



COUNTY AUDIT DEPARTMENT

REPORT # 407

JULY 27, 2022

An Audit of:

INDIGENT HEALTH CARE SURTAX

TRUST FUND FY 2020-2021



Cindy Stuart

CLERK OF COURT & COMPTROLLER
HILLSBOROUGH COUNTY

The Honorable Kimberly Overman, Chair
The Honorable Harry Cohen
The Honorable Ken Hagan
The Honorable Pat Kemp
The Honorable Gwen Myers
The Honorable Mariella Smith
The Honorable Stacy R. White

July 27, 2022

Dear Commissioners:

The Audit Team performed an audit of the Indigent Health Care Surtax Trust Fund FY 2020-2021 (**Audit Report #407, dated July 27, 2022**). Responses to the Audit Team's recommendations were received from the Director of Health Care Services and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management with an independent, objective analysis, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

I appreciate this opportunity to be of service to the Board of County Commissioners. I am happy to address any questions that you may have or furnish additional information if desired.

Sincerely,

Heidi Pinner

Heidi Pinner, CIA CISA CFE CRMA
Chief Audit Executive, Clerk of Court & Comptroller

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601 E. Kennedy Blvd, 13th Fl. TAMPA, FL 33602

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

In 1991, Hillsborough County enacted a half-cent sales surtax to fund the County's Health Care Plan for indigent residents. The Surtax remains the property of the State. It is distributed by the Department of Revenue on a regular and periodic basis to the Clerk of the Circuit Court. The fund established by the Clerk is called the State of Florida Health Care Surtax Trust Fund. The Fund is controlled by the Clerk's County Finance Department. The Clerk is the ex officio custodian of the surtax for Hillsborough County. The Clerk is responsible for maintaining the surtax revenue in a trust fund, investing the money, and disbursing the money to the health care plan based upon the County's directives. Disbursements from the Fund are based on expenditures in the County's Indigent Health Care Services Fund - the Health Care Plan.

In 2001, the County enacted and implemented a hospital lien law. As a result, \$3.5 million is paid annually to Tampa General Hospital in recognition for being the County's Level 1 trauma center.

In 2003, the Legislature of the State of Florida enacted a requirement that the Clerk prepare, on a biennial basis, an audit of the State of Florida Health Care Surtax Trust Fund commencing February 1, 2004. The audit is to be delivered to the Board of County Commissioners and the chair of the Hillsborough County Legislative Delegation.

Appendix A to this report illustrates the Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balances for fiscal years ended September 30, 2020 and 2021.

OBJECTIVE

The primary objective of the audit is to review and evaluate the effectiveness of management's system of internal control related to the Surtax Trust Fund. Specifically, the County Audit Department determined whether or not:

- The Indigent Health Care Surtax Trust Fund revenue recorded in the County's general ledger agreed with the Department of Revenue's public payment reports and the County's corresponding bank statements.
- The Hillsborough County Indigent Health Care Surtax Trust Fund receives tax revenue amounts from the State of Florida that are similar to the amounts received from the Community Investment Tax (CIT).

- Funds from the Indigent Health Care Surtax Trust Fund were used to reimburse the expenditures for the County's Indigent Health Care Services (operations) Fund.
- The expenditures from the County's Indigent Health Care Operations Fund appeared appropriate for the objective of providing healthcare services to indigent citizens of Hillsborough County.
- Hillsborough County is in compliance with Florida Statute 212.055(4)(a)5.c. that requires the County to pay either \$6.5 million to a Level I trauma center or to pay only \$3.5 million if the County enacts a hospital lien law.

SCOPE

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The audit period covered the fiscal years ended September 30, 2020 and September 30, 2021. Audit procedures consisted primarily of confirmations of surtax revenue with the State, an analysis of account fluctuations, a limited review of reasonableness of expenditures, a review of County Ordinances, and inquiries of management.

Hillsborough County's independent external certified public accountants audited the County's annual financial statements. The external auditors did not identify any material concerns related to the Surtax Trust Fund of Hillsborough County during fiscal years 2020 and 2021.

OVERALL EVALUATION

The Surtax Trust Fund's fiscal year-end fund balance for 2020 and 2021 was \$199.9 million and \$240.1 million, respectively.

