MINUTES OF
THE REGULAR MEETING OF THE
CITRUS COUNTY HOSPITAL BOARD
JANUARY 8, 2010

CALL TO ORDER

The regular monthly meeting of the Citrus County Hospital Board of Trustees [CCHB] was held Monday, **January 8, 2010** at the Citrus Memorial Hospital Administration Building, 2nd floor Boardroom, 502 W. Highland Blvd., Inverness, Florida. The Chairman called the meeting to order at 12:00 P.M.

PLEDGE OF ALLEGIANCE

ATTENDANCE

Board Members: V. Upender Rao, MD (Chairperson); Deborah L. Ressler (Vice Chairperson); Michael A. Smallridge (Member) and James O. Wood (Member).
Not in Attendance (participation via speakerphone): Deborah Osmond Frankel, Esquire (Secretary)
Also in attendance:
William J. Grant, Esquire, CCHB General Counsel

Ryan Beaty, CEO, Citrus Memorial Health Foundation, Inc.
Emery Hensley, CFO, Citrus Memorial Health Foundation, Inc.

Members of the Public: William Dixon, MD - Florida Wellcare Alliance, Pareshkumar G. Desai, MD – Florida WellCare Alliance, Sophia Diaz-Fonseca, Joe Chrietzberg, Edna Mattos, Darrell Oster, Brenda Oster, Kenneth Tucker and additional members of the public.

Karla Dozier (CCHB), Robin Gelinas (CCHB)

APPROVAL OF MINUTES AND MISCELLANEOUS

December 14, 2009 Minutes: To be placed on the January 18, 2010 Agenda.

Miscellaneous: Mr. Grant advised that Mrs. Osmond-Frankel, not in attendance, was participating via speaker phone and it was his opinion, as well as Mr. Jones (Akerman-Senterfitt Special Counsel) that such was appropriate. Mrs. Osmond-Frankel would not be considered for quorum determinations and would not be voting on any matters.

(1) PUBLIC COMMENT

A. *Dr. William Dixon*: Dr. Dixon noted the concerns raised by the Auditor General in the preliminary report and requested the CCHB seek a grand jury investigation into mismanagement or even perhaps wrongdoing as well as the non – accountability of public assets.

B. *Mrs. Edna Mattos*: Mrs. Mattos commented that the Auditor General preliminary report indicated administrative deficiencies, improperly co-mingled funds, the lack of public accountability, improper debt issuance policy and potential mismanagement. Mrs. Mattos also requested the CCHB request a grand jury investigation into the matter. Mrs. Mattos additionally advised she believed the Foundation was improperly charging for staff time relative to her public records requests.

C. *Mr. Kyle Joe Chrietzberg*: Mr. Chrietzberg commented that he was not traumatized by the AG report as most matters seemed to be "bad housekeeping" which could be rectified. Mr. Chrietzberg advised he too felt a state wide grand jury to be appropriate as both Boards seemed unwilling to compromise mandates.

D. *Mrs. Sophia Diaz-Fonseca*: Noting the CMH staff has potentially been caught up in the governance dispute, Mrs. Diaz-Fonseca requested that the Board communicate to the CMH staff the Board's deep appreciation of the dedicated CMH family.

E. *Darrell Oster*: Mr. Oster commented that a grand jury investigation was needed as no one is looking out for the taxpayer. Mr. Oster requested that the Board tentatively set the 2011 tax rate at zero to send a clear message to the Foundation regarding the lack of accountability.

H. *Paresh Desai, MD, Florida WellCare Alliance and Manjo Shukla MD:* Dr. Desai and Dr. Shukla supported the previous requests for a grand jury investigation and noted Foundation legal expenses and potential Sunshine Law violations. Dr. Desai advised he had repeat requests to the Foundation for certain information.

The Foundation provided Mr. Stillwell's legal expenses to Mr. Grant.

(2) CORRESPONDENCE

The following correspondence items were received:

A. 12.23.09 Beaty/CCHB letter regarding the accuracy of the Foundation's P&L statements.

BUSINESS

(3.) *Part Time Interim Executive Director* and (9) *Part Time Scanner*:

Mr. Grant advised there are significant administrative responsibilities that would be more cost efficient to the Board to have performed by an interim executive director. These duties include assistance with policy development, Foundation liaison, tax appropriations accountability monitoring, preparation and review of service RFP publications, agenda and related document preparation and organization, communications and general administrative duties. Mr. Grant advised that the job would be part-time and on an interim basis. The Board noted the immediate need for such services and the significant cost savings in transferring these duties from legal counsel. Mr. Grant further advised that should the need evolve into a full time or permanent position, the job would be advertised and posted. Mrs. Vicki LaMarche discussed her unique qualifications for the position including experience with the CMHS organization in marketing and business development as well as administrative experience as a department Director. Mrs. LaMarche's educational background includes Bachelor of Arts Degrees in Psychology and HealthCare and a Masters of Business Administration.

Mr. Grant additionally advised that the clerical needs of the CCHB necessitated a part-time entry level scanner/clerical aid to assist with the preparation and retention of documents. Such a position would be paid at approximately $8.00 per hour.

Public comment suggested either volunteer assistance or Foundation funding.

Motion by Mr. Smallridge, second by Mrs. Ressler to retain Mrs. LaMarche as a part time Interim Executive Director and to additionally hire an entry level part time scanner clerical assistant. Upon being called, the Motion passed 4-0. [Mrs. Osmond-Frankel, not present, did not vote]

(4.) *CCHB Accountant:*
Mr. Grant suggested the potential need to either retain or contract with a Certified Public Account to assist the Board with financial statement preparation, monitoring and compliance. Mr. Hensley advised that the Foundation had recently recruited a new Chief Financial Officer, Mr. Williams, who would be starting approximately February 01, 2010. Mr. Hensley further advised that he would be staying on with the Foundation in another capacity, perhaps related to CMHS Charge Master improvements. Mr. Beaty advised that Mr. Hensley would continue to be available to assist with CCHB financial matters. The Board noted the need for financial expertise regarding financial document preparation, expense monitoring, budget preparation and financial policy recommendations.

Motion by Mrs. Ressler, second by Mr. Wood to construct an RFP for contractual financial accountant services or in house financial officer. Following the opportunity for public comment, the Motion passed 4 – 0. [Mrs. Osmond Frankel, not present, did not vote]

*** RECESS***

Mrs. Ressler requested clarification of Mrs. LaMarche's reimbursement level. Mr. Grant clarified the reimbursement would be approximately $40,000 per annum, an amount consistent with industry standards and requested Board approval thereof.

Motion by Mr. Smallridge, second by Mr. Wood to approve the proposed salary of $40,000.00 per annum for the part time Interim Executive Director position. Following the opportunity for public comment, the Motion passed 4-0. [Mrs. Osmond-Frankel, not present, did not vote]

(5.) *Auditor General's Preliminary Report and Findings*: *(Copy Attached)*

Mr. Grant advised that on December 18, 2009 he received the Auditor General's Preliminary and Tentative Findings and Recommendations resulting from the operational audit of the Citrus County Hospital Board and the Citrus Memorial Health Foundation, Incorporated. The Boards have thirty days until January 18, 2010 [January 19, 2010 due to Holiday] to provide a "written statement of explanation concerning all of the findings, including therein your actual or proposed corrective actions." Mr. Grant advised that the Auditor General made eleven findings. The Board thoroughly discussed each finding as well as proposed responses. Based upon Board input Mr. Grant will prepare a draft response for submission to the Board for approval January 18, 2010.

(6) *Foundation Governance Issues:*
Mr. Grant advised that although the previously scheduled December 30, 2009 mediation session with group counsels had been cancelled, he and Mr. Stillwell, Foundation counsel, had telephonically discussed proposed resolution alternatives. Mr. Grant provided his January 5, 2010 codification of the mediation proposals discussed; Mr. Grant believed his codification accurately presents the proposed resolution. *(Copy Attached)*

The mutual proposal calls for Foundation Board composition to consist of five (5) CCHB members and five (5) Private At-Large members with mutually agreed upon arbitrators to break any potential tie. Accountability requirements are as follows:

CCHB affirms the selection of the Foundation CEO; no CEO contract can exceed three (3) years
CCHB independently affirms the Foundation annual operating and capital budgets
CCHB independently affirms Foundation expenditures exceeding $125,000 per annum including personnel
CCHB & CMHF shall address reducing the 2006 and 2008 Bonds
CCHB independently affirms all debt issuances
CMHF shall comply with all state statutes
CCHB affirms by resolution that the Foundation is acting as the agent and instrumentality of the CCHB

- Both Boards will work toward developing legislation requiring both the CCHB and the CMHF members to be elected by the public with half of each Board being elected in 2012 and the remaining half being elected in 2014. At the conclusion of the elections, there would be only one Board which will function as the CCHB and also as the Foundation Board.

The Board discussed the proposal in detail noting the advantages of both Boards being elected. The Board also noted the potential disadvantages common to all elections, that only those with financial resources or special interest support could successfully fund a campaign. Mrs. Osmond-Frankel felt it was important to pursue the election of both Boards. Public comment, Dr. Dixon, stated how important public elections are and that the process provides the greatest accountability and transparency for the operation of the public asset. Mr. Grant advised another mediation is scheduled for January 11, 2010.

(7) *Dr. V. Kamat Request For Legislative Support Regarding Prevention of Restraints & Seclusion in Schools:*

Dr. Kamat Requested via letter that the CCHB write recommendations to the Florida House and Senate in support of upcoming bills regarding the prevention of restraints and seclusion of students in schools. Via consensus, the Board agreed to review/support the proposed bill. *(Copy Attached)*

(8) *Foundation FYE 2010 Financial Report (November & October 2009) distributed to Medical Staff:*

Mr. Beaty provided a CMHF monthly operative report for November 2009 and year to date FYE 2010 (October and November 2009) which he recently provided to the CMH Medical Staff.
The report showed the CMHF operative losses for the month of November 2009 and FYE 2010 year to date (October and November) exclusive of taxes.

