

PERFORMANCE AUDIT OF HOLMES COUNTY

FINAL REPORT

August 28, 2020



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August 28, 2020

Mr. David Corbin
County Administrator
Holmes County – Board of County Commissioners
107 E Virginia Ave
Bonifay, Florida 32425

Ms. Joann Baker
Hospital Administrator
Doctors Memorial Hospital
2600 Hospital Drive
Bonifay, Florida 32425

Dear Mr. Corbin and Ms. Baker:

McConnell & Jones LLP (MJ) is pleased to submit our final report of the performance audit of Holmes County (the County) and the Holmes County Hospital Corporation, dba Doctors Memorial Hospital herein after referred to as Doctors Memorial Hospital (DMH or the Hospital) pursuant to s. 212.055(10), *Florida Statutes*.

In accordance with the requirements of Ch. 2018-118, *Laws of Florida*, the Office of Program Policy Analysis and Government Accountability (OPPAGA) selected MJ to conduct a performance audit of the program areas related to the levy of a discretionary indigent care sales surtax of one-half of one percent (0.5%) pursuant to s. 212.055(7), *Florida Statutes*. Ms. Ashley Spicola, based in Tallahassee, Florida, served as technical advisor for the project.

We conducted this performance audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

The objective of the audit was to fulfill the requirements of s. 212.055(10), *Florida Statutes*. This statute requires that Florida local governments, with a referendum on the discretionary sales surtax held after March 23, 2018, undergo a performance audit conducted of the program associated with the proposed sales surtax adoption. The audit

must be conducted at least 60 days before the referendum is held. OPPAGA is charged with procuring and overseeing the audit.

The objectives of the audit are consistent with the requirements of the statute, which are to evaluate the program associated with the proposed sales surtax adoption based on the following criteria:

1. The economy, efficiency, or effectiveness of the program
2. The structure or design of the program to accomplish its goals and objectives
3. Alternative methods of providing services or products
4. Goals, objectives, and performance measures used by the program to monitor and report program accomplishments
5. The accuracy or adequacy of public documents, reports, and requests prepared by the County, which relate to the program
6. Compliance of the program with appropriate policies, rules, and laws

We developed a work plan outlining the procedures to be performed to achieve the above audit objectives. Those procedures and the results of our work are summarized in the Executive Summary and discussed in detail in the body of the report.

Based upon the procedures performed and the results obtained, the audit objectives have been met. We conclude that based upon the work performed that both Holmes County and the Hospital have sufficient policies and procedures in place, supported by appropriate documentation, reports, monitoring tools, and personnel to address the statutory criteria defined in s. 212.055(10), *Florida Statutes*.

McCormick + Jones LLP

Houston, Texas



TABLE OF CONTENTS

<i>EXECUTIVE SUMMARY.....</i>	<i>4</i>
<i>HOLMES COUNTY SUMMARY OF RESULTS.....</i>	<i>10</i>
<i>DOCTORS MEMORIAL HOSPITAL SUMMARY OF RESULTS</i>	<i>16</i>
<i>PROGRAM DESCRIPTION AND MANAGEMENT.....</i>	<i>28</i>
<i>HOLMES COUNTY ANALYSIS SECTION.....</i>	<i>31</i>
<i>RESEARCH TASK 1.....</i>	<i>38</i>
<i>RESEARCH TASK 2.....</i>	<i>55</i>
<i>RESEARCH TASK 4.....</i>	<i>57</i>
<i>RESEARCH TASK 6.....</i>	<i>61</i>
<i>HOLMES COUNTY MANAGEMENT RESPONSE.....</i>	<i>69</i>
<i>DOCTORS MEMORIAL HOSPITAL ANALYSIS SECTION</i>	<i>70</i>
<i>RESEARCH TASK 1.....</i>	<i>76</i>
<i>RESEARCH TASK 2.....</i>	<i>103</i>
<i>RESEARCH TASK 3.....</i>	<i>113</i>
<i>RESEARCH TASK 4.....</i>	<i>120</i>
<i>RESEARCH TASK 5.....</i>	<i>128</i>
<i>RESEARCH TASK 6.....</i>	<i>139</i>
<i>DOCTORS MEMORIAL HOSPITAL MANAGEMENT RESPONSE</i>	<i>153</i>



EXECUTIVE SUMMARY

HOLMES COUNTY & HOLMES COUNTY HOSPITAL CORPORATION

This sales surtax performance audit is distinct from most other performance audits. Sales surtax audits typically involve only one entity. This sales surtax performance audit involves two entities: Holmes County (the County) and the Holmes County Hospital Corporation, dba Doctors Memorial Hospital herein after referred to as Doctors Memorial Hospital (DMH or the Hospital).

Holmes County is located in the northwestern part of Florida, in the Panhandle. As of the 2010 census, the population was 19,927. The County seat is Bonifay, Florida. Section 212.055, *Florida Statutes*, authorizes eligible counties to levy sales surtaxes of up to 1 percent if voters approve a referendum at a duly held election in the county. Allowable uses of voter approved sales surtax funds are defined in the statute.

As the entity authorized to place the sales surtax referendum before county voters, Holmes County Commissioners approved Ordinance No. 20-01 on April 7, 2020, to place a one-half cent indigent care sales surtax on the November 3, 2020, ballot in accordance with s. 101.161, *Florida Statutes* and s. 212.055(7), *Florida Statutes*. The ballot language reads as follows:

“Shall Holmes County levy a countywide one-half cent sales surtax? The proceeds of the sales surtax shall be used to service existing indebtedness of Doctors Memorial Hospital. The proceeds shall not be used to pay the salaries of the Hospital staff or the day-to-day operating expenses of the Hospital.”

County Commissioners approved the ordinance after making the determination that DMH would likely cease to operate as a going concern without financial assistance to service its debt. The County will serve as custodian of the sales surtax funds should the referendum pass. The funds will flow through the County to the Hospital. The County may not use any of the funds for its operations and will not benefit in any way from the sales surtax.

DMH is a rural hospital located in Bonifay, Florida that provides healthcare to citizens throughout the Florida Panhandle in Holmes, Jackson, Washington, and Walton counties. The Hospital is experiencing financial hardship and its board, which consists of five positions appointed by the governor, has only one member. According to the Governor’s Appointment Office, three (3) names have been completed and are now ready for the Governor to appoint them to the board. Community members wishing to serve submit applications of their own accord directly to the Governor’s Appointment Office. The Hospital has no role in submitting applications.

Currently, the Hospital is precluded from conducting some routine and necessary business activities. For example, the County’s fiscal year ends September 30th, but its Fiscal Year 2019 audit has not yet been issued because the board of trustees must review the report before approving its release.



The Hospital has also experienced persistent financial difficulties, as evidenced by consistently increasing annual deficits. The Hospital's Fiscal Year 2017 net position (i.e., assets minus liabilities) decreased by approximately \$1.6 million followed by a decrease of approximately \$603,000 in Fiscal Year 2018 and an unaudited decrease of approximately \$897,000 in Fiscal Year 2019. A negative net position means that excess future revenues above expenses must be generated to make up for past shortfalls.

During Fiscal Year 2018, the Hospital did not cover the interest on its long term debt. Moreover, the Hospital is subject to certain financial and nonfinancial covenants and restrictions related to its long-term debt. As of September 30, 2018, the Hospital had violated certain of these covenants but received a waiver for Fiscal Year 2018. This issue is further addressed in Subtask 6.3.

Financial hardships led Hospital administrators to approach the County about placing a sales surtax on the ballot for the benefit of the Hospital. Should the referendum pass, proceeds from the sales surtax will be used to service Hospital debt existing as of April 7, 2020. None of the funds can be used for hospital salaries or operating expenses.

Accordingly, this report is divided into two sections. The Holmes County section addresses the six (6) research tasks as they apply to the County's role in administering the indigent care sales surtax. This section provides a narrative of the current situation with respect to the County as custodian of sales surtax funds should the referendum pass.

Since the County's role is specific and limited, not all subtasks will apply at the County level. As a result, the report does not address every subtask individually and in detail. For example, Subtask 1.7 is about whether written purchasing policies and procedures exist to take advantage of competitive procurement and volume discount opportunities. As custodian of the surtax funds, the County is precluded from spending surtax funds for its own operations. The funds are for the benefit of DMH exclusively. Therefore, Subtask 1.7 is not relevant to the scope of the performance audit at the County level and is not addressed in detail in the County section of the report.

The DMH section of the report addresses each subtask specifically and in detail. Since the surtax funds will benefit the hospital, the "program" referred to in the research tasks is specifically relevant at the hospital level. Accordingly, we have applied each of the six research tasks and related 25 subtasks to hospital administration and operations in the DMH section of the report.

The section below provides an overview of the Fiscal Year 2020 budgets for Holmes County and Doctors Memorial Hospital



2020 BUDGET SUMMARY-HOLMES COUNTY & DOCTORS MEMORIAL HOSPITAL

The Board of County Commissioners, consisting of five (5) commissioners, is the entity responsible for preparing and administering the overall Holmes County budget. The County Commissioners are also in charge of heading the County’s contracting authority, as well as developing and adopting policies for the administration of County services. For Fiscal Year 2020, Holmes County budgeted expenditures totaling \$32,707,562 with the three (3) largest line-item expenditures representing Transportation Trust (40 percent) and General expenditures (38 percent) and Special Transportation Trust (15 percent) as presented in **Figure ES-1** below:

**FIGURE ES-1
HOLMES COUNTY EXPENDITURE BUDGET-BOARD OF COMMISSIONERS
FISCAL YEAR ENDED SEPTEMBER 2020**

Description	Amount	Percent
Transportation Trust	\$13,043,833	40%
General	12,364,469	38%
Special Transportation Trust	4,768,959	15%
SHIP Grant	966,585	3%
Commissioners' Trust	737,249	2%
CDBG Grant	405,000	1%
Work Camp Interest & Sinking	306,714	1%
Arthropod State	72,290	<1%
Arthropod Local	42,463	<%
Grand Total	\$32,707,562	100%

Source: Holmes County Budget-Fiscal Year 2020.

Holmes Doctors Memorial Hospital is overseen by a Board of Trustees which is formed by a group of local citizens who are committed to preserving the mission and vision of the facility. The five-member board is appointed by Florida’s Governor where each serve an alternating four year term. All board members are required to reside in and represent one of the five voting districts in Holmes County. Because the Board of Trustees is served by community members, all monies spent at Doctors Memorial Hospital remain there. As described on page four, the board currently has only one active member and cannot hold meetings or conduct business.

Figure ES-2 presents a recap of the Hospital’s 2020 Budget. Budgeted patient revenue was projected at \$33,638,179, with total deductions from revenue projected at \$18,699,565 (56



percent) leaving total projected net revenue of \$14,938,614. Total operating expenses were projected at \$13,979,508, resulting in an operating margin of \$959,106 less total non-operating expenses (\$944,440), leaving a projected profit of \$14,666.

**FIGURE ES-2
DOCTORS MEMORIAL HOSPITAL
RECAP OF FISCAL YEAR 2020 BUDGET**

Description	FY 2020	Percentage
Patient Revenue		
Total Patient Revenue	\$33,638,179	100%
Deductions from Revenue		
Total Deductions from Revenue	18,834,523	56%
Total Net Patient Revenue	14,803,656	
Total Other Revenue	134,958	
Total Net Revenue	\$14,938,614	
Operating Expenses		
Total Operating Expenses	\$13,979,508	42%
Operating Margin	959,106	3%
Non-Operating Expenses		
Depreciation Amortization	764,271	
Rent & Leases	180,169	
Total Non-Operating Expenses	944,440	
Projected Profit (Loss)	\$14,666	

Source: Doctors Memorial Hospital Fiscal Year 2020 Budget.

DISCRETIONARY SALES SURTAX PERFORMANCE AUDIT

The certified public accountant must conduct a performance audit of relevant areas within the administrative unit(s) of Holmes County and the Doctors Memorial Hospital, which will actually receive the surtax funds once conveyed from the Holmes County Clerk of Court. The performance audit must include a review of program areas related to the proposed Indigent Health Care Trust Fund. Should Holmes County voters approve the sales surtax of one-half cent through a referendum to be held on November 3, 2020, the proceeds will be used to service Doctors Memorial Hospital indebtedness in existence as of April 7, 2020.

GOVERNANCE IMPLICATIONS OF SURTAX PASSAGE

Ordinance No. 20-01 of County Commissioners of Holmes County, Florida related to taxation, provides for the levy of a discretionary indigent care sales surtax of one-half of one percent (0.5%) pursuant to s. 212.055(7), *Florida Statutes*. The ordinance provides for the collection, distribution and use of the sales surtax proceeds, a plan for use of the sales surtax proceeds; an indigent health care trust fund; the levy of the sales surtax to be subject to approval by the



electors of Holmes County in a referendum, provides for a referendum to be held; notification of approval of the sales surtax; severability, applicability; and the effective date.

Under Florida state law, Holmes County's Board of County Commissioners is responsible for adopting the ordinance to place the surtax referendum on the ballot. If it passes, the Clerk of Court will serve as custodian of the funds. The Clerk of Court will receive the funds from the Florida Department of revenue and either remit them to Doctors Memorial Hospital to pay its debt outstanding as of April 7, 2020, or the Clerk of Court will pay the debt directly. The County and Hospital are waiting on the results of the vote before negotiating and finalizing a procedure. Neither the County nor the Hospital may use the funds for operations; the funds can only be used to service the Hospital's debt. The absence of a sitting board of trustees prevents the Hospital from developing and reviewing its overall mission and strategy and guiding its long-term goals, policies, plans, and financial and operational viability, including management of surtax funds.

AUDIT OBJECTIVE

In accordance with s. 212.055(11), *Florida Statutes*, and Government Auditing Standards, a certified public accountant must conduct a performance audit of the Holmes County program areas within the administrative unit(s) that will receive funds through the referendum. Since Doctors Memorial Hospital will receive the surtax funds and Holmes County will derive no benefit, most of the audit scope covered Doctors Memorial Hospital.

Audit fieldwork must include interviews with program administrators, review of relevant documentation, and other applicable methods to complete the assessment of the six (6) research tasks. Accordingly, MJ interviewed program administrators both the Holmes County and Doctors Memorial Hospital.

PROJECT SCOPE

The subject auditees for the performance audit were Holmes County and Doctors Memorial Hospital. The performance audit was conducted in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*. Those standards require that the audit be conducted in a manner to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions.

METHODOLOGY

McConnell & Jones LLP (MJ) conducted all fieldwork virtually for the performance audit from June 22 – July 17, 2019 due to COVID-19. MJ held an introductory kick-off-meeting on June 22, 2020, to discuss the project scope via teleconference. All interviews were conducted via teleconference or using Teams software. Audit team members met with a total of 5 Holmes County executive and management-level staff members and 12 Hospital executive and management-level during the fieldwork period regarding each of the six (6) audit research



tasks. Most of the interviews were conducted via focus groups and had varying management team members in attendance depending on their involvement with a particular research task.

During the focus group meetings, management team members' roles were discussed along with processes and procedures the County follows to address the six (6) research tasks and underlying subtasks. The MJ Team initiated multiple individual interview follow-up contacts with nearly all County and Hospital management team members to clarify information outlined in processes, procedures, and management reports the County provided to address the research tasks. Additionally, performance audit team members reviewed relevant operational and financial data to document and report findings and conclusions.



HOLMES COUNTY SUMMARY OF RESULTS

The role the Holmes County Clerk of Court will play with respect to the Indigent Care Sales Surtax is very limited. Accordingly, we have not assessed all 25 subtasks because not all are relevant. Of the subtasks that were assessed; ten (10) were Met, one (1) was Partially Met, and zero (0) were Not Met. See **Figure 5** for a discussion of the subtasks we assessed and those we did not assess.

RESEARCH TASK 1 – The Economy, Efficiency, or Effectiveness of the Program.

Finding Summary: Overall, Holmes County partially meets Task 1.

The County uses various reports that are adequate to monitor financial resources such as the indigent care sales surtax. Independent, external auditors audit its financial statements annually, which serves as an evaluation of the systems and internal controls that will establish accountability over the sales surtax funds should the referendum pass. Findings and recommendations have been included in the audit reports. In all except one case, management took actions to address deficiencies identified in the audit reports. However, when the former Clerk of Court & Comptroller (Clerk of Court) was indicted for falsifying travel records, Clerk of Court & Comptroller (Clerk of Court) management did not implement the auditor’s recommendation to establish a whistleblower policy. Nor did management take other action to strengthen travel expense internal controls, including updating the travel policy, which had been approved by the former clerk of court in February 2014.

**FIGURE ES-3
SUMMARY OF HOLMES COUNTY RESEARCH RESULTS**

Research Subtask	Research Results	Conclusion	Recommendation
1. The Economy, Efficiency, or Effectiveness of the Program			
1.1	Our work revealed no issues or concerns related to management reports/data that program administrators use on a regular basis to monitor program performance and cost. The County uses various reports that are adequate to monitor financial resources such as the indigent care sales surtax.	Met	N/A
1.2	Our work revealed no issues or concerns related to whether the program is periodically evaluated using performance information and other reasonable criteria to assess program performance and cost. Independent external auditors audit the County’s financial	Met	N/A



Research Subtask	Research Results	Conclusion	Recommendation
1. The Economy, Efficiency, or Effectiveness of the Program			
	statements annually, which serves as an evaluation of the systems and internal controls that will establish accountability over the sales surtax funds should the referendum pass.		
1.3	Our work revealed no issues or concerns related to review findings and recommendations included in any relevant internal or external reports on program performance and cost. Findings and recommendations have been included in annual external audit reports.	Met	N/A
1.4	In all except one case, management took actions to address deficiencies in audit reports. However, when the former clerk of court was indicted for falsifying travel records, Clerk of Court Management did not implement the auditor’s recommendation to establish a whistleblower policy. Nor did management take other action to strengthen travel expense internal controls, including updating the travel policy, which had been approved by the former clerk of court in February 2014.	Partially Met	Establish a whistleblower policy, update the travel policy, and engage the independent auditor to include a review of the clerk of court’s travel expense report as a standard procedure during the annual audit.
1.5	Not relevant to the indigent care sales surtax, therefore not evaluated.	N/A	N/A
1.6	Not relevant to the indigent care sales surtax, therefore not evaluated.	N/A	N/A
1.7	Not relevant to the indigent care sales surtax, therefore not evaluated.	N/A	N/A



RESEARCH TASK 2 – THE STRUCTURE OR DESIGN OF THE PROGRAM TO ACCOMPLISH ITS GOALS AND OBJECTIVES.

Finding Summary: Overall, Holmes County meets Task 2.

The evaluation of the Holmes County organizational structure was limited to the Clerk of Court and the County Administrator’s office. The MJ Team found both organizational units to have clear lines of authority with no excessive administrative layers.

**FIGURE ES-4
SUMMARY OF HOLMES COUNTY RESEARCH RESULTS**

Research Subtask	Research Results	Conclusion	Recommendation
2. The Structure or Design of the Program to Accomplish its Goals and Objectives			
2.1	Our work revealed no issues or concerns related to the program organizational structure to ensure the program has clearly defined units, minimizes overlapping functions and excessive administrative layers, and has lines of authority that minimize administrative costs.	Met	N/A
2.2	Our work revealed no issues or concerns related to the reasonableness of current program staffing levels given the nature of the services provided and program workload. However, the departments have encountered some difficulties in the past attracting qualified workers for lower level positions reflecting the rising wage levels in the region.	Met	N/A



RESEARCH TASK 4 – GOALS, OBJECTIVES, AND PERFORMANCE MEASURES USED BY THE PROGRAM TO MONITOR AND REPORT PROGRAM ACCOMPLISHMENTS.

Finding Summary: Overall, Holmes County meets Task 4.

The County’s system of internal controls relevant to the sales surtax provides reasonable assurance that sales surtax funds will be properly accounted for, safeguarded, and distributed in accordance with the applicable *Florida Statutes* and local policies and procedure.

**FIGURE ES-5
SUMMARY OF HOLMES COUNTY RESEARCH RESULTS**

Research Subtask	Research Results	Conclusion	Recommendation
4. Goals, Objectives, and Performance Measures used by the Program to Monitor and Report Program Accomplishments			
4.3	MJ evaluated this subtask with subtask 6.2 since they both relate to internal control. Our work revealed no issues or concerns related to whether internal controls, including policies and procedures, provide reasonable assurance that program goals and objectives will be met.	Met	N/A



RESEARCH TASK 6 – Compliance of the Program with Appropriate Policies, Rules, and Laws.

Finding Summary: Overall, Holmes County meets Task 6.

The County’s processes for assessing compliance with applicable laws, rules, and regulations relevant to the indigent care sales surtax and other issues consist of the Board of County Commissioners, the County Attorney, affiliations with professional associations, and the services of a lobbyist. Noncompliance with applicable laws, rules, and regulations identified by the County’s external auditors were addressed by county management. Finally, actions taken by county administrators ensured that the planned uses of the indigent care sales surtax comply with applicable state laws, rules, and regulations.

**FIGURE ES-6
SUMMARY OF HOLMES COUNTY RESEARCH RESULTS**

Research Subtask	Research Results	Conclusion	Recommendation
6. Compliance of the Program with Appropriate Policies, Rules, and Laws			
6.1	Our work revealed no issues or concerns related to whether the County has a process to assess its compliance with applicable (i.e., relating to the program's operation) federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies. Processes for assessing compliance with applicable laws, rules, and regulations relevant to the indigent care sales surtax and other issues consist of the Board of County Commissioners, County Attorney, affiliations with professional associations, and the services of a lobbyist.	Met	N/A
6.2	This subtask was evaluated with subtask 4.2. Our work revealed no issues or concerns related to whether internal controls are reasonable to ensure compliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures. We determined that the	Met	N/A



Research Subtask	Research Results	Conclusion	Recommendation
6. Compliance of the Program with Appropriate Policies, Rules, and Laws			
	County's internal controls as they relate to the indigent care sales surtax are adequate to ensure compliance with applicable state laws and local ordinances.		
6.3	Our work revealed no issues or concerns related to whether program administrators have taken reasonable and timely actions to address any noncompliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures identified by internal or external evaluations, audits, or other means. Noncompliance with applicable laws, rules, and regulations identified by the County's external auditors were addressed by county management.	Met	N/A
6.4	Our work revealed no issues or concerns related to whether program administrators have taken reasonable and timely actions to determine whether planned uses of the surtax are in compliance with applicable state laws, rules, and regulations. Actions taken by county administrators ensure that the planned uses of the indigent care sales surtax comply with applicable state laws, rules, and regulations.	Met	N/A



DOCTORS MEMORIAL HOSPITAL SUMMARY OF RESULTS

Out of the 25 subtasks that were assessed for Doctors Memorial Hospital, 17 were Met, seven (7) were Partially Met, and one (1) was Not Met.

RESEARCH TASK 1 – The Economy, Efficiency, or Effectiveness of the Program.

Finding Summary: Overall, Doctors Memorial Hospital meets Task 1.

Hospital administrators use financial and medical reports on a regular basis that are adequate to monitor debt as well as the hospital’s performance and costs. Hospital programs are periodically evaluated using performance information and other reasonable criteria such as a performance improvement plan, staff meetings, and various performance reports to assess program performance and cost. Findings and recommendations are included in relevant external audit reports and hospital administration took reasonable and timely actions to address deficiencies in program performance and/or costs identified in such reports. The Hospital evaluates program performance and costs based on measures, which MJ determined to be reasonable based on comparative analysis using publicly available data. The Hospital was not able to pay monthly debt obligations on a timely basis for several months. The Hospital has established written purchasing policies and procedures to take maximum advantage of competitive procurement, volume discounts, and special pricing agreements. The Hospital also contracts with a firm that negotiates the best value in goods and services for the Hospital. The firm manages a network of health care organizations to ensure that the Hospital receives competitive, favorable pricing on health care products.

