat and Mike's
Executive Inn
Peachtree Plaza Hotel, Atlanta, Georgia
Atlanta Hilton, Atlanta, Georgia

Total Amount Expended: \$412.38

September 1982
Shrimp Oyster Beer
Golden China

Total Amount Expended: \$54.46

October 1982
Collin Liv Hunan Food
Pat and Mike's
Hunan Oriental
Jo Jo's
Pablo's
Villa Hilton Restaurant

Total Amount Expended: \$104.69

November 1982
Coy's Steak House
Little Rock Excelsior
Gaffer's Restaurant, Memphis, Tennessee
Ruby Tuesday's No. 7, German Town, Tennessee
Jacques/Suzanne Restaurant
Jose's
Sawmill

Total Amount Expended: \$273.80

December 1982
Buster's
Shorty Small's
Butcher Shop
Buster's

Total Amount Expended: \$147.13

Benton Courier
9-25-84

Page 2 of 5

January 1983
Stouffers Inn
Stouffers Inn

Total Amount Expended: \$39.73

February 1983

Buster's
Sawmill
Captain's Walk
Sawmill
Sawmill
Captain's Walk

Total Amount Expended: \$244.24

March 1983

Captain's Walk, Inc.
Sawmill
Captain's Walk
Spinnakers

Total Amount Expended: \$50.93

April 1983

Shorty Small's
Anderson's Cajun Wharf
Bennigans

Total Amount Expended: \$370.13

May 1983

Anderson's Cajun Wharf
Anderson's Cajun Wharf

Total Amount Expended: \$79.83

June 1983

Boston Sea Party, Dallas, Texas
Villa Restaurant

Camelot Inn

Total Amount Expended: \$86.15

July 1983

Riverfront Hilton
Shorty Small's
Shorty Small's
Packet House
Shogun Japanese
Continental Restaurant
Crescent Hotel
Wiederkehr
Wiederkehr
Continental Restaurant
Packet House
Coy's Steak House
Villa Restaurant

Total Amount Expended: \$606.56

August 1983

Jim's Place East
S.O.B., Little Rock
Jim's Place East
Holiday Inn East
Little Rock Excelsior
Little Rock Hilton
Little Rock Villa
Chi Chi's of Little Rock
Cajun's Wharf
Packet House

Total Amount Expended: \$507.07

September 1983

TGI Friday's
Anderson's Cajun Wharf
Hunan River Garden, Texas
Shorty Small's

Total Amount Expended: \$129.05

October 1983

Little Rock Excelsior
Little Rock Excelsior
International Hotel
Golden Nugget Hotel, Las Vegas
Riverfront Hilton
John Barleycorn's
Red Lobster 202

Total Amount Expended: \$352.53

November 1983

Stubb's Bar-B-Que
Hilton
Little Rock Hilton
Little Rock Hilton
Stubby's Bar-B-Que
Coy's Steak House

Total Amount Expended: \$228.13

December 1983

Anderson's Cajun Wharf
Jacques/Suzanne, Little Rock
Stubby's Bar-B-Que
Red Lobster 202
Stubby's Bar-B-Que
Stubby's Bar-B-Que
Coy's Steak House
Buster's
Buster's
Villa Italian

Total Amount Expended: \$576.47

January 1984

Coy's Steak House
Villa Italian
Vergos Rendezvous Restaurant,
Memphis, TN
Crescent Hotel, Eureka Springs, AR
Hunan Chinese Restaurant
Villa
Desperado, Memphis, TN
Rendezvous Restaurant, Memphis,
TN
Crescent Hotel, Eureka Springs, AR

Total Amount Expended: \$614.93

February 1984

Stubby's Bar-B-Que, Hot Springs,
AR
Villa Italian Restaurant, Little
Rock
Stubby's Bar-B-Que
Little Rock Excelsior
Stubby's Bar-B-Que
Villa Restaurant
Stubby's Bar-B-Que
Villa Restaurant
Stubby's Bar-B-Que
Little Rock Excelsior

Total Amount Expended: \$609.70

We highlight this spending in the hopes that close scrutiny and control will be used in the future.