The Board noted that during the October 2009 CMH Quarterly Medical Staff meeting, Mr. Hensley presented FYE 2009 (12 months) financial operating performance *including* all tax support but omitted to advise the Medical Staff of operative performance *excluding* the tax support. Dr. Rao noted the previous resolution of the CCHB requiring that CMH financial data be presented in both formats: tax support included in operations and tax support excluded from operations. [FYE 2009 operative performance with tax support included: $5.2M; operative performance with tax support excluded: loss ($8.5 M)]. Mr. Beaty agreed to promptly provide the FYE 2009 data with and without the inclusion of tax dollars to the full Medical Staff. *(Copies Attached)*

Mr. Wood requested that future reports include comparisons with the prior year monthly performance and prior year end performance. Mr. Beaty agreed to do so.

(9) *Part - Time Scanning Person: Addressed with Agenda Item #3 above.*

Miscellaneous:
Mr. Grant advised that AHCA had recently conducted an investigation into CMH home health referrals, found deficiencies and required correction. It was his understanding that the matter had been referred for further action. Mr. Beaty advised, in staff's opinion, that all documentation was in order and AHCA's conclusions were incorrect.

(22) Next Scheduled Meeting: Monday, January 18, 2009, at 12:30 P.M. CMHS Board Room

(23) Adjournment

Motion, duly seconded, to adjourn meeting. The Motion was approved 4 - 0 and the meeting adjourned at approximately 5:00 PM.

Respectfully Submitted,

Deborah Osmond Frankel, Esquire
Secretary

01.08.10 Minutes Exhibits Group

CITRUS COUNTY HOSPITAL BOARD
ADMINISTRATIVE BOARD ROOM, 2ND FLOOR
ADMINISTRATIVE BUILDING
502 W. HIGHLAND BLVD., INVERNESS, FL 34450

MONDAY, January 8, 2010 at 12:00 p.m.

AGENDA

Call to Order
Pledge of Allegiance
Attendance: Chairman V. Upender Rao, M.D.
Vice Chairwoman Debbie Ressler, RN
Secretary/Treasurer Deborah Osmond Frankel, Esquire
Michael Smallridge
James Wood, FCAS, MAAA

Others in attendance:
Public Comment (3 min per individual/5 min per group)
Correspondence

2. Letter from Ryan Beaty dated December 23, 2009.

Business

3. Retaining of Interim Executive Director.
4. Retain Citrus County Hospital Board Accountant.
5. Review of Auditor General's Preliminary Recommendations and Findings.
6. Foundation Governance Issues.
7. Dr. Vikas Kamat request for legislative support.
8. Citrus Memorial Health Foundation, Inc. Financial Report distributed to medical staff.
9. Part time scanning person.

Next Scheduled Meeting Date: Monday, January 18, 2010 at 12:30 p.m.
Adjournment

01.08.10 Agenda Item # 5

DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL

STATE OF FLORIDA

401 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

PHONE: 850-487-9031
FAX: 850-487-4403

December 18, 2009

Upender Rao, M.D., Chair
Citrus County Hospital Board
123 North Apopka Avenue
Inverness, Florida 34450

Mr. David Langer, Chair
Citrus Memorial Health Foundation, Inc.
502 West Highland Boulevard
Inverness, Florida 34452-4754

Dear Dr. Rao & Mr. Langer:

Enclosed is a list of preliminary and tentative findings and recommendations which may be included in a report to be prepared on our audit of the:

Citrus County Hospital Board & Citrus Memorial Health Foundation Inc.

Pursuant to Section 11.45(4)(d), Florida Statutes, you are required to submit to me within thirty (30) days after receipt of this list a written statement of explanation concerning all of the findings, including therein your actual or proposed corrective actions.

Your written comments should be submitted electronically in its original format (e.g., Word or WordPerfect) and include your signature. For quality reproduction purposes, if you are not submitting your response in its original format, please convert your response to PDF and not scan to PDF. If within the 30-day period you have questions or desire further discussion on any of the proposed findings and recommendations, please contact Marilyn Rosetti, at (850) 487-9031 or at marilynrosetti@aud.state.fl.us

Sincerely,

David W. Martin

DWM:jk
Enclosure
c: Citrus County Hospital Board Members
Citrus Memorial Health Foundation Board Directors
Ryan Beaty, Chief Executive Officer

****PRELIMINARY AND TENTATIVE FINDINGS****

SUMMARY

The Auditor General is authorized by State law to perform independent audits of governmental entities in Florida. Pursuant to Section 11.45(2)(l), Florida Statutes, the Legislative Auditing Committee, at its March 9, 2009, meeting, directed us to conduct an audit of the Citrus County Hospital Board (Hospital Board) and the Citrus Health Memorial Foundation, Inc. (Foundation). The summary of our findings for the period January 2006 through December 2008, and selected actions taken prior and subsequent thereto, is as follows:

Finding No. 1: Although the Hospital Board exercised its authority in contracting the operation of the Hospital to the Foundation, additional accountability measures should be implemented to ensure that public funds are used in a prudent manner and the Hospital is operated efficiently.

Finding No. 2: The Foundation does not maintain separate accountability for expenditures of ad valorem taxes received from the Hospital Board.

Finding No. 3: The Foundation does not maintain separate accountability for expenditures of Low Income Pool Program funds received from the Agency for Health Care Administration.

Finding No. 4: Neither the Hospital Board nor the Foundation had developed formal policies and procedures governing the issuance and monitoring of long-term debt. Additionally, the Hospital Board approved and issued revenue bonds and notes in 2006 and 2008, respectively, that exceeded the Foundation's debt capacity, as calculated by the contracted financial advisor.

Finding No. 5: The Hospital Board did not require the Foundation to follow any specific policies and procedures for construction processes related to the use of the 2008 revenue note proceeds and we noted several issues of concern in the Foundation's administration of the construction projects. Such concerns include certain contract elements and costs, conflicts of interest, and subcontractor bid awards.

Finding No. 6: Employee bonuses were paid to some Hospital officers and directors without the approval of either the Executive Compensation Committee or the Foundation Board.

Finding No. 7: Of the $58,260 in Foundation travel-related expenses we reviewed, $10,200 were only supported by credit card statements, check requests, or handwritten notes (i.e., were not supported by actual invoices); several hotel and restaurant invoices included alcohol, spa, and golf charges; and 16 banquet dinners were paid for by the Foundation for non-hospital-related attendees. Only $517 in reimbursements were received by the Foundation related to these charges.

Finding No. 8: Travel costs totaling approximately $146,000 were paid by the Foundation either to the vendor for transcriptionist services, or on behalf of the vendor, that were not authorized in the contract.

Finding No. 9: Some contracts, the total of which exceeded the Chief Executive Officer's expenditure authority, were not presented to the Foundation Board for approval.

Finding No. 10: We noted instances of actual or possible conflicts of interest during our audit period. The Foundation's by-laws established conflicts of interest policies and a Conflict Committee to address actual or possible conflicts of interest related to its directors, principal officers, and committee members. However, the Conflict Committee did not operate during our audit period.

Finding No. 11: The Hospital Board did not always comply with controlling laws relating to voting, meeting minutes, or check approvals.

BACKGROUND

Citrus County Hospital Board

The Citrus County Hospital Board (Hospital Board) is an independent special district originally created by a special act of the Legislature in 1949 (Ch. 25728, Laws of Florida). Chapter 99-442 (as subsequently amended by Chapter 2001-308), Laws of Florida, is the codification of all special acts relating to the Hospital Board.

The Hospital Board was created as a public nonprofit corporation without stock for the purpose of operating public hospitals, medical nursing homes, and convalescent homes, primarily and chiefly for the benefit of the citizens and residents of Citrus County. The Hospital Board is composed of, and governed by, a five-member board of trustees, all of whom are appointed by the Governor with four-year terms.

The Hospital Board is authorized and empowered, in part, to: (1) own and acquire property by purchase, lease, gift, grant, or transfer; (2) acquire, construct, maintain, operate, expand, alter, repair, change, lease, finance, and equip hospitals, medical nursing homes, convalescent homes, medical care facilities, and clinics in Citrus County; (3) enter into contracts with individuals, partnerships, corporations, and various governmental entities to carry out its purposes in law; (4) adopt all necessary rules, regulations, and bylaws for the operation of said hospitals and related facilities; (5) provide for admission and treatment of specified charity patients; and (6) establish a medical staff and employ personnel.

In addition, the Hospital Board has express authority to: (1) borrow money, with or without issuing notes, for the purpose(s) of constructing, maintaining, repairing, altering, expanding, equipping, leasing, and operating said hospitals and related facilities; and (2) issue bonds, subject to approval by a referendum of the voters of Citrus County, and Revenue Certificates, without such a referendum, the proceeds of which shall be used for erecting, equipping, building, expanding, altering, changing, maintaining, operating, leasing, and repairing said hospitals and related facilities.

The Hospital Board is authorized by the State of Florida to levy up to three (3) mills per year on all taxable real and personal property in Citrus County. Up to one and one-half (1½) mills per year, which is included in the maximum millage of three (3) mills per year, may be used to repay bonds principal and interest.

Citrus Memorial Health Foundation, Inc.

In March 1987, the Hospital Board created the Citrus County Health Foundation, Inc., subsequently renamed in November 1989 as the Citrus Memorial Health Foundation, Inc. (Foundation). The Foundation was created as a nonprofit corporation, with the Hospital Board as its sole member, to carry out the purpose of the special act creating the Hospital Board. The Foundation is currently doing business as the Citrus Memorial Health System, which includes:

- 198-bed in-patient hospital
- 24-hour emergency room
- Laboratory and diagnostic services
- Walk-in clinic
- Home health agency
- Rehabilitation services
- Heart center
- Orthopedic services

According to the Articles of Restatement, the Foundation operates exclusively for charitable, scientific, and/or educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended. The Foundation is managed by a board of directors comprised of the following: (1) the five trustees of the Hospital Board, (2) a minimum of five and a maximum of seven at-large directors, and (3) the chief/president of the medical staff who represents the medical staff of the Citrus Memorial Hospital. In the event of dissolution of the Foundation, its assets, after payment of its liabilities, revert to the Hospital Board.