FIGURE ES-7
SUMMARY OF HOSPITAL’S RESEARCH RESULTS

Research Subtask	Research Results	Conclusion	Recommendation
1. The Economy, Efficiency, or Effectiveness of the Program			
1.1	Our work revealed no issues or concerns related to management reports/data that program administrators use on a regular basis to monitor program performance and cost. Hospital administrators use financial and medical reports on a regular basis that are adequate to monitor debt as well as hospital performance and costs.	Met	N/A



Research Subtask	Research Results	Conclusion	Recommendation
1. The Economy, Efficiency, or Effectiveness of the Program			
1.2	Our work revealed no issues or concerns related to whether the program is periodically evaluated using performance information and other reasonable criteria to assess program performance and cost. Hospital programs are periodically evaluated using performance information and other reasonable criteria such as a performance improvement plan, staff meetings, and various performance reports to assess program performance and cost.	Met	N/A
1.3	Our work revealed no issues or concerns related to review findings and recommendations included in any relevant internal or external reports on program performance and cost. Findings and recommendations are included in relevant external audit reports.	Met	N/A
1.4	Our work revealed no issues or concerns related to whether program administrators have taken reasonable and timely actions to address any deficiencies in program performance and/or cost identified in management reports/data, periodic program evaluations, audits, etc. Hospital administration took reasonable and timely actions to address deficiencies in program performance and/or costs identified in external reports.	Met	N/A
1.5	Our work revealed no issues or concerns related to the evaluation of program performance and cost based on reasonable measures, including best practices. The Hospital evaluates program performance and costs based on measures, which MJ determined to be reasonable based on comparative analysis using publicly available data.	Met	N/A



Research Subtask	Research Results	Conclusion	Recommendation
1. The Economy, Efficiency, or Effectiveness of the Program			
1.6	The Hospital was not able to pay monthly debt obligations on a timely basis beginning in May 2019 and entered into a Forbearance Agreement. In addition, insufficient documentation was provided to verify compliance with some of the Forbearance Agreement requirements.	Partially Met	Continue to assess methods such as refinancing the debt obligations to strengthen the Hospital's financial position. Develop formal documented responses to bondholders to demonstrate compliance with all requirements of the Forbearance Agreement.
1.7	Our work revealed no issues or concerns related to whether the Hospital has established written policies and procedures to take maximum advantage of competitive procurement, volume discounts, and special pricing agreements. The Hospital has established written purchasing policies and procedures to take maximum advantage of competitive procurement, volume discounts, and special pricing agreements. It also contracts with a firm that negotiates the best value in goods and services for the Hospital. The firm manages a network of health care organizations to ensure that the Hospital receives competitive, favorable pricing on health care products.	Met	N/A



RESEARCH TASK 2 – THE STRUCTURE OR DESIGN OF THE PROGRAM TO ACCOMPLISH ITS GOALS AND OBJECTIVES.

Finding Summary: Overall, Doctors Memorial Hospital meets Task 2.

Doctors Memorial Hospital’s (DMH) organizational structure reflects clearly defined organizational units, clear lines of authority, with no excessive administrative layers. In the past, the Hospital struggled to recruit physicians, which impacted its ability to provide medical services. DMH entered into a Memorandum of Understanding with a medical consulting company which recommended that three (3) new positions be added to the organizational structure. The organizational changes resulted in improved oversight and better control of management and administrative costs. The Hospital has kept staffing levels consistent over the past three (3) years. Although DMH is located in a rural area, management has been resourceful at handling workload demand by cross-training staff. The Hospital optimized staffing levels by cross-training staff to maximize workload coverage, particularly for functions requiring a higher level of medical training.

**FIGURE ES-8
SUMMARY OF HOSPITAL’S RESEARCH RESULTS**

Research Subtask	Research Results	Conclusion	Recommendation
2. The Structure or Design of the Program to Accomplish its Goals and Objectives			
2.1	Our work revealed no issues or concerns related to the program organizational structure to ensure the program has clearly defined units, minimizes overlapping functions and excessive administrative layers, and has lines of authority that minimize administrative costs.	Met	N/A
2.2	Our work revealed no issues or concerns related to the reasonableness of current program staffing levels given the nature of the services provided and program workload. However, the departments have encountered some difficulties in the past attracting qualified workers for lower level positions reflecting the rising wage levels in the region.	Met	N/A



RESEARCH TASK 3 – Alternative methods of providing services or products.

Finding Summary: Overall, Doctors Memorial Hospital meets Task 3.

The Hospital evaluates existing in-house services and activities to assess the feasibility of alternative methods of providing services. It has contracted out several functions and programs and periodically evaluates the performance of these programs to determine if they are performing to expectations. It has also made changes to service delivery methods when their evaluations/assessments found that such changes would reduce program costs without significantly affecting the quality of services. The Hospital identifies possible opportunities for alternative service delivery methods that have the potential to reduce program costs without significantly affecting the quality of services. The Hospital holds regular discussions with peer agencies to identify potential structural or procurement practices that can improve the delivery of services and programs.

**FIGURE ES-9
SUMMARY OF HOSPITAL’S RESEARCH RESULTS**

Research Subtask	Research Results	Conclusion	Recommendation
3. Alternative methods of providing services or products.			
3.1	Our work revealed no issues or concerns related to determining whether program administrators have formally evaluated existing in-house services and activities to assess the feasibility of alternative methods of providing services, such as outside contracting and privatization, and determine the reasonableness of their conclusions.	Met	N/A
3.2	Our work revealed no issues or concerns related to determining whether program administrators have assessed any contracted and/or privatized services to verify effectiveness and cost savings achieved and determine the reasonableness of their conclusions.	Met	N/A
3.3	Our work revealed no issues or concerns related to determining whether program administrators have made changes to service delivery methods when their	Met	N/A



Research Subtask	Research Results	Conclusion	Recommendation
	evaluations/assessments found that such changes would reduce program cost without significantly affecting the quality of services.		
3.4	Our work revealed no issues or concerns related to identifying possible opportunities for alternative service delivery methods that have the potential to reduce program costs without significantly affecting the quality of services, based on a review of similar programs in peer entities (e.g., other counties, etc.).	Met	N/A



RESEARCH TASK 4 – Goals, Objectives and Performance Measures Used by the Program to Monitor and Report Program Accomplishments.

Finding Summary: Overall, Doctors Memorial Hospital partially meets Task 4.

The Hospital lacks a formal comprehensive strategic plan with measurable objectives aligned with the budget. Performance measures related to program performance related to debt monitoring and reporting are adequate. However, performance measures for medical operations require approval by medical senior management. Some internal controls, such as policies and procedures, do not provide reasonable assurance that program goals and objectives will be met.

**FIGURE ES-10
SUMMARY OF HOSPITAL’S RESEARCH RESULTS**

Research Subtask	Research Results	Conclusion	Recommendation
4. Goals, Objectives and Performance Measures Used by the Program to Monitor and Report Program Accomplishments.			
4.1	The Hospital lacks a comprehensive strategic plan. Also, program goals and guidelines in the Organizational Performance Improvement Plan are not clearly aligned with the strategic goals nor include measurable objectives.	Partially Met	Develop a formal and comprehensive strategic plan with goals and objectives which are clearly stated, measurable, and can be achieved within budget. Update the Organizational Performance Improvement Plan with goals that link to the strategic plan and objectives which are clearly stated, measurable, and can be achieved within budget.
4.2	Performance measures related to program performance related to debt monitoring and reporting are adequate. The adequacy of the performance measures related to medical procedures require assessment and approval by the medical team’s management.	Partially Met	Continue to maintain the performance measures related to debt monitoring and reporting. Require appropriate senior management to review and formally approve performance measures for each department.



Research Subtask	Research Results	Conclusion	Recommendation
4.3	Policies and procedures lack examples of supporting forms, reports, or other relevant documentation and clear detailed instructions. Policies and procedures lack sufficient information to address the bondholder reporting requirements.	Partially Met	Develop comprehensive policy and procedures for financial and operational areas that address the program areas related to debt service and facility maintenance.



RESEARCH TASK 5 – The Accuracy or Adequacy of Public Documents, Reports, and Requests Prepared by the Hospital, which Relate to the Program.

Finding Summary: Overall, Doctors Memorial Hospital partially meets Task 5.

The MJ Team found that the most critical financial information such as the annual budget and audit were not available on the website when fieldwork began. The Hospital did provide examples of non-financial information (newspaper, email, and social media posts) that were useful, timely, and available to the public. Evidence of internal analytics reports were provided to demonstrate the adequacy and reach of public information, but no process or report was available to ensure required publicly available information is posted (e.g., the annual budget and audit). The Hospital makes program and cost data available on its website and provided evidence that processes are in place to ensure the accuracy and completeness of this information. The Hospital also provided evidence of a written policy to correct erroneous and incomplete information to the public in a timely manner, when necessary.

**FIGURE ES-11
SUMMARY OF THE HOSPITAL’S RESEARCH RESULTS**

Research Subtask	Research Results	Conclusion	Recommendation
5. The Accuracy or Adequacy of Public Documents, Reports, and Requests Prepared by the County which, Relate to the Program			
5.1	The Hospital does not have clear responsibility assignments that determine which position is accountable for ensuring financial and non-financial data is in compliance with regulatory guidelines and made available to the public in a timely manner.	Partially Met	Assign a management team member and a legal counsel representative (for statutory requirements) with the responsibility for ensuring that public information is routinely reviewed.
5.2	Although the Hospital prepares analytics reports to measure website and social media traffic regular content audits are not performed to assess compliance for inclusion of required information.	Partially Met	Establish data requirements standards for the Hospital website and implement a formal process that ensures timely update of information.



Research Subtask	Research Results	Conclusion	Recommendation
5.3	Our work revealed no issues or concerns related to whether performance data metrics are accessible to the public.	Met	N/A
5.4	Our work revealed no issues or concerns related to whether processes the program has in place to ensure the accuracy and completeness of any program performance and cost information provided to the public.	Met	N/A
5.5	Our work revealed no issues or concerns related to whether the program has procedures in place that ensure that reasonable and timely actions are taken to correct any erroneous and/or incomplete program information included in public documents, reports, and other materials prepared by the county and that these procedures provide for adequate public notice of such corrections.	Met	N/A



RESEARCH TASK 6 – Compliance of the Program with Appropriate Policies, Rules, and Laws.

Finding Summary: Overall, Doctors Memorial Hospital partially meets Task 6.

The Hospital has a process to assess its compliance with state law and local ordinances related to the indigent care sales surtax. However, the absence of a functioning board of trustees is a significant impediment to the Hospital’s ability to enter into contracts and to freely engage in the day-to-day activities of a fully functioning health care facility. Program internal controls are reasonable, but require improvement in maintaining comprehensive and current policies and procedures. Recommendations included in the FY2018 external audit reports have not been implemented. Hospital administrators have taken reasonable and timely actions to determine whether planned uses of the surtax comply with applicable state laws, rules, and regulations.

FIGURE ES-12

SUMMARY OF HOSPITAL’S RESEARCH RESULTS

Research Subtask	Research Results	Conclusion	Recommendation
6. Compliance of the Program with Appropriate Policies, Rules, and Laws			
6.1	The Hospital has a process to assess its compliance with state law and local ordinances related to the indigent care sales surtax. However, the absence of a functioning board of trustees is a significant impediment to the Hospital’s ability to enter into contracts and to freely engage in the day-to-day activities of a fully functioning health care facility.	Partially Met	Continue efforts to fill board vacancies to achieve a functioning board of trustees for the Hospital.
6.2	Program internal controls are reasonable to ensure compliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures, yet require improvement. The external auditor’s reports for FY2018 and FY2017 indicate partial repeat of prior year’s audit findings. The Accounting Policy and Procedures manual is limited and outdated.	Partially Met	Conduct a complete year-end review to ensure all adjustments are completed prior to the annual audit. Develop and maintain a comprehensive accounting policy and procedure manual to maintain knowledge transfer and consistent accounting practices.



Research Subtask	Research Results	Conclusion	Recommendation
6. Compliance of the Program with Appropriate Policies, Rules, and Laws			
	Policies and procedures lack updates to address the accounting procedures required to resolve the repeat audit findings.		
6.3	Program administrators have not taken reasonable and timely actions to address any noncompliance identified by internal or external evaluations, audits, or other means. Recommendations in the FY2018 external audit report dated March 13, 2019 have not been implemented. Corrective actions are in progress and planned to be completed by September 30, 2020.	Not Met	Continue plans to implement the external auditor's recommendations. Include documentation of any new procedures and reports used in the department's accounting manual to maintain knowledge transfer and consistent accounting practices. Consider filling the vacant chief financial officer position prior to the end of the fiscal year
6.4	Our work revealed no issues or concerns related to whether program administrators have taken reasonable and timely actions to determine whether planned uses of the surtax are in compliance with applicable state laws, rules, and regulations. Hospital administrators have taken such reasonable and timely actions.	Met	N/A



PROGRAM DESCRIPTION AND MANAGEMENT

This section of the report describes the programs that will administer, manage, and/or use the indigent care sales surtax funds that are the subject of this audit. After a discussion of Holmes County's current situation as it relates to the indigent care sales surtax, the detailed research task evaluation is performed in two (2) sections (1) Holmes County Research Tasks; and (2) Doctors Memorial Hospital Research Tasks.

Holmes County Current Situation

Section 212.055, *Florida Statutes* authorizes certain jurisdictions in the state to impose discretionary sales surtaxes. The statute outlines the types of jurisdictions authorized to levy the tax, the rate(s) that may be imposed, the maximum length of time the surtax may be imposed, the procedure for obtaining voter approval, the purposes for which surtax proceeds may be expended, and other legal requirements. The statute provides for the following nine (9) categories of sales surtaxes:

1. Charter County and Regional Transportation System
2. Local Government Infrastructure
3. Small County
4. Indigent Care and Trauma Center
5. County Public Hospital
6. School Capital Outlay
7. Voter-Approved Indigent Care
8. Emergency Fire Rescue Services and Facilities
9. Pension Liability

On April 7, 2020, the Holmes County Board of County Commissioners approved Ordinance No. 20-01 to implement a voter-approved indigent care surtax pursuant to s. 212.055(7), *Florida Statutes*. The ordinance calls for a referendum to be placed on the November 3, 2020, ballot imposing a discretionary ½ cent indigent care surtax on the citizens of the county.

The Clerk of Court & Comptroller (Clerk of Court) for Holmes County Florida is a duly elected constitutional officer as mandated by Article V, Section 16 of the Constitution of the State of Florida. Pursuant to provisions of the Florida Constitution, the role of the Clerk of Court is in three main areas. Within these areas, the Clerk of Court, as an elected public trustee, establishes, at the County level, a system of checks and balances to safeguard and establish accountability over public resources. The three (3) areas of focus are as follows:

- Clerk of the Circuit and County Courts;
- Clerk to the Board of County Commissioners, including serving as Accountant, Auditor, and Custodian of County Funds; and
- County Recorder.



The Clerk of Courts' specific responsibilities as custodian, accountant, and auditor of County funds include the following:

- keeping the board's accounts;
- receiving and depositing funds of the County;
- keeping an accurate and complete set of books;
- investing excess county funds;
- verifying that expenditures are for lawful and public purpose;
- inspecting and examining all accounts of the board at all times; and
- acting as a "watchdog" of board financial activities.

At the county level, the Clerk of Court will serve as custodian over the sales surtax funds. Should voters approve the surtax, the funds will pass through the County to the Hospital. The County will not use or benefit in any way from the sales surtax. Doctors Memorial Hospital (DMH or the Hospital) will use the proceeds to service hospital debt outstanding as of April 7, 2020.

At the Hospital level, funds can only be used to service hospital debt and not for salaries or operating expenses. Hospital administrators hope that the additional financial support will provide enough relief to continue the Hospital as a going concern.

To identify the processes and programs to which the six research tasks will be applied, MJ used a "follow the funds" approach. Should voters approve the referendum, merchants throughout the County will collect taxes on sales of taxable goods. Merchants will remit these funds to the Florida Department of Revenue, which will then remit them to the Holmes County Clerk of Court for deposit into a trust fund, which the Clerk of Court has or will establish. As custodian, the Clerk of Court will receive, maintain, and disburse the surtax funds, including interest earnings, to the Hospital to pay debt outstanding as of April 7, 2020, which totaled approximately \$14.1 million.

In this report, MJ has assessed compliance with the 25 research tasks on two levels: (1) the Holmes County Clerk of Court; and (2) Doctors Memorial Hospital. At the Clerk of Court level, MJ conducted interviews and examined data to further understand the flow of funds. Not all 25 research tasks will apply at the county level because the County's role is limited, and it receives no benefit from the surtax funds. For those research tasks deemed relevant, MJ evaluated the Clerk of Court's stewardship over its existing funds and assessed current processes, procedures, and controls for receiving, recording, reporting, investing, and disbursing funds.

At the Hospital level, MJ conducted interviews with Hospital administrative staff and examined documentation to obtain a deeper understanding of debt composition, management, and administration. We identified hospital functions involved with debt administration and/or that support core programs and operations. During our work, we obtained sufficient, relevant documentation applicable to hospital operations and evaluated the operations against the 25 research tasks.



Figure 1 illustrates the surtax funds flow and the relationship between the two (2) levels of review. It also identifies the Clerk of Court’s role and the Hospital’s core operations and support functions.

FIGURE 1
INDIGENT CARE SALES SURTAX FLOW OF FUNDS



Source: MJ Website Research.



HOLMES COUNTY ANALYSIS SECTION

This section of the report provides an assessment of the six (6) research tasks and 11 subtasks as they apply to the Holmes County’s (the County) administration of the indigent care sales surtax.

The County’s fiscal year ends September 30th. Its Fiscal 2020 budgeted revenue totaled approximately \$21.8 million, not including balance carryforwards and interfund transfers. When these items are included, total resources available for expenditure total \$32.7 million. Revenues from the Federal Emergency Management Agency (FEMA), sales and property taxes, gas taxes, and state transportation grants, comprise 84 percent of projected revenue.

State transportation grants represent funds designated to finance road and bridge construction and maintenance. The state awards these grants to eligible Florida counties to repair or rehabilitate county bridges, pave unpaved roads, address road-related drainage improvements, resurface or reconstruct county roads, or construct capacity safety improvements on county roads. **Figure 2** presents the County’s Fiscal Year 2020 revenue budget.

**FIGURE 2
HOLMES COUNTY REVENUE BUDGET
FISCAL YEAR ENDED SEPTEMBER 2020**

Description	Amount	Percent
Federal Emergency Management Agency	\$5,000,000	23%
Sales Taxes	4,178,191	19%
Property Taxes	4,153,045	19%
*SCOP/SCRAP State Transportation Grants	3,500,000	16%
Gas Taxes	1,565,863	7%
State Grants & Revenue Sharing	1,183,922	5%
Other Revenues	1,212,002	6%
Ambulance Fees	783,750	4%
Jail Repair Appropriation Grant	200,000	1%
Total Revenue	\$21,776,773	100%
Transfers & Carryforwards		
Projected Balance Carryforwards	9,307,404	
Interfund Transfers	1,623,385	
Total Transfers & Carryforwards	\$10,930,789	
Total Resources	\$32,707,562	

Source: Holmes County Budget-Fiscal Year 2020.

*Small County Outreach Program (SCOP) and Small County Road Assistance Program (SCRAP).



Figure 3 presents the County’s Fiscal Year 2020 budgeted expenditures, which balance with its revenues. The Transportation Trust, General Fund, and Special Transportation Trust comprise 93 percent of budgeted expenditures.

**FIGURE 3
HOLMES COUNTY EXPENDITURE BUDGET
FISCAL YEAR ENDED SEPTEMBER 2020**

Description	Amount	Percent
Transportation Trust Fund	\$13,043,833	40%
General Fund	12,364,469	38%
Special Transportation Trust	4,768,959	15%
SHIP Grant	966,585	3%
Commissioners Trust	737,249	2%
Community Development Block Grant	405,000	1%
Work Camp Interest & Sinking	306,714	1%
Arthropod State	72,290	<1%
Arthropod Local	42,463	<%
Grand Total	\$32,707,562	100%

Source: Holmes County Budget-Fiscal Year 2020.

The County uses its General Fund to account for resources devoted to financing the services such as the Sherriff’s Office, Emergency Medical Services (EMS), and the Board of County Commissioners. Other than Board of County Commissioner and Clerk of County Court, no other county offices will be involved with the indigent care sales surtax. The Sherriff’s Office and EMS account for 40 percent of the County’s Fiscal Year 2020 General Fund Budget as shown in **Figure 4**.

**FIGURE-4
HOLMES COUNTY GENERAL FUND BUDGET
FISCAL YEAR ENDED SEPTEMBER 2020**

Description	Amount	Percent
Sheriff	\$3,497,677	28%
Emergency Medical Services	1,510,184	12%
Commissioners	1,166,726	9%
Interfund Transfer-Transportation Trust	885,886	7%
Property Appraiser	612,258	5%
Capital Improvements	607,217	5%



Description	Amount	Percent
Health	539,691	5%
Law Enforcement-Miscellaneous	533,610	4%
Supervisor of Elections	368,401	3%
Tax Collector	340,331	3%
Clerk to the Board	333,067	3%
Other	1,969,421	16%
Grand Total	\$12,364,469	100%

Source: Holmes County Budget-Fiscal Year 2020.

The County’s role with respect to the sales surtax is limited to collecting, recording, safeguarding, investing, and remitting the funds to the Hospital. As a result, not all 25 subtasks will apply at the County level. Accordingly, we have only evaluated those subtasks deemed to be applicable and relevant. Moreover, we have combined the evaluation of subtasks 4.3 and 6.2. to facilitate the discussion and analysis of the County’s internal control system as it relates to surtax funds. **Figure 5** provides an overview of the 25 subtasks and the ones deemed relevant for detailed evaluation and analysis.

**FIGURE-5
RESEARCH TASKS ASSESSED
HOLMES COUNTY**

Research Subtask	Assessed?	Rationale
RESEARCH TASK 1 – The economy, efficiency, or effectiveness of the program.		
1.1 Review any management reports/ data that program administrators use on a regular basis and determine whether this information is adequate to monitor program performance and cost.	Yes	The County collects other sales surtaxes such as the ½ cent emergency sales tax, ½ cent fiscal constrained sales tax, and 1 cent small county sales tax. Should the indigent care sales surtax referendum pass, the same accounting and reporting systems will be used. Therefore, it is appropriate to assess management reporting.
1.2 Determine whether the program is periodically evaluated using performance information and other reasonable criteria to assess program performance and cost.	Yes	The County’s financial statements are audited each year by an independent certified public accountant. Should the indigent care sales surtax referendum pass, the funds would flow through the same accounting system as all other County revenues and expenditures subjected to the annual audit. Therefore, it is appropriate to review the results of the County’s annual audits.



Research Subtask	Assessed?	Rationale
1.3 Review findings and recommendations included in any relevant internal or external reports on program performance and cost.	Yes	In connection with their audit, the independent auditors review and report on the County’s internal controls over financial reporting, compliance, and related compliance reporting. Since there are compliance requirements related to the indigent care sales surtax, it is appropriate to review the auditor’s findings and recommendations.
1.4 Determine whether program administrators have taken reasonable and timely actions to address any deficiencies in program performance and/or cost identified in management reports/data, periodic program evaluations, audits, etc.	Yes	Since County management provides a response to the auditor’s findings and recommendations related to internal controls over financial reporting, compliance, and related compliance reporting, it is appropriate to review actions County management has taken to address deficiencies identified by the auditor.
1.5 Evaluate program performance and cost based on reasonable measures, including best practices.	No	As custodian of the sales surtax funds, there is no program performance to evaluate or measure. The effectiveness of the County’s reporting systems and controls will be evaluated through subtasks 1.1 through 1.4 above as well as 4.3 and 6.2.
1.6 Evaluate the cost, timing, and quality of current program efforts based on a reasonably sized sample of projects to determine whether they were of reasonable cost and completed well, on time, and within budget. Select three samples for evaluation that relate to Indigent Health Care.	No	The County is precluded from using the sales surtax funds for its own operations. Therefore, there are no projects to evaluate.
1.7 Determine whether Holmes County has established written policies and procedures to take maximum advantage of competitive procurement, volume discounts, and special pricing agreements.	No	The County is precluded from using the sales surtax funds for its own operations. Therefore, competitive procurement, volume discounts, and special pricing arrangement are not relevant since the County cannot spend the money.
RESEARCH TASK 2 – The structure or design of the program to accomplish its goals and objectives.		
2.1 Review program organizational structure to ensure the program has clearly defined units, minimizes overlapping functions and excessive administrative layers, and has lines of authority that minimize administrative costs.	Yes	Individuals assigned to designated organizational structures within the County will be responsible for establishing accountability over the indigent care sales surtax should the referendum pass. Therefore, assessing these organizational structures is appropriate.



Research Subtask	Assessed?	Rationale
2.2 Assess the reasonableness of current program staffing levels given the nature of the services provided and program workload.	Yes	See 2.1 above
RESEARCH TASK 3 – Alternative methods of providing services or products.		
3.1 Determine whether program administrators have formally evaluated existing in-house services and activities to assess the feasibility of alternative methods of providing services, such as outside contracting and privatization, and determine the reasonableness of their conclusions.	No	The County is precluded from using the sales surtax funds to provide services. Therefore, alternative methods of providing services is not relevant.
3.2 Determine whether program administrators have assessed any contracted and/or privatized services to verify effectiveness and cost savings achieved and determine the reasonableness of their conclusions.	No	See 3.1 above
3.3 Determine whether program administrators have made changes to service delivery methods when their evaluations/assessments found that such changes would reduce program cost without significantly affecting the quality of services.	No	See 3.1 above
3.4 Identify possible opportunities for alternative service delivery methods that have the potential to reduce program costs without significantly affecting the quality of services, based on a review of similar programs in peer entities (e.g., other counties, etc.).	No	See 3.1 above. In addition, as ex-officio custodian of the surtax funds as established in s. 212.055(7), <i>Florida Statutes</i> and County Ordinance No. 20-01, the Holmes County Clerk of Court is the only organization in the County authorized to receive, account for, and disburse the funds. Therefore, alternative service delivery methods are not applicable.
RESEARCH TASK 4 – Goals, objectives, and performance measures used by the program to monitor and report program accomplishments.		
4.1 Review program goals and objectives to determine whether they are clearly stated, measurable, can be achieved within budget, and are consistent with Holmes County's strategic plan.	No	Should the referendum pass, the County will serve as custodian over the indigent care sales surtax funds and pass them on to Doctors Memorial Hospital. Budgeted, measurable, clearly stated program goals and objectives are not relevant to the County's limited role. Therefore, this subtask will not be assessed.