**HOSPITAL VEHICLES
AND USEAGE**

Saline Memorial Hospital owned only two vehicles; but, credit card receipts indicate gasoline was put in many vehicles other than those owned by the hospital.

Gasoline purchases for the month of February, 1983, totalled \$1,275.88; for the month of October, 1983, the total was \$1,367.11. On September 5, 1983, four gasoline purchases for a total of \$104.76 were put into a vehicle bearing license No. KLB-326. The purchase were made at the same service station in Little Rock. On July 16, 1983, in Hot Springs, gasoline invoiced at \$79.61 was put into a vehicle, license No. KLB-326. On the same day, in Benton, \$23.00 worth of gasoline was put into this same vehicle. This was a common occurrence.

Not only excessive use of gasoline occurred, but a constant leasing or renting of other automobiles took place. Below is a compilation of amounts spent for leasing vehicles in each enumerated year:

1982, \$2,589.31; 1983, \$4,946.54; 1984 (Jan-March), \$2,489.14.

We believe only special circumstances would warrant the hospital leasing vehicles since it owns two vehicles; therefore, guidelines are needed in this area.

TELEPHONE USAGE

Review of randomly selected statements of the Saline Memorial Hospital telephone bills point out abuse, phone calls known to be non-hospital related totalled \$689.23. These consisted of purely personal calls not related to hospital business.

Another \$248.17 was expended, making long distance calls to numbers in New York which played pornographic messages. These calls occurred between October 6, 1983 and December 6, 1983, and this should not be considered to be a complete listing.

Benton Courier
9-25-84
page 3 of 5

PAY POLICIES

The setting of standard salaries for similar positions in a work force is fair to all employees. Raises are also appropriate for longevity, education and experience. These standards for fairness were abused at Saline Memorial Hospital. Persons who came under favor of the administrator received unusual raises in pay.

INDIVIDUAL SALARIES

On 12-13-82, James Ralph's salary went from \$12,126.40 to \$21,486.40. Within the next twelve months he received four raises, resulting in an ending salary of \$29,390.40 for a total increase of \$17,264.00 in twelve months and sixteen days.

On 6-29-81 Melvin King received a raise from \$25,916.80 to \$39,486.00. Four raises later he was being paid a total salary of \$49,004.80, an increase of \$23,088.00 in thirty months.

Carla Hart started work on March 21, 1983, at a salary of \$21,632.00. By December 26, 1983, she was being paid a salary of \$29,993.60, an \$8,361.60 increase in nine months.

Thomas Gilbert's salary was raised from \$25,916.80 to \$39,486.00 on 6-29-81. By December, 1983, his salary was \$49,004.90, an increase of \$23,088.00 in thirty months.

Other pay policies concerning "overtime pay", "comp time" and "call-back time" were violated despite precautions in hospital policies.

Certain employees were instructed in how to falsify overtime or comp time and received thousands of dollars in pay when they actually were not working. Evidence exists that this extra pay was used to purchase cocaine for parties and that people were actually paid for attending these parties.

One glaring example of potential abuse of accrued comp time and vacation time was the use of hospital employees to build a house for E. F. Black, Jr. During the Spring of 1983, Mr. Black approached William Davis, Clint Chism, Melton Carter, and Willie Neal about some of them using their accrued comp and vacation time to build a house for him. The accounts of persons present at these meetings are bizarre, to say the least. It was reported that Mr. Black cried while telling these people that his wife was terminally ill. He began begging them to build the house for his supposedly dying wife. These people agreed to build the house for Mr. Black. We can find no proof that these people did not have the accrued comp time or vacation time that was used to build Mr. Black's house. We believe they were more the victims of an unscrupulous boss, but the potential for abusing the use of comp time is evident.