The Hospital Board entered into a lease agreement and an agreement for hospital care with the Foundation, both effective March 1, 1990. The lease agreement expires on June 15, 2033, unless sooner terminated in accordance with lease terms. The Foundation has the right to unconditionally renew the lease for an additional 45-year term, if the Foundation is not in default under the lease agreement terms. In the event the lease is terminated, the Hospital Board will take over the hospital facilities. The agreement for hospital care is automatically renewed each year for a total of 40 years, or for as long as the lease agreement remains in effect, unless terminated by the Foundation in accordance with agreement terms.

Under the lease agreement, the Foundation has leased from the Hospital Board all of the land, buildings, improvements, equipment, furniture, and fixtures of the Citrus Memorial Health System and agreed to make rental payments equal to the principal and interest and any premiums on the Hospital Revenue and Revenue Refunding Bonds issued by the Hospital Board.

Under the agreement for hospital care, the Hospital Board agreed to assist the Foundation with funding for uncompensated care and the acquisition, expansion, and maintenance of proposed and existing hospital and health facilities in exchange for medical services provided by the Foundation to the residents of Citrus County. In addition, the Foundation is required to submit an annual operating and capital budget to the Hospital Board. The Hospital Board is required to review the budget in conjunction with its own budget and, in accordance with its enabling legislation, certify to the Citrus County Board of County Commissioners the millage rate required to be levied. Public budget hearings are held as required by law. The Hospital Board is then required to pay to the Foundation its share of the ad valorem tax revenues to fund activities and services identified in the Foundation operating and capital budget.

FINDINGS AND RECOMMENDATIONS

Accountability

Finding No. 1: **Hospital Board Oversight**

Section 155.40, Florida Statutes, provides general authority for any county, district, or municipal hospital to be sold or leased to a for-profit or nonprofit Florida corporation and for the governmental entity to enter into an agreement with the corporation for the operation of the hospital. Section 155.40(5), Florida Statutes, indicates that in the event a hospital operated by the corporation receives more than $100,000 annually in revenues from the county, district, or municipality that owns the hospital, the Florida corporation must be accountable to the county, district, or municipality with respect to the manner in which the funds are expended by either (a) having the revenues subject to annual appropriations by the county, district, or municipality; or (b) where there is a contract to provide revenues to the hospital, the term of which is longer than 12 months, the governing board of the county, district, or municipality must be able to modify the contract upon 12 months notice to the hospital. The Foundation receives annual appropriations from the Hospital Board in amounts exceeding $100,000. Florida Courts have recognized that, although Section 155.40, Florida Statutes, provides that a district may reorganize a hospital entity for the purpose of operating and managing the hospital, it does not authorize relinquishing to an independent private board effective unfettered control over public property, powers, taxing authority, and money, including expenditure of ad valorem taxes without public oversight or accountability. Florida courts have also held that the Hospital Board must exercise sufficient control over the Foundation for the Foundation to be considered an instrumentality of a governmental entity and, thus, entitled to sovereign immunity.

Pursuant to its authority, the Hospital Board entered into agreements with the Foundation, a nonprofit corporation, to operate the Citrus County Hospital System (Hospital) pursuant to a lease agreement and an operating agreement for hospital care. The agreement for hospital care is automatically renewed each year for 40 years, or as long as the lease remains in effect. The lease agreement also provides, in addition to the 40-year term, a provision that the Foundation has an unconditional right to renew the lease for an additional 45-year period. The Foundation has the right to terminate the agreement for any reason if it provides notice of such termination no later than 30 days prior to the annual automatic renewal date. Florida Statutes that apply to the operations of the Hospital Board, as a Florida local government, generally do not apply to the operations of the Foundation, as a nonprofit corporation. The agreements for the lease and operation of the Hospital do not incorporate or otherwise require the Foundation to follow any specific Florida laws, other than the Sunshine and public records laws, in the operation of the Foundation that are applicable to the Hospital Board. The agreements also do not prescribe specific good business practices to ensure the efficient operation of the Hospital.

In this report, we have noted administrative deficiencies by the Foundation in the areas of accountability for public funds provided by the Hospital Board and the State, debt management, construction project administration, expenditure of funds, and other matters. The agreement for hospital care requires the Hospital Board to appropriate sufficient funds to the Foundation in an amount based on an annual operating and capital budget submitted by the Foundation to the Hospital Board. The Hospital Board must pay the Foundation public money for a period of at least 40 years (or conceivably 85 years) with limited input from, or accountability to, the public. The Hospital Board, unlike the Foundation, has no authority to unilaterally terminate the agreement. The Foundation is self-perpetuating and structured so that the Hospital Board members serving as directors of the Foundation Board will always be a minority. At its October 26, 2009, meeting, the Hospital Board passed a resolution whereby its members agreed to resign as directors of the Foundation Board. However, as of November 30, 2009, written notifications of these resignations had not been received by the Foundation, its Board, or its Chair. For such resignations to be effective, Section 617.0807, Florida Statutes, require directors' notices of resignation to be in writing and delivered to the board of directors, its chair, or to the corporation. Section 4.9 of the Foundation's by-laws also require resignations to be in writing and delivered to the Chair or Vice-Chair. Although the Hospital Board has exercised its authority in contracting the operation of the Hospital to another entity, it has a responsibility to ensure that proper accountability measures are in place to carry out the responsibilities contained in its enabling legislation. Requiring the use of specified good business practices would help ensure that the Hospital is operated in a more efficient manner and may reduce the need for ad valorem tax revenues. Further, requiring accountability for any public funds used would provide additional assurance that these funds are used in a prudent manner.

Recommendation: The Hospital Board should consider either amending its agreement(s) with the Foundation to require the Foundation to utilize policies and procedures adopting good management and business practices, or evaluate the manner in which the Hospital has been administered by the Foundation in determining the annual appropriation to the Foundation. Any such policies and procedures could require the Foundation to follow selected Florida laws that are applicable to the Hospital Board; however, the policies and procedures should, at a minimum, address the findings noted elsewhere in this report. Amendments to the agreement(s) should also provide the Hospital Board with the ability to terminate the agreement(s) with proper notice. Should the Hospital Board desire to amend the contract, it would require concurrence of the Foundation.

Finding No. 2: **Accounting for Ad Valorem Taxes**

Section 6 of Chapter 99-442, Laws of Florida, states that the Board of County Commissioners of Citrus County shall levy a hospital tax based on the millage certified by the trustees of the Hospital Board. The Hospital Board is authorized to levy up to three (3) mills per year on all taxable real and personal property in Citrus County. The collections are to be used for the purpose of erecting, building, equipping, maintaining, changing, altering, repairing, leasing, and operating the public hospital.

As noted previously, the Hospital Board and the Foundation entered into agreements whereby the Foundation would lease the Hospital Board's real and personal property and provide hospital care in Citrus County. Article V of the hospital care agreement states that in return for payments to be made by the Hospital Board to the Foundation, the Foundation would operate the hospital system. Article VI of the agreement (amended on May 28, 1991, and February 27, 2006) states that the Foundation shall prepare an annual operating and capital budget and that the Hospital Board shall use that budget to determine the ad valorem taxes to be levied. The Hospital Board would then certify the tax assessment needed to fund the Foundation's budget as well as its own expenses.

Ad valorem tax revenues, millage rates levied, and funds provided to or for the Foundation for the most recent four years are shown in Table 1:

Table 1

Fiscal Year	Ad Valorem Tax Revenue	Millage Rate	Funds Provided for Foundation per Agreement (Note 1)
2005-06	$ 8,031,865	0.9500	$ 7,585,000
2006-07	10,357,117	0.9200	9,900,000
2007-08	10,889,759	0.8990	10,050,000
2008-09 (Budgeted)	12,799,305	1.1689	11,900,004

Note 1 – A portion of the funds are provided directly to the Foundation, while the remainder is sent to the State on behalf of the Foundation (see additional discussion in finding No. 3)

The Foundation's budgeted funding comes from net patient service revenue, Hospital Board tax transfers, and other operating revenues as noted in the budgets noted below.

Table 2

Budgeted Amounts by Fiscal Year

Budget Line Item	2005-06	2006-07	2007-08	2008-09
Revenues:				
Net Patient Service Revenue	$ 123,574,000	$ 145,723,503	$ 154,039,236	$ 165,615,177
Funds from Hospital Board	7,585,000	9,900,000	10,050,000	11,900,004
Other Operating Revenues	500,000	1,731,000	2,125,872	1,981,116
Total Operating Revenues	131,659,000	157,354,503	166,215,108	179,496,297
Expenses:				
Total Operating Expenses	130,926,000	155,345,103	166,553,761	176,833,152
Non-Operating Income	1,500,000	1,474,600	1,860,504	1,712,484
Excess of Revenue Over Expenses	2,233,000	3,484,000	1,521,851	4,375,629
Special Capital Outlay				3,579,400

Although budgets were prepared for the taxes levied as noted above, neither the Hospital Board nor the Foundation budgets detailed the specific planned uses of the tax proceeds by the Foundation and the Foundation's accounting records did not identify the specific uses of the tax proceeds. As part of its budget process, the Foundation estimates the operating revenues (excluding the ad valorem tax revenues) and expenditures (operating and capital outlay) for the upcoming year and then requests the amount of tax collections needed to fund operations, including a small excess. The Hospital Board then calculates the required tax rate based on the County's estimated taxable values.

Table 3 summarizes the Foundation's actual operating results for the 2005-06, 2006-07, and 2007-08 fiscal years, with and without the ad valorem tax receipts:

Table 3

Actual Operating Results by Fiscal Year

	2005-06	2006-07	2007-08
Revenues:			
Net Patient Service Revenue	$ 134,573,656	$ 145,331,323	$ 158,364,191
Funds from Hospital Board	7,585,000	9,900,000	10,050,000
Other Operating Revenues	1,623,001	2,005,832	2,149,918
Total Operating Revenues	143,781,657	157,237,155	170,564,109
Expenses:			
Total Operating Expenses	142,894,318	160,306,034	170,069,018
Non-Operating Income	1,783,109	1,801,736	2,055,956
Excess of Revenue Over (Under) Expenses	2,670,448	(1,267,143)	2,551,047
Less: Funds from Hospital Board	7,585,000	9,900,000	10,050,000
Revised Income (Loss) without Board Funds	($4,914,552)	($11,167,143)	($7,498,953)

Although Table 3 shows that more net patient revenues were received in fiscal years 2005-06 and 2007-08 than anticipated in the budgets, additional expenses were also paid that exceeded the budgeted expenditures approved by the Foundation Board. While Table 3 shows that the Foundation relied on the ad valorem tax revenues to fund its expenditures, given the lack of detail in the Foundation's budgets and accounting records, along with deficiencies discussed elsewhere in this report, it is not possible to determine if the ad valorem tax revenues were actually needed, or the specific purposes for which they were needed, for the Foundation's operations.