Research Subtask	Assessed?	Rationale
4.2 Assess the measures, if any, Holmes County uses to evaluate program performance and determine if they are sufficient to assess program progress toward meeting its stated goals and objectives.	No	See 4.1 above
4.3 Evaluate internal controls, including policies and procedures, to determine whether they provide reasonable assurance that program goals and objectives will be met.	Yes	Since the County will serve as custodian over the sales surtax funds, it is appropriate to examine the internal controls around how funds are received, safeguarded, recorded, reported, and disbursed. MJ will evaluate this subtask and subtask 6.2 together since internal control is the theme of both subtasks.
RESEARCH TASK 5 – The accuracy or adequacy of public documents, reports, and requests prepared by the Holmes County which relate to the program.		
5.1 Assess whether the program has financial and non-financial information systems that provide useful, timely, and accurate information to the public.	No	The County does not maintain any relevant financial and non-financial information to the proposed sales surtax fund posted to its website.
5.2 Review available documents, including relevant internal and external reports that evaluate the accuracy or adequacy of public documents, reports, and requests prepared by Holmes County related to the program.	No	The County’s internal and external reports used to evaluate the accuracy or adequacy of public documents, reports, and requests related to its program has no relevance to the proposed sales surtax funds.
5.3 Determine whether the public has access to program performance and cost information that is readily available and easy to locate.	No	The County’s publicly available program and cost information has no relevance to the proposed sales surtax funds.
5.4 Review processes the program has in place to ensure the accuracy and completeness of any program performance and cost information provided to the public.	No	The County’s ability to ensure the accuracy and completeness of its program performance and cost information provided to the public has no relevance to the proposed sales surtax funds.
5.5 Determine whether the program has procedures in place that ensure that reasonable and timely actions are taken to correct any erroneous and/ or incomplete program information included in public documents, reports, and other materials prepared by the Holmes County and that these procedures provide for adequate public notice of such corrections.	No	The County’s procedures to ensure that reasonable and timely actions are taken to correct any erroneous and/or incomplete program information included in its public documents and reports has no relevance to the proposed sales surtax funds.



Research Subtask	Assessed?	Rationale
RESEARCH TASK 6 – Compliance of the program with appropriate policies, rules, and laws.		
6.1 Determine whether the program has a process to assess its compliance with applicable (i.e., relating to the program's operation) federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies.	Yes	Although the County's role is limited, it has legal requirements related to the surtax; therefore, it is appropriate to assess the process for ensuring compliance with these legal requirements.
6.2 Review program internal controls to determine whether they are reasonable to ensure compliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures.	Yes	Since the County will be custodian over sales surtax funds, a review of the internal controls that will exist over those funds is appropriate. This subtask will be assessed with subtasks 4.3 since both subtasks address internal controls.
6.3 Determine whether program administrators have taken reasonable and timely actions to address any noncompliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures identified by internal or external evaluations, audits, or other means.	Yes	This assessment of this subtask will be accomplished with the evaluation of subtasks 1.3 and 1.4.
6.4 Determine whether program administrators have taken reasonable and timely actions to determine whether planned uses of the surtax are in compliance with applicable state laws, rules, and regulations.	Yes	See 6.1



RESEARCH TASK 1

THE ECONOMY, EFFICIENCY, OR EFFECTIVENESS OF THE PROGRAM.

FINDING SUMMARY – Overall, Holmes County partially meets Research Task 1. The County uses various reports that are adequate to monitor financial resources such as the indigent care sales surtax. Independent external auditors audit its financial statements annually, which serves as an evaluation of the systems and internal controls that will establish accountability over the sales surtax funds should the referendum pass. Findings and recommendations have been included in external audit reports. In all except one case, management took action to address deficiencies in audit reports. However, when the former clerk of court was indicted for falsifying travel records, Clerk of Court management did not implement the auditor’s recommendation to establish a whistleblower policy. Nor did management take other action to strengthen travel expense internal controls, including updating the travel policy, which had been approved by the former clerk of court in February 2014.

RESEARCH SUBTASK ANALYSIS AND CONCLUSIONS

SUBTASK 1.1 – Review any management reports/data that program administrators use on a regular basis and determine whether this information is adequate to monitor program performance and cost.

To address the requirements of this subtask, the MJ Team interviewed the Clerk’s Finance Director and the Deputy Clerk. We also examined relevant reports and data used regularly by county management to monitor and manage financial resources. In addition, we reviewed Ordinance No. 20-01, approved by County Commissioners on April 7, 2020, outlining the purpose of the indigent care sales surtax and the Clerk of Court’s responsibilities with respect to the surtax. These responsibilities are as follows:

- Create and establish an Indigent Health Care Trust Fund for the purpose of receiving, maintaining, and disbursing monies received from the Florida Department of Revenue as a result of the sales surtax imposed.
- Serve as the ex-officio custodian of the funds deposited in the Indigent Health Care Trust Fund.
- Maintain the monies in the Indigent Health Care Trust Fund and invest any funds held in deposit in such Fund in accordance with s. 212.055(7)(e), *Florida Statutes*, which states the following:

“Moneys collected pursuant to this subsection remain the property of the state and shall be distributed by the Department of Revenue on a regular and periodic basis to the Clerk



of the Circuit Court as ex officio custodian of the funds of the authorizing county. The clerk of the Circuit Court shall:

- Maintain the moneys in an indigent health care trust fund.
- Invest any funds held on deposit in the trust fund pursuant to general law.
- Disburse the funds, including any interest earned, to any provider of health care services, as provided in paragraphs (c) and (d), upon directive from the authorizing county. [This provision does not apply since by ordinance, surtax funds are only to be used to retire the Hospital’s debt]
- Disburse the funds, including any interest earned, to service any bond indebtedness authorized in this subsection upon directive from the authorizing county, which directive may be irrevocably given at the time the bond indebtedness is incurred.”

Currently, the Hospital makes its own debt payments. It has not yet been determined how payments will be made should the referendum pass. However, according to Clerk of Court’s staff, payment procedures will be established if and when the surtax passes. Since the referendum will not be held until November 3, 2020, the County has not received or managed any of the funds thus far. Should the referendum pass, the Clerk of Court will create unique account codes on its books to establish separate accountability for the funds. The County already maintains two (2) Transportation Trust Funds to account for motor fuel taxes and grant funds designated for road and bridge construction and maintenance. In addition, the County currently receives and manages other types of sales taxes for various purposes as shown in Figure 1-1.

**FIGURE 1-1
BUDGETED SALES TAX REVENUE
FISCAL YEAR 2020**

Description	Amount
1/2 Cent Sales Tax - Fiscal Constrained	\$1,479,351
1/2 Cent Sales Tax - Emergency	1,091,303
1 Cent Sales Tax - Small Co Surtax	1,012,450
1/2 Cent Sales Tax - Regular	369,699
Sales & Use Tax Distribution (Pari-Mutuel)	225,388
Total	\$4,178,191

Source: Holmes County Budget-Fiscal Year 2020.



County management uses revenue and expenditure reports generated from the County’s financial system to manage and monitor the County’s budget and finances. The Clerk of Court generates and maintains monthly expenditure and revenue reports from the system for the benefit of board members and department managers. MJ reviewed and assessed the adequacy of the following financial reports.

Statement of Expenditures, Encumbrances, & Appropriations

This report can be generated for any time period for any county organizational unit. For each general ledger account, the report shows appropriations, month-to-date expenditures, year-to-date expenditures, outstanding encumbrances, unencumbered balances, and expended and unencumbered percentage. This report is adequate to monitor financial activity for each account at a detailed level so that a reviewer can determine how much was budgeted in a given budget line item, how much was spent, how much is committed to be spent, and how much remains. Although the County is precluded from spending surtax funds for its own benefit, this report demonstrates the County’s financial system’s ability to account for expenditures at a detailed level. **Figure 1-2** provides a snapshot of the *Statement of Expenditures, Encumbrances, & Appropriations* report.

**FIGURE 1-2
STATEMENT OF EXPENDITURES, ENCUMBRANCES, & APPROPRIATIONS
MAY 2020**

REPORT DATE	06/08/2020	HOLMES COUNTY BD OF COMMISSIONERS STATEMENT OF EXPENDITURES, ENCUMBRANCES & APPROPRIATIONS Arthropod Local AS OF 05/2020					PAGE	1
SYSTEM DATE	06/08/2020	APPROPRIATIONS (REVISED)	MONTH-TO-DATE EXPENDITURES	YEAR-TO-DATE EXPENDITURES	OUTSTANDING ENCUMBRANCES	UNENCUMBERED BALANCE	EXPENDED and UNENCUMBERED %	
FILES ID	B							
08-00-562.1200	Salary							
08-00-562.1300	Salary-Part Time							
08-00-562.2100	FICA							
08-00-562.2200	Retirement							
08-00-562.2300	Employee Insurance							
08-00-562.2500	Unemployment							
08-00-562.3100	Professional Services	4000.00				4000.00		
08-00-562.4000	Travel							
08-00-562.4100	Communication	1000.00				1000.00		
08-00-562.4300	Utilities	1000.00				1000.00		
08-00-562.4500	Insurance	1500.00		1008.00		492.00	67.20	
08-00-562.4600	Repair & Maintenance	2500.00		2100.67		399.33	84.02	
08-00-562.4700	Printing	800.00				800.00		
08-00-562.4800	Promotional Activities	800.00				800.00		
08-00-562.4900	Misc, Advertising							
08-00-562.5100	Office Supplies							
08-00-562.5200	Operating Supplies	1000.00		54.99		945.01	5.49	
08-00-562.5201	Gas, Oil	2500.00	19.32	95.64		2404.36	3.82	
08-00-562.5203	Chemicals	10000.00				10000.00		
08-00-562.5400	Dues, Books							
08-00-562.6400	Capital Outlay	15000.00				15000.00		
08-00-580.0000	Contingencies	2363.00				2363.00		
08-00-581.9100								

Source: Statement of Expenditures, Encumbrances, & Appropriations, May 2020.



Statement of Changes in Cash Balance

This monthly report shows activity in cash accounts on the County’s general ledger. The clerk’s Financial Director reconciles the County’s bank accounts to the general ledger each month. For each cash account, the report shows the beginning balance, cash debits (additions), cash credits (deductions), ending balance, outstanding checks, and treasury balance, which adds back outstanding checks. This report is useful and effective for tracking cash balances and activities. As custodian over surtax funds, it will be critical for the County to be able to monitor and manage surtax cash receipts from the state and remittances to the hospital. This report is adequate to achieve this purpose. **Figure 1-3** provides a snapshot of the *Statement of Changes in Cash Balance*.

**FIGURE 1-3
STATEMENT OF CHANGES IN CASH BALANCE
MAY 31, 2020**

REPORT DATE 05/31/2020		HOLMES COUNTY BD OF COMMISSIONERS				PAGE 1	
SYSTEM DATE 06/08/2020		STATEMENT OF CHANGES IN CASH BALANCE				TIME 09:33:49	
FILES ID B		AS OF 05/31/2020				USER ANGLEP	
ACCOUNT NUMBER	ACCOUNT DESCRIPTION	BEG. PERIOD BALANCE	CASH DEBITS	CASH CREDITS	END PERIOD BALANCE	OUTSTANDING CHECKS	TREASURY BALANCE
16-101.100	Cash-Hurricane Georg						
16-101.200	Cash-PHOP/ARRA						
16-101.300	Cash-11-12						
16-101.400	Homebuyer Class	1000.61			1000.61		1000.61
16-101.500	Cash-Program Income	14233.03	6.54		14239.57		14239.57
16-101.600	Stragegy Funds	745649.80			745649.80		745649.80
16-101.700	County Admin	31306.12		6.06	31300.06	6.06	31306.12
16-101.800	Hurricane Grant Stra	497250.00			497250.00		497250.00
16-101.810	Hurricane Grant Admi	11581.89			11581.89		11581.89
16-101.820	Hurricane Grant Prog						
16-101.900	Cash - Yr 9						
16-151.100	Strategy Investment						
16-151.200	CD-Strategy Funds						
TOTALS FOR FUND 16 SHIP Grant F		1301021.45	6.54	6.06	1301021.93	6.06	1301027.99
TOTALS FOR ALL LISTED FUNDS		1301021.45	6.54	6.06	1301021.93	6.06	1301027.99

Source: Statement of Changes in Cash Balance as of May 31, 2020.

Statement of Actual & Estimated Revenues

This report shows, for each revenue account, estimated revenue, actual revenue month-to-date, actual revenue year-to-date, unrealized revenue (revenue yet to be received, and percent revenue received. This report is adequate and useful to monitor the County’s revenue stream by account. For example, the County uses the report to track grant fund revenue. Should the referendum pass, this report would be effective for overseeing sales surtax proceeds. **Figure 1-4** provides a snapshot of the *Statement of Actual & Estimated Revenue*.



**FIGURE 1-4
STATEMENT OF ACTUAL & ESTIMATED REVENUES
MAY 2020**

ACCOUNT NUMBER	DESCRIPTION	ESTIMATED REVENUE	ACTUAL MTD REVENUE	ACTUAL YTD REVENUE	UNREALIZED REVENUE	PERCENT RECEIVED
16-334.001	FHOP/ARRA Grant					
16-334.002	State Grant Funds-10th Yr					
16-334.003	State Grant - Year 11					
16-334.004	State Grant- 12th Yr					
16-334.005	State Grant-13th Yr					
16-334.006	State Grant-14th Yr					
16-334.007	State Grant -15th Yr					
16-334.008	State Grant Funds-16th Yr					
16-334.009	State Grant	350000.00	6.06	185097.52	164902.48	52.88
16-334.010	State Grant - HHRP	585000.00		76168.11	508831.89	13.02
16-334.500	Residential Const Mitigat					
TOTALS FOR State Grants		935000.00	6.06	261265.63	673734.37	27.94
16-360.000	Repayment Funds					
TOTALS FOR TRAN 360						
16-361.100	Interest -Checking					
16-361.201	Interest					
TOTALS FOR Interest						
16-369.900	Miscellaneous					
TOTALS FOR Miscellaneous						
16-999.999	Discounts Earned					
TOTALS FOR TRAN 999						
TOTALS FOR SHIP Grant Fund		935000.00	6.06	261265.63	673734.37	27.94

Source: Statement of Actual & Estimated Revenues, May 2020.

The surtax ordinance authorizes the County to invest idle funds held on deposit. The County invests idle funds in a local bank in a money market fund. The types of investment vehicles the County may use are restricted by law and County policy to the following:

1. The Local Government Surplus Funds Trust Fund (the SBA) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01, *Florida Statutes*.
2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in state qualified public depositories, as defined in s. 280.02, *Florida Statutes*.
4. Direct obligations of the U.S. Treasury.

Based on the analysis performed, the revenue and expenditure, cash, and revenue reports that the County produces on a regular basis are adequate to monitor and manage funds that flow through the County. Therefore, the subtask is deemed to be met.



SUBTASK 1.2 – Determine whether the program is periodically evaluated using performance information and other reasonable criteria to assess program performance and cost.

To address the requirements of this subtask, the MJ Team interviewed the Clerk’s Finance Director and the Deputy Clerk. We reviewed budget-to-actual reports and email evidence that managers evaluate their department’s financial performance against expenditure budgets and they make budget amendments when necessary. We also examined evidence that the board approves budget amendments that result from monthly spending evaluations. Finally, we reviewed the annual audit report, which is essentially an evaluation of the County’s stewardship over its financial resources.

Department managers review the accounts for which they are responsible using the *Statement of Expenditures, Encumbrances, and Appropriations* report. This report allows managers to control their spending by assessing actual expenditures against authorized amounts for each account. If the evaluation reveals that an account is nearly overspent, funds are transferred from another account to ensure the budget remains in balance. **Figures 1-5** and **1-6** present excerpts from two emails, which indicate that budgets are evaluated periodically to manage and control expenditures. Names and dates are removed from the emails.

**FIGURE 1-5
EVIDENCE OF BUDGET EVALUATION
EMAIL#1**

I am working on some budget amendments to present to the Board at one of the April sessions. I’m just trying to get any accounts out of the negative before we start working on next year’s budget. The Dues and Fees account in your Supervisor of Elections fund is over budget by \$51. Is it okay to move that \$51 from your Operating Supplies account?

Also, with your Elections funds the following accounts are over budget:

- Repair and Maintenance by \$17
- Office Supplies by \$225

I noticed that the \$3,500 budgeted for Postage and Freight has not been touched yet. Do you want me to move the money from that account to cover the over-drawn accounts?

I was just planning to cover the accounts by the over-drawn amount, but if you want us to place more money in those accounts please let me know.

Source: Email Provided by Clerk of Court Staff.



FIGURE-1-6
EVIDENCE OF BUDGET EVALUATION
EMAIL#2

We are going to do some budget amendments in April to plug some holes in accounts that have gone over-budget. I noticed that the Circuit and County Judges' accounts for capital equipment is each over-budget by \$1,352. It looks like it was for wireless access points and connectors. So far this year, no money has been spent from their repair and maintenance accounts. Is it okay with you if I pull that money from those accounts?

Yes, that is where we intended for it to come from. The expense came up after budgeting and we knew eventually it would all balance out within the entire budget.

Source: Emails Provided by Clerk of Court Staff.

Each year, the County's net position, financial activities, internal controls over financial reporting, and compliance reporting requirements are evaluated through an independent audit. The annual audit constitutes an assessment of the County Clerk of Court's performance in its capacity as steward over County funds.

Chapter 218, *Florida Statutes*, prescribes financial management and reporting requirements for local governments, including counties. Section 218.39 (1), *Florida Statutes* states the following:

"If by the first day in any fiscal year, a local governmental entity...has not been notified that a financial audit for that fiscal year will be performed by the Auditor General, each of the following entities shall have an annual financial audit of its accounts and records completed within 9 months after the end of its fiscal year by an independent certified public accountant retained by it and paid from its public funds:

(a) Each county....

We reviewed the County's audited financial statements for the Fiscal Years ended 2019 and 2018. The County's fiscal year ends on September 30th. In both years, auditors issued the following "clean" opinions, which indicate that the financial statements are a fair representation of the County's financial position and operating results based on generally accepted accounting principles

Basic Financial Statements

"In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the fiduciary fund types of the County, as of [applicable fiscal year], and the changes in financial position and the respective budgetary comparison for the General, County Transportation Trust, and SHIP funds thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America."



Major Federal Programs and Major State Projects

“In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended [applicable fiscal year].”

Internal Control Over Compliance

“We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.”

Compliance with Local Government Investment Policies

“In our opinion, the Tax Collector complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, for the year ended [applicable fiscal year.]”

Compliance with Specified Florida Statute Sections

“We have examined the Holmes County, Florida Clerk of the Circuit Court’s (the “Clerk”) compliance with the following Florida Statute sections during the fiscal year ended [applicable year’s sections omitted]....In our opinion, the County complied, in all material respects, with the aforementioned requirements for the fiscal year ended [applicable year].”

Based on the analysis performed, the Holmes County Clerk of Court’s custodianship over county funds is periodically evaluated using reasonable criteria to assess financial performance and stewardship over taxpayer dollars. Budgets are reviewed and annual audits are performed. Therefore, the subtask is deemed to be met.

SUBTASK 1.3 – Review findings and recommendations included in any relevant internal or external reports on program performance and cost.

SUBTASK 1.4 – Determine whether program administrators have taken reasonable and timely actions to address any deficiencies in program performance and/or cost identified in management reports/data, periodic program evaluations, audits, etc.

Subtasks 1.3 and 1.4 are closely related and will be assessed together in this section. To address the requirements of these subtasks, MJ reviewed the findings and recommendations in the County’s Fiscal Year 2017, 2018, and 2019 *Report on Compliance for Each Major Federal Program and Major State Project*. These reports were issued with the annual audits for these years. Their purpose is to report on the County’s compliance with federal and state



requirements that could have a direct and material effect on the County’s major federal programs and state projects.

MJ analyzed federal and state grant award expenditures for the most recent two (2) fiscal years. Between Fiscal Years 2018 and 2019, expenditures of federal awards declined 37 percent. This decrease was fueled by a decline in U.S. Department of Homeland Security expenditures of 50 percent.

During the same period, expenditures of state awards fell 128 percent resulting primarily from a decline in transportation expenditures of 361 percent. This drop is related to two state transportation grants: (1) Small County Outreach Program (SCOP) grants, and (2) Small County Road Assistance Program (SCRAP) grants.

Between Fiscal Years 2018 and 2019, SCOP expenditures declined significantly from approximately \$2.2 million in Fiscal 2018 to \$33,400 in Fiscal 2019. SCRAP expenditures fell from approximately \$1.8 million in Fiscal 2018 to \$820,000 in Fiscal 2019.

Figure 1-7 presents total expenditures for federal and state awards for Fiscal Years 2019 and 2018.

**FIGURE 1-7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FISCAL YEARS 2019 AND 2018**

Agency	Fiscal Year 2019 Expenditures	Fiscal Year 2018 Expenditures	Percentage Change
Federal Awards			
U.S. Department of Homeland Security	\$1,900,222	\$2,851,403	(50%)
Department of the Interior	205,380	\$0	
Department of Housing and Urban Development	177,416	324,536	
U.S. Department of Health and Human Services	76,323	69,543	
U.S. Department of Justice	74,649	38,664	
U.S. Election Assistance Commission	27,504	97,290	
Total Federal Awards	\$2,461,494	\$3,381,436	(37%)
State Awards			
Florida Department of Transportation	\$852,957	\$3,935,050	(361%)
Florida Housing Finance Corporation	434,335	325,546	
Florida Department of Management Services	346,658	238,359	
Executive Office of the Governor	156,854	110,011	
Florida Department of Education	139,230	\$0	



Agency	Fiscal Year 2019 Expenditures	Fiscal Year 2018 Expenditures	Percentage Change
Florida Department of Environmental Protection	90,011	90,909	
Florida Housing Finance Corporation	54,999	\$0	
Florida Department of Agriculture and Consumer Services	43,057	35,200	
Florida Department of State and Secretary of State	42,835	39,735	
Florida Department of Health	\$0	159,382	
Total State Awards	\$2,160,936	\$4,934,192	(128%)
State Transportation Grants			
SCOP Grants	33,413	2,159,998	(6,365%)
SCRAP Grants	819,544	1,775,052	(117%)

Source: Schedule of Expenditures of Federal Awards and State Financial Assistance-Fiscal Years 2018 and 2019.

Audit findings associated with the audits for Fiscal Years 2017 through 2019 are summarized in in **Figure 1-8**. Management’s response to auditor findings was timely. However, in one instance, a finding about the lack of financial statement preparation knowledge persisted for several years because of the County’s budget limitations to hire the requisite expertise.

**FIGURE 1-8
SUMMARY OF AUDIT FINDINGS, RECOMMENDATIONS, AND MANAGEMENT’S RESPONSE
FISCAL YEARS 2017 THROUGH 2019**

Finding	Recommendation	Management’s Response	Evidence of Timely Implementation
Report Author: Carr, Riggs & Ingram, LLC Report Date: March 26, 2018 Description: Annual Audit Report: Fiscal Year 2017 External Audit Findings & Recommendations			
2010-01-Financial Statement Preparation Knowledge -The external auditors’ assistance was necessary to prepare the financial statements including note disclosures in accordance with generally accepted accounting principles. There are no County personnel with the experience, background	We recommend County personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately	Current budget limitations prohibit the employment of a certified public accountant; however, County personnel will continue to gain	This finding was repeated from the Fiscal Year 2016 audit.