HOSPITAL STAFFING

Saline Memorial Hospital has over 400 employees. Many personnel positions require certain experience, education and training to perform their duties. One associate administrator had the primary responsibility of personnel manager. In spite of standard provisions for job positions, as well as job descriptions, numerous instances of improper hiring and employment practices occurred.

The most abusive practice was the hiring by the administrator, E. F. Black, Jr., of persons for no particular or specifically needed positions.

One example was the hiring of a person who, in his own opinion, was "primarily" used to buy the illegal drug cocaine. This employee would buy this drug with hospital funds and it was used at the administrator's parties. This person is no longer employed by Saline Memorial Hospital.

Another example occurred in 1983, when a person was hired for a position which had no job description at a salary of \$30,000.00 per year. This person's (a friend of E. F. Black, Jr.) only essential contact with the hospital was to get a paycheck. This person is no longer employed by Saline Memorial Hospital and the salary paid out has been recovered.

E. F. Black, Jr. used his position to gain influence over hospital board members and doctors. Some hospital board members and medical staff would request Mr. Black to hire their friends or relatives. Mr. Black kept a detailed list of these requests. Relatives of board members were hired, contrary to hospital policy and with little input from hospital department heads.

Another example of Mr. Black's abuse of his position was the purchase by E. F. Black, Jr. of a large safe from Kenneth Baxley when he (Mr. Baxley) was on the Saline Memorial Hospital Board. The safe was of no use to the hospital and was eventually given away by Mr. Black.

Mr. Black instructed the business office to not attempt to collect a bill of Doctor Robert Jones. This bill was in excess of \$3,000.00. Mr. Black used these tactics and others to consolidate his power in Saline Memorial Hospital.

E. F. Black, Jr. advanced his friends to top positions within Saline Memorial Hospital. Most of the employees of Saline Memorial Hospital suffered these abuses because Mr. Black gave the appearance of controlling the Saline Memorial Hospital Board. Employees were intimidated and frightened to report anything to the Saline Memorial Hospital Board because "they" thought E. F. Black, Jr. controlled board members.

These instances are revealed so an adequate employee grievance procedure may be adopted so an employee will not fear for his job by reporting wrongdoings.

BIDS

Hospital policy and procedure requires public bids on purchases of materials and equipment over \$2,000.00. Our investigation has revealed a job completed at Saline Memorial Hospital in which the total price was \$5,475.00. This price was paid in three installments each, \$1,950.00; \$1,950.00; and \$1,950.00 under the bid ceiling. This job was reported to the Grand Jury by Board Chairman Mary Francis Izard. It is hoped that the Board can develop a procedure to prohibit this from happening in the future. The prosecutors shall continue investigating this and other matters.

PROFESSIONAL FEES

The most glaring problem with professional fees is the fact that the administrator had a blank check from the board insofar as incurring expenses for the attorney, and accountant.

Mr. E. F. Black, Jr. held a meeting with officials of American Medical International at his lake house. This meeting concerned the sale of Saline Memorial Hospital; when it was discovered during our investigation that none of the board members of Saline Memorial Hospital approved such negotiations. Attorney fees were paid for this meeting.

Below is a chart of expenses for legal services of Saline Memorial Hospital as compared with other hospitals in the area.

SALINE MEMORIAL HOSPITAL LEGAL FEES

Fiscal 82-83, \$16,408.00; Fiscal 83-84, \$18,764.38; Fiscal 84-85, \$1,143.75 (one month)

Benton Courier 9-25-84
Page 4 of 5

TWIN RIVERS

MEDICAL CENTER

Budget 1984, \$1,500.00 (legal fees)

HOT SPRINGS COUNTY

MEMORIAL HOSPITAL

Budget 1984, \$5,000.00 (legal fees)

We realize that it's difficult to compare different hospitals, so we requested Fred Briner, who served as hospital attorney, to submit his total billing of Saline Memorial Hospital for his final year, which was 1977, and it was \$871.00.

These expenses were not just minor, incidental expenses, but amounted to thousands of dollars each year. It is strongly urged that in the future these expenses be closely scrutinized and controlled.