Recommendation: As part of its budgeting process, the Foundation and the Hospital Board should identify the specific planned and authorized uses of the ad valorem tax proceeds. The Hospital Board should require the Foundation to maintain separate accountability as to the use of funds received from ad valorem tax proceeds.

Finding No. 3: **Accounting for Low Income Pool Expenditures**

The Hospital Board has participated with the Florida Agency for Health Care Administration's (AHCA) Low Income Pool (LIP) Program for each year since the 2005-06 fiscal year. According to AHCA, "the Low Income Pool (LIP) will be established to ensure continued government support for the provision of health care services to Medicaid, underinsured, and uninsured populations." An agreement between the Hospital Board and AHCA provides that the Hospital Board remit a certain amount each quarter to AHCA. The amounts remitted to AHCA are paid from the tax revenues collected by the Hospital Board. AHCA then remits the moneys to the Foundation with a Medicaid matching amount. The Foundation deposits LIP Program receipts into a separate revenue account. However, once received and recorded, the funds are comingled with other Foundation receipts and the use is not accounted for separately to document increased spending on eligible recipients.

The Foundation received LIP Program funds noted in Table 4:

Table 4

Fiscal Year	Payments to State	Matching Funds	Total LIP Funds Received by Foundation
2005-06	$ 6,367,903	$ 1,114,059	$ 7,481,962
2006-07	6,367,910	1,429,506	7,797,416
2007-08	7,704,238	1,551,574	9,255,812
2008-09 (per the agreement)	5,483,686	1,607,576	7,091,262

Item No. 1 of the agreement states that "these funds will only be used to increase the provision of health services for the Medicaid, uninsured, and underinsured people of the Board and the State of Florida at large." Item No. 2 cites ten programs by which the increased provision for health services will be accomplished. Item No. 4 states that the Hospital Board and the State agree that the State will maintain necessary records and supporting documentation applicable to the health services covered by the agreement. Further, the Hospital Board and State agree that the Hospital Board shall have access to those records and the supporting documentation by requesting it from the State.

We requested documentation showing the increased spending on the qualified program recipients from the Foundation. In its June 19, 2009, response to our inquiry, the Foundation indicated that it had requested the documentation identified in Item No. 4 of the agreement from AHCA. As of November 30, 2009, we had not been provided the documentation. Although the agreement indicates that the State will maintain the necessary records and supporting documentation applicable to the health services covered by the agreement, because the Program funds received by the Foundation are restricted as to their use, it is incumbent upon the Foundation to track these expenditures to ensure that these funds are not expended for unauthorized purposes.

Recommendation: The Foundation should develop documents and procedures to track and monitor the use of LIP Program receipts through its accounting system, obtain documentation from AHCA to determine to what extent these receipts have been expended for authorized purposes, and replenish any Program funds used for unauthorized purposes from unrestricted sources.

Debt

Finding No. 4: **Debt Management**

The Hospital Board issued Series 2002 Hospital Revenue and Revenue Refunding Bonds for $45,000,000. The bonds were issued with interest rates ranging from 6.250 to 6.375 percent to (i) refund outstanding 1992A Bonds; (ii) pay a portion of the costs of the acquisition, construction, and equipping the Series 2002 Project; and (iii) pay Series 2002 Bond issuance costs. The Hospital Board issued the Series 2006 Hospital Revenue Bonds for $10,000,000 with a variable percentage interest rate based on the London Interbank Offered Rate (LIBOR), and the Series 2008 Hospital Revenue Note for $10,000,000, with a variable percentage interest rate also based on LIBOR, to finance and reimburse costs of acquiring, constructing, and equipping health facility improvements owned by the Hospital Board and leased to the Foundation. For all three debt issues, a simultaneous financing agreement was issued whereby the Hospital Board loaned the Foundation the debt proceeds. As a result, the bonds and notes are reported as debt by the Foundation. Because the debt was conduit debt (authorized by the Hospital Board for tax exempt purposes), the debt was not the legal liability of the Hospital Board. Although the conduit debt is not currently a legal liability of the Hospital Board, in the event the agreements with the Foundation are terminated, the assets and liabilities of the Foundation would revert to the Hospital Board. As a result, the Hospital Board could potentially be liable for repayment of the debt issues.

Debt Management Policy. Neither the Hospital Board nor the Foundation had developed and documented formal policies and procedures for the issuance and monitoring of long-term debt. Debt management policies are written guidelines and restrictions that affect the amount and type of debt issued, the issuance process, and the management of a debt portfolio. An effective debt management policy can help improve the quality of decisions, provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy provides assurances to rating agencies and the capital markets that an entity is well-managed and should meet its obligations in a timely manner. Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for an entity to manage its debt program in line with those resources.[1]

Debt Capacity. One definition of debt capacity is an assessment that determines the amount of debt an entity can repay in a timely manner with current available resources without jeopardizing its financial viability. According to the Board's financial advisor, a debt capacity analysis attempts to calculate the amount of additional debt an entity can support without lowering its existing bond ratings. We noted that in 2006 and 2008 the Hospital Board approved and

[1] Government Finance Officers Association's *Recommended Practices for Debt Management Policy (1995 and 2003)*

issued bonds or notes that exceeded the Foundation's debt capacity calculated on a quantitative basis by the contracted financial advisor, as follows:

- The financial advisor's presentation for the Series 2006 Revenue Bonds indicated that the Hospital System administered by the Foundation had a quantitative incremental debt capacity of $3.8 million, but revenue bonds were issued for $10 million.
- The financial advisor's presentation for the Series 2008 Revenue Notes indicated that the Hospital System's quantitative debt capacity was negative $11.3 million, but revenue notes were issued for $10 million.

The presentation for the 2006 debt issue included non-quantitative credit strengths and stated that the Hospital Board's "taxing ability is a key strength with a significant increase in revenues expected in 2005 based on recent increase in tax millage (the willingness to increase the millage will also be seen as a positive)." Again, the presentation for the 2008 debt issue with debt capacity of negative $11.3 million cited the Hospital Board's ability to tax as one of the non-quantitative credit strengths and stated that the Board "should be able to issue between $5 and $10 million of additional debt without negative rating consequences."

In the presentation for the 2008 bond issue, the financial advisor indicated that the most current rating by one of the rating agencies for the Hospital's bonds was Baaa3, based on a report dated August 30, 2007, and the rating agency analysts believed that the tax revenues recorded in recent years were not sustainable in the long term. In the presentation, the following "credit challenges" were stated:

- "Recent legislation limits tax revenue growth in fiscal year 2008;
- High percentage of unprofitable Medicare and Medicaid utilization;
- Decline in operating performance in fiscal year 2007 due to the departure of radiology group, shift of cases from an inpatient to outpatient setting with reduced reimbursement, and flat utilization trend in fiscal year 2007;
- Decline in liquidity from fiscal year end 2005 to fiscal year end 2007;
- Net revenue growth not keeping pace with expense growth; and
- While market share is a positive strength, the Hospital has not generated positive financial results from this strength."

The Hospital Board and Foundation have a fiduciary duty to make prudent decisions to protect the public purpose of providing health services to the citizens of Citrus County. Given that the purpose of a debt capacity calculation is to determine whether it is prudent to issue additional debt, the decision to issue $10 million in debt when the debt capacity was negative $11.3 million is questionable, particularly if the decision was partially based on the ability and willingness to levy additional taxes.

Recommendation: Before authorizing future conduit debt to be repaid by the Foundation, the Hospital Board should adopt formal policies and procedures regarding the issuance and monitoring of long-term debt as a part of its comprehensive debt management practices. These policies and procedures should include guidance on the restrictions and limitations for debt capacity, reserves, ratios and measurements, reporting, benchmarks, selection and use of professional service providers, and criteria for determining the sales method. The Hospital Board should also ensure that revenues from operations of the Hospital are the primary source for repayment of bonds or notes and there is not an over-reliance on its taxing ability in the determination to issue debt.

Construction Administration

Finding No. 5: **Construction Projects**

As previously noted, the Hospital Board issued conduit debt in form of a 2008 Hospital Revenue Note for $10,000,000 in September 2008. The Note was issued primarily to fund construction of and equipment for the Sugarmill Woods Medical Center ($4,366,288) and Emergency Room Expansion ($4,200,000). A simultaneous financing agreement was issued whereby the Hospital Board loaned the Foundation the debt proceeds to complete the projects. As a result, the Foundation reports the projects and equipment as assets and the notes as debt of the Foundation. Our review of the above construction projects related to this debt issue noted the following:

Construction Policies and Procedures

In loaning the debt proceeds for the projects, the Hospital Board did not require the Foundation to follow any specific policies and procedures for construction processes including project management, advertising, bidding, awarding, and monitoring. It should be noted that had these construction projects been completed by the Hospital Board rather than the Foundation, Section 287.055, Florida Statutes (the Consultants' Competitive Negotiation Act), would have been applicable. Although we noted that at times the Foundation followed certain good business practices, management had not developed and documented formal policies and procedures, without which there is an increased risk that planned processes may not be followed and adequate documentation of the process may not be obtained. In these circumstances, there is an increased risk of the Foundation not completing construction projects of satisfactory quality at the lowest possible cost.