Finding	Recommendation	Management's Response	Evidence of Timely Implementation
<p>and knowledge of Governmental Accounting and Financial Accounting Standards to prepare the financial statements internally including full note disclosures as required by those standards. The finding could adversely affect Holmes County, Florida's (the County) ability to internally prepare financial statements in accordance with generally accepted accounting principles.</p>	<p>prepare or provide technical reviews of the financial statements.</p>	<p>knowledge of generally accepted accounting principles.</p>	
<p>2017-001-Cash Management-Interest Earned on Advances- The County failed to remit interest earned on advances from the Federal Emergency Management Agency ("FEMA") in accordance with <i>Florida Statutes</i> and the grant agreement. The County did not have adequate internal controls in place to ensure personnel assigned to the Disaster Relief grant adequately tracked and timely remitted interest earned on advances. Failure to comply with advance payment requirements could result in disallowed costs requiring the County to repay grant funds to the funding source.</p>	<p>The County should implement internal controls and processes to ensure personnel remit interest collected on advances in accordance with the provisions of <i>Florida Statute</i> and the grant agreement.</p>	<p>The County contacted the grantor and remitted all interest earned on advances. County personnel will track and remit this interest in accordance with the grant agreement going forward.</p>	<p>Management's response was timely. Their response letter was dated March 26, 2018, and the subsequent year's audit report was dated May 14, 2019. In that letter, the auditors stated the following: <i>"Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except finding 2010-01...."</i></p>



Finding	Recommendation	Management's Response	Evidence of Timely Implementation
<p>2017-01 Signature Stamps- Signature stamps for check signatures were found to be in possession of personnel with check writing capabilities. There are no procedures in place to ensure that personnel with check writing capabilities do not have access to check signature stamps. The finding could result in material misstatements to the financial statements and the misappropriation of assets.</p>	<p>We recommend that the Clerk of Court implement adequate controls to properly limit access to the check signature stamp. This should include prohibiting personnel with check writing capabilities from gaining access to the stamp.</p>	<p>The Clerk of Court acknowledges the finding and has implemented controls to limit access to the check signature stamp.</p>	<p>Management's response was timely. Their response letter was dated March 26, 2018, and the subsequent year's audit report was dated May 14, 2019. In that letter the auditors stated the following: <i>"Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except finding 2010-01...."</i></p>
<p>Report Author: Carr, Riggs & Ingram, LLC Report Date: May 14, 2019 Description: Annual Audit Report Fiscal Year 2018 External Audit Findings & Recommendations</p>			
<p>2010-01-Financial Statement Preparation Knowledge-The external auditors' assistance was necessary to prepare the financial statements including note disclosures in accordance with generally accepted accounting principles. There are no County personnel with the experience, background and knowledge of Governmental Accounting and Financial Accounting Standards to prepare the financial statements internally including full note disclosures as required</p>	<p>We recommend County personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements.</p>	<p>Current budget limitations prohibit the employment of a certified public accountant; however, County personnel will continue to gain knowledge of generally accepted accounting principles.</p>	<p>This finding was repeated from the Fiscal Year 2017 audit.</p>



Finding	Recommendation	Management's Response	Evidence of Timely Implementation
<p>by those standards. The finding could adversely affect Holmes County, Florida's (the County) ability to internally prepare financial statements in accordance with generally accepted accounting principles.</p>			
<p>2018-001 Building Department Permits- Audit procedures performed over building department permits during Fiscal Year 2018 revealed that in a test of 60 building department permits, 12 permits did not have proper supporting documentation. A determination on whether the permits were billed correctly could not be made. In addition, we noted a lack of consistent organization of the file structure. Failure to maintain proper supporting documentation could lead to the County incorrectly calculating building permits. In addition, the County's would be unable to substantiate the permit issued without maintaining proper supporting documentation.</p>	<p>We recommend the building department properly train all staff to follow the County policy of maintaining supporting documentation for all permits issued.</p>	<p>The County has implemented training for all building department staff on proper procedures for calculating and maintaining documentation of building permits.</p>	<p>Management's response was timely. Their response letter was dated May 14, 2019 and the subsequent year's audit report was dated March 31, 2020. In that report, the auditors stated the following: <i>"Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report."</i></p>
<p>2018-01 Journal Entries- There is a lack of secondary approval of journal entries by the Clerk of Court. The Clerk or Court's internal controls require approval by the Clerk of Court of all journal entries. Journal entries are one of the primary methods used to conceal misappropriations and to misstate financial statements. By not obtaining the prior approval, both or either of</p>	<p>We recommend that the Clerk comply with current controls to ensure all journal entries are approved prior to being implemented.</p>	<p>The Clerk of Court acknowledges the finding and has implemented controls to ensure journal entries are reviewed prior to issuance.</p>	<p>Management's response was timely. Their response letter was dated May 14, 2019 and the subsequent year's audit report was dated March 31, 2020. In that report, the auditors stated the following: <i>"Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and</i></p>



Finding	Recommendation	Management's Response	Evidence of Timely Implementation
<p>these events could go undetected.</p>			<p><i>recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.</i></p>
<p>2018-002 County Comptroller Suspension-The Holmes County, Florida Clerk of Court was arrested for felony charges for an organized scheme to defraud on March 19, 2019. The clerk allegedly committed an organized scheme to defraud the County by presenting fraudulent travel expenditures leading to the reimbursement of certain unallowable travel expenditures by the County.</p>	<p>The County should implement a "whistleblower" policy that would allow employees to anonymously report suspicious activity.</p>	<p>The County is currently reviewing the policies and procedures relative to this incident.</p>	<p>Management did not implement the auditor's recommendation to implement a whistleblower policy. MJ inquired whether alternative actions were taken to strengthen travel expense internal controls. Clerk of Court staff responded that no action had been taken and that staff have no power or right to review or approve an elected official's travel expense report. MJ examined the travel policy noting that it had been approved by the former clerk of court in February 2014.</p> <p>On March 19, 2019, the former, Clerk of Court, was arrested on charges related to misappropriation of Clerk of Court assets. On March 20, 2019, the Governor issued an Executive Order suspending the individual from public office. The Executive Order prohibits the individual from performing any official act, duty, or function of public office; from receiving pay</p>



Finding	Recommendation	Management's Response	Evidence of Timely Implementation
			or allowance; and from being entitled to any of the emoluments or privileges of public office during the period of suspension.
Report Author: Carr, Riggs & Ingram, LLC Report Date: March 31, 2020 Fiscal Year 2019 External Audit Findings & Recommendations			
None	None	None	In their Fiscal Year 2019 audit report dated March 31, 2020, the auditors stated the following: <i>"In connection with our audit, we did not note any such findings."</i> <i>"Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report."</i>

Source: Fiscal Year 2017, 2018, and 2019 Audited Financial Statements.

During the Fiscal Year 2018 annual audit, auditors discovered a material weakness in the Clerk of Court's system of internal control. Due to the serious nature of the finding, the details are explained further below. All of the issues described in **Figure 1-8** were resolved by the time the Fiscal Year 2019 audit was completed. The issue involving the former clerk of court was resolved when the individual was removed from his position. However, implications remain for the County's control procedures as explained in the recommendation below. The auditor's report, dated May 14, 2019, stated the following:

"A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-001 to be a material weakness."

Item 2018-002 of the auditor's report involved the arrest and indictment of the former Clerk of Court. The indictment alleges that between October 2017 and August 2018, the individual, while employed as the elected Clerk of Court for Holmes County, fraudulently obtained more than \$6,800 in taxpayer funds through the submission of fraudulent travel reimbursement



claims. The individual was accused of submitting false travel vouchers for official trips and being reimbursed money that had not been spent for trips or meeting that the individual claimed had occurred, but they had not.

The individual submitted fake hotel receipts and agendas that appeared authentic but were not. In addition, the person was indeed off work on the dates they claimed to be attending meetings, and the individual signed travel requests to verify attendance. Their travel expenses increased so dramatically from the prior year that it caught the attention of the County's independent auditor who examined the documentation and found it to be fraudulent. Hotel stays were not valid, and meetings were not scheduled for some of the travel dates. This finding prompted an investigation by the Florida Department of Law Enforcement.

When asked what broke down in the Clerk of Court's internal controls that allowed this to happen, staff responded, *"None of our controls failed. Employees do not have the authority to question if the travel request is signed and all required documentation (agendas, hotel receipts and map mileage) is attached."*

When asked what the Clerk of Court has done to ensure this situation does not happen again, staff responded, *"We have not changed our internal controls. The Accounting Department does not have the authority to question travel expenses remitted by the Clerk. We understand that the association for Florida Clerks changed their policy and now require Clerks to sign in at meetings and attendance is also recorded in the minutes of each meeting."*

Elected officials and authorized officials authorize their own travel but must comply with the county's policies and procedures. However, the Florida Court Clerks & Comptrollers association (FCCC) sign-in policy coupled with the potential for annual audits may or may not act as a deterrent to this situation occurring again. The sign-in policy would require all attendees to sign-in upon entering the room thereby providing evidence that they were present.

As discussed in **Figure 1-8**, during their Fiscal Year 2019 audit, the County's independent auditors had no findings and indicated that corrective actions had been taken to address findings and recommendations in their Fiscal Year 2018 audit report. In March 2019, the current Clerk of Court was appointed as interim. The individual continues to serve as interim and will remain so until the end of this term in January 2021 unless the Governor decides to appoint a permanent replacement before then.

Based on the analysis performed, findings and recommendations are included in relevant external audit reports. In all except one instance, the Clerk of Court took reasonable and timely actions to address internal control deficiencies identified by the County's external auditors. The Clerk of Court failed to implement the independent auditor's recommendation to establish a whistleblower policy. Nor was any action taken to strengthen travel expense procedures and controls or to update the travel policy approved by the former Clerk of Court. Therefore, these subtasks are deemed to be partially met.



RECOMMENDATION 1.4

Establish a whistleblower policy, update the travel policy, and engage the independent auditor to include a review of the Clerk of Court’s travel expense report as a standard procedure during the annual audit.

Overall Research Task 1 Conclusion: Based upon the work and conclusions reached for the four (4) subtasks, we deem that this research task is partially met.



RESEARCH TASK 2

THE STRUCTURE OR DESIGN OF THE PROGRAM TO ACCOMPLISH ITS GOALS AND OBJECTIVES.

FINDING SUMMARY – Overall, Holmes County meets Task 2. The evaluation of the Holmes County organizational structure was limited to the Clerk of Court and the County Administrator’s office. The MJ Team found both organizational units to have clear lines of authority, with no excessive administrative layers.

ANALYSIS RESULTS & CONCLUSION

SUBTASK 2.1 – Review program organizational structure to ensure the program has clearly defined units, minimizes overlapping functions and excessive administrative layers, and has lines of authority that minimize administrative costs.

ORGANIZATION STRUCTURE

To address the requirements of this subtask, the MJ Team interviewed the Clerk of Court staff, the Holmes county administrator (project director), and the executive assistant to the Holmes County Board of Commissioners. The surtax funds will pass through the County to the Hospital and the County will not use or benefit in any way from the sales surtax.

The Holmes County Clerk of Court is a duly elected official, is totally independent of Doctors Memorial Hospital, and will serve as custodian over the sales surtax funds, if voters approve the surtax. The surtax funds will pass through the County to the Hospital and the County will not use or benefit in any way from the sales surtax.

Only three (3) positions are responsible for performing all work activity in the County Clerk of Court Office. These positions include: the Clerk of Court, the Clerk’s Finance Director, and the Deputy Clerk. The Clerk of Court is responsible for establishing at the County level a system of checks and balances to safeguard and establish accountability over taxpayer dollars and other public resources. The Clerk’s Finance Director is responsible for preparing and submitting all financial reports to federal, state and local agencies and ensuring compliance with appropriate accounting regulatory requirements and audit requirements. The Deputy Clerk receipts in all revenue and enters it into the Clerk of Court’s accounting system. A more detailed summary of these responsibilities can be found beginning page 28 of this report.

Based on interviews conducted by the MJ Team, the Clerk of Court office minimizes overlapping functions, has clear lines of authority, and the organizational structure has no excessive administrative layers.

The County Administrator (Project Director) oversees all administrative and management functions for the County. The Executive Assistant provides administrative support to the County



Administrator and coordinates Board of Commissioner's activities including posting agenda items that require a vote. The County Administrator's (Project Director) and the Executive Assistant's main role involving the sales surtax funds will be to ensure that the referendum is placed on the County Commission agenda, which will enable the voters to vote on the referendum.

Similarly, to the County Clerk of Court office, the County Administrator and Executive Assistant have no overlapping responsibilities, clear lines of authority, and no excessive management layers. Accordingly, this subtask is met.

SUBTASK 2.2 – Assess the reasonableness of current program staffing levels given the nature of the services provided and program workload.

The MJ Team found the staffing levels for the Clerk of Court office, the County Administrator, and the Executive Assistant to be reasonable based on the position responsibilities outlined in Subtask 2.1. If the referendum passes, clerk of court staff would process the check received from the Florida Department of Revenue and either remit the proceeds to the Hospital to pay the debt or pay the bond holders directly. This process will be finalized if the surtax passes. Moreover, there would be no need for additional Clerk of Court staff because existing staff can process surtax receipts and payments in the normal course of their current duties. Accordingly, this subtask is met.

Overall Research Task 2 Conclusion: Based upon the work and conclusions reached for the two (2) subtasks, we deem that this research task is met.



RESEARCH TASK 4

Goals, objectives, and performance measures used by the program to monitor and report program accomplishments.

FINDING SUMMARY – Overall, Holmes County meets Research Task 4, which includes only subtask 4.3. Subtask 6.2 was also evaluated with this subtask since it is closely related with respect to the review and evaluation of internal controls as they relate to the indigent care sales surtax. Internal controls, including policies and procedures, as they relate to the surtax provide reasonable assurance that surtax funds will be properly accounted for and in compliance with applicable state law and local ordinance.

RESEARCH SUBTASK ANALYSIS AND CONCLUSIONS

SUBTASK 4.3 – Evaluate internal controls, including policies and procedures, to determine whether they provide reasonable assurance that program goals and objectives will be met.

SUBTASK 6.2 – Review program internal controls to determine whether they are reasonable to ensure compliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures.

Subtasks 4.3 and 6.2 are closely related with respect to internal controls. Therefore, MJ has assessed these subtasks together. To address the requirements of these subtasks, MJ conducted interviews with the Clerk’s Finance Director, the Deputy Clerk, and the County Attorney. We also examined internal control documentation relevant to the indigent care sales surtax.

During interviews, MJ learned that the Clerk of Court and the County Attorney form the internal control foundation upon which the administration of sales surtax funds will rest if the referendum passes. As custodian, the Clerk of Court will be responsible for receiving and depositing the funds, recording them in the County’s general ledger, investing idle funds, remitting funds to the Hospital for debt service (this process has not been determined), reviewing expenditure reports provided by the Hospital to ensure surtax funds were expended for lawful purposes, and facilitating the external audit of County financial statements. The ordinance requires that within 60 days of a request from the County, the Hospital provide financial reports, audits, lender statements, and other documentation supporting that the Hospital is expending surtax funds only for debt service as required by the ordinance and the law.

Under existing Clerk of Court processes, the surtax funds would be subject to the following procedures:

1. Indigent care surtax check received from the Florida Department of Revenue.



2. Each month, a payment voucher is prepared to remit the funds either to the hospital or directly to the bond holders.
3. The Clerk’s Finance Director and the county project director, review and approve the payment voucher.
4. At least three (3) board members approve and sign the payment voucher.
5. The payment voucher is returned to the Finance Office, and a check is prepared
6. The voucher and check are forwarded to the Clerk of Court to review and for the check to be signed.
7. The check is mailed to the hospital/bond holders.
8. The payment voucher is scanned into the financial accounting system.

MJ examined the Clerk of Court’s revenue receipt and bank reconciliation procedures, which will be critical in its role as custodian over sales surtax funds. In addition, budget development, monitoring, and amendment are critical components of internal control relevant to the surtax because budgets ensure that funds are expended only for authorized purposes. The discussion in Subtask 1.1 demonstrates that the County develops and monitors its budget. There is also a process and procedure for amending the originally adopted budget. As an important element of fiscal control, the board must approve budget amendments. **Figure 4-1** provides an example of budget amendments presented to the board for approval in April 2020.

**FIGURE 4-1
BUDGET AMENDMENTS**

HOLMES COUNTY BOARD OF COMMISSIONERS				
2019-20 BUDGET AMENDMENT #5				
April 21, 2020				
Account Name and Number	Original Budget	Increase	Decrease	Amended Budget
REVENUES:				
SHIP FUND				
Hurricane Housing Recovery Grant 16-334.010	0	585,000		585,000
EXPENDITURES:				
GENERAL FUND				
Board				
Repair & Maintenance 01-01-511.4600	28,847	899		29,746
Circuit Judge				
Repair & Maint-Technology 01-08-516.4600	6,350		1,352	4,998
Capital Outlay Equip-Technology 01-08-516.6400	0	1,352		1,352
County Judge				
Repair & Maint-Technology 01-09-516.4600	7,150		1,352	5,798

Source: Clerk of Court-April 20, 2020 Budget Amendment.



MJ also reviewed the Clerk of Court's revenue procedure dated September 30, 2019, noting that it contains the following elements of effective internal control:

- Identifies the County's revenue sources such as property taxes, sales taxes, gas taxes, various other taxes, federal and state grant revenue, state revenue sharing, licenses and permits, ambulance and other service charges, investment and rental income, and other miscellaneous revenues.
- Outlines where and how revenue is received at the County Finance Department via mail, wire transfers, credit and debit card collections, and from various other county offices.
- Outlines procedures and responsibilities for the following:
 - mail pickup, distribution, and opening;
 - processing check, cash, and electronic funds transfer receipts as well as cash received from other departments;
 - tracking daily receipts;
 - coding and posting receipts to the general ledger;
 - making bank deposits; and
 - reconciling bank accounts.

MJ also noted that the revenue procedure requires various reviews and approvals, which are critical elements of internal control.

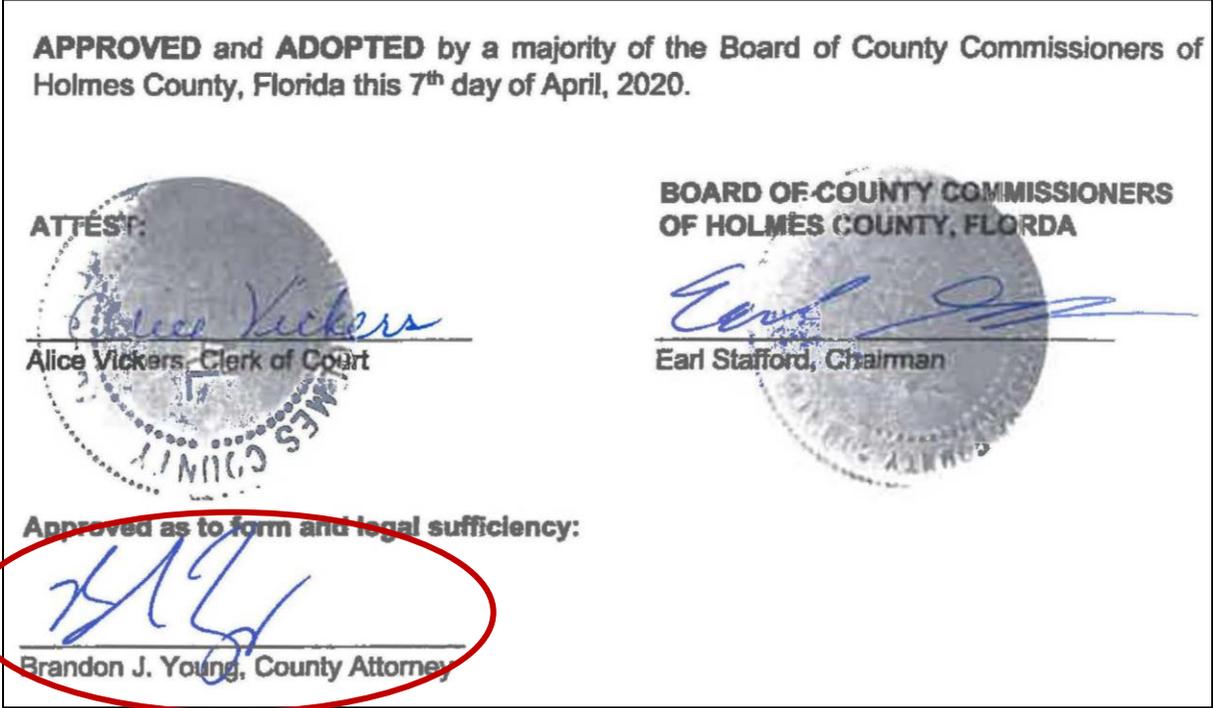
The County Attorney provides oversight and control to ensure the County's compliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures. The County Attorney drafted the ordinance authorizing placement of the surtax referendum on the November 3rd ballot and ensured that it complied with s. 212.055(7), *Florida Statutes*, which authorizes counties to levy the surtax if approved by voters in the County.

The County Attorney advises the Board of Commissioners of critical dates related to the surtax, for example, providing the Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the ordinance 180 days prior to the referendum. The County Attorney also facilitates and participates in the performance audit required by s. 212.055(11), *Florida Statutes* and will assist in ensuring that the performance audit report is posted to the County's website 60 days before the referendum.

The County Attorney will review and sign any contractual arrangements arising out of the relationship with the County and the Hospital should the referendum pass. Finally, the County Attorney signed off on the surtax ordinance as shown in **Figure 4-2**. More discussion of the County Attorney's role in the legal infrastructure of the County is provided in Subtasks 6.1 and 6.4.



**FIGURE 4-2
COUNTY ATTORNEY ORDINANCE SIGN OFF**



Source: Ordinance No. 20-01 of the Holmes County Board of County Commissioners, April 7, 2020.

Based on the analysis performed, the County’s system of internal controls relevant to the sales surtax provides reasonable assurance that sales surtax funds will be properly accounted for, safeguarded, and distributed in accordance with the applicable *Florida Statutes* and local policies and procedure. Therefore, the subtask is deemed to be met.

Overall Research Task 4 Conclusion (evaluated jointly with Subtask 6.4): Based upon the work and conclusions reached for Subtasks 4.3 and 6.4, we deem that this research task is met.



RESEARCH TASK 6

COMPLIANCE OF THE PROGRAM WITH APPROPRIATE POLICIES, RULES, AND LAWS.

FINDING SUMMARY – Overall, Holmes County meets Research Task 6. Subtask 6.2 is evaluated with Research Task 4. The County’s processes for assessing compliance with applicable laws, rules, and regulations relevant to the indigent care sales surtax and other issues consist of the Board of County Commissioners, the County Attorney, affiliations with professional associations, and the services of a lobbyist. Noncompliance with applicable laws, rules, and regulations identified by the County’s external auditors were addressed by county management. Finally, actions taken by County administrators ensure that the planned uses of the indigent care sales surtax comply with applicable state laws, rules, and regulations.

RESEARCH SUBTASK ANALYSIS AND CONCLUSIONS

SUBTASK 6.1 – Determine whether the program has a process to assess its compliance with applicable (i.e., relating to the program's operation) federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies.

To address the requirements of this subtask, the MJ Team interviewed the County Administrator, County Attorney, and Board Executive Assistant. MJ also examined documentation evidencing the County’s processes and legal infrastructure that ensures compliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies related to the sales surtax.

As a small county, Holmes County’s legal infrastructure is decentralized. Each constitutional officer has their own legal infrastructure as presented in **Figure 6-1**.

FIGURE 6-1
COUNTY OFFICER LEGAL INFRASTRUCTURE
LEGAL COUNSEL & PROFESSIONAL ASSOCIATIONS

County Office	Legal Process & Infrastructure
<i>Holmes County Board of County Commissioners</i>	<ul style="list-style-type: none"> Member of the Florida Association of Counties (FAC). Employs, as an independent contractor, a local government attorney to serve as County Attorney. Member of Florida Association of County Attorneys (FACA).
<i>Holmes County Clerk of Court</i>	<ul style="list-style-type: none"> Member of the Florida Court Clerks & Comptrollers Association (FCCCA). Employs, an independent contractor, a local attorney, other than the County Attorney, to provide legal advice.



County Office	Legal Process & Infrastructure
	<ul style="list-style-type: none"> Utilizes services of County Attorney for legal advice on County related matters.
<i>Holmes County Sheriff's Department</i>	<ul style="list-style-type: none"> Member of the Florida Sheriff's Association (FSA), which has a staff of attorneys to provide legal advice. Utilizes services of County Attorney for legal advice on County related matters.
<i>Holmes County Tax Collector</i>	<ul style="list-style-type: none"> Member of the Florida Tax Collectors Association (FTCA). Utilizes services of County Attorney for legal advice on County related matters.
<i>Holmes County Property Appraiser</i>	<ul style="list-style-type: none"> Member of the Property Appraisers' Association of Florida (PAAF). Utilizes services of County Attorney for legal advice on County related matters.
<i>Holmes County Supervisor of Elections</i>	<ul style="list-style-type: none"> Member of Florida Supervisors of Elections (FSE). Supervisor of Elections oversees County Canvassing Board. County Attorney serves as legal counsel to the County Canvassing Board. Utilizes services of County Attorney for legal advice on county related matters.

Source: Holmes County Attorney and Information from Professional Association websites.

The County legal infrastructure that is relevant to the indigent care sales surtax consist of the Board of County Commissioners, the County Attorney, affiliations with professional associations, and the services of a lobbyist. **Figure 6-2** illustrates the County's legal infrastructure where the processes that ensure legal compliance reside. Each is discussed after the graphic.