RIVENDELL PROJECT

In the first part of 1983, Rivendell of America, Inc. was attempting to locate in Maumelle, Arkansas, for the purpose of building a psychiatric hospital for treatment of children and youth. The property owners in Maumelle blocked the location of the hospital. E. F. Black, Jr. met the Rivendell people in Little Rock and told them of the advantages of locating in Saline County. Mr. Lib Carlisle was made aware of this situation by newspaper accounts. At about the same time, Raymond Thomas advised Mr. Carlisle that he had seen a Rivendell brochure on E. F. Black, Jr.'s desk. Mr. Black contacted Mr. Carlisle and informed him that by getting Rivendell in Saline County, the Saline Memorial Hospital would benefit financially through the use of the hospital for initial work-ups and lab work on all patients entering Rivendell.

Rivendell officials were invited to the annual Chamber of Commerce

Banquet in January of 1983, for the purpose of introducing Rivendell to the people of Saline County. Mr. Carlisle, Mr. Black, and a group of prominent Saline county businessmen arranged a caravan to meet the Rivendell people in Little Rock, bring them to the banquet. Black spent hospital funds to charter an aircraft to bring the Rivendell people from Memphis to Benton.

The primary financing for the construction of this hospital was to be revenue bonds issued by Saline County under Act 174 of the Acts of Arkansas, 1961. The court approved the issue of these bonds on February 9, 1983.

In January, 1983, the Rivendell people made local realtors aware of their need for approximately twenty acres of land near the Interstate. Around January 23, 1983, Mr. William LaSage listed with realtor Ken Hughes twenty three acres of land, which became the final choice of Rivendell, Inc. At this time a group of Saline County realtors (Lib Carlisle, Raymond Thomas, Eddy McCray, and Fred Walton) and Saline Memorial Hospital Administrator, E. F. Black, Jr., formed a group to purchase the LaSage property for

\$260,000.00 with the intent to re-sell the property to Rivendell, Inc. for \$360,000.00. The purchase of the LaSage property was contingent on the finalizing of the Rivendell project. Ken Hughes was to receive a fee for listing the property. The balance of the \$100,000.00 profit was to be divided among the five individuals.

E. F. Black, Jr., in his efforts to insure that the Rivendell project would be finalized, and that he would receive his share of the \$100,000.00, was spending Saline Memorial Hospital funds for the entertainment of the Rivendell group, to the extent of using a hospital VISA card to charge some \$3,783.00 for a skiing trip to Keystone, Colorado. At this time, E. F. Black, Jr. advised Lib Carlisle that he has spent approximately \$2,000.00 of his own money to insure that the Rivendell project would go through. Mr. Carlisle agreed to reimburse E. F. Black, Jr. the \$2,000.00 upon completion of the property transaction.

On April 25, 1983, the Arkansas Health Planning and Development Agency determined that a need did exist for a psychiatric hospital for children and youth, and a Certificate of Need was issued to Rivendell of

Arkansas, Inc. A group of interested citizens of Saline County attended the hearing in Little Rock, at which this certificate was issued.

During the Fall of 1983, William LaSage became concerned with the lack of progress toward the sale of his land. When it became apparent that the bonding issue had fallen through, the Rivendell group made an agreement with Crow-Wright of Houston to build the hospital for Rivendell and lease the facility to them. Crow-Wright agreed to the \$360,000.00 purchase price.

The unusually high expenses of E. F. Black, including the trip to Colorado, were brought to the attention of Chairman of the Board of Saline Memorial Hospital, Dr. Jim Porter, who, in turn, notified the Prosecuting Attorney. When confronted with this information, E. F. Black, Jr. resigned.

After Mr. Black was indicted, Carlisle, Thomas, Walton, and McCray became uneasy about rumors concerning the property transaction.

Subsequently, Crow-Wright purchased the property from William LaSage for \$260,000.00. Mr. Black, Carlisle, Thomas, Walton, and McCray and Hughes received no money from the transaction.