Sugarmill Woods Project

Public Advertisement. The Foundation's procedures did not ensure that all qualified firms were considered for the Sugarmill Woods Project. Using the proceeds from the 2008 Revenue Note, the Foundation decided to construct a medical facility in southwest Citrus County near Homosassa Springs (Sugarmill Woods), expand the emergency room facilities at the main hospital, and purchase equipment. The Foundation Directors appointed a three-member Construction Committee from among its members and contracted with an owner's representative firm for $287,000 to administer the Sugarmill Woods facility as a design-build project. The owner's representative solicited and prequalified firms using a modified bid process for selecting a design-build firm for the project. The owner's representative prepared a design criteria package and issued a "solicitation of interest" to contractors known by the owner's representative to be qualified to perform this type of work. The solicitation was distributed to approximately ten firms, but was not publicly advertised. In the absence of public advertisement for the project, the representative could not assure the Foundation that the all qualified contractors considered applying for the project and, therefore, could not demonstrate that the lowest and best price was obtained for the project consistent with product quality and performance.

Potential Conflict of Interest. Two Foundation Board directors with potential conflicts of interest participated in the selection process for a design-build firm. All three Construction Committee members participated in the Committee discussions and deliberations including the decision to short-list four design-build firms. Then, according to the Committee minutes, two of the three Committee members indicated possible conflict-of-interest issues with one of the short-listed contractors and requested that the Foundation Chairperson assign two additional Committee members. Two new members were in place at the next Construction Committee meeting whereby the final ranking of the four short-listed firms was determined.

At the next meeting, the owner's representative announced that one of the four finalists had withdrawn from consideration. The three finalists then made presentations and the Committee designated two in a higher position because of their experience with medical facilities. The third ranked firm was local but considered beneficial because it would benefit the local economy. The Committee then unanimously approved the final ranking with the local contractor designated as first and the local contractor was ultimately awarded the design-build contract.

In summary, the two members who approved short-listing the firm that was ultimately awarded the contract should have recused themselves once that firm was under consideration, not after the short-listing was completed. The participation of Committee members with a conflict-of-interest in the selection process could lead to the Foundation not selecting the most qualified firm or not negotiating the best price for the project.

General Conditions. General Conditions charges for the Sugarmill Woods project were not adequately reviewed or documented. The design-build firm charged the Foundation 10 percent of the agreed-upon General Conditions amount on each monthly Application for Payment for 10 months without providing any documentation to support the charges. In addition, the overall agreed-upon General Conditions amount of $361,011 included items that were separately reimbursed to the design-build firm by the Foundation, and included other items that did not appear reasonable. The items included in the General Conditions total that were also charged separately on the design-build firm's Application for Payment are noted in Table 5:

Table 5

Item	Per General Conditions Detail	Per Separate Payment Application
Builders' Risk Insurance	$ 17,500	$ 5,798
Building Permit Fees	13,300	12,500
Materials Testing	1,000	6,000

Without obtaining and reviewing sufficient supporting documentation for General Conditions charges, the owner's representative cannot be assured that the Foundation is being properly charged for General Conditions costs or that the Foundation is not paying for duplicate charges. In response to our inquiry related to General Conditions, the owner's representative stated that "It is not uncommon in Design/Build (and negotiated construction manager) contracts to fix General Conditions as a negotiated lump sum amount to eliminate the administrative burden of reviewing those costs." However, records provided for our review did not evidence on what basis the negotiated lump sum amounts were determined.

Items included in the General Conditions that did not appear reasonable were subsistence, mileage, and warranty management. For example, the agreed-upon mileage charge was $5,000, consisting of 8,000 miles for the Project Manager and Project Coordinator and 2,000 miles for the General Superintendent. This charge did not appear reasonable considering the design-build firm's office is only .29 miles from the project site.

Subcontractor Bidding Process. The Foundation had not established a formal subcontractor bidding process for the construction projects. For the Sugarmill Woods project, our review indicated that subcontractor bids were awarded by the design-build firm and detailed bidding information was maintained solely by the design-build firm, not by the owner's representative. The owner's representative only retained summary information related to the subcontractor bids. In addition, our inquiries determined that subcontractor bids were obtained by written bids and by telephone calls. Our review noted instances where the subcontract was not awarded to the lowest bidder and no explanations for the exceptions were included.

The design-builder identified $57,282 (or 1.8 percent) of the total subcontract work as being self-performed (i.e., by the design-builder), including $22,022 in labor for finish/trim carpentry work and $11,400 in labor for installation of prefinished interior doors. Since there were no competing bids, the owner's representative should have analyzed the self-performed bids for reasonableness. For example, the charge to install the interior doors could have been analyzed by cost per door. In addition, another $509,092 (or 15.7 percent) of the subcontract work was performed by other companies related to the design-builder's officers and managers where the relationship was apparently not disclosed to the Foundation or the owner's representative, and it was not always apparent that the companies were the lowest bidders. For example, the president of the subcontractor firm awarded $403,675 for site work was also an officer of the design-build firm. Another subcontracting company operated by three of the design-build firm's directors was awarded subcontracts totaling $105,417.

Without an adequate and monitored subcontractor bidding process, the Foundation cannot be assured that the best subcontractors and the best prices are selected.

Supporting Documentation. Applications for Payment for the Sugarmill Woods project did not include sufficient supporting documentation. Although the design-build firm's payment applications were signed and approved for payment by both the owner's representative and the Foundation staff, the subcontractors' charges were not supported by detailed invoices. In addition, we noted several instances where subcontractor payment requests were not signed and appeared to be prepared on the design-build firm's form. Subcontractor charges generally represent a large portion of work billed. For this project, subcontractor work represented 76 percent of the total contract amount. Absent adequate pre-audit of supporting invoices by appropriate staff, the Foundation cannot be assured that payments are proper.

As a result of our audit inquiries relating to this project, the Foundation contracted with a certified public accounting firm to conduct agreed-upon procedures relative to this project to assist the Foundation in determining the final contract value to the design-build firm.

Emergency Room Expansion Project

As of July 2009, construction had not begun on the Emergency Room Expansion Project. As a result, our review was limited to the contract awarded.

General Conditions. A portion of the 2008 Revenue Note proceeds was used to contract with another firm to expand the Hospital's emergency room facilities under a construction manager contract. The Foundation engaged the same owner's representative firm as with the Sugarmill Woods project to act as its representative overseeing and managing the Emergency Room Expansion Project. The agreed upon General Conditions amount, totaling $643,995, for the Emergency Room Expansion Project included the following:

Table 6			
Item	Quantity	Unit Cost	Total Cost
Superintendent Labor	60 Weeks	$ 3,357	$ 201,420
Project Manager Labor	35 Weeks	3,200	112,000
Jobsite Secretary Labor	60 Weeks	864	51,840
Field Office Supplies	15 Months	800	12,000
Safety Supplies (Hard Hats)	14 Months	450	6,300

Records provided for our review did not evidence that the Foundation had determined the reasonableness of the above-listed cost items included in the General Conditions amount.

Labor Burden Costs. The Foundation entered into a $4,200,000 guaranteed maximum price (GMP) contract with a construction management firm for the Emergency Room Expansion Project. Under GMP contracts, the Foundation may realize cost savings if the cost of construction is less than the GMP and as such, a GMP contract requires that Foundation personnel closely monitor construction costs. The GMP contract included direct salary costs plus an indirect salary element commonly referred to as the labor burden. According to the June 2009 *Economic News Release* by the United States Department of Labor, Bureau of Labor Statistics (BLS), labor burden components for the construction industry typically include legally required benefits (such as social security and Medicare taxes, unemployment taxes, workers' compensation), life and medical insurance, retirement plans, paid leave (including vacation, sick, and holiday), and supplemental pay (such as overtime and shift differentials). These categories and cost percentages according to the BLS and the construction manager's GMP contract (let in February 2009) are included in Table 7:

Table 7		
	Component Cost as Percentage of Salaries/Wages	
Component	BLS	GMP Contract
Legally Required Benefits	16.1	26.8
Insurance	10.6	13.8
Retirement	7.4	10.9
Paid Leave	5.2	14.2
Supplemental Pay	4.9	-
Incentives (Bonuses)	-	15
Total	**44.2**	**80.7**

As shown in Table 7, the construction manager's labor burden rate does not appear reasonable, when compared to the BLS rates, as several of the rates appear excessive and the Incentives component appears unwarranted.

Considering this was a GMP contract, it does not appear reasonable for the construction manager to be paid a bonus for completing the project by the contracted completion date and at the contracted cost. If utilized, bonuses should be shown as a separate line item in the schedule of values, should require approval by the Foundation, and should be based on predetermined measurable objectives, such as early completion of the project.

Unreasonable Costs. Our review of the construction manager contract for the Emergency Room Expansion Project indicated that the construction manager could be reimbursed for certain costs that do not appear reasonable. The contract allowed the construction manager to be reimbursed for items such as reinspection fees, warranty work above the warranty escrow amount ($4,500), and defective work up to the amount of the guaranteed maximum price. Based on the contract language, the Foundation is subject to paying for certain costs more than one time and to correct errors of the construction manager.

Recommendation: To ensure that good business practices are used, the Hospital Board should require the Foundation to follow specific policies and procedures for construction processes including construction contracting and administration, soliciting proposals, contractor selection and awarding process, guaranteed maximum price proposals, contract management, allowable labor burden rates, subcontractor selection, self-performed work, payment application processing and documentation requirements, and project closeout. The Foundation should seek to revise contract provisions identified above that reflect unreasonable charges and reduce subsequent payments or request refunds for duplicate charges paid. Further, the Foundation should ensure that only actual amounts that are supported by invoices or other appropriate documentation for General Conditions items and other charges are included on payment applications.

Expenditures

Finding No. 6: Employee Bonuses

Article X of the Foundation's by-laws address hospital management and Section 10.2 describes the authority and duties of the Chief Executive Officer, including his responsibility to manage and operate the hospital; to select, employ, control, discharge all administrative personnel, department heads, and other employees; to expend moneys for any single capital item, or normal, non-personnel operating expenditure (capital or otherwise), the total value of which is less than $50,000; and to establish compensation for employees with the approval of the Foundation Board.

The Foundation Board established an Executive Compensation Committee with authority to make decisions regarding executive compensation. Based on the minutes of this Committee's meetings, it appears that "executive compensation" applied to that of the "Officers" (Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, and the Chief Nursing Officer).