PROCESS STRENGTHS AND SUCCESSES

- **Sufficient supporting documentation was retained.**
- **Appropriate mechanisms are in place for monitoring and tracking the Surtax Trust Fund revenues and expenditures.**
- **An electronic data warehouse is used for monitoring medical claims.**

CONTROL IMPROVEMENT OPPORTUNITIES/RISKS

- **Some invoices were not properly redacted.**

Full testing results are included on page 5 of this Report.

OPINION

Control Maturity Levels



The overall control environment relative to the management of Indigent Healthcare Surtax Trust Fund is at a formal (defined) maturity level. This means that management has established mechanisms to ensure compliance with Florida Statute 212.055(4).

The exit conference was held with Hillsborough County Health Care Services and County leadership on July 12, 2022.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

- Heidi Pinner, CIA, CISA, CFE, CRMA, Chief Audit Executive
- Ben Everett, CPA, CIA, CFE, CISA, Audit Manager
- Lovonia Scott, CGAP, Internal Auditor

AUDIT COMMENT 1

**Indigent Health
Care Surtax
Revenues**

**FY 2020
\$123.9 MILLION
REVENUE**

**FY 2021
\$152.3 MILLION
REVENUE**

**24 Months
TESTED**

**NO
EXCEPTIONS**

Indigent Health Care Surtax revenues received by Hillsborough County are accurately recorded in the general ledger.

The objective was to determine whether or not the Indigent Health Care Surtax Trust Fund revenue recorded in the County's general ledger agrees with the Department of Revenue's public payment reports and the County's corresponding bank statements.

Background

Businesses in Florida must remit a 6.0 % sales tax to the State of Florida. Each individual County may elect to add its own additional discretionary taxes above the 6.0 % known as surtaxes. The total sales tax in Hillsborough County is composed of:

- 6.0 % state sales tax;
- 0.5 % Community Investment Tax (CIT);
- 0.5 % Indigent Healthcare/Trauma Center Tax; and
- 0.5% School Capital Outlay Surtax.

The additional 1.5% sales taxes are discretionary surtaxes specific to Hillsborough County. There is also a Local Government 1/2 Cent Sales Tax revenue that the County receives from the State of Florida that is not discretionary and is a part of the 6.0 % state sales tax. Each month and each quarter, the State of Florida pays Hillsborough County the Indigent Healthcare/Trauma Center Tax proceeds, which the County records into the general ledger. These payments are deposited into a County-owned bank account and are publicly viewable on a state government website called Florida Accounting Information Resource (FLAIR).

Test Procedure

The audit team reviewed the monthly and quarterly payments on FLAIR and compared the amounts to what was posted to the general ledger and what is showing on the bank statements. This comparison was performed for the Fiscal years 2020 and 2021, ended September 30, 2020 and September 30, 2021, respectively.

TESTING RESULTS

The revenues received from the State of Florida were accurately recorded for each month and quarter tested.

RECOMMENDATION

The Audit Team did not identify any material concerns that require management's corrective actions.

AUDIT COMMENT 2

**Comparison to
CIT Taxes**

**Surtax and CIT
FY 2020
\$123.9 MILLION**

**Surtax and CIT
FY 2021
\$152.3 MILLION**

**32 Journal Entries
TESTED**

**NO
EXCEPTIONS**

The Indigent Health Care Surtax revenue amounts are similar to the amounts received from the Community Investment Tax (CIT).

The objective was to determine whether or not the Hillsborough County Indigent Health Care Surtax Trust Fund receives tax revenue amounts from the State of Florida that are similar to the amounts received from the Community Investment Tax.

Background

Each month and each quarter, the State of Florida makes three separate payments to Hillsborough County for three taxes:

- the Indigent Healthcare Surtax;
- the Community Investment Tax (CIT); and
- the Local Government 1/2 Cent Sales Tax (not quarterly)

The payments are each a portion of the 7.5% sales tax charged in Hillsborough County for taxable goods and services. Payments received from the State for the Indigent Healthcare and CIT taxes are traditionally close in amount each month. Any significant difference in the payments could indicate an improper payment amount was received from the State.

Test Procedure

The Audit Team:

- Reviewed the County's monthly and quarterly journal entry postings to the general ledger for the Indigent Healthcare and CIT tax revenues;
- Performed a comparison of the dollar amounts for each month and quarter to identify any material differences; and
- Determined the cause of any discrepancies noted.