CONCLUSION

When a group listens to 137 persons concerning a public institution for a period of twenty-four days, we get a pretty good picture of what that institution represents. The majority of the Saline Memorial Hospital employees are conscientious, hard-working and dedicated people. These same people have suffered abuse, humiliation and unfair treatment because of the acts of a few people. At no time during this investigation did we hear of inadequate health care for the patients at Saline Memorial Hospital. We think this points out the thanks we owe these good employees who stayed on their jobs and performed their duties to their patients in spite of the daily abuse, humiliation and unfair treatment they received at the hands of the "select few" in administration.

The new administration has begun to revise procedures and we hope new procedures and guidelines will endeavor to improve Saline Memorial Hospital. We sincerely hope that this report will act as a constructive tool for the "new beginning" at Saline Memorial Hospital.

Joe Gaylo
FOREMAN

Benton Courier
9-25-84
page 285

Jury's findings accepted; panel dismissed

By LYNDA HOLLENBECK
Courier Staff Writer

The Saline County grand jury that conducted an intense investigation into allegations of financial improprieties at Saline Memorial Hospital officially completed its work today when Circuit Judge John Cole accepted the panel's final report of its findings.

Cole emphasized that the report could not contain any information accusing any person of criminal conduct unless that information was pertinent to an indictment. The report was signed in open court by the jury foreman, Joe Gaylo.

Cole thanked the jurors for their service, described their work as "thorough," announced that their duties were concluded and then dismissed the 19-member panel.

The grand jury — which held its first session June 27 — on Aug. 14 returned indictments for seven persons, who are scheduled to be arraigned Oct. 1 in Circuit Court. Indicted are: E.F. Black Jr., the former administrator of Saline Memorial; Linda Black, wife of E.F. Black; Tommy Gilbert and Melvin King, former associate administrators of the hospital; Jim Ralph, the former purchasing director of the medical facility; Craig Cook, a former employee in the hospital's purchasing department; and Kenneth Baxley, a former member of the hospital's board of directors.

The indictments handed down include 85 charges, including 48 against the former administrator. In a separate information filed today, the grand jury amended a charge of public servant bribery filed against E.F. Black. Previously, that charge stated that Black had threatened to divulge confidential and embarrassing information related to an extramarital relationship Dr. Jim Porter, the former chairman of the hospital board, had had in order to influence Porter's decisions as a public servant during the latter part of 1983 and 1984. The amended charge states those threats did not occur until May 1984, approximately two months after Black's resignation as administrator.

The prime focus of the grand jury's investigation was the alleged use of hospital funds for materials, equipment and entertainment unrelated to hospital business. For 24 days, the panel interviewed 137 witnesses, including present and former hospital employees, present and former hospital board members, present and former county officials, contractors and many other persons associated with the county medical facility. The findings of the probe were limited from June 1981 to the present time.

Based on numerous hospital records and documents subpoenaed and witnesses' testimony, the jury learned that the hospital expended a substantial amount of its resources for materials, travel and entertainment not related to the hospital's business. These expenditures were extremely

high in current years, especially in 1982-83, and evidence existed that these practices had existed for many years. However, the jury was unable, because of time and non-existence of certain records, to determine the amount of expenditures involved throughout the past 10 years.

The information obtained that substantiated misuse of funds, however, included the falsification of overtime payroll of \$10,078.54 for 1983 and January of 1984 for Carla Hart, the hospital's former director of medical records.

Hart had previously been charged with the falsification of a \$754 travel voucher, but was granted immunity from prosecution in exchange for her testimony before the grand jury.

Other discrepancies discovered included falsifying overtime pay in the amount of \$6,859.93 for Jim Ralph in 1983; falsifying a check for \$1,850 made out to M.N. Mabry for alleged DRG (diagnostic related groups) material; spending \$800 from a petty cash fund on Oct. 15, 1983, and \$500 from this fund in December 1983 for personal use; and spending approximately \$5,000 for the entertainment of officials of Rivendell Inc., the Memphis firm constructing a hospital for emotionally disturbed children and adolescents in Saline County.