In our review of employee bonuses, we noted the following:

- Bonuses totaling $35,462 were paid to the Chief Operating Officer and the Chief Financial Officer for the 2005-06 fiscal year. Due to a vacancy, the Chief Nursing Officer position did not qualify for the bonus that year. Although requested, we were not provided with documentation that these bonuses were approved by the Foundation Board or the Executive Compensation Committee.
- Bonuses totaling $113,925 and $164,974 were paid to directors (department heads that report to officers) for the 2005-06 and 2007-08 fiscal years, respectively. Although requested, we were not provided with documentation indicating that the Foundation Board had approved a bonus plan or payments to directors. These bonuses had been approved by the Chief Executive Officer; however, the by-laws do not provide such authority without Board approval.
- We noted inconsistencies in bonus calculations. For example, the 2005-06 fiscal year bonuses were based on fiscal year salary amounts, which included amounts for unused paid days off, as the salary base. However, the 2007-08 fiscal year bonus calculations used the ending salary rate (excluding unused paid days off payments) for the 2007-08 fiscal year. Establishing formal policies and procedures over bonuses would provide

assurance that calculations were applied consistently and as intended by the Foundation Board or Executive Compensation Committee.

We also noted two instances in which minutes to support approval of the Chief Executive Officer's 2005-06 and 2007-08 fiscal year bonuses were not retained and, subsequent to audit inquiry, were re-created and we noted three instances in which Executive Compensation Committee minutes were not signed.

Recommendation: The Foundation should ensure that bonuses are not paid to employees unless properly authorized by the Foundation Board or Executive Compensation Committee. Actions authorized by the Executive Compensation Committee should be pursuant to duly signed minutes of Committee meetings. Formal policies and procedures should be established governing eligibility, forms, factors and goals, calculation, approval and payment of management performance bonuses.

Finding No. 7: **Travel-related Expenditures**

The Foundation's Administrative Policy and Procedure Manual (Policy), Code P-703, states that employees who were authorized to travel were to complete and submit an Expense Report to be reimbursed for necessary expense incurred on Hospital business including: 1) travel, 2) reasonable lodging accommodations, 3) reasonable costs of meals (excluding entertainment), 4) costs of meeting/seminar registration and connected functions, 5) travel by automobile at twenty-five (25) cents per mile, and 6) parking and tolls.

From our testing, we noted travel expenditures that were not adequately documented and, in some instances, did not appear to be allowable under the Foundation's Policy or reasonable under good business practices. We would also note that if these travel expenditures were paid by the Hospital Board, Section 112.061, Florida Statutes, would have been applicable. We reviewed the records for six retreats and meetings attended by various Foundation Board directors and executive management during the 2006, 2007, and 2008 calendar years, as summarized below.

Table 8						
Conference or Meeting Location Dates	**No. of Registered Attendees**	**Registration/ Rental Fees**	**Lodging**	**Meals**	**Travel and Entertainment**	**Total Cost**
Board Retreat Longboat Key, FL August 18/20, 2006	28	None	$ 14,350	$ 10,519	Not Provided	$ 24,869
VHA Conference Key Biscayne, FL October 11/13, 2006	9	Unable to determine if paid	3,360	Not Provided	$ 1,104	4,464
Executive Management Meeting Crystal River, FL April 5, 2007	25	$ 140		1,496		1,636
VHA Conference Key Biscayne, FL September 26/28, 2007	12	4,740	5,129	468	1,310	11,647
American Hospital Association Annual Meeting Washington, D.C. March 6/8, 2008	4	2,330	2,863	793	1,350	7,336
VHA Conference Amelia Island, FL September10/12, 2008	10	4,075	3,506	190	537	8,308
Total Cost		$ 11,285	$ 29,208	$ 13,466	$ 4,301	$ 58,260

For the above charges, we noted the following:

- Many of the charges noted above were not supported by detailed invoices such as hotel bills or restaurant receipts. Of the total charges above, $8,646 were only supported by credit card statements instead of actual invoices.
- In some instances, attendees did not complete expense reports, but submitted check requests or handwritten notes requesting reimbursements. Of the total charges tested, $1,554 were only supported by check requests or handwritten notes and without actual invoice support. Additionally, we noted several reimbursement requests that were not signed by the traveler.
- Several hotel and restaurant invoices included charges for alcohol, totaling approximately $3,665, and we noted $244 for spa and golf charges.
- Periodically, attendees appeared to bring guests to the conferences or meetings and many costs associated with the guests were not always reimbursed to the Foundation. For example, at the August 2006 Foundation Board Retreat in Longboat Key, 42 banquet dinners were purchased at a cost of $49.95 per person for the night of August 18, 2006. However, there were only 26 hospital-related attendees at the dinner. At that same retreat, one attendee extended his/her hotel stay an extra night and did not reimburse the Foundation for the extra night. Foundation's records indicated that reimbursements totaling $517 had been received from attendees for this retreat.

Although requested, the Foundation did not provide us with travel or entertainment costs for the August 2006, Foundation Board Retreat in Longboat Key or the meals costs for the October 2006, VHA Conference in Key Biscayne.

Requiring travelers to use the designated Expense Report would strengthen the Foundation's pre-audit of procedures for travel expenditures and enhance Foundation management's ability to analyze and manage travel costs for meetings and conferences.

Recommendation: The Foundation should update its travel policies to require supporting documentation for eligible travel expenses and require that all travel reimbursement requests: 1) be submitted on the proper forms, 2) be signed by the traveler and appropriate supervisory personnel, 3) be supported by original vendor invoices and conference agendas, 4) identify personal costs of the traveler, and 5) indicate any amount to be paid by (or reimbursed to) the traveler. For amounts to be paid by travelers, the Foundation should ensure that such reimbursements are ultimately obtained.

Contractual Services

Finding No. 8: **Transcriptionist Contracts**

The Foundation did not have a bidding policy or procedure. The Foundation contracted for transcriptionist services with a vendor in 2003 and with a different vendor in 2007. Although requested, the Foundation did not provide us with documents supporting the 2003 vendor selection process. For the 2007 process, while the Foundation provided us with an analysis of four vendors' apparent submissions, it did not provide us with records showing how the vendors were solicited or selected.

Effective October 24, 2003, the Foundation signed a contract with a vendor to provide medical record transcription services for overflow work that the Foundation transcriptionists could not handle in a timely manner. Although the contract term was open-ended, Foundation personnel indicated that this contract was in effect until December 2007. Section 5 of the contract addressed expenses and indicated that the client (Foundation) was responsible for all reasonable vendor "Consultant" expenses, such as mileage of personal vehicle use. However, several other expense items were struck through by the contract signers, including airfare, car rental, tolls, parking, lodging, business telephone charges, gratuities, office supplies, and $30 per diem for food, thereby indicating that the Foundation would not be responsible for these charges. Foundation personnel indicated that they struck through these expenses because the hourly rate was considered high ($44 per hour of regular time and $66 per hour for overtime) and those types of expenses should have been built into the service rates.

Payments to the vendor under the 2003 contract for transcription services totaled $907,130 during the 2005-06 and 2006-07 fiscal years. However, our testing of these expenditures disclosed that vendor invoices included charges for airfare, car rental, lodging, and per diem that were not allowable under the contract. We tested three payments, which included 15 contractor invoices, totaling $105,173, and noted the following cost breakdown:

Table 9		
Item	Description	Expense Amount
1	Labor	$ 75,764
2	Airfare	3,544
3	Car Rental	5,586
4	Parking and Tolls	19
5	Lodging	9,090
6	Per Diem Meals	6,510
7	Gasoline (related to car rentals)	804
8	Mileage	3,856
	Total Vendor Charges	$105,173

The invoices included in our test covered the following periods: December 25, 2005, through January 15, 2006; March 6, 2006, through April 9, 2006; and July 16, 2007 through September 23, 2007. As noted in Table 9, items 2 through 7, totaling $25,553 (24.3 percent of the total), were not allowable costs according to the original signed contract. The Foundation provided two addenda to the contract that provided for the Foundation to pay the services at the same hourly rates in addition to travel costs from October 15, 2005, through October 21, 2005, and from December 27, 2005, through January 17, 2006. The travel costs for this period included in our tests totaled $1,318. As the Foundation considered the original contract's hourly rates sufficiently high to cover travel expenses, it is not apparent why the Foundation did not negotiate a lower hourly rate when it later agreed to pay the travel costs.

We also noted that the Foundation paid approximately $121,467 directly to an area hotel to house transcriptionists for the above work. In response to our inquiry, the Foundation stated that the airfare, car rental, lodging, and per diem meal costs were paid in error.

Recommendation: **The Foundation should develop policies and procedures governing the procurement of goods and services, including bid thresholds, contract management, and pre-audit of invoices submitted for payment. Considering that the Foundation paid the vendor $907,130 over the 2005-06 and 2006-07 fiscal years, and potentially a significant percentage of these costs were not allowable under the contract provisions, the Foundation should review all payments made to the vendor to determine the actual total charges that were not allowable under the contract and obtain a refund of those charges from the vendor, including the amounts paid to the area hotel for transcriptionists' lodging.**

Finding No. 9: **Foundation Board Approval of Contracts**

Article X, Section 10.2, of the Foundation's by-laws describes the authority and duties of the Chief Executive Officer, including his authority to expend moneys for any single capital item, or normal, non-personnel operating expenditure (capital or otherwise), the total value of which is less than $50,000. This section also states that any single, non-personnel expenditure (capital or otherwise), the total value of which is over the sum of $50,000, shall require Foundation Board approval thereof. The Chief Executive Officer is also authorized in this section to establish compensation for employees with the approval of the Foundation Board

We noted the following instances in which contracts were entered into by the Foundation based on the approval of the Chief Executive Officer, but without Foundation Board approval:

- The Foundation has contracted with the same individual since 1987 to direct its Pathology Department. The original annual rate of $30,160 was increased to $33,760, effective July 1, 1994, by an updated agreement dated June 15, 1994. The rate was then increased to $50,400 annually based on a memorandum from the Foundation's Director of Professional Services effective October 1, 2005, and then again to $96,000 per year, effective October 1, 2006. According to Foundation personnel and our review of the Foundation Board minutes, contract amendments were not prepared and the increases were not presented to the Foundation Board for approval for the 2005 and 2006 increases.
- The contracts for transcriptionist services discussed in finding No. 8 were not presented to the Foundation Board for its approval and the Foundation paid $397,720 and $630,877 in the 2005-06 and 2006-07 fiscal years, respectively, in relation to the 2003 contract ($907,130 directly to the vendor and $121,467 to a hotel on behalf of the vendor). The estimates noted in the Foundation's records indicated that the annual cost on the 2007 contract was estimated to be $700,000.
- The Foundation entered into two leases for office space in which lease payments over the three-year terms totaled $165,312 and $63,452, respectively.