FIGURE 6-2
COUNTY'S LEGAL INFRASTRUCTURE



Source: Interviews and documentation review.



Board of County Commissioners

Florida Statutes Chapter 125-County Government establishes the powers and duties of the Board of County Commissioners. The Holmes County Board of County Commissioners is a five-member board elected to serve the citizens of Holmes County. Commissioners are elected for a four-year term by voters throughout the entire County. The Board of County Commissioners establishes local government policy, retain legal counsel, and generally oversee and govern county operations and services of all county offices including the Clerk of Court, which will serve as custodian of the surtax funds should the referendum pass.

County Attorney

The County Attorney provides legal advice to the Board of Commissioners and serves at their pleasure. The County also employs outside attorneys when necessary to provide legal expertise that the County Attorney cannot provide. However, when the board requires legal advice or statute interpretation, they turn to the County Attorney. The County Attorney also signs all contracts as to legal form and will be involved in any contractual negotiations and agreements with the Hospital should the referendum pass.

To further verify the County’s process for complying with applicable laws, MJ reviewed board minutes where the sales surtax was discussed. **Figure 6-3** provides excerpts of minutes that demonstrate the County Attorney’s role as legal advisor to the board as it relates to the sales surtax.

**FIGURE 6-3
BOARD MINUTES WITH COUNTY ATTORNEY’S CONSULTATION**

Date	County Attorney Involvement
<i>September 3, 2019</i>	[Name redacted], Doctors Memorial Hospital, requested approval to place a 1/2 cent sales tax for indigent health care for voter referendum on the 2020 ballot. Discussion included that this tax would generate approximately \$1 million for the hospital. [Name redacted], County Attorney, advised that the County is limited in the amount of sales tax that can be imposed. The board tabled this matter until the next meeting to further research this matter.
<i>September 17, 2019</i>	[Name redacted], County Attorney, advised [that Doctors Memorial Hospital's request to place a 1/2 cent sales tax for indigent care on the 2020 ballot is permissible in a county the size of Holmes County but would max out the sales tax that can be imposed. [Name redacted], Doctors Memorial Hospital, discussed how the tax would benefit the Hospital and the planned marketing campaign to educate the public regarding the tax. [Name redacted], offered a motion to allow the 1/2 cent sales tax for indigent health care to be placed on the 2020 ballot for voter approval. Commissioner [Name redacted], offered a second and the motion passed unanimously. [County Attorney] will work with the Hospital to create the wording for the referendum to be placed on the ballot.



Date	County Attorney Involvement
<i>February 18, 2020</i>	[Name redacted], County Attorney, presented County Referendum No.2 for a county wide indigent care one-half cent sales surtax for payment of Doctors Memorial Hospital indebtedness. [Name redacted] offered a motion to approve the referendum to be placed on the ballot contingent on Hospital's approval of the language. [Name redacted], offered a second and the motion passed unanimously.
<i>April 7, 2020</i>	[Name redacted], County Attorney, presented the Hospital Sales Tax Ordinance 20-01 for approval. The ordinance provides for a levy of a one-half of one percent sales tax for existing indebtedness of Doctors Memorial Hospital. The ordinance will take effect only if approved by referendum in the upcoming November election. Commissioner [Name redacted], made a motion to adopt the ordinance with a second from Commissioner [Name redacted]. The motion passed unanimously.

Source: Board of County Commissioner Meeting Minutes.

Lobbyist

The County contracts with a lobbyist to perform the following services. Although these services are not directly related to the sales surtax, they are an integral component of the County’s process for staying abreast of state legislation that affects County operations:

- assist in the development of priorities and specific project funding requests;
- Identify which priorities and project funding requests should be addressed at the state level;
- assist in developing written material on each request to provide to the Florida Legislature and its staff;
- monitor the state appropriations process and report to the County, both orally and in writing, any legislative events that may directly or indirectly impact the County’s project funding requests; and
- prepare a formal report including the final status of the County’s project funding requests and a summary of the impact on the County.

MJ reviewed the 2020 Legislative Session Review report dated April 7, 2020, that the lobbyist provided to the County. The report provided the following information:

- Statistics of legislative sessions from 2016-2020 showing the number of bills filed, bills passed, and the percentage of bills passed to filed.
- List of 2020 Legislative Session key issues.
- Notable bills that passed.
- Notable bills that failed.
- Overview of provisions of selected bills.



- Overview of the General Appropriations Act.
- Current Budget Projections.

Professional Associations

Holmes County is a member of the Florida Association of Counties (FAC) and the County Attorney is a member of the Florida Association of County Attorneys (FACA). FAC helps counties serve and represent their constituents by strengthening and preserving county home rule through advocacy, education and collaboration. Home rule is the concept that communities and their local leaders should make the decisions that impact their community.

FAC staff represent Florida's counties throughout the year before the governor, cabinet, Florida Legislature, various state agencies, and the courts. Each year, FAC, through the guidance of its membership, develops a legislative platform to present before state leaders and lawmakers. FAC conferences provide members with the opportunity to receive information from expert speakers, educational sessions, workshops and networking opportunities.

MJ examined evidence of County employee participation in FAC's 2020 Legislative Day event. In January 2020, members convened in Tallahassee to assist in lobbying efforts to protect home rule and prevent unfunded mandates. Legislative briefing were provided, and legislators were lobbied during the event.

The County Attorney is a member of FACA, a nonprofit association whose purpose is to provide a forum for research, advice and discussion in the development of local government law, including technical assistance. FACA provides a forum for County Attorneys to develop professional friendships, discuss current and future issues, and receive continuing legal education, and receive advice and advocacy on statewide legal issues.

Based on the analysis performed, the County has processes to assess its compliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies particularly as they relate to the sales surtax. Therefore, the subtask is deemed to be met.

SUBTASK 6.2 – Review program internal controls to determine whether they are reasonable to ensure compliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures.

This subtask is addressed in Research Task 4 in combination with Subtask 4.3 where it is deemed to be met based on the analysis performed.



SUBTASK 6.3 – Determine whether program administrators have taken reasonable and timely actions to address any noncompliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures identified by internal or external evaluations, audits, or other means.

To address the requirements of this subtask, the MJ Team reviewed the County’s annual financial audits in Subtask 1.3 and 1.4. During the Fiscal Year 2017, audit the auditors noted that the County had failed to remit interest earned on advances from the Federal Emergency Management Agency (“FEMA”) in accordance with *Florida Statutes* and the grant agreement. The auditors also found that the same individual who possessed the signature stamp also was authorized to write checks. Moreover, the County did not have procedures in place to prevent this situation, which represents a failure of segregation of duties.

During the Fiscal Year 2018 audit, the auditors found that some building permits did not have proper supporting documentation, which could result in the County incorrectly calculating building permits, and the County’s would be unable to substantiate the permit that was issued.

As discussed in Subtasks 1.3 and 1.4, County management addressed these deficiencies as noted by the auditor during the next years follow up review. There were no issues of noncompliance with laws, rules, regulations, policies, etc. noted by auditors during the Fiscal Year 2019 audit.

Based on the analysis performed, the Clerk of Court has taken reasonable and timely actions to address any noncompliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures identified by internal or external evaluations, audits, or other means. Therefore, the subtask is deemed to be met.

SUBTASK 6.4 – Determine whether program administrators have taken reasonable and timely actions to determine whether planned uses of the surtax are in compliance with applicable state laws, rules, and regulations.

To address the requirements of this subtask, the MJ Team compared the language of s. 212.055(7), *Florida Statutes, Voter-Approved Indigent Care Surtax* to Ordinance 20-01 No. 20-01 approved on April 7, 2020, by the Holmes County Board of Commissioners authorizing the placement of a sales surtax on the November 3, 2020 ballot. The County Attorney drafted the ordinance authorizing placement of the surtax referendum on the November 3rd ballot and ensured that it complied with s. 212.055(7), *Florida Statutes*, which authorizes counties to levy the surtax if approved by voters in the County.



Figure 6-4 presents the language of the statute and the ordinance and demonstrates that the intended uses of the surtax follow the statute.

**FIGURE 6-4
COMPARISON OF SURTAX STATUTE WITH SURTAX ORDINANCE**

Section 212.055(7), <i>Florida Statutes</i> , Voter-Approved Indigent Care Sales Surtax	Ordinance No. 20-01
<p>Notwithstanding subparagraph 1, the governing body of any county that has a population of fewer than 50,000 residents may levy an indigent care surtax pursuant to an ordinance conditioned to take effect only upon approval by a majority vote of the electors of the county voting in a referendum. The surtax may be levied at a rate not to exceed 1 percent</p>	<p>There shall be levied and imposed throughout the incorporated and unincorporated areas of Holmes County, Florida, in accordance with the provisions of s. 212.055(7)(a)2, <i>Florida Statutes</i>, commencing on January 1, 2021, and continuing until December 31, 2026, or such time sooner as may be terminated by the Board, an indigent care surtax (hereinafter "Sales Surtax") on all taxable transactions occurring in Holmes County, Florida which are subject to the state tax imposed on such transactions by Chapter 212, <i>Florida Statutes</i>, including, but not limited to, s. 212.054 and s. 212.055(7), <i>Florida Statutes</i>, and applicable Florida Department of Revenue rules and regulations. The Sales Surtax shall be at the rate of \$0.005 or one-half percent (0.5%) for each \$1.00 of the sales price or actual value received and for each fractional part of \$1.00 of the sales price or actual value received.</p>
<p>In addition to the uses specified or services required to be provided under this subsection, the ordinance adopted by a county that has a population of fewer than 50,000 residents may pledge surtax proceeds to service new or existing bond indebtedness incurred to finance, plan, construct, or reconstruct a public or not-for-project hospital in such county. The plan required under this paragraph may, by an extraordinary vote of the governing body of such county, provide that some or all of the surtax revenues and any interest earned must be expended for the purpose of servicing such bond indebtedness.</p>	<p>The proceeds of the Sales Surtax shall be used to service existing indebtedness of the Hospital. The indebtedness may be incurred through the use of bonds, government guaranteed loans, or any other legal method of borrowing sufficient funds to accomplish the purposes of the Plan. The proceeds shall not be used to pay the salaries of Hospital staff or the other day-to-day operating expenses of the Hospital. "Existing indebtedness" shall mean the total indebtedness for the Hospital on April 7, 2020, from the use of bonds, government guaranteed loans, or any other legal method of borrowing.</p>

Source: Section 212.055(7), *Florida Statutes*, Voter-Approved Indigent Care Sales Surtax and County Ordinance No. 20-0.1



Based on the analysis performed, the County has taken reasonable and timely actions to determine whether planned uses of the surtax are in compliance with applicable state laws, rules, and regulations. Therefore, the subtask is deemed to be met.

Overall Research Task 6 Conclusion: Based upon the work and conclusions reached from the four (4) subtasks, we deem that this research task is met.



HOLMES COUNTY MANAGEMENT RESPONSE



HOLMES COUNTY CLERK OF COURT

P.O. Box 397
Bonifay, FL 32425
Phone: (850) 547-1100
Fax: (850) 547-6630
E-mail: avickers@holmesclerk.com

August 19, 2020

Mr. Gilbert Hopkins, CPA
McConnell & Jones LLP
4828 Loop Central Drive, Suite 1000
Houston, Texas 77081

Dear Mr. Hopkins:

Please see the following response to your audit findings and recommendations for Holmes County:

Whistleblower Policy

A whistleblower policy has now been added to the Clerk's Employee Policies and Procedures manual.

Travel Policy Update

The travel policy has been updated to strengthen travel expense internal controls. The County's external auditor will continue to review travel expenses during the annual audit.

If you have questions or need additional information, please call me at (850) 547-1100 or you may email me at avickers@holmesclerk.com.

Sincerely,

Alice Vickers
Clerk Ad Interim



DOCTORS MEMORIAL HOSPITAL ANALYSIS SECTION

This section of the report provides an assessment of the six research tasks and 25 subtasks as they apply to Doctors Memorial Hospital’s (DMH or the Hospital) administration of the indigent care sales surtax.

DMH is a fully accredited, full service 20-bed health care facility offering services to citizens in the Florida counties of Holmes, Jackson, Washington, and Walton. The Hospital is not authorized to levy property taxes. Accordingly, one of its greatest challenges is to generate sufficient revenue to cover the cost of providing health care services to indigent individuals as well as other area residents. If the referendum passes, the Hospital is prohibited from using the indigent care sales surtax proceeds for operational expenses or to provide health care services. Despite its name, the funds can only be used to service Hospital debt outstanding as of April 7, 2020.

Doctors Memorial Hospital Financial Summary

During Fiscal Years 2016 and 2017, the Hospital experienced operating losses of approximately \$542,081 and \$1.2 million, respectively. During fiscal Year 2018, operating income was \$181,057 but during Fiscal Year 2019, the Hospital experienced an operating loss of \$161,321 (unaudited). As of September 30, 2019, the Hospital’s unaudited net position was negative \$7.96 million.

Figure 6 presents the Hospital’s operating results for Fiscal Years 2016 through 2019 and illustrates the compounding debt of the Hospital since FY 2016. Fiscal Year 2019 amounts are unaudited. The Board of Trustees must approve the audit before it can be released; however, there are not enough board of trustees members to constitute a quorum. The Hospital has appealed to the Governor’s Office to fill the vacancies. This issue is discussed further in Subtask 6.1.

FIGURE 6
REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FISCAL YEARS 2016 THROUGH 2019 (FY 2019 UNAUDITED)

Description	FY 2019 (Unaudited)	FY 2018	FY 2017	FY 2016
Operating Revenue				
Patient Service Revenue	\$14,131,014	\$14,191,972	\$12,260,388	\$12,806,135
Provision for Uncollectible Accounts	(2,642,169)	(2,708,789)	(1,981,591)	(1,806,502)
Net Patient Service Revenue	11,488,845	11,483,183	10,278,797	10,999,633
Other Operating Revenue	74,299	248,024	211,388	48,978
Total Operating Revenue	\$11,563,144	\$11,731,207	\$10,490,185	\$11,048,611



Description	FY 2019 (Unaudited)	FY 2018	FY 2017	FY 2016
Operating Expenses				
Salaries & Wages	\$5,367,629	\$5,147,035	\$5,149,027	\$5,125,032
Supplies & Other Operating Expenses	3,706,520	3,504,067	3,395,676	3,288,405
Depreciation & Amortization	759,159	992,101	1,125,489	1,081,091
Insurance	820,019	786,738	788,894	719,132
Physician & Professional Fees	658,586	746,502	856,317	1,004,397
Employee Benefits & Payroll Taxes	412,552	373,707	347,630	372,635
Total Operating Expenses	\$11,724,465	\$11,550,150	\$11,663,033	\$11,590,692
Operating Income/(Loss)	\$(161,321)	\$181,057	\$(1,172,848)	\$(542,081)
Nonoperating Revenues (Expenses)				
Investment Income	15,267	23,934	13,224	10,583
Interest Expense	(856,181)	(847,580)	(866,921)	(883,135)
Gain on Disposal of Assets Held for Sale	0	3,420	0	(3,640)
Noncapital Gifts & Other	105,072	35,889	49,674	60,836
Total Nonoperating Revenues (Expenses)	(735,842)	(784,337)	(804,023)	(815,356)
Loss Before Capital Contributions	(897,163)	(603,280)	(1,976,871)	(1,357,437)
Capital Contributions- Intergovernmental Grant	0	0	417,000	0
Decrease in Net Position	(897,163)	\$(603,280)	\$(1,559,871)	\$(1,357,437)
Net Position/(Deficit)- Beginning of Year	(\$7,066,477)	(\$6,463,197)	(\$4,903,326)	(\$3,545,889)
Net Position/(Deficit)- End of Year	(\$7,963,640)	(\$7,066,477)	(\$6,463,197)	(\$4,903,326)

Source: Fiscal Year 2016 through 2018 Audited Financial Statements. Fiscal Year 2019 Unaudited Financial Statements.

Figure 7 presents the Hospital’s Fiscal Year 2020 budget. The Hospital is projecting a \$14,666 profit for Fiscal Year 2020 on total patient revenue of approximately \$33.4 million. Contractual



adjustments and charity write offs are expected to consume 56 percent of this total. Contractual adjustments are the difference between what a healthcare provider bills for services rendered versus what it will be paid (or should be paid) based on the terms of its contracts with third-party insurers and/or government programs.

Operating expenses are expected to comprise 42 percent of patient revenue during Fiscal Year 2020. Salaries and benefits represent 46 percent of total operating expenses while bad debts comprise 17 percent.

FIGURE 7
DOCTORS MEMORIAL HOSPITAL
FISCAL YEAR 2020 BUDGET

Description	FY 2020	Percentage
Patient Revenue		
Outpatient Revenue	\$27,413,013	81%
Inpatient Ancillary	4,500,916	13%
Inpatient Routine	1,724,250	5%
Total Patient Revenue	\$33,638,179	100%
Deductions from Revenue		
Other Contractual Adjustments	10,880,502	
Total Outpatient Medicare and Medicaid Contractual	6,078,964	
Total Inpatient Medicare and Medicaid Contractual	1,114,121	
Charity Write Offs	760,936	
Total Deductions from Revenue	18,834,523	56%
Total Net Patient Revenue	14,803,656	
Total Other Revenue	134,958	
Total Net Revenue	\$14,938,614	
Operating Expenses		
Salaries & Wages	\$5,281,297	
Provision for Bad Debt	2,354,524	
Purchased Services	1,394,180	
Benefits	1,128,446	
Supplies	1,077,197	
Other Operating Expenses	1,003,836	
Medical Specialty Fees	404,285	
Repairs & Maintenance	373,139	



Description	FY 2020	Percentage
Utilities	335,002	
Contract Labor	314,436	
Property Taxes & Insurance	268,622	
Marketing	39,544	
Physician Recruiting	5,000	
Total Operating Expenses	\$13,979,508	
Operating Margin	959,106	
Non-Operating Expenses		
Depreciation Amortization	764,271	
Rent & Leases	180,169	
Total Non-Operating Expenses	944,440	
Projected Profit (Loss)	\$14,666	

Source: Fiscal Year 2016 through 2018 Audited Financial Statements. Fiscal Year 2019 Unaudited Financial Statements.

If the referendum passes, the Hospital will use the proceeds of the indigent care sales surtax exclusively to service debt outstanding as of April 7, 2020. The ordinance precludes the Hospital from using any of the proceeds for operations. As of April 7, 2020, the Hospital had approximately \$14.1 million in debt consisting primarily of revenue bonds as shown in **Figure 8**. The bonds were issued in 2006 to finance the construction of the current 20-bed Hospital facility and will be paid off by November 1, 2038, based on the current amortization schedule.

FIGURE 8
DOCTORS MEMORIAL OUTSTANDING DEBT AS OF APRIL 7, 2020

Description	Outstanding as of April 7, 2020	Final Payment Date
Hospital Revenue Bond Series 2006	\$13,875,000	11/1/2038
United States Department of Agriculture (USDA) Loan	223,284	2/22/2023
Fresenius Kabi IV Pumps	25,686	2/1/2023
Total	\$14,123,970	

Source: Doctors Memorial Hospital Administration Schedule of Debt Outstanding as of April 7, 2020.

Figures 9 through 12 present the amount of debt service due for each item listed in **Figure 8**. The total amount of debt service remaining due over the life of debt outstanding as of April 7, 2020 is approximately \$24.4 million consisting of \$14.1 million in principal and \$10.3 million in interest. If the surtax referendum passes, the Hospital anticipates using the proceeds of the surtax to eliminate as much debt as possible thereby freeing up Hospital resources for purposes other than debt service.



FIGURE 9
REVENUE BONDS-SERIES 2006
REMAINING DEBT SERVICE AS OF APRIL 7, 2020

Year	Principal	Interest	Total	Balance
Balance at April 7, 2020				\$13,875,000
Fiscal Years 2021-2025	\$2,155,000	\$3,881,476	\$6,036,476	\$11,720,000
Fiscal Years 2026-2030	\$2,840,000	\$3,186,526	\$6,026,526	\$8,880,000
Fiscal Years 2031-2035	\$3,795,000	\$2,234,700	\$6,029,700	\$5,085,000
Fiscal Years 2036-2038	\$5,085,000	\$951,300	\$6,036,300	\$0
Total Debt Service	\$13,875,000	\$10,254,002	\$24,129,002	

Source: Doctors Memorial Hospital Debt Amortization Schedule.

FIGURE 10
USDA LOAN
REMAINING DEBT SERVICE AS OF APRIL 7, 2020

Year	Principal	Interest	Total	Balance
Balance at April 7, 2020				\$223,284
Fiscal 2020	\$53,407	\$6,218	\$59,625	\$169,877
Fiscal 2021	\$54,894	\$4,731	\$59,625	\$114,983
Fiscal 2022	\$56,423	\$3,202	\$59,625	\$58,560
Fiscal 2023	\$58,560	\$1,631	\$60,191	\$0
Total Debt Service	\$223,284	\$15,782	\$239,066	

Source: Doctors Memorial Hospital Debt Amortization Schedule.

FIGURE 11
FRESENIUS KABI-IV PUMPS
REMAINING DEBT SERVICE AS OF APRIL 7, 2020

Year	Principal	Interest	Total	Balance
Balance at April 7, 2020				\$25,686
Fiscal 2020	\$3,896	\$1,192	\$5,088	\$21,791
Fiscal 2021	\$8,392	\$1,784	\$10,176	\$13,399
Fiscal 2022	\$9,262	\$914	\$10,176	\$4,137
Fiscal 2023	\$4,137	\$103	\$4,240	\$0
Total Debt Service	\$25,686	\$3,994	\$29,680	

Source: Doctors Memorial Hospital Debt Amortization Schedule.



FIGURE 12
SUMMARY OF REMAINING DEBT SERVICE AS OF APRIL 7, 2020

Year	Principal	Interest	Total	Balance
Balance at April 7, 2020				\$14,123,970
Revenue Bonds-Series 2006	\$13,875,000	\$10,254,002	\$24,129,002	
USDA Loan	\$223,284	\$15,782	\$239,066	
Fresenius Kabi-IV Pumps	\$25,686	\$3,994	\$29,680	
Total Debt Service	\$14,123,970	\$10,273,778	\$24,397,748	

Source: Doctors Memorial Hospital Debt Amortization Schedule.

Since March 2020, COVID-19 has exacerbated the Hospital’s already difficult financial situation. Delayed elective procedures and routine services have decreased patient volume and further decreased DMH’s revenue. The Hospital has also experienced increased costs associated with staff overtime, and an additional pool of as-needed staff. Moreover, Hospital expenses have increased due to the need to provide new screening and testing services for the community.



RESEARCH TASK 1

THE ECONOMY, EFFICIENCY, OR EFFECTIVENESS OF THE PROGRAM.

FINDING SUMMARY – Overall, Doctors Memorial Hospital meets Task 1.

Hospital administrators use financial and medical reports on a regular basis that are adequate to monitor debt as well as hospital performance and costs. Hospital programs are periodically evaluated using performance information and other reasonable criteria such as a performance improvement plan, staff meetings, and various performance reports to assess program performance and cost. Findings and recommendations are included in relevant external audit reports and Hospital administration took reasonable and timely actions to address deficiencies in program performance and/or costs identified in such reports. The Hospital evaluates program performance and costs based on measures, which MJ determines to be reasonable based on comparative analysis using publicly available data. The Hospital was not able to pay monthly debt obligations on a timely basis for several months. The Hospital has established written purchasing policies and procedures to take maximum advantage of competitive procurement, volume discounts, and special pricing agreements. The Hospital also contracts with a firm that negotiates the best value in goods and services for the Hospital. The firm manages a network of health care organizations to ensure that the Hospital receives competitive, favorable pricing on health care products.

RESEARCH SUBTASK ANALYSIS AND CONCLUSIONS

SUBTASK 1.1 – Review any management reports/data that program administrators use on a regular basis and determine whether this information is adequate to monitor program performance and cost.

To address the requirements of subtasks 1.1 through 1.5 and 1.7, MJ interviewed the Chief Executive Officer (CEO), the Chief Operating Officer (COO), and the Purchasing Director. We assessed various documents and reports that hospital administrators use on a regular basis to monitor program performance and cost.

The term “program” defines the purpose for which the indigent care sales surtax will be used, which will be to service the Hospital’s debt existing at April 7, 2020. Accordingly, the report MJ reviewed and assessed focused not only on reports related to debt management and service, but also on reports related to hospital operations. Each report reviewed and assessed is summarized below.