Numerous other expenditure irregularities were also noted, many of which were accomplished through the use of hospital credit cards.

The report states that E.F. Black Jr. began his employment at Saline Memorial as assistant administrator in 1974. Rumors of improper spending practices surfaced in 1978 and 1979 and Peggy Butler, a member of the county quorum court at the time, brought up some of these matters in an executive session of a quorum court meeting.

The members of the court reportedly instructed the deputy prosecuting attorney, Dan Moudy, who was in attendance, to investigate the matter. At the court's next meeting, Black appeared with Kenneth Baxley, who was then chairman of the hospital board, along with other hospital staff members. The grand jury's re-

See GRAND JURY page 5

Benton Courier
9-25-84
page 1 of 3 pages

Grand jury issues report

Continued from page 1

port states that Moudy never reported the problem to Dan Harmon, who was then serving as prosecuting attorney, or to any other law enforcement agency.

At approximately the same period, the hospital board recalled all hospital charge cards from approximately 27 people holding them. Shortly after that time, though, the cards were re-issued and when the problem came to light again in 1984, seven people had hospital Visa cards in their possession.

Improper spending practices surfaced again in 1984 when Ron Morris, controller for the hospital, reported questionable spending concerning a project related to the construction of a Rivendell Inc. hospital to be constructed in Saline County. This information was presented to Dr. Porter, the hospital board chairman at that time, who subsequently confronted Black with this information that led to Black's resignation on March 5.

This series of actions prompted the calling of the grand jury. In its report, the grand jury expressed appreciation for the cooperation it received from hospital employees, Morris and Porter during the course of the lengthy probe.

The report notes extreme pay increases given to particular employees at the hospital. Former Purchasing Director Jim Ralph's salary was raised from \$12,146.40 in December 1982 to \$21,486.40. Within the next 12 months, Ralph received four more

raises, resulting in a final salary of \$29,390.40 for a total increase of \$17,264 in 12 months and 16 days.

Former Associate Administrator Melvin King's salary increased from \$25,916.80 on June 29, 1981, to \$39,486. Four raises later, his total salary was \$49,004.80, an increase of \$23,088 in 30 months.

Carla Hart began work as director of medical records on March 21, 1983, at a salary of \$21,632, and by Dec. 28, 1983, was receiving a salary of \$29,993.60, an \$8,361.60 increase in a nine-month period.

Tommy Gilbert's salary as associate administrator was raised from \$25,916.80 to \$39,486 on June 29, 1981. By December of 1983, he was receiving \$49,004.90, an increase of \$23,088 in 30 months.

Other pay policies concerning "overtime pay," "comp time" and "call-back time" were violated despite precautions in hospital policies, the report states. Certain employees were given instructions in falsifying overtime and compensatory time and received thousands of dollars in pay for time that they did not work. Evidence exists that this extra pay was used to purchase cocaine for parties and that people were actually paid for attending these parties, the report states.

The report notes a "glaring example" of potential abuses of accrued compensatory and vacation time involving the use of hospital employees in building a house for E.F. Black. During the spring of 1983, Black allegedly approached employees William

Davis, Clint Chism, Melton Carter and Willie Neal about some of them using this accrued time to build a house for him. It was reported that Black wept while telling these persons that his wife was terminally ill and begged them to build the structure for her.

The grand jury found no proof that these people did not actually have this accumulated time and noted that they were the "victims of an unscrupulous boss," but still pointed out the potential for the abuse of the use of compensatory time.

The report noted abusive hiring practices followed by E.F. Black, who employed persons for no particular or specifically necessary position.

One example given stated that a person — not identified, but who is no longer employed at the hospital — was hired primarily to buy the illegal drug cocaine. This employee would buy the drug with hospital funds and it was then used at parties given by Black, the report says.