Although some of the single payments on these contracts did not exceed the Chief Executive Officer's authority, the payments were made to the contractors pursuant to single contracts that, in total, exceeded the established threshold.

Recommendation: The Foundation should ensure that contracts, the total of which exceed the expenditure authority of the Chief Executive Officer, are presented to the Foundation Board for approval. The Foundation should also ensure that any changes to existing contracts are accomplished through the use of formal contract amendments, signed by both parties.

Other Matters

Finding No. 10: **Conflicts of Interest**

To ensure public confidence over procurement practices, it is essential that any and all appearances of a conflict of interest be avoided. Section 112.313(3), Florida Statutes, prohibits a public officer, acting in his official capacity, from purchasing any goods or services for his own agency from any business entity of which the officer has a material interest. The Hospital Board is subject to this section of Florida Statutes; however, most of the financial and operational activity occurred within the Foundation, which is not subject to most Florida Statutes.

Section 7.14 of the Foundation by-laws, as amended in 2005, established policies and procedures to address actual or potential conflicts of interests of its directors and staff members. Section 7.14.1 states, "The purpose of the conflicts of interest policy is to protect the Corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations." Section 7.14.2 defines:

Interested Person as "Any director, principal officer, senior staff member, or member of a committee with board delegated powers who has a direct or indirect financial interest."

Under Financial Interest, "A person has a financial interest if the person has, directly or indirectly, through business, investment or family, a) an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement, b) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement, or c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement."

Conflict of Interest is "An actual or potential conflict of interest occurs when anyone is in a position to influence a decision that may result in a personal gain for that person, or for any relative or business associate of that person, as a result of the corporation's business dealings."

The Foundation's by-laws state that a financial interest is not necessarily a conflict of interest. However, Section 7.14.4 states that for any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest to the Conflict Committee, and must be given the opportunity to disclose all material facts to the Conflict Committee. The Committee was to "consist of the Chairperson of the Citrus County Hospital Board, Chairperson of the Citrus Memorial Health Foundation, the Director serving in the position of the Chief of the Medical Staff, the President of the Citrus County Bar Association, and the President or Chairperson of the Citrus County Association of Ministers (or like entity)." It concludes stating that, "In the event that the Chairperson of the Hospital Board and Foundation are the same, then the Vice Chairperson of the Foundation shall serve in that position." In response to our inquiry, the Foundation indicated that although established in the 2005 by-laws revision, the Conflict Committee has never held meetings, has made no reviews, and has had no minutes prepared.

Section 7.14.7 requires that "each director, principal officer and member of a committee with board delegated powers shall annually sign a statement which affirms that such person: a. has received a copy of the Conflicts of Interest Policy, b. has read and understands the policy, c. has agreed to comply with the policy, and d. understands that the Corporation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes." According to the Foundation, the annual statements have not been prepared by or obtained from the respective individuals.

Our examination noted several actual or possible conflicts of interest for Foundation Board directors that should have been disclosed to the Conflict Committee:

- One Foundation Board director's spouse had contracted with the Hospital to direct its Pathology Department since April 1, 1987. Although the Pathologist's initial contract originated, and the director's appointment to the Foundation Board occurred, prior to establishment of the Conflict Committee in 2005, the relationship should have been disclosed to the Foundation's Conflict Committee upon its establishment. We found no instances in which this director participated in discussions or voted on matters related to the contract; however, see additional discussion in finding No. 9.

- Two Foundation Board directors were also directors in a corporation that leased office suites to the Foundation. The members had served on the Foundation Board since October 25, 2004, and October 1, 2008, respectively. According to two leases effective August 1, 2006, and March 1, 2009, the corporation provided the Hospital with 4,592 and 1,583 square feet of space, costing $12 and $13 per square foot, per year, respectively. Based on the lease agreements, the amounts to be paid over the lease terms totaled $165,312 and $63,452, respectively. Although we found no instances in which these directors participated in discussions or voted on matters related to the leases, see additional discussion in finding No. 9.

- As discussed in finding No. 5, two Foundation Board directors had potential relationships with a local contractor and participated as members of the Construction Committee until the contractor was placed on the project short-list. The directors subsequently recused themselves from the Construction Committee due to the relationship and were replaced by two other Foundation Board directors. Ultimately, the contractor with which the Foundation Board directors had a conflict was awarded the design-build project contract.

- One Foundation Board director was also the vice president of a local bank that provided banking services to both the Hospital Board and Foundation organizations. We noted no instances in which this director participated in discussions or voted on matters related to the banking agreements.

  At one of the Foundation's Board meetings, this director also declared a conflict of interest because a family member was the owner of an insurance company that the Foundation was considering as a Hospital insurance brokerage representative. The director recused himself from discussions and abstained from voting.

- Another Foundation Board director worked for a natural gas company that provided natural gas to the Hospital. We found no instances in which this director participated in discussions or voted on matters related to the contract during our audit period.

Although at times Foundation Board directors recused themselves from discussions and abstained from voting, these examples highlight the Foundation's need to implement its already established policies and procedures to address actual or possible conflicts of interest. Even in the instances where Foundation Board directors acknowledged relationships and recused themselves from deliberations and decisions, the potential conflicts should have been previously addressed and resolved by the Foundation's Conflict Committee.

Recommendation: The Foundation Board should ensure the implementation of its established policies and procedures regarding actual or possible conflicts of interest through its Conflict Committee, including requiring each director, principal officer, and member of a committee with Board delegated powers to prepare and sign the required annual statement regarding conflicts of interest.

Finding No. 11: **Hospital Board Actions**

In our review, we noted instances in which the Hospital Board did not comply with controlling laws:

Voting. Section 286.012, Florida Statutes, sets forth the voting requirements at meetings of governmental bodies. The statute provides, in part, that no member of any governmental agency board who is present at any meeting of any such body at which an official decision, ruling, or other official act is to be taken or adopted may abstain from voting in regard to any such decision, ruling, or act; except when there is, or appears to be, a possible conflict of interest pursuant to Sections 112.311, 112.313, or 112.3143, Florida Statutes. Hospital Board minutes show three instances where members abstained from voting on Hospital Board actions. Two instances occurred at the August 25, 2008, meeting and one at the October 27, 2008 meeting. The October 27, 2008, meeting minutes include a fourth attempted abstention on a motion to designate Hospital Board officers. The minutes state that a question arose regarding the inability of a member to abstain from voting and at that point the Hospital Board attorney agreed that members cannot abstain. The Hospital Board minutes did not include explanations for the abstentions and no other explanations were provided. Section 112.3143, Florida Statutes, generally requires written disclosure of the nature of any conflicts prior to a meeting or, if not known prior to the meeting, an oral explanation is required at the meeting followed by written memorandum within 15 days explaining the same. While the members' abstentions did not affect the outcome of the motions in the three circumstances, the legal authority for abstaining is not apparent.

Meeting Minutes. Section 286.011, Florida Statutes, requires that minutes of a meeting of any board or commission of any State agency or authority shall be promptly recorded, and such records shall be open to public inspection.

Further, Article VI, Section IV of the Hospital Board's by-laws requires that the Secretary-Treasurer shall preserve in books of the Board true minutes of the proceedings of such meetings. Minutes serve to document official actions of the governing body.

Starting with its March 30, 2009, meeting, the Hospital Board ceased preparing minutes of the proceedings and started relying on meeting transcripts or transcript excerpts as the official meeting record. As a result it was difficult to identify the official actions of the Hospital Board. The transcripts or excerpts were long or disjointed and it was difficult to clearly identify the subject, and at one point the wrong speaker was identified. For example, the transcript excerpt of the May 14, 2009, meeting referred to a motion to sign an unidentified agreement and the March 30, 2009, transcript identified the Chief Operating Officer of the Hospital as amending a Hospital Board motion.

Check Approvals. Section 3(c), Chapter 99-442, Laws of Florida, allows the Hospital Board to open depository accounts located within Citrus County for the deposit of Hospital Board funds. Section 3(d) goes on to require that all withdrawals by a check or warrant be signed by two Hospital Board trustees, one of which shall be the chair, vice chair, or secretary-treasurer. This section also states that all checks or warrants must be approved in the Hospital Board's minutes. Our testing disclosed that the Hospital Board issued 40 checks between October 1, 2007, and March 3, 2009, and all 40 checks were properly signed by two Hospital Board members, with at least one being an officer. However, our testing also determined that 36 of the 40 checks issued were not approved in the Hospital Board's minutes.

Recommendation: The Hospital Board should:

Comply with Section 286.012, Florida Statutes, regarding voting requirements, and no member should abstain from voting unless it is clearly demonstrated that he or she is required to abstain due to a conflict of interest as outlined under the provisions of Sections 112.311, 112.313, or 112.3143, Florida Statutes. The nature of any conflicts should be described in writing as required by Section 112.3143, Florida Statutes.

Ensure that all future meeting minutes are clear as to the speaker and subject in relation to official actions of the Hospital Board.

Enhance its procedures to ensure that all checks and warrants are approved and that such approval is reflected in its minutes as required by Section 3(d), Chapter 99-442, Laws of Florida.