Debt Amortization Schedule

The debt amortization schedule for each type of debt describes the loan and shows the original amount borrowed. It shows the date and amount principal and interest payments are due for the life of the loan. The amortization schedule allows hospital administrators to know, for each



loan, how much principal and interest is due and when. Amortization schedules are critical for ensuring that payments are made on time and in the correct amount. They are also effective for planning cash flow needs because payments and due dates are shown over the life of the loan. **Figure 1-9** provides the Revenue Bond Series 2006 amortization schedule. This schedule is based upon the terms of the bond agreement and is critical for the Hospital to manage bond payments to ensure they are made timely and in the correct amount. It also allows the Hospital to determine how much principal and interest is due each year and over the life of the debt, which is important for short- and long-term planning purposes.

FIGURE 1-9
REVENUE BONDS-SERIES 2006
DEBT AMORTIZATION SCHEDULE

\$16,935,000				
Doctors Memorial Hospital (Holmes County, FL - Bonifay)				
Revenue Bonds				
Series 2006 (Final)				
Debt Service Schedule				
Date	Principal	Coupon	Interest	Total P+I
11/01/2007	-	-	921,346.11	921,346.11
11/01/2008	205,000.00	5.750%	999,050.00	1,204,050.00
11/01/2009	220,000.00	5.750%	987,262.50	1,207,262.50
11/01/2010	230,000.00	5.750%	974,612.50	1,204,612.50
11/01/2011	245,000.00	5.750%	961,387.50	1,206,387.50
11/01/2012	260,000.00	5.750%	947,300.00	1,207,300.00
11/01/2013	275,000.00	5.750%	932,350.00	1,207,350.00
11/01/2014	290,000.00	5.750%	916,537.50	1,206,537.50
11/01/2015	305,000.00	5.750%	899,862.50	1,204,862.50
11/01/2016	325,000.00	5.750%	882,325.00	1,207,325.00
11/01/2017	345,000.00	5.750%	863,637.50	1,208,637.50
11/01/2018	360,000.00	5.750%	843,800.00	1,203,800.00
11/01/2019	385,000.00	5.750%	823,100.00	1,208,100.00
11/01/2020	405,000.00	5.750%	800,962.50	1,205,962.50
11/01/2021	430,000.00	5.750%	777,675.00	1,207,675.00
11/01/2022	455,000.00	5.750%	752,950.00	1,207,950.00
11/01/2023	480,000.00	5.750%	726,787.50	1,206,787.50
11/01/2024	505,000.00	5.750%	699,187.50	1,204,187.50
11/01/2025	535,000.00	5.750%	670,150.00	1,205,150.00
11/01/2026	565,000.00	5.750%	639,387.50	1,204,387.50
11/01/2027	600,000.00	6.000%	606,900.00	1,206,900.00
11/01/2028	635,000.00	6.000%	570,900.00	1,205,900.00
11/01/2029	675,000.00	6.000%	532,800.00	1,207,800.00
11/01/2030	715,000.00	6.000%	492,300.00	1,207,300.00
11/01/2031	755,000.00	6.000%	449,400.00	1,204,400.00
11/01/2032	800,000.00	6.000%	404,100.00	1,204,100.00
11/01/2033	850,000.00	6.000%	356,100.00	1,206,100.00
11/01/2034	900,000.00	6.000%	305,100.00	1,205,100.00
11/01/2035	955,000.00	6.000%	251,100.00	1,206,100.00
11/01/2036	1,015,000.00	6.000%	193,800.00	1,208,800.00
11/01/2037	1,075,000.00	6.000%	132,900.00	1,207,900.00
11/01/2038	1,140,000.00	6.000%	68,400.00	1,208,400.00
Total	\$16,935,000.00	-	\$21,383,471.11	\$38,318,471.11

Source: Revenue Bond-Series 2006 Amortization Schedule.

GL Single Account Detail Report

The GL Single Account Detail Report can be generated from the Hospital’s accounting system for each general ledger account for any period. With respect to debt, hospital administrators use this report to identify the monthly activity in each debt account. This report is effective for



ensuring that debt payments are recorded accurately on the general ledger. The report also shows account adjustments and beginning and ending balances, which are necessary to reconcile the account to the related amortization schedule. **Figure 1-10** provides a GL Single Account Detail Report for the revenue bonds.

FIGURE 1-10
REVENUE BONDS-SERIES 2006
GL SINGLE ACCOUNT DETAIL REPORT

ACCOUNT NUMBER & DESCRIPTION	DATE	MEMO	REFERENCE	JOURNAL	CSNUM	BATCH	SEQ.	AMOUNT
RUN DATE: 07/03/20		DOCTORS MEMORIAL HOSP BONIFAY		PAGE		1		
TIME: 08:22		GL SINGLE ACCOUNT DETAIL REPORT		GLSAD				
		FOR: 09/30/07 - 04/07/20						
22320001 LONG TERM DEBT - SERIES 2006 B	09/30/09	BEGINNING BALANCE	CONVERSION	JE	425	1	1	-16,510,000.00
								09/30 ACTIVITY: -16,510,000.00
	11/30/09	MONTHLY ACTIVITY	CONVERSION	JE	2	1	96	230,000.00
								11/30 ACTIVITY: 230,000.00
	04/30/10	MONTHLY ACTIVITY	CONVERSION	JE	404	1	96	19,166.67
								04/30 ACTIVITY: 19,166.67
	05/31/10	MONTHLY ACTIVITY	CONVERSION	JE	405	1	90	-19,166.67
								05/31 ACTIVITY: -19,166.67
	10/31/10	RCD CUR PORT LT DEBT	0064	JE	20	62	1	245,000.00
	10/31/10	REVERSE JE0064	JE0064R1	JE	199	5	2	-245,000.00
								10/31 ACTIVITY: .00
	11/30/10	RCD CURNT PORT LT DEBT	0064	JE	20	90	1	245,000.00
								11/30 ACTIVITY: 245,000.00
	12/14/10	REVERSE JE0064	JE 0064R	JE	199	4	2	-245,000.00
	12/14/10	REVERSE JE0064R	JE0064R2	JE	199	6	1	245,000.00
								12/31 ACTIVITY: .00
	11/30/11	REV JE0064	0064R	JE	20	237	1	-245,000.00
	11/30/11	RCL CURRENT PRT LT DEBT	0064	JE	44	758	1	245,000.00
	11/30/11	RCD CURRENT PRT LT DEBT	0064	JE	44	760	1	260,000.00
	11/30/12	RCD CURRENT PORT LT DEBT	0064	JE	20	734	1	275,000.00
	11/30/13	RCD CURNT PORT LT DEBT	64	JE	395	470	1	290,000.00
	11/30/14	RCD LT DEBT DUE 110115	64	JE	475	229	1	305,000.00
	11/30/15	RCD CURRENT PORT LT DEB	0064	JE	729	402	1	325,000.00
	11/30/16	RCD CURRENT PORT OF LT	0064	JE	729	1082	1	345,000.00
22320001 LONG TERM DEBT - SERIES 2006 B		BEGINNING BALANCE AS OF: 10/01/17						-14,235,000.00
	11/30/17	RCD LT DEBT FOR BONDS A	0064	JE	729	1717	1	360,000.00
	11/30/18	RCD PORTION OF LT DEBT	0064	JE	729	2386	1	385,000.00
		11/30 ACTIVITY/END BALANCE:	2,545,000.00					-13,490,000.00
	09/30/19	TO RECLASS MATURITIES O	203	JE	729	2997	2	-385,000.00
		09/30 ACTIVITY/END BALANCE:	-385,000.00					-13,875,000.00
		ENDING BALANCE:						-13,875,000.00

Source: GL Single Account Detail Report for Revenue Bond-Series 2006.

Bond Holder Reports

The Hospital’s bond documents contain various reporting requirements. Accordingly, each month, Hospital administrators provide financial and operational reports to the bond holders. The reports cover all aspects of the Hospital’s operations and finances and demonstrate to the bond holders whether the Hospital is operating effectively and responsibly. MJ reviewed the



reports and determined that they are effective for achieving the intended purpose. **Figure 1-11** provides an overview of the reports, their content, and their effectiveness.

FIGURE 1-11
MONTHLY BOND HOLDER REPORTS

Name	Purpose
<i>Balance Sheet</i>	Presents the Hospital’s assets, liabilities, and fund balance for each month compared to the same month for the previous year with the amount and percentage of increase or decrease. The report is useful and effective for presenting the Hospital’s financial position as of a given month.
<i>Statement of Revenues & Expenses</i>	Provides a comparison of year-to-date revenues and expenses for the current year to the same year-to-date period for the prior year. It also provides a comparison of revenues and expenses for the current and prior month. It shows the actual amount and percentage of increase or decrease in each revenue and expenditure category. It also shows the percentage of each revenue and expense category to total revenues and total expenses. The report is useful and effective because it compares current year to prior year financial results and current month to prior month financial results.
<i>Statement of Revenues & Expenses-(Rolling Monthly)</i>	Provides a detailed presentation of the Hospital’s revenues and expenses for each month during the fiscal year. The report shows each month in a separate column so that the reader can compare each element of the Hospital’s revenues and expenses month-to-month. The report is useful and effective because it shows the reader the sources and uses of the Hospital’s funds for the current and prior months of the fiscal year.
<i>Cash Account Balances</i>	Shows the balance of restricted and unrestricted cash in each account for every month of the fiscal year compared to the same month of the previous fiscal year along with the dollar amount and percentage of change. Also provides a historical trend of cash balances for each cash account for the same month going back several years. The report is useful and effective for communicating the Hospital’s cash position at the end of each month compared to previous months.
<i>Cash Flow Projection</i>	Shows the projected and actual cash flows by month over the entire fiscal year. The report shows the beginning cash balance, projected and actual cash receipts, projected and actual expenses, and projected and actual ending cash balance. The report is useful and effective for enabling the Hospital to anticipate and plan for fluctuations in cash. It also allows the bond holder to determine if cash is being managed effectively and where shortfalls might occur during the fiscal year.
<i>Accounts Payable Vendor Aging Report</i>	Shows the amount the Hospital owes to each of its vendors. The report is segregated into current amount due and amounts due over 30, 60, 90, or 120 days. The report is useful and effective for managing the Hospital’s outstanding accounts payable and informs bond holders about whether the Hospital is paying its bills on time.

Source: Hospital Bond Holder Reports.

Figure 1-12 and presents an example of the cash projection report. Not all of the budgeted columns are shown. The schedule is detailed and comprehensive thereby allowing the Hospital to project monthly cash flow needs during the Fiscal Year. Actual cash flows are compared against budgeted amounts to maintain tight control over cash. This report is adequate for



enabling the Hospital to navigate through financial difficulties as it anticipates and manages cash balances.

**FIGURE 1-12
CASH PROJECTION REPORT**

Doctor's Memorial Hospital Cash Projection Budget vs Actual Fiscal Year 2020																
	Actual						Budgeted									
	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
Cash Beginning balance	524,075	497,519	405,058	389,412	313,577	280,576	564,573	485,562	233,492	256,164	188,836	91,883	114,555	47,227	(192,601)	(149,929)
Receipts																
A/R Collections	843,922	844,821	805,111	901,656	730,393	809,047	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000
LIP/DISH			62,468		138,248				60,000			60,000			60,000	
Cost Report Adjustment Income																
FEMA Refund						302,139										
Payments																
Payroll and Taxes	(405,121)	(548,601)	(424,356)	(450,384)	(406,679)	(389,696)	(405,000)	(607,500)	(405,000)	(405,000)	(405,000)	(405,000)	(405,000)	(607,500)	(405,000)	(405,000)
Operating Expenses																
Insurance	(62,760)	(59,376)	(58,694)	(61,021)	(62,913)	(57,791)	(62,000)	(62,000)	(62,000)	(62,000)	(62,000)	(62,000)	(62,000)	(62,000)	(62,000)	(62,000)
Benefits	(427,277)	(24,899)	(31,209)	(32,823)	(34,967)	(8,943)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)
Contract Labor	(30,863)	(28,423)	(28,956)	(30,005)	(25,344)	(52,819)	(27,000)	(27,000)	(27,000)	(27,000)	(27,000)	(27,000)	(27,000)	(27,000)	(27,000)	(27,000)
Supplies	(97,578)	(89,319)	(81,348)	(123,863)	(112,437)	(95,337)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Med Spec Fees	(13,818)	(14,768)	(10,738)	(38,203)	(19,705)	(16,855)	(33,500)	(33,500)	(33,500)	(33,500)	(33,500)	(33,500)	(33,500)	(33,500)	(33,500)	(33,500)
Purchased Services	(107,950)	(43,822)	(62,615)	(124,307)	(83,516)	(89,748)	(112,000)	(112,000)	(112,000)	(112,000)	(112,000)	(112,000)	(112,000)	(112,000)	(112,000)	(112,000)
Repairs and Maintenance	(31,621)	(16,603)	(17,223)	(33,775)	(22,655)	(25,023)	(31,500)	(31,500)	(31,500)	(31,500)	(31,500)	(31,500)	(31,500)	(31,500)	(31,500)	(31,500)
Marketing	(1,678)	(249)	(160)	(1,680)	(870)	(304)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Utilities	(31,400)	(28,028)	(2,398)	(54,991)	(3,026)	(56,023)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)
Taxes & Insurance	(18,096)	(9,412)	(19,424)	(27,410)	(33,485)	(26,410)	(22,750)	(22,750)	(22,750)	(22,750)	(22,750)	(22,750)	(22,750)	(22,750)	(22,750)	(22,750)
Other Operating Expense (TI)	14,856	(29,080)	(91,164)	57,986	41,932	(116,561)	(36,575)	(36,575)	(36,575)	(36,575)	(36,575)	(36,575)	(36,575)	(36,575)	(36,575)	(36,575)
USDA Loan						(59,625)										
UMB Legal / Deferment Fee	(14,119)	(16,363)	(14,119)	-	-	(5,596)	(12,641)	(12,641)	(399)	(399)	(399)	(399)	(399)	(399)	(399)	(399)
Warbird	-	-	-	(30,825)	(15,000)	-	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
AHCA	-	-	-	(30,825)	-	(30,825)	(30,000)	-	-	-	(30,000)	-	-	(30,000)	-	-
Bond/Interest Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CMS Overpay	(16,604)	(16,604)	(16,604)	(14,792)	(16,604)	(16,604)	(16,604)	(16,604)	(16,604)	(16,604)	(16,604)	(16,604)	(16,604)	(16,604)	(16,604)	(16,604)
CMS Overpay 2	(6,000)	(6,000)	(6,000)	-	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Medicaid Audit Payoff	(5,000)	(5,737)	(18,218)	(11,399)	(40,749)	(19,161)	(4,441)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Cash Increase (Decrease)	(26,556)	(92,461)	(15,646)	(75,835)	(33,001)	229,077	(79,011)	(252,070)	22,672	(67,328)	(96,953)	22,672	(67,328)	(239,828)	42,672	(17,328)
Ending Balance	497,519	405,058	389,412	313,577	280,576	509,653	485,562	233,492	256,164	188,836	91,883	114,555	47,227	(192,601)	(149,929)	(167,257)

Source: Hospital Cash Projection Report.

As a health care facility, the Hospital produces a number of medical reports to manage its operations. Each department prepares its reports, which are reviewed by the medical staff. During interviews, MJ learned that such reports include the following:

- Utilization review
- Medical records
- Delinquencies
- Case reviews
- Blood utilization
- Pharmacy and therapeutic
- Medication errors
- Drug usage
- Risk management
- Infection control
- Nursing reports
- Transfers



MJ reviewed board of trustee minutes noting that various medical reports prepared by staff are presented and discussed during board of trustee meetings. Due to medical privacy laws, MJ did not request or review all of these reports. However, MJ obtained and reviewed a sample of the reports that Hospital staff could provide legally. These reports are summarized in **Figure 1-13** and demonstrate that the duty to patient care, compliance with medical standards, and high-quality performance are priorities and a focus of the Hospitals staff’s day-to-day activities.

**FIGURE 1-13
HOSPITAL MEDICAL OPERATIONS REPORTS**

Name	Purpose
<i>Surgical Case Review</i>	Monthly report reviewed by Hospital staff that provides case review statistics. It shows the total number of patients served, the total number of surgical procedures broken down by type, the percentage of cases meeting standards of care, cases reviewed by medical staff, and comments on the activities performed. This report is signed and dated by two (2) members of the medical staff.
<i>Medical Records Statistics Form</i>	This report determines compliance with the Joint Commission’s standard related to medical records. The Joint Commission (JC) accredits health care organizations and programs in the United States. JC standard RC.01.04.01 entitled- <i>The organization audits its clinical record states: “According to a time frame it defines, the organization reviews its clinical records to confirm that the required information is present, accurate, legible, authenticated, and completed on time.”</i> This report determines compliance with this standard. It identifies the organization and its location and shows the average monthly discharge rate, medical record delinquency timeframe, monthly delinquency totals, and instructions for calculating quarterly averages.
<i>Utilization Review</i>	Provides for each month during the fiscal year, the number of patients utilizing the hospital services broken down into categories such as transfers, readmits, observation, and persons with AMA insurance. Within each of these categories, the numbers are broken down into Medicare, Medicaid, and other.
<i>Historical Utilization of Doctors Memorial Hospital</i>	Shows historical trend by fiscal year of various hospital statistics such as admissions, patient days, average length of stay, average daily census, outpatient census, and surgeries. This report is provided to the board of trustees.
<i>Delinquent Chart Summary</i>	Provides information about delinquent charts, which are clinically important medical records that should be completed within specified timeframes. If they are not completed within these timeframes, they are considered delinquent. This report shows the number of delinquencies for each month by category. It also shows the delinquency percentage for each month. The report is effective for providing a monthly trend, which can show a positive or negative pattern over time.
<i>Nurse Triage</i>	Triage is the process of assessing patients and determining their level of need for medical assistance. This report shows the number of patients triaged per month during the fiscal year, the nurse performing the service, and the amount of time it took.
<i>Risk Management-Incident Log/Summary Worksheet</i>	Quarterly log of incidents showing the date, type of incident, description, classification, area/shift, employees or equipment involved, and additional comments.



Name	Purpose
Performance Improvement Report	Quarterly report summarizing various performance metrics such as: surgical services, utilization statistics, medical record delinquencies, laboratory statistics, pharmacy statistics, critical lab results not documented as reported to a physician, cardiopulmonary statistics.

Source: Hospital Medical Reports.

Figure 1-14 presents an example of the Historical Utilization of Doctors Memorial Hospital report. Historical utilization statistics provide insight into service demand over time thereby allowing the Hospital to target where it will focus limited resources. After increasing in Fiscal Year 2016, admissions and patient days fell in Fiscal 2017 and 2018 before rising again slightly in Fiscal 2019. Outpatient emergency room visits, on the other hand, increased each year between Fiscal Years 2015 and 2019. This report is an example of how the Hospital uses statistical information to manage operations. Despite the fact that the sales surtax funds cannot be used for operational purposes, it is still important for the Hospital to have processes in place to manage operations effectively and responsibly.

**FIGURE 1-14
HISTORICAL UTILIZATION OF DOCTORS MEMORIAL HOSPITAL**

	Fiscal Year Ended September 31,				
	2015	2016	2017	2018	2019*
Admissions					
Acute	562	596	471	442	464
Swing	104	112	98	90	149
Totals	666	708	569	532	613
Patient Days					
Acute	2,212	2,233	1,788	1,714	1,645
Swing	1,503	2,145	1,769	1,679	2,008
Totals	3,715	4,378	3,557	3,393	3,653
Avg Length of Stay					
Acute	3.94	3.75	3.80	4.00	3.55
Swing	14.45	19.15	18.05	19.00	13.45
Average Daily Census					
Acute	6.06	6.12	4.90	4.70	4.51
Swing	4.12	5.88	4.85	4.60	5.50
Totals	10.2	12.0	9.7	9.3	10.0
Outpatient Visits	11,882	12,624	13,298	13,137	11,805
ER Visits					
OP	6,489	6,685	7,001	7,041	7,448
Admitted as Inpatient	305	308	246	260	287
Admitted as Observation	136	139	117	173	181
Totals	6,930	7,132	7,364	7,474	7,916
Surgeries	616	571	555	629	661

Source: Historical Utilization of Doctors Memorial Hospital Report.

Based on the analysis performed, hospital administrators use financial and medical reports on a regular basis that are adequate to monitor debt as well as Hospital performance and costs. Therefore, the subtask is deemed to be met.



SUBTASK 1.2 – Determine whether the program is periodically evaluated using performance information and other reasonable criteria to assess program performance and cost.

To address the requirements of this subtask, MJ discussed ways in which hospital services and operations are evaluated. MJ also examined supporting documentation provided by hospital staff to demonstrate that performance information and other reasonable criteria are used to assess performance and costs.

The foundation of the Hospital's performance management system consists of the Annual Performance Plan, regular staff meetings, and performance metric reports. Performance metric reports were included in the discussion of Subtask 1. The Annual Performance Plan and staff meetings are discussed below.

Annual Performance Improvement Plan 2020

The Performance Improvement Plan provides a systematic approach to promoting quality of patient care and services. The plan states the following as its purpose and scope of activities and services:

“Through an interdisciplinary and integrated process, patient care and processes that affect patient care outcomes shall be continuously monitored and evaluated to promote optimal achievements, with appropriate accountability assumed by the Governing Board, Medical Staff, Administration, and support personnel.... The scope of the Performance Improvement Program includes measurement and assessment of activities which address patients served by the Medical Staff, Nursing, and ancillary services and hospital wide functions. Both clinical and non-clinical departments are included”

The plan outlines responsibilities of the board of trustees, medical executive committee, administration, nursing services, and hospital departments. It also establishes the Quality Improvement Council, a multidisciplinary committee that meets at least quarterly and oversees all aspects of quality improvement efforts throughout the Hospital.

The Quality Improvement Plan is a 22-page document. **Figure 1-15** provides its table of contents.



**FIGURE 1-15
HOSPITAL MEDICAL OPERATIONS REPORTS**

TABLE OF CONTENTS	
I	MISSION
II	VISION
III	VALUES
IV	PURPOSE
V	PHILOSOPHY
VI	GOALS
VII	SCOPE OF ACTIVITIES AND SERVICES
VIII	ORGANIZATION AND RESPONSIBILITY
	A. Governing Board
	B. Medical Executive Committee
	C.
IX	QUALITY IMPROVEMENT COUNCIL
	A. COMPOSITION
	B. FUNCTION
	C. PRIORITIZATION
	D. SCORING
	E. RE-PRIORITIZATION
	F. REPORTING
X	QUALITY IMPROVEMENT TEAMS
XI	QUALITY IMPROVEMENT MODEL
XII	MONITORING AND EVALUATION
	A. PLAN
	B. DESIGN
	C. MEASURE
	D. ASSESS
	E. IMPROVE
	F. RE-DESIGN/DESIGN OF IMPROVEMENT INITIATIVES (RE-ASSESSMENT PROCESS)
XIII	ANNUAL APPRAISAL
XIV	CONFLICT OF INTEREST
XV	CONFIDENTIALITY
XVI	APPROVALS
XVII	ATTACHMENTS
	A. COMMITTEE STRUCTURE MONITORING & EVALUATION OVERSIGHT
	B. THE IDEA CYCLE
	C. QUALITY IMPROVEMENT PRIORITY SCORING GRID
	D. QUALITY ACTION TEAM GUIDELINES
	E. PROBLEM/PROCESS REFERRAL FORM
	F. QUALITY ACTION TEAM INTERIM REPORT
	G. QUALITY ACTION TEAM FINAL REPORT
	H. THE QUALITY CUBE
	I. DIMENSIONS OF PERFORMANCE DEFINITIONS
	J. DEPARTMENTAL SUMMARY OF SCOPE OF SERVICES

Source: Doctors Memorial Hospital Performance Improvement Plan-2020.

Performance Evaluation Meetings

In accordance with the Performance Improvement Plan, hospital staff meet regularly to discuss hospital operations and performance. Meetings occur at different intervals for various reasons. Every morning there is a meeting where staff discuss the day’s priorities and programs. Once a week, there is a meeting to discuss issues, plans, and strategy. There is a quarterly meeting where safety, risk management, and infection control are discussed. Quarterly meeting attendees also include community members. MJ reviewed the agenda and minutes of various meetings noting that the discussion centered around evaluating program performance.

Figure 1-16 provides excerpts from the minutes of selected minutes and demonstrates that evaluations are occurring in accordance with the Performance Improvement Plan.