TESTING RESULTS

No material differences were noted for the 32 journal entries reviewed (12 months and 4 quarters for each fiscal year).

RECOMMENDATION

The Audit Team did not identify any material concerns that require management's corrective actions.

AUDIT COMMENT 3

**Indigent Health
Care Surtax
Reimbursed
Expenditures**

**FY 2020
\$117.5 MILLION
REIMBURSED**

**FY 2021
\$112.4 MILLION
REIMBURSED**

**100%
TESTED**

**NO
EXCEPTIONS**

Expenditures in the County's Indigent Health Care Services (operations) Fund were reimbursed by the Indigent Health Care Surtax Trust Fund.

The objective was to determine whether or not expenditures in the Indigent Health Care Surtax Trust Fund were used to reimburse the expenditures for the County's Indigent Health Care Services (operations) Fund.

Background

Two funds in the County's general ledger are used to record transactions for the County's Indigent Healthcare Surtax program: the Indigent Health Care Surtax Trust Fund and the Indigent Health Care Services (operations) Fund. The operations fund is for expenditures of healthcare related costs in the program. The Trust Fund is used for recording tax revenues received by the County. The operations fund needs occasional replenishing from the Trust Fund to cover the expenditures. Periodic journal entries are posted to move funds from the Trust Fund into the operations fund as a reimbursement.

Test Procedure

The Audit Team compared all fiscal year 2020 and 2021 transaction totals to ensure that the amount coming out of the Trust Fund was equal to the amount going into the operations fund as a replenishment.

TESTING RESULTS

Funds from the Indigent Health Care Surtax Trust Fund were used to reimburse the expenditures for the County's Indigent Health Care Services (operations) Fund. Funding amounts being moved out of the Trust Fund were recorded as an expenditure in the Trust Fund and as a revenue into the operations fund.

RECOMMENDATION

The Audit Team did not identify any material concerns that require management's corrective actions.

AUDIT COMMENT 4

**Indigent Health
Care Surtax
Expenditures**

**\$129.9 MILLION
FY 2020**

**\$116.9 MILLION
FY 2021**

**70
ITEMS TESTED**

**1
EXCEPTION**

Expenditures from the County's Indigent Health Care Services (operations) Fund appear appropriate.

The objective was to determine whether or not the expenditures from the County's Indigent Operations Fund were appropriate for the purpose of providing healthcare services to indigent citizens of Hillsborough County.

Background

The Indigent Health Care program is administered by the Hillsborough County Health Care Services Department. Funds from the Indigent Health Care Surtax are used by Health Care Services to pay for medical expenses of qualified indigent citizens of Hillsborough County. The funds are also used to cover administrative expenses of the program.

Florida State Statute 212.055(4) has broad language regarding what the Indigent Healthcare Surtax funds may be spent on. The statute includes the statement that the plan "...shall fund a broad range of health care services for both indigent persons and the medically poor..." and "...it shall include, without limitation, services rendered by physicians, clinics, community hospitals, mental health centers, and alternative delivery sites, as well as at least one regional referral hospital where appropriate."

Test Procedure

The Audit Team identified all expenditures and journal entries that were recorded in the operations fund for the Fiscal Years 2020 and 2021. From this population, the Audit Team judgmentally selected a sample of expenditures for further review based on:

- Vendors that have unusual-looking business names with respect to providing healthcare;
- High transaction dollar amounts;
- High total annual expenditures with the same vendor; and

- Journal entries over \$100,000.

For each of the transactions in the sample, the Audit Team reviewed backup documents such as vendor invoices and journal entry files for appropriateness. The Audit Team made inquiries with Hillsborough County Health Care Services to obtain additional clarification or justification for expenditures, as needed.

TESTING RESULTS

The Audit Team used the requirements in Florida State Statute 212.055(4) to determine whether the sample of expenditures and journal entries reviewed were appropriate. The sample invoices and journal entries reviewed appear to be appropriate for the Indigent Healthcare program. However, two invoices reviewed for fiscal year 2020 had un-redacted Social Security Numbers and/or address information. The Audit Team subsequently reviewed additional invoices for the same suppliers and identified three additional un-redacted documents. Health Care Services was informed of these items. A similar observation was included in the FY 2016-2017 Indigent Health Care Surtax Audit (report #349).