Another example involving an unnamed individual occurred in 1983 when a person was hired for a position that had no job description at a \$30,000 annual salary. The only essential contact for this person — who is no longer at the facility — was to receive a paycheck and the salary paid out has not been recovered.

The investigation revealed that Black had instructed the hospital business office to not attempt to collect a bill exceeding \$3,000 from Dr. Robert Jones, a physician on the hospital's medical staff, as part of his at-

tempt to consolidate his power in the hospital.

The grand jury learned that Black advanced his friends to top positions in the medical facility, causing many employees to suffer abuses because they believed Black had control over the hospital board. Employees were intimidated and frightened to report anything because of this appearance of control, the report states.

The grand jury learned that the most glaring problem with professional fees concerned Black having a "blank check" from the board insofar as incurring expenses for the hospital attorney and accountant. It notes that Black went so far as to hold a meeting with officials of American Medical International at his lake house concerning the actual sale of the hospital. Attorney fees were paid for this meeting, but the investigation revealed that none of the hospital board members had been aware of this event.

Legal fees paid to Dan Moudy, the former hospital attorney, amounted to \$16,408 in the fiscal year 1982-83, \$18,764.338 in 1983-84 and \$1,143.75 for a one-month period in 1984-85, the report states. Fred Briner, who previously served as hospital attorney, received \$871 in 1977, his last year to hold that position.

In the charges brought out in the indictments, Black is accused of committing public servant bribery and conspiracy to commit public servant bribery with Gilbert and Ralph by threatening to divulge photographs or video tapes of Moudy engaging in il-

licit sexual relations with Carla Hart. The conspiracy charge also states that Moudy used an illegal drug at the time the video tapes were made.

A criminal attempt charge filed against Black and Thomas states that they attempted theft of property by threatening to divulge video tapes of James Sanders, who formerly audited hospital accounts, engaging in illicit sexual relations with Carla Hart if payments of a sum of money were not made.

The final problem dealt with in the grand jury's report concerns the Rivendell project. The report states that in January 1983, officials of Rivendell made local Realtors aware of their need for approximately 20 acres of land near Interstate 30 for the construction of a hospital in this county.

The report says that about Jan. 23, 1983, William LaSage of Saline County listed with Realtor Ken Hughes 23 acres of land, which became the final choice of Rivendell. At this time, Saline County Realtors Lib Carlisle, Raymond Thomas, Eddy McCray and Fred Walton and E.F. Black formed a group to purchase the LaSage property for \$260,000, with the intent of reselling the property to Rivendell for \$360,000.

The purchase of the property was contingent upon the finalizing of the Rivendell project. Hughes was to receive a fee for listing the property and the balance of the \$100,000 profit was to be divided among the five individuals. However, as it turned out, this money was never collected, the report states.

According to the report, Black, in

his efforts to insure that the Rivendell project would be finalized and that he would receive his share of the \$100,000, was spending hospital funds to entertain Rivendell officials, including a ski trip to Colorado. Black told Carlisle that he had spent approximately \$2,000 of his own money to insure the project's success and Carlisle reportedly agreed to reimburse Black upon completion of the property transaction.

On April 25, 1983, a certificate of need was issued to Rivendell of Arkansas Inc. However, during the fall of 1983, LaSage became concerned with the lack of progress toward the sale of his land and learned that a bonding issue for the project had fallen through. The Rivendell group then made an agreement with Crow-Wright of Houston to build the facility for Rivendell and subsequently lease it to the firm. Crow-Wright agreed to the \$360,000 purchase price.

The unusually high expenses of Black, including the trip to Colorado, were brought to the attention of Dr. Porter, who in turn informed Prosecuting Attorney Bob Alsobrook of the matter. Black was confronted with this information and submitted his resignation as administrator.

After Black was indicted by a grand jury in March, Carlisle, Thomas, Walton and McCray became concerned about rumors concerning the property transaction and Crow-Wright purchased the property from LaSage for \$260,000. The report states that Black, Carlisle, Thomas, Walton, McCray and Hughes did not receive any money from the transaction.