**FIGURE 1-16
HOSPITAL MEDICAL OPERATIONS REPORTS**

Type & Date	Discussion Topics	Attendees
<p><i>Leadership Meeting Agenda- 7/7/2020</i></p>	<ul style="list-style-type: none"> • Case management, business office revenue, and medical records reports. • Billing differences in a clinic versus hospital setting. • Adding duties to a staff person’s job. • Meeting with nursing home administration to discuss issues related to a patient transfer. 	<ul style="list-style-type: none"> • Chief Executive Officer • Chief Operating Officer • Case Management • Business Office Director • Medical Records Director
<p><i>Performance Improvement Committee Meeting- 2/20/2020</i></p>	<ul style="list-style-type: none"> • Improvements in Continuous Quality Improvement (CQI) teams from physician deficiencies, test result faxing, and AMA tracking. • 2019 improvements from the Annual Performance Improvement Report. There were no high risk or trends that needed to be addressed. Improvements were seen in areas such as operating room wait times, risk management incidents, and critical lab value reporting. • Annual assessment survey results showed more work needed to be done on staff awareness, increased reporting, and departmental improvement projects. • New performance improvement initiatives for FY 2020 including new elements in the performance improvement report. 	<ul style="list-style-type: none"> • Chief Financial Officer • Performance Improvement Coordinator • Human Resources Director/Risk Management Designee • Maintenance Manager/Safety Director • Director of Dietary, Materials Management, Housekeeping • Utilization review/case management • IT Director • Pharmacy Director • RN, ER Supervisor, Infection Control, Employee Health • Lab Manager • Business Office Manager • Community Representative
<p><i>Risk Management/Safety/ Infection Control- 2/20/2020</i></p>	<ul style="list-style-type: none"> • 4th quarter 2019 Risk Management Review Analysis with department managers. • Annual Risk Management Review Analysis for 2019 with department managers. • Health Insurance Portability and Accountability Act (HIPPA) compliance issues. • Safe medical device recalls. • Medication safety report, medication errors, and high risk medications. • Infection control including reporting employee illnesses, hand washing, cultures, and flu vaccines and testing. 	<ul style="list-style-type: none"> • Administrative Secretary • Purchasing/Dietary Director • Information Technology Director • RN Case Management/UR Director • Pharmacy Director • Business Office Director • Maintenance/Safety Director • Laboratory Director • RN ER Supervisor/ICP/Employee Health • Controller • Community Representative



Type & Date	Discussion Topics	Attendees
<p><i>Medical Staff Committee of the Whole- 9/9/2019</i></p>	<ul style="list-style-type: none"> • Utilization review • Delinquent medical records • Surgical case review • Blood utilization review • Medication error update • Other topics 	<ul style="list-style-type: none"> • Five medical doctors • Chief Executive Officer • Human Resources Director • Director of Nursing • IT Director • ER Supervisor/EH/ICP • Operating Room Supervisor • Pharmacist • Clinical Consultant • Administrative Secretary

Source: Staff meeting minutes for the indicated date.

Based on the analysis performed, Hospital programs are periodically evaluated using performance information and other reasonable criteria such as a performance improvement plan, staff meetings, and various performance reports to assess program performance and cost. Therefore, the subtask is deemed to be met.

SUBTASK 1.3 – Review findings and recommendations included in any relevant internal or external reports on program performance and cost.

SUBTASK 1.4 – Determine whether program administrators have taken reasonable and timely actions to address any deficiencies in program performance and/or cost identified in management reports/data, periodic program evaluations, audits, etc.

Subtasks 1.3 and 1.4 are closely related and will be assessed together in this section. To address the requirements of these subtasks, the MJ Team reviewed the findings and recommendations in various external audits and assessments of hospital operations and costs. **Figure 1-17** provides a summary of our review.

**FIGURE 1-17
SUMMARY OF FINDINGS & RECOMMENDATIONS IN REPORTS**

Joint Commission Survey

The Joint Commission (JC) accredits health care organizations and programs in the United States. JC conducts site visits to assess a health care organization’s compliance with JC accreditation standards. Upon completion of the assessment, JC staff plot the results, known as Requirements for Improvement (RFIs) on a matrix known as the Survey Analysis for Evaluating Risk (SAFER). Survey results are plotted according to the likelihood the issue could cause harm to patient(s), staff, and/or visitor(s), and the scope at which the RFI is observed. Combined, these characteristics identify a risk level for each RFI, which in turn will determine the level of required post-survey follow up. As the risk level of an RFI increases, the placement of the standard and element of performance moves from the bottom left corner to the upper right of the matrix. The definitions for the Likelihood to Harm a Patient/Staff/Visitor and Scope are as follows:

Likelihood to Harm a Patient/Staff/Visitor:

- **Low:** harm could happen, but would be rare
- **Moderate:** harm could happen occasionally
- **High:** harm could happen any time



Scope:

- **Limited:** unique occurrence that is not representative of routine/regular practice
- **Pattern:** multiple occurrences with potential to impact few/some patients, staff, visitors and/or settings
- **Widespread:** multiple occurrences with potential to impact most/all patients, staff, visitors and/or settings

Finding	Recommendation	Management's Response	Evidence of Timely Implementation																									
<p>JC performed an unannounced survey of the hospital between 7/24/2018-7/26/2018. The outcome of the visit was "Preliminary Denial of Accreditation" based on the number of accreditation standards as plotted on the SAFER matrix, which is summarized below:</p> <table border="1"> <thead> <tr> <th></th> <th>Limited</th> <th>Pattern</th> <th>Wide-spread</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>0</td> <td>1</td> <td>0</td> <td>1</td> </tr> <tr> <td>Moderate</td> <td>16</td> <td>16</td> <td>2</td> <td>34</td> </tr> <tr> <td>Low</td> <td>19</td> <td>11</td> <td>1</td> <td>31</td> </tr> <tr> <td>Total</td> <td>35</td> <td>28</td> <td>3</td> <td>66</td> </tr> </tbody> </table> <p>The JC standard that applies to the "High" "Pattern" finding highlighted above on the matrix states: <i>"When developing infection prevention and control activities, the critical access hospital uses evidence based national guidelines or, in the absence of such guidelines, expert consensus."</i></p> <p>When assessing the Hospital against this standard, the JC review team found that the hospital had not adopted evidence-based guidelines such as Association for the Advancement of Medical Instrumentation (AAMI) or Association of periOperative Registered Nurses (AORN) to guide proper sterilization and high level disinfection.</p>		Limited	Pattern	Wide-spread	Total	High	0	1	0	1	Moderate	16	16	2	34	Low	19	11	1	31	Total	35	28	3	66	<p>The required level of post survey follow up consists of three (3) categories, which are summarized below. The accreditation standard count shown below is duplicated because some of the 66 standards fell into more than one (1) follow up category:</p> <ol style="list-style-type: none"> 1. Included in the Plan of Correction (within 10 Business Days)- 67 2. Included in the Medicare Deficiency Survey (within 45 Calendar Days)-36 3. Included in the Unannounced PDA Review (within 60 Calendar Days)- 67 	<p>JC conducted an unannounced accreditation follow up visit to the Hospital on 4/23/2019 and concluded the following, which is evidence that hospital management took timely action to remedy the deficiencies identified during the July 2018 visit thereby maintaining the Hospital's accreditation:</p> <p><i>"As a result of the accreditation activity conducted, there were no Requirements for Improvement identified; therefore, the SAFER™ matrix is not applicable and will not appear in the report."</i></p>	<p>JC found no deficiencies during its 4/23/2019 surprise visit to the Hospital.</p>
	Limited	Pattern	Wide-spread	Total																								
High	0	1	0	1																								
Moderate	16	16	2	34																								
Low	19	11	1	31																								
Total	35	28	3	66																								

Findings	Recommendation	Management's Response	Evidence of Timely Implementation
<p>2019 Employment Law Audit Report</p> <p>The Hospital engaged a consultant to conduct an employment law audit, which was completed on August 16, 2019. The audit included review of 14 specific employment law components such as Fair Labor Standards Act, Equal Employment Opportunity, and Leave and Accommodation.</p>			
<p>The employment law auditor provided a number of recommendations and suggestions that were not specifically segregated and enumerated but rather woven into the narrative and difficult to distinguish. For example,</p>	<p>Because suggestions are woven throughout and within the narrative, specific recommendations are difficult to identify and enumerate.</p>	<p>Hospital administration did not provide a formal response that was included in the audit report. However, the Human Resources Director responded to the report in an email</p>	<p>MJ reviewed an email dated October 9, 2019, from the Human Resources Director to the CEO identifying specific actions the director was taking to address</p>



Findings	Recommendation	Management's Response	Evidence of Timely Implementation
<p><i>"The Organization utilizes on call time within its maintenance, respiratory, and radiology departments on a regular basis. The auditor reviewed the existing policy and corresponding practices and has some concern with the express inclusion of the thirty-minute response mandate. To best minimize the chance that waiting time be found compensable, the auditor suggests that it be removed from inclusion."</i></p>		<p>to the CEO identifying specific actions that the director was taking to address the issues raised in the report.</p>	<p>the issues raised in the report.</p>
<p>State Licensure Life Safety Code Survey The Florida Agency for Health Care Administration (AHCA) is the chief health policy and planning entity for the state. AHCA conducted an unannounced Fire & Life Safety re-licensure survey at the Hospital on April 29, 2019, in accordance with National Fire Protection Association standards and Florida Fire Marshal rules and regulations.</p>			
<p>AHCA found deficiencies in the following six (6) areas:</p> <ol style="list-style-type: none"> 1. Cooking Facilities 2. Sprinkler System-Maintenance & Testing 3. Fire Drills 4. Electrical Systems-Maintenance & Testing 5. Electrical Equipment- Maintenance & Testing 6. Emergency Management Plan 	<p>On May 6, 2019, AHCA instructed the Hospital Administrator to provide a corrective action plan to AHCA's field office within 10 calendar days and to have all deficiencies corrected by May 31, 2019.</p>	<p>On May 21, 2019, the Hospital's Maintenance Director/Safety Coordinator submitted a corrective action plan to AHCA's field office outlining steps that had been or would be taken to address the deficiencies outlined in the April 29th report. The maintenance director addressed the deficiencies in each of the six areas.</p>	<p>MJ examined the Maintenance Director/Safety Coordinator's letter to AHCA dated May 21, 2019. Although the response was provided five days outside of AHCA's 10-day window, the corrective action plan addressed each of the deficiencies in AHCA's report. MJ also noted that the Maintenance Director/Safety Coordinator's response included the date the deficiencies were corrected all of which were by May 31, 2019.</p> <p>AHCA performed a follow up visit on September 11, 2019, and concluded in their September 23, 2019, letter to the Hospital: <i>"The previously cited deficiencies were found corrected on the day of the visit."</i></p>



Findings	Recommendation	Management's Response	Evidence of Timely Implementation
<p>Healthcare Coding and Consulting Services (HCCS) External Audit Report An external coding audit gives healthcare organizations an objective, third-party assessment of their medical coding procedures and policies.</p>			
<p>The Hospital engaged a coding consultant to perform a coding audit. The audit gave the Hospital a grade of 61.3 percent coding accuracy in their February 2017 report.</p>	<p>The auditors concluded: <i>"We strongly recommend that Doctors Memorial Hospital coders review the audit data and comments alongside the original patient chart. We believe there are many opportunities for improving coding as well as documentation."</i></p>	<p>MJ examined evidence of interaction and follow up between the code auditor and the Hospital. In an April 6, 2017, email to the CEO, the code auditor wrote: <i>"As per our conversation, I would be happy to have a look at your Chargemaster to see if I can spot any obvious changes I would recommend, but I believe your staff have it covered."</i></p>	<p>The coding consultant performed a second audit during May-June 2017. MJ reviewed the audit report noting that the Hospital's score improved from 61.3 percent to 87.3 percent accuracy indicating that improvements had been made in the coding process.</p>
<p>State Licensure Risk Manager Survey The Florida Agency for Healthcare Administration (AHCA) conducted an unannounced risk management survey of the Hospital on June 11th and 12th 2019.</p>			
<p>In their June 24, 2019, report, AHCA reviewers stated: <i>"An unannounced risk management survey was conducted on 6/11/2019 and 6/12/2019 at Doctors Memorial Hospital in Bonifay, FL. At the time of the survey, no deficient practice was identified."</i></p>	<p>None</p>	<p>N/A</p>	<p>N/A</p>
<p>Grant Thornton Financial Assessment Grant Thornton conducted a review of various hospital operations that included, but were not limited to, billing and collection procedures, physician relationships and referral patterns, coding reports, cost report adjustments, medical staff profile, and outpatient payments.</p>			
<p>In their May 2017 report, after presenting a profile of the Hospital, the auditors summarized their analysis of the following areas:</p> <ol style="list-style-type: none"> 1. Coding and charge capture 2. Payment rate comparison 3. Medicare cost report adjustments 4. Volume from DMH services area 	<p>The report included the following recommendations:</p> <ol style="list-style-type: none"> 1. Implement an Emergency Department Facility Matrix. 2. Hire credentialed coders. 3. Restructure loan agreements with non-employed physicians. 4. Develop an on campus rural health clinic (RHC). 	<p>Hospital staff provided the following regarding management's implementation of the recommendations.</p> <ol style="list-style-type: none"> 1. Implemented use of the HCCS Evaluation and Management Matrix. 2. Hired two (2) credentialed coders. 3. The physicians waived the loan repayments. 4. DMH has a letter of intent to purchase 	<ol style="list-style-type: none"> 1. MJ examined DMH's Facility Evaluation & Management Matrix, which the Hospital began using in March 2017, per an email from the CEO. It showed the following columns: 1. Level, 2. Interventions, 3. Potential Symptoms/ Examples which support the Interventions.



Findings	Recommendation	Management's Response	Evidence of Timely Implementation
	<ol style="list-style-type: none"> 5. Increase frequency of cost reports – this has been undertaken. 6. Identify patients transferred from DMH. 7. Research county support/grants – 8. Investigate options to lower annual debt service – 9. Consider affiliation with larger health system hospital. 	<p>the on campus RHC after obtaining a proforma and cost report impact analysis.</p> <ol style="list-style-type: none"> 5. DMH has increased the frequency of cost reports. 6. This is tracked in daily 9am meetings. 7. Sales tax revenue being sought and DMH was successful in obtaining state funds to purchase MRI scanner. 8. Waiting on USDA to release application for refinancing existing construction debt. Legislation was passed, but waiting on it to be written to the register. 9. Sought affiliations and partnered with Jubilee Doctors Management LLC. 	<ol style="list-style-type: none"> 2. Examined the American Academy of Professional Coder (AAPC) Certification for two coders. 3. Examined Compromise Settlement and Release Agreement signed by the physician releasing DMH from the debt dated August 14, 2017. 4. Examined a draft Memorandum Of Understanding and Statement of Intent Regarding the Sale and Purchase Of Southern Healthcare Rural Health Clinic. Agreement was not executed because DMH does not have a functioning board. However, the draft agreement indicated that the action could be taken by the end of 2020. 5. Examined additional cost reports issued during FY 2020 dated February 2020, April 2020, and June 2020. 6. MJ noted in evaluation of Subtask 1.1. 7. Examined contract executed



Findings	Recommendation	Management's Response	Evidence of Timely Implementation
			<p>with State of Florida dated June 2017 for the purchase and installation of a Magnetic Resonance Imaging (MRI) machine.</p> <p>8. Examined email evidence dated from April 2020 of DMH's pursuit of USDA Community Facilities grant submitted on June 2, 2020. Also examined equipment quotes. Award is pending Rural of OneRD Guaranteed Loan Regulation effective date of October 2020 and DMH having a sitting board.</p> <p>9. Examined executed Memorandum of Understanding with Jubilee Doctors Management LLC, a consortium of Florida-licensed physicians, with whom DMH is seeking a working relationship. The MOU cannot be fully executed until DMH has a functioning board.</p>

Source: The Indicated Report Received from Hospital Administration.

Based on the analysis performed, findings and recommendations are included in relevant external audit reports upon which Hospital administration took reasonable and timely actions to address deficiencies including a review of various hospital operations such as billing and



collection procedures, physician relationships, and referral patterns. This review led to recommendations, such as entering into a memorandum of understanding with another medical service provider. Although the agreement cannot be implemented until a full board is seated, the agreement is consistent with the Hospital’s debt reduction strategy of using sales surtax funds to service debt. All of these initiatives are designed to relieve the Hospital’s challenging financial situation Therefore, Subtasks 1.3 and 1.4 are deemed to be met.

SUBTASK 1.5 – Evaluate program performance and cost based on reasonable measures, including best practices.

To address the requirements of this subtask, MJ reviewed performance studies and patient care surveys conducted by outside organizations. MJ also performed a comparative analysis of DMH compared to peer hospitals using statistics from a public database.

The Medicare Rural Hospital Flexibility (Flex) Program was established by the Balanced Budget Act (BBA) of 1997. Any state with rural hospitals may establish a Flex Program and apply for federal funding that provides for the creation of rural health networks, promotes regionalization of rural health services, and improves access to hospitals and other services for rural residents. DMH used FLEX grant funds to engage a consulting firm to conduct a comparative analysis of the Hospital’s financial and operational performance against that of its peers and other Florida hospitals. The consultant’s report, dated May 2019, made the observations shown in **Figure 1-18** for DMH’s consideration.

**FIGURE 1-18
FY18-19 FLEX GRANT PROGRAM PEER COMPARATIVE ANALYSIS
FISCAL YEAR 2019**

Metric	Description	DMH’s Results
<i>Total Margin</i>	Measures the control of expenses relative to revenues. It indicates the organization’s overall profit.	<ul style="list-style-type: none"> Below benchmark, peer group, and Florida critical access hospitals (CAHs). Increased from 2016 to 2017
<i>Days Cash on Hand</i>	Measures the number of days an organization could operate if no cash was collected or received.	<ul style="list-style-type: none"> In 2017 below benchmark, but above Florida CAHs
<i>Net Days Revenue in Accounts Receivable</i>	Measures the number of days that it takes an organization, on average, to collect its receivables.	<ul style="list-style-type: none"> 2017 and 2018 values are within benchmark. Performing better than Peer Group
<i>Average Daily Census – Swing/Skilled Nursing Facility Beds</i>	Measures the average number of swing beds occupied per day. A swing bed is a Medicare program that allows patients to	<ul style="list-style-type: none"> Above Peer Group and Florida CAHs



Metric	Description	DMH's Results
	receive skilled care services at the hospital once acute hospital care is no longer required, but the patient continues to need services that cannot be easily provided in the patient's home.	

Source: Florida Department of Health Office of Rural Health. FY18-19 Flex Grant Program CEC Report May 30, 2019.

DMH contracts with a firm that calls patients to ask questions about their hospital care experience. Responses are graded on a scale of 0 to 100, with 100 being fully satisfied. **Figure 1-19** provides a comparative summary of composite results for Calendar Years 2017 through June 2020. The survey results show a patient satisfaction rating since 2017 that was consistently in the high eighties and nineties in each service category. Scores in all except one category declined between 2018 and 2019. However, through June 2020, patient satisfaction in every category of service except one improved over 2019. Hospital administrators use this information to monitor the patient experience and to improve the hospital's service delivery.

**FIGURE 1-19
PATIENT EXPERIENCE SURVEY
2017 THROUGH JUNE 2020**

Standard Scores	2017		2018		2019		2020	
	Score	n	Score	n	Score	n	Score	n
Overall	90.5	63	91.4 ▲	64	87.7 ▼	50	89.7 ▲	26
Admission	90.2	55	87.5 ▼	59	84.0 ▼	47	88.8 ▲	20
Room	89.6	57	90.0 ▲	60	88.3 ▼	48	90.9 ▲	21
Meals	87.1	59	83.7 ▼	58	86.3 ▲	48	82.8 ▼	22
Nurses	92.9	60	94.1 ▲	59	90.4 ▼	48	95.5 ▲	22
Tests and Treatments	89.7	59	91.5 ▲	57	89.0 ▼	47	94.6 ▲	21
Visitors and Family	92.6	59	92.4 ▼	59	90.6 ▼	44	91.5 ▲	19
Physician	93.2	60	90.8 ▼	59	87.0 ▼	46	90.7 ▲	21
Discharge	86.7	57	90.2 ▲	57	86.6 ▼	46	90.5 ▲	21
Personal Issues	88.3	62	91.9 ▲	64	85.1 ▼	50	90.3 ▲	25
Overall Assessment	94.2	63	96.7 ▲	64	91.3 ▼	50	95.0 ▲	25

Source: Patient Experience Survey Results–Calendar Years 2017-June 2020.

MJ used AHCA publicly available information to perform a comparative analysis of DMH to five (5) other rural Florida hospitals with critical access hospital designation and a similar bed count. The AHCA produces an interactive dashboard of Florida hospital data using information that the state's hospitals submit to the agency. The dashboard is designed to allow users to interactively view a hospital's financial position, indigent care and profitability, payer and patient service information, utilization and charges by payor, and operating expenses.



Critical access hospital (CAH) is a designation given to eligible rural hospitals by the Centers for Medicare and Medicaid Services (CMS). The CAH designation is designed to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural communities. There are 13 CAH hospitals in Florida including DMH.

Figure 1-20 presents the results of the comparison of DMH’s indigent metrics to those of five (5) other CAHs. These hospitals were chosen because they were CAH hospitals with information listed in the ACHA database from which the information was taken. Of the comparison hospitals, DMH provided among the lowest levels of charity care, one of the lowest levels of total debt, and was among the lowest in bad debt percentage.

**FIGURE 1-20
COMPARISON OF INDIGENT HEALTH CARE STATISTICS- CRITICAL ACCESS HOSPITAL
FISCAL YEAR 2018**

Name	Location	CAH Beds	Charity Care	Charity Care %	Bad Debt Total	Bad Debt %	Gross Medicaid Revenue	Operating Margin
Northwest Florida Community Hospital	Chipley Florida	25	\$19.0M	2.6%	\$51.0M	6.9%	19.8%	0.3%
George E. Weems Memorial Hospital	Franklin County, Florida	25	\$1.26M	8.7%	\$19.1M	13.2%	14.3%	(28.8%)
Madison County Memorial Hospital	Madison County Florida	25	\$0.8M	3.2%	\$2.8M	11.6%	11.8%	(17.8%)
Doctors Memorial	Bonifay, Florida	20	\$0.7M	2.1%	\$2.7M	7.7%	18.3%	(5.4%)
Campbellton Graceville Hospital	Jackson County	25	\$0.5M	0.9%	\$3.0M	5.0%	6.3%	(6.9%)
Calhoun Liberty Hospital	Blountstown Florida	25	\$0.5M	1.0%	\$5.0M	13.8%	19.1%	(20.2%)

Source: Florida Health Finder- https://bi.ahca.myflorida.com/t/ABICC/views/FinancialDataDashboard/FinancialDataDashboard?:embed=y&:showShareOptions=true&:display_count=no&:showVizHome=no

Based on the analysis performed, the Hospital evaluates program performance and costs based on measures which MJ determines to be reasonable based on our comparative analysis using AHCA data. Therefore, the subtask is deemed to be met.



SUBTASK 1.6 – Evaluate the cost, timing, and quality of current program efforts based on a reasonably sized sample of projects to determine whether they were of reasonable cost and completed well, on time, and within budget.

To address the requirements of this subtask, and as the purpose of the proposed Indigent Health Care Trust Fund is to service existing debt, the MJ Team selected a sample of debt payments to review for timely payments and within budget based on the amortization schedule. As shown in **Figure 8**, the Hospital had approximately \$14.1 million in debt as of April 7, 2020 consisting primarily of revenue bonds issued in 2006 to finance the construction of the current hospital.

Audit procedures included a review for authorized approval to pay invoices, timely payment and the status of compliance with the Forbearance Agreement. Key steps in the invoice payment process include the following:

1. Vendors submit invoices via mail or e-mail.
2. The invoice must be approved by the appropriate personnel - the Chief Financial Officer and Hospital Administrator.
3. Once approved, the invoice is given to Accounts Payable to be entered into the Accounts Payable system. Accounts Payable checks are processed at the end of each week.
4. The Accounts Payable Clerk reviews the Accounts Payable Aging Report with the Chief Financial Officer and Administrator and receives approval for which invoices are to be paid on the upcoming check run.
5. Once checks are cut, a copy of the check and supporting invoice documentation are stapled together and documentation is filed.

Compliance Testing

We reviewed the General Ledger Detail account transactions for any late fees assessed for the period for each type of debt. Based on inquiries with the accounts payable staff, no late fees were incurred.

Figures 1-21 through 1-23 presents a list of the payments selected for testing and the results of the compliance testing.

**FIGURE 1-21
REVIEW OF SAMPLE OF PAYMENTS – USDA LOAN**

Test Month	Amount Due	Amount Paid	Date Due	Date Paid	Amount Paid Agrees to Amortization Schedule?	Amount Paid by Due Date?
February 2019	\$59,625	\$59,625	2/22/2019	2/22/2019	Yes	Yes
February 2020	\$59,625	\$59,625	2/22/2020	2/24/2020	Yes	No

Source: Accounts Payable Files and Amortization Schedule.



**FIGURE 1-22
REVIEW OF SAMPLE OF PAYMENTS – PUMPS LEASE**

Test Month	Amount Due	Amount Paid	Date Due	Date Paid	Amount Paid Agrees to Amortization Schedule?	Amount Paid by Due Date?
November 2019	\$848	\$848	11/01/2019	1/3/2020	Yes	No
December 2019	\$848	\$848	12/01/2019	1/3/2020	Yes	No
May 2020	\$848	\$848	5/01/2020	7/16/2020	Yes	No

Source: Accounts Payable Files and Amortization Schedule.