END OF P&T DOCUMENT

01.08.10 Agenda Item # 6

GRANT & SAMARGYA, LLC

ATTORNEYS AND COUNSELORS AT LAW

WILLIAM JOHN GRANT
MILAN "BO" SAMARGYA
JAMES R. DOZIER

123 NORTH APOPKA AVENUE
INVERNESS, FLORIDA 34450
(352) 726-5111
(352) 726-7244 FACSIMILE

January 5, 2010

Clark Stillwell, Esquire
320 South U. S. Highway 41
Inverness, Florida 34450

Via Fax ONLY 352-726-8283

RE: Citrus County Hospital Board

Dear Clark,

The purpose of this letter is to memorialize your proposal of December 30, 2009 via teleconference and then our subsequent adjustment of that proposal in an effort to have a proposal for our clients to review and adjust or possibly accept.

It is agreed between the parties that the proposal is part of an attempt to resolve the issues of our clients and will not be admissible in any court of law of competent jurisdiction or in the solicitation of an opinion by the Office of the Attorney General.

The proposal is:

1) Citrus County Hospital Board and Citrus Memorial Health Foundation, Inc. will be in 5-5 position on the Citrus Memorial Health Foundation, Inc. Board of Directors
   a. If a tie vote occurs each side will choose one arbitrator who will then choose a third arbitrator. The panel shall decide yes or no to the issue of the tie vote.

2) The Citrus County Hospital Board shall affirm the choice of CEO as selected by the Citrus Memorial Health Foundation, Inc., and no contract or period of employment shall be longer than 3 years. Furthermore, a CEO contract extension negotiations should immediately take place.

3) The Citrus County Hospital Board shall affirm the proposed annual Capital and Operating Budget (separately). The Citrus County Hospital Board must accept or reject the proposed Capital and Operating Budget (separately).

4) The Citrus County Hospital Board must affirm all expenditures over 125K including expenditures on personnel.

5) All Citrus Memorial Health Foundation, Inc. committees shall consist of 2 Citrus County Hospital Board members and 2 Citrus Memorial Health Foundation, Inc. members. The Citrus County Hospital Board shall choose its members of the Citrus Memorial Health Foundation, Inc. committees.

6) The Citrus Memorial Health Foundation, Inc. with the assistance of the Citrus County Hospital Board shall plan and prepare to reduce and eliminate the 2006 and 2008 bonds.

7) No additional debt may be incurred without the approval of the Citrus County Hospital Board.

8) Citrus Memorial Health Foundation, Inc. will comply with all state statutes.

9) Citrus County Hospital Board shall affirm by resolution that the Citrus Memorial Health Foundation, Inc. is acting as the agent and instrumentality of the Citrus County Hospital Board.

10) Failure of the Citrus County Hospital Board to affirm an act of the Citrus Memorial Health Foundation, Inc. which requires affirmation shall cause the action of the Citrus Memorial Health Foundation, Inc. to be considered affirmed. The Citrus County Hospital Board shall have 45 days to affirm or reject.

Provisions one through ten above shall remain in full force and effect while the parties develop local law legislative proposals that will cause the following:

11) That in 2012 one-half of the Citrus Memorial Health Foundation, Inc./Citrus County Hospital Board or thereabouts shall stand for election;

12) That in 2014 the balance of Citrus Memorial Health Foundation, Inc./Citrus County Hospital Board shall stand for election;

13) That at the conclusion of the 2014 election cycle all members of the Citrus County Hospital Board and Citrus Memorial Health Foundation, Inc. shall be the same parties, specifically the Citrus County Hospital Board will be the Citrus Memorial Health Foundation, Inc.; and all members there upon shall be elected.

14) That the Citrus County Hospital Board will be extended to nine (or to be decided) members to facilitate that the Citrus Memorial Health Foundation, Inc. and the Citrus County Hospital Board will be one in the same;

15) The election shall be non-partisan and terms of office shall be four years.

The temporary provisions of one through ten shall remain in full force and effect until which time the parties agree on the local law legislative proposals.

I believe that the content herein accurately reflects your proposal and our adjustment thereto.

Thank you.

Sincerely,

William J. Grant

WJG/rg
XC: Richard Jones, Esquire, via Fax ONLY 813-223-2837

01.08.10 Agenda Item #7

Windows Live Home Profile People Mail Photos

Hotmail New | Delete Junk | Mark as Move to |

upenderrao@h...

Inbox (3)
Junk (88)
Drafts
Sent
Deleted (10)
Manage folders
Add an e-mail account

Related places
Today
Contact list
Calendar

Reply Reply all Forward |

Re: Ltr to Rep Dorothy Hukill and Sen And version

From: **VIKAS KAMAT** (vkamat@embarqmail.com)
Sent: Tue 1/05/10 5:46 PM
To: Upender Rao (upenderrao@hotmail.com)

REF: Prevention of Restraints and Seclusion in Schools

Dear Dr. Upender Rao and Dave Langer,

This is to formally request you to write letters of support on behalf of CMH addressed to

Rep. Dorothy L. Hukill
200 House Office Building
402 South Monroe Street
Tallahassee, FL 32399-1300
Phone: (850) 488-6653

and a letter to endorse the senate version of the same bill to be sponsored b

Sen. Andy Gardiner
308 Senate Office Building
404 South Monroe Street
Tallahassee, FL 32399-1100
(850) 487-5047

Thank you. Please open the attachment to see details of the Bill.

Sincerely,

Dr. Vikas G. Kamat

01.08.10 Agenda Item # 8

FYE 2010 Year to Date (Oct & Nov 2009) Operations

CITRUS MEMORIAL HEALTH FOUNDATION, INC.

YEAR-TO-DATE COMPARATIVE STATEMENT OF OPERATIONS

For the 2 months ended November 2009

	Current Year Actual	Current Year Budget
REVENUES		
NET PATIENT REVENUE	$27,173,658	$30,969,904
OTHER OPERATING REVENUE	$278,785	$338,572
TOTAL NET OPERATING REVENUE	$27,452,443	$31,308,476
EXPENSES		
OPERATING EXPENSES	$26,427,110	$30,128,516
DEPRECIATION AND AMORTIZATION	$1,336,210	$1,524,924
INTEREST	$488,179	$508,424
TOTAL EXPENSES	$28,251,499	$32,161,867
OPERATING INCOME (LOSS)	(799,056)	(853,391)
NON-OPERATING INCOME	$291,353	$332,894
TOTAL NON-OPERATING INCOME	$291,353	$332,894
EXPENSES OVER REVENUE (Operating Loss)	(507,703)*	(520,497)*

*Operating loss does not reflect Citrus County Hospital Board Ad Valorem Taxes

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01.08.10 Agenda Item # 8

November 2009 Operations

CITRUS MEMORIAL HEALTH FOUNDATION, INC.

COMPARATIVE STATEMENT OF OPERATIONS-ACTUAL VS BUDGET

For the month of November 2009

	Current Month Actual	Current Month Budget
REVENUES		
NET PATIENT REVENUE	$13,122,672	$15,362,449
OTHER OPERATING REVENUE	$137,404	$169,286
TOTAL NET OPERATING REVENUE	$13,260,076	$15,531,735
EXPENSES		
OPERATING EXPENSES	$12,688,827	$14,917,950
DEPRECIATION AND AMORTIZATION	$683,050	$762,427
INTEREST	$243,800	$254,146
TOTAL EXPENSES	$13,615,677	$15,934,523
OPERATING INCOME (LOSS)	(355,602)	(402,788)
NON-OPERATING INCOME	$124,154	$165,822
TOTAL NON-OPERATING INCOME	$124,154	$165,822
EXPENSES OVER REVENUE (Operating Loss)	(231,448)*	(236,966)*

*Operating loss does not reflect Citrus County Hospital Board Ad Valorem Taxes

01.08.10 Agenda Item # 8

CITRUS MEMORIAL HEALTH FOUNDATION, INC.
YEAR-TO-DATE COMPARATIVE STATEMENT OF OPERATIONS
For the 12 months ended September 2009

CMHS FYE 2009 Profitability
Exclusive of Tax Support

	CURRENT YEAR ACTUAL	CURRENT YEAR BUDGET
REVENUES		
NET PATIENT REVENUE	$ 170,133,533	$ 165,615,180
OTHER OPERATING REVENUE	570,348	570,302
TOTAL NET OPERATING REVENUE	170,703,881	166,185,482
EXPENSES		
OPERATING EXPENSES	167,230,592	163,993,135
DEPRECIATION AND AMORTIZATION	8,929,782	9,754,041
INTEREST	3,028,718	3,092,484
TOTAL EXPENSES	179,189,092	176,839,660
OPERATING INCOME (LOSS)	(8,485,211)	(10,654,178)
NON-OPERATING INCOME	1,994,097	1,718,988
FUNDS FROM THE HOSPITAL BOARD	12,100,000	10,908,334
LIP PROGRAM	1,607,581	1,292,237
TOTAL NON-OPERATING INCOME	15,701,678	13,919,559
REVENUES OVER EXPENSES	$ 7,216,466	$ 3,265,381

Hospital and External Service Combined
Tax and LIP - Reclass to Non-Operating Income

12.14.09 Agenda Item #8

CITRUS MEMORIAL HEALTH FOUNDATION, INC.

YEAR-TO-DATE COMPARATIVE STATEMENT OF OPERATIONS

For the 12 months ended September 2009

CMHS FYE 2009 Profitability Including Tax Support

	CURRENT YEAR ACTUAL	CURRENT YEAR BUDGET
REVENUES		
NET PATIENT REVENUE	$ 170,133,533	$ 165,615,180
FUNDS FROM THE HOSPITAL BOARD	12,100,000	11,900,000
LIP PROGRAM	1,607,581	1,409,714
OTHER OPERATING REVENUE	570,348	570,302
TOTAL NET OPERATING REVENUE	184,411,462	179,495,196
EXPENSES		
OPERATING EXPENSES	167,230,592	163,993,135
DEPRECIATION AND AMORTIZATION	8,929,782	9,754,041
INTEREST	3,028,718	3,092,484
TOTAL EXPENSES	179,189,092	176,839,660
OPERATING INCOME (LOSS)	5,222,370	2,655,536
NON-OPERATING INCOME	1,994,097	1,718,988
REVENUES OVER EXPENSES	$ 7,216,466	$ 4,374,524

Hospital and External Service Combined