RECOMMENDATION

Management should ensure proper redactions are made before invoices are submitted to County Finance for payment.

CLIENT RESPONSE: *Concur*

CORRECTIVE ACTION PLAN:

The Department continues its efforts to automate all invoicing processes to eliminate the need to redact manual invoices and avoid human error. Additionally, the department's Fiscal Team has already changed processes and added another layer of review of these manual invoices to ensure proper redaction at the department level. The Clerk of the Circuit Court's County Finance Accounts Payable Department has agreed to allow the Department to now annotate all manual invoices with "FS 119 Exempt" at the top of these invoices to flag these items to ensure proper redaction at the Accounts Payable level.

TARGET COMPLETION DATE:

The automation efforts are ongoing and full automation is not expected to be completed until at least FY 2024. All other efforts are completed and in place.

AUDIT COMMENT 5

**Indigent Health
Care Surtax
Trauma Center
Payment**

**FY 2020
\$3.5 MILLION
TGH PAYMENT**

**FY 2021
\$3.5 MILLION
TGH PAYMENT**

**COMPLIANCE
STATUS
FULLY COMPLIANT**

Hillsborough County has complied with the requirement to provide an annual payment of \$3.5 million to a Level I trauma center.

The objective was to determine whether or not Hillsborough County is in compliance with Florida Statute 212.055(4) that requires the County to pay either \$6.5 million to a Level I trauma center or to pay only \$3.5 million if the County enacts a hospital lien law.

Background

The Hillsborough County Board of County Commissioners (BOCC) adopted a hospital lien law via Hillsborough County Ordinance 01-24 on September 5, 2001. The ordinance allows hospitals in Hillsborough County to make a claim against lawsuits, settlements, or insurance payments to ensure the hospital is paid for providing treatment to a patient. Passing a hospital lien law allows Hillsborough County to pay \$3.5 million to a Level I trauma center instead of \$6.5 million, per Florida Statute 212.055(4)(a)5.c.

Test Procedure

The Audit Team verified with the BOCC Records Department of the Hillsborough County Clerk of Court & Comptroller that Ordinance 01-24 is still in effect and has had no amendments. The Audit Team then reviewed the general ledger entries and backup documentation to determine whether or not the County made a payment of \$3.5 million to a Level I trauma center in both Fiscal Years 2020 and 2021.

TESTING RESULTS

The Audit Team found journal entries, bank statements, and wire transfer documents showing that the County made \$3.5 million in payments in each fiscal year to Tampa General Hospital. The Audit Team also confirmed that Tampa General

Hospital is a Level I trauma center via a statewide trauma center listing on the Florida Department of Health website. Therefore, the County is in compliance with Florida Statute 212.055(4) for Fiscal Years 2020 and 2021.

RECOMMENDATION

The Audit Team did not identify any material concerns that require management's corrective actions.

APPENDIX A

**State of Florida Health Care Surtax Trust Fund
Balance Sheets
September 30, 2020 and 2021**

	<u>2020</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash equity	\$ 178,035,558	\$ 212,004,345
Due from other governmental units	21,917,444	28,130,417
Total assets	<u>199,953,002</u>	<u>240,134,762</u>
FUND BALANCES		
Restricted for:		
Hillsborough Healthcare	199,953,002	240,134,762
Total fund balance	<u>\$ 199,953,002</u>	<u>\$ 240,134,762</u>

**Statements of Revenues, Expenditures, and Changes in Fund Balances
For Fiscal Years Ended September 30, 2020 and 2021**

	<u>2020</u>	<u>2021</u>
Revenues		
Taxes - discretionary sales surtaxes	\$ 123,941,315	\$ 152,315,729
Interest	5,044,114	269,261
Total revenues	<u>128,985,429</u>	<u>152,584,990</u>
Other financing sources (uses):		
Transfers In	-	-
Transfers out	(117,496,009)	(112,403,230)
Total other financing sources (uses)	<u>(117,496,009)</u>	<u>(112,403,230)</u>
Net change in fund balance	11,489,420	40,181,760
Fund balance, beginning of year	188,463,582	199,953,002
Fund balance, end of year	<u>\$ 199,953,002</u>	<u>\$ 240,134,762</u>

Some dollar figures may have a \$1 rounding error.