**FIGURE 1-23
REVIEW OF SAMPLE OF PAYMENTS – 2006 HOSPITAL REVENUE BOND SERIES**

Test Month	Amount Due per Amortization Schedule	Amount Paid/ Transferred from Reserve Fund	Date Due	Date Paid/ Transferred	Amount Paid Agrees to Amortization Schedule?	Amount Paid/ Transferred by Due Date?
Monthly Principal and Interest Payment						
March 2019	\$100,316	\$100,675	3/15/2019	3/14/2019	No	Yes
Forbearance Period – Six Months Interest Transfer						
May 2019	\$411,550	\$411,550	5/1/2019	May 2019; no date on bank statement	Yes	N/A; No date
November 2019	\$411,550	\$411,550	11/1/2019	11/1/2019	Yes	Yes
May 2020	\$400,481	\$411,550	5/1/2020	5/1/2020	No	Yes

Source: Accounts Payable Files and Amortization Schedule.

The last payment made with a check including principal and interest portions was in April 2019. The Hospital was not able to make the full principal and interest payments and was in default beginning in May 2019. From that point forward, six months’ worth of interest payments were transferred out of the Hospital’s Debt Reserve Fund totaling \$411,550 in May 2019, November 2019 and May 2020. These interest only payments were approved in accordance with the Hospital’s Forbearance Agreement, which the bondholders agreed to execute instead of invoking their legal remedy for the Hospital’s default.

Forbearance Agreement

The Hospital (Issuer) executed a Forbearance Agreement (Agreement) with UMB Bank, (Bond Trustee), effective September 30, 2019. The forbearance period terminates upon the earlier of a forbearance termination event or October 30, 2020.

Section D of the Agreement states that since May 2019 the Hospital acknowledged that it has not been making the monthly debt service deposits required under Section 502 of the Bond Indenture. This requires that on or before the 15th day of each month, payment of an amount equal to 1/6 of the interest becoming due on the Bonds on the next interest payment date and



an amount equal to 1/12 of the principal amount which will mature and become due on the next succeeding maturity date. Administration indicated that some of the reasons for not making payments were as follows.

- The hospital’s revenue was significantly impacted by a decrease in its inpatient census. The average daily census for inpatients for FY2019 was 4.53 patients compared to 4.68 in FY2018 and 4.95 in FY2017.
- Significant changes were made to Medicaid in 2017 that changed the hospital’s payment status from reimbursable costs to Enhanced Ambulatory Patient Group (EAPG) which is similar to the way Prospective Payment System (PPS) for larger hospitals are paid.
- Medicare & Medicare HMOs percentage of reimbursement has fallen to 32 percent in recent years from 37 percent in as of September 25, 2018.

As indicated in Section G of the Agreement, the Trustee agreed to grant a forbearance instead of placing the Hospital into default. Monthly payments were deferred from October 2019 through September 2020. In addition, the Hospital executed an agreement effective August 4, 2019 with Warbird Municipal Advisors, LLC to explore opportunities for affiliation with a healthcare partner to offset its financial challenges.

To meet this requirement in the Agreement, the Hospital executed “Memorandum Regarding Contracting of Management of Hospital Operations” with Jubilee Doctors Management, LLC (Jubilee), a consortium of Florida-licensed physicians. However, the Hospital does not have an appointed board of trustees through which it can take official action on a proposed affiliation agreement. The tentative provisions in the Memorandum (should the Board approve the agreement) states that Jubilee’s responsibilities would include senior management reorganization; establishing finance, operational, and clinical workgroups; and physician staffing and nurse practitioner oversight. See further discussion in Subtask 2.1 regarding the potential staffing impact.

In addition to reviewing for timely payments, the review team tested for compliance and timeliness in completing actions required by the Forbearance Agreement. The actions and implementation status are depicted in **Figure 1-24**.

FIGURE 1-24
SUMMARY OF FORBEARANCE AGREEMENT REQUIREMENTS

Agreement Section	Action Required	Implementation Status
<i>II. (a) Compliance with Approved Budget</i>	The Hospital agrees to pay amounts not exceeding those set forth for monthly expenses in the budget attached as Exhibit B for the months of October 2019 through September 2020. Shall not exceed 105% on a line item basis and will provide a written explanation of the amount and reason for any variance.	The Hospital lacked a formal documented response verifying compliance with the bond requirements. Finance maintains a spreadsheet to monitor actual costs exceeding 105% of the budget. However, variance explanations were not



Agreement Section	Action Required	Implementation Status
		documented and the budgeted monthly totals on the spreadsheet do not agree to Exhibit B of the Forbearance Agreement.
<i>II. (b) Debt Service Reserve Fund (DSRF) Advance</i>	At the request of the Hospital, the Trustee shall advance \$400,000 to pay obligations set forth as Exhibit C. Upon payments being made, the Hospital shall not have accounts payable more than 30 days outstanding.	The Hospital lacked a formal documented response verifying compliance with the bond requirements. Finance provided the Accounts Payable Vendor Detail Report to show payments made to the eight specified vendors; however, there is no bondholder report verifying all of the applicable payments and if the accounts payable for each vendor was no more than 30 days old.
<i>II. (c) Payment of Debt Service During Forbearance Period</i>	Payments shall be deferred October 2019 through September 2020. If there are 20 or more days of operating expenses, all funds in excess of 20 days of operating expenses shall be transferred to the Bond Fund.	Done. Paying interest only; principal is deferred.
<i>II. (d) Fees and Expenses</i>	The Hospital shall pay reasonable fees and expenses including but not limited to attorney fees and expenses and other professionals in connection with the negotiation, execution and enforcement of the Agreement.	Done. Reviewed September 2019 and October 2019 trustee invoices for attorney fees and default specialist fees.
<i>II. (e) Accounts Payable Covenant</i>	The Hospital will not permit 90 percent or more of its accounts payable to be more than 60 days outstanding and the remaining 10 percent to be more than 90 days outstanding.	The Hospital lacked a formal documented response verifying compliance with the bond requirements. The total accounts payable balance by vendor of \$608,879 on the Accounts Payable Aging Report does not agree to the sum of the amounts for each aging category (current, over 30 days, over 60 days, etc.) which total \$205,093. Thus, unable to



Agreement Section	Action Required	Implementation Status
		confirm compliance with this requirement.
<i>II. (f) Affiliation Milestones</i>	The Hospital and its municipal advisory firm, Warbird Municipal Advisors LLC, shall maintain affiliation milestones. On or before February 28, 2020 enter into definitive documents with the proposed affiliation partner.	In Progress. The Hospital executed a memorandum with Jubilee Doctors Management, LLC to manage operations effective March 1, 2020. A contract has not been executed pending the filling of Board vacancies.



Agreement Section	Action Required	Implementation Status
<i>II. (g) Supplemental Reporting and Testing</i>	In addition to the reporting requirements under the Bond Documents, the Hospital agrees to provide the following supplemental reporting to the Trustee: <ol style="list-style-type: none"> 1. Monthly Reports. Including Certificate of Compliance; Cashflow Report; Balance Sheet; Cash Statement and Income Report; Accounts Payable Report; Number of Days of Operating Expenses; and Representation of compliance with covenants in the Forbearance Agreement. 2. Monthly Conference Calls 3. Notices of Default 	Done. <ol style="list-style-type: none"> 1. Reviewed reports for May 2020. 2. (2) CEO provided examples of dates for monthly bondholder meetings from March through July 2020.
<i>II. (h) Cooperation with Creditor Parties</i>	The Hospital agrees to cooperate with and provide materials as reasonably requested by the creditor parties.	Ongoing

Source: Forbearance Agreement.

Based on the analysis performed, the Hospital was not able to pay monthly debt obligations on a timely basis beginning in May 2019. In addition, insufficient documentation was provided to verify compliance with some of the Forbearance Agreement requirements. Therefore, the subtask is deemed to be partially met.

RECOMMENDATION 1.6

Develop formal documented responses to bondholders to demonstrate compliance with all requirements of the Forbearance Agreement. Continue to assess methods such as refinancing the debt obligations to strengthen the Hospital’s financial position.

SUBTASK 1.7 – Determine whether the hospital has established written policies and procedures to take maximum advantage of competitive procurement, volume discounts, and special pricing agreements.

To address the requirements of this subtask, the MJ Team interviewed the purchasing director and reviewed the purchasing manual as well as related documentation.



The purpose of the Hospital’s purchasing policy and procedure, effective January 2013, is: “To provide all hospital departments with a reference guide to the policy governing purchasing in order that the purchasing procedures may be performed in a uniform manner.”

The policy identifies the Purchasing Department as the central department primarily responsible to obtain maximum values for the hospital in the purchase of equipment, supplies, and services rendered by outside agencies. **Figure 1-25** provides an overview of the contents of the purchasing policy and procedure.

**FIGURE 1-25
OVERVIEW OF HOSPITAL PURCHASING POLICY & PROCEDURE**

Section	Description
<i>Purpose</i>	Establishes the purpose of the policy & procedure.
<i>Policy</i>	Sets forth the overall purchasing policy.
<i>Objectives of the Purchasing Department</i>	Outlines general objectives of the purchasing department.
<i>Purchasing</i>	Requires all purchases to be based on competitive prices, quality and service. Larger dollar volume items must be subject to competitive quotes.
<i>Authority to Purchase</i>	Establishes purchasing authority within the Hospital.
<i>Vendors</i>	Assigns vendor selection to the purchasing department; however, suggested vendors may be used when such vendors are competitive and meet hospital objectives.
<i>Legal Aspects of Purchasing</i>	Defines the role of the purchase order and establishes it as a legal document. Outlines usage, authority, and process.
<i>Group Purchasing Organization (GPO)</i>	Establishes the use of a GPO to ensure that the Hospital uses quality vendors that provides specific products at greatly reduced prices and pre-determined terms and conditions.
<i>Directors, Department Managers, Supervisors</i>	Defines purchasing approval levels for specified positions.
<i>Standing Orders</i>	Outlines requirements and procedures for standing orders.
<i>Non-Stock Purchase Request Supplies or Equipment</i>	Outlines requirements and procedures for non-stock purchases.

Source: Purchasing Policy and Procedure Effective January 2013.

The Hospital contracts with a Group Purchasing Organization (GPO). These organizations negotiate the best value in goods and services for hospitals. The Hospital currently contracts with a GPO that manages a network of health care organizations to ensure that the Hospital receives competitive, favorable pricing on healthcare products. The Hospital also receives



rebates for their purchases and the commodities it purchases. In addition, the GPO keeps the Hospital apprised of the best pricing for the commodities the hospital uses.

Based on the analysis performed, the Hospital has established written purchasing policies and procedures to take maximum advantage of competitive procurement, volume discounts, and special pricing agreements. The Hospital has entered into a no-cost contract with a Group Purchasing Organization that negotiates the best value in goods and services for the Hospital. The service is free to the Hospital. The firm manages a network of health care organizations to ensure that the Hospital receives competitive, favorable pricing on health care products. The larger the firm's subscriber base, the greater its power to negotiate lower prices, which allows it to be compensated from the savings it generates for its subscribers. Therefore, the subtask is deemed to be met.

Overall Research Task 1 Conclusion: Based upon the work and conclusions reached for the seven (7) subtasks, we deem that this research task is met.



RESEARCH TASK 2

THE STRUCTURE OR DESIGN OF THE PROGRAM TO ACCOMPLISH ITS GOALS AND OBJECTIVES.

FINDING SUMMARY – Overall, Doctors Memorial Hospital meets Task 2. Doctors Memorial Hospital’s (DMH) organizational structure reflects clearly defined organizational units, clear lines of authority, with no excessive administrative layers. In the past, the Hospital struggled to recruit physicians, which impacted its ability to provide medical services. DMH entered into a Memorandum of Understanding with a medical consulting company which recommended that three (3) new positions be added to the organizational structure. The organizational changes resulted in improved oversight and better control of management and administrative costs. The Hospital has kept staffing levels consistent over the past three (3) years. Although DMH is located in a rural area, management has been resourceful at handling workload demand by cross-training staff. The Hospital optimized staffing levels by cross-training staff to maximize workload coverage, particularly for functions requiring a higher level of medical training.

RESEARCH SUBTASKS ANALYSIS AND CONCLUSIONS

SUBTASK 2.1 – Review program organizational structure to ensure the program has clearly defined units, minimizes overlapping functions and excessive administrative layers, and has lines of authority that minimize administrative costs.

To address the requirements of this subtask, The MJ Team interviewed the Hospital Administrator, Chief Operating Officer, and Human Resources Director. We also reviewed the Hospital’s organization chart prior to and after the execution of the Memorandum of Understanding with JDM Consultants.

ORGANIZATIONAL STRUCTURE/EXTERNAL CONSULTING SERVICES

Doctors Memorial Hospital struggled to recruit physicians and was experiencing a shortage of referring and admitting physicians, which impacted its ability to provide medical services.

The Hospital entered into a Memorandum of Understanding (MOU) with JDM, an external consulting company, to provide management services in February 2020. The bond holders of the Hospital’s debt required it to affiliate with a management company or larger health system to promote financial stability. The MOU was implemented such that the Hospital Administrator and medical staff could grant medical staff privileges to JDM physicians.

It was decided that the hospital could retain JDM’s services by providing medical and administrative consulting services. However, the ultimate oversight of the hospital remained under the leadership of the Hospital Administrator as JDM was not appointed by the Hospital



board and any recommendations made by JDM were considered by the Hospital Administrator prior to implementation. As a result of JDM's initial consulting services, Executive Director Consultant, Chief Medical Officer Consultant, and Chief Operating Officer positions were added to the organization chart. The rationale for creating the three new positions was as follows:

The Executive Director Consultant position was created to achieve more transparent oversight and lead strategy meetings to better define Hospital goals and accomplishments to improve community support. The Executive Director Consultant position was also charged with providing more transparent communications to bondholders regarding the operational and financial status of the Hospital.

The Chief Medical Consultant position was created to recruit physicians and oversee clinical performance.

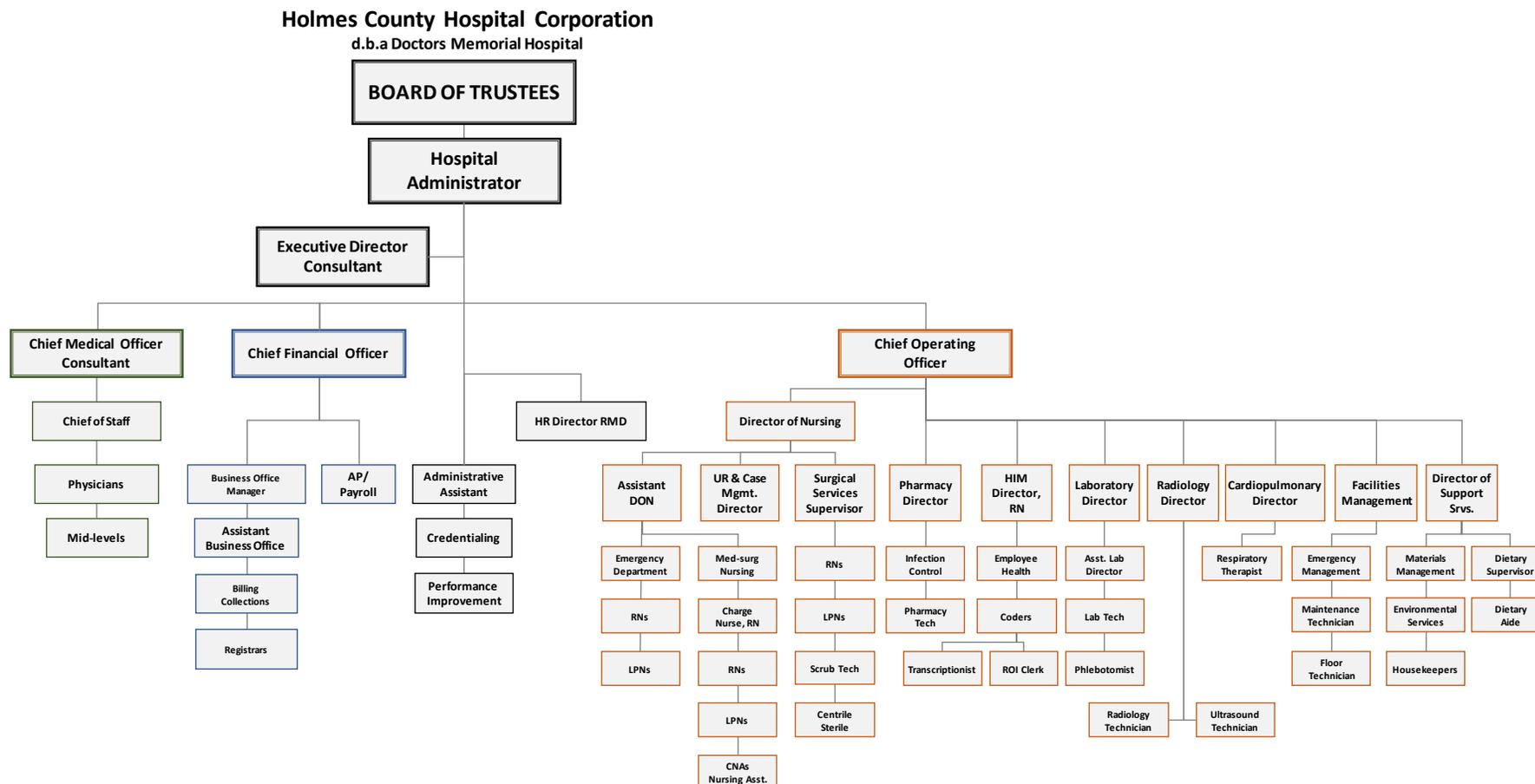
The Chief Operating Officer position was created to provide improved coordination with the Nursing, Pharmacy, Laboratory, Facilities Management, and Support Services Departments. JDM consultants and the chief operating officer also review contracts and manage operations with a team approach, which has proved beneficial to the Hospital Administrator.

Prior to the reorganization, the departments that currently report to the Chief Operating Officer reported directly to the Hospital Administrator.



Figure 2-1 presents the Hospitals organizational structure with the new leadership in place. A review of the organizational chart demonstrates clear lines of authority, no overlapping functions (i.e., medical, financial, human resources, performance improvement, medical support, and facilities).

FIGURE 2-1
HOLMES COUNTY – DOCTORS MEMORIAL HOSPITAL – ADMINISTRATION ORGANIZATIONAL CHART



Source: Doctors Memorial Hospital's Human Resources Department provided July 2020.



ORGANIZATIONAL SPAN OF CONTROL

Organizational span of control refers to the number of subordinates that can be managed effectively and efficiently by executive/director level staff and middle management staff. Middle management typically includes manager and supervisor level staff.

Figure 2-2 provides span of control benchmarking results developed by the Society for Human Resource Management (SHRM). This data suggests that the average span of control for executive level management is seven (7) subordinates to one executive/director level position and the average span of control for middle management is 12 subordinates to one manager.

When comparing the Hospital’s organizational span of control, all levels of management fall within the guidelines suggested by SHRM. For example, the Hospital Administrator has six (6) direct reports, which is slightly lower than the average number of executive level subordinate positions suggested by SHRM. The Chief Medical Officer Consultant and Chief Financial Officer positions have three (3) and five (5) direct subordinate positions, respectively which is lower than the average span of control. The Chief Operating Officer has eight (8) direct subordinate positions, which is slightly higher than the average, but still within the 75th percentile of the benchmark results.

**FIGURE 2-2
SPAN OF CONTROL DATA – NATIONAL BENCHMARKS**

Management Level	25 th Percentile	Median	75 th Percentile	Average
	Number of Direct Reports			
Executive Level	4	5	8	7
Middle Management	5	8	14	12

Source: Society for Human Resource Management, Human Capital Benchmarking Report, December 2017.

KEY PERSONNEL PRIMARY JOB FUNCTIONS AND HOSPITAL TENURE

In addition to reviewing the Hospital’s organizational structure, we obtained a summary of the primary job functions and tenure at the Hospital. **Figure 2-3** shows that the majority of the executive level staff have been employed at the Hospital for 15+ years, providing a stable leadership team. A review of executive level position responsibilities shows little to no overlap.



**FIGURE 2-3
HOSPITAL EXECUTIVE-LEVEL (ADMINISTRATOR) DIRECT REPORTS & PRIMARY JOB FUNCTIONS**

Position Title	Tenure with Hospital	Tenure in Current Role	Major Position Responsibilities
<i>Hospital Administrator</i>	38 years	10 years	<ul style="list-style-type: none"> Responsible for the overall operations of the hospital. Responsible for ensuring that the hospital remains complaint with all federal, state, and local laws/ regulations. Responsible for ensuring that all required reports, audits, etc., are completed timely and accurately.
<i>Executive Director Consultant</i>	5 months	5 months	<ul style="list-style-type: none"> Responsible for working with the Hospital Administrator and Chief Operating Officer to coordinate supervision of the clinical and non-financial departments. Coordinates with the Chief Financial Officer regarding opportunities to reduce costs through strategic outsourcing.
<i>Chief Medical Officer Consultant</i>	4 months	4 months	<ul style="list-style-type: none"> Responsible for Physician Education. Responsible for utilization review. Responsible for physician recruitment.
<i>Acting Chief Financial Officer</i>	N/A	N/A	<ul style="list-style-type: none"> Responsible for completion and review of all hospital financial reports. Works closely with the Hospital’s Auditors. Ensures that the hospital remains complaint in all accounting practices.
<i>Chief Operating Officer</i>	17 years	2 months	<ul style="list-style-type: none"> Works closely with the Hospital Administrator and provides oversight and instruction to department managers for the day to day operations of the hospital. Works as the Hospital’s Information Technology Director. Works as the Hospital’s HIPAA security officer.
<i>Human Resources Director</i>	21 years	18 years	<ul style="list-style-type: none"> Ensures that the Hospital remains complaint with all employment related laws and requirements. Handles all Human Resources functions to include: recruitment, pre-employment screening, orientation, employee benefits, insurance administration, performance evaluations, disciplinary action, terminations, etc. Maintains all employee personnel files and insurance files to ensure that all required documentation is up to date and on file (i.e., professional licensure, certifications, etc.).



Position Title	Tenure with Hospital	Tenure in Current Role	Major Position Responsibilities
			<ul style="list-style-type: none"> • Completes all employment related reports (i.e., EEO reports, OSHA logs, etc.).
<i>RN Director of Nursing</i>	22 years	4 years	<ul style="list-style-type: none"> • Responsible for overseeing all nursing areas to include the direct or indirect supervision of all nursing staff. • Ensuring that the nursing departments remain in compliance with all applicable laws/requirements to ensure the utmost patient safety. • Responsible for nursing staff scheduling, performance evaluations, training/education, etc.

Source: Doctors Memorial Hospital Human Resources Department, July 2020.

According to Hospital management, JDM management costs have approximated \$21,000 per month, which are offset favorably by professional fees/revenue generated by the JDM consultants since they are also physicians. The Chief Operating Officer position was added to an existing salaried employee position at the Hospital that resulted in only a slight increase in cost. The Chief Medical Officer Consultant was a staff replacement with little cost impact.

JDM consultants assist the Hospital Administrator with added staff for management of the departments and quality control. They have also improved the education of the clinical staff, through weekly medical staff education meetings. According to Hospital management, the strategic vision for the Hospital has been enhanced through JDM via weekly meetings to plan goals and monitor progress. The Chief Operating Officer position has assisted in creating a new chain of command for staff to follow in decision-making and implementation of strategic goals.

To contain administrative costs, the Hospital combined the Administrative Assistant’s responsibilities with credentialing and performance improvement. Moreover, only the Hospital Administrator has an Administrative Assistant.

The MJ Team determined that based on the Hospital’s organizational structure, clear lines of authority, appropriate span of control for subordinate supervision, and measures to control management and administrative costs, this subtask is met.

SUBTASK 2.2 – Assess the reasonableness of current program staffing levels given the nature of the services provided and program workload.

To address the requirements of this subtask, the MJ Team interviewed the Chief Operating Officer and the Human Resources Director, and we reviewed the following documents.

- FTEs by Department Worked (Internal Management Report)
- Budget Documents and Justification Worksheets



- Performance Improvement Plan 2020

STAFFING LEVEL TREND

Figure 2-4 shows that for the past three (3) years, the Hospital’s staffing trend has been stable with only a modest increase in the number of FTEs between fiscal years 2018 and 2019.

**FIGURE 2-4
BUDGETED EMPLOYEE COUNT - FULL-TIME EQUIVALENT POSITIONS**

Fiscal Year	FTE Positions
2020	120.04
2019	120.45
2018	115.88

Source: Doctors Memorial Hospital’s Human Resources Department.

TURNOVER AND VACANCY RATES

Human Resources management reported that the Hospital typically experiences low turnover and low vacancy rates. As of July 2020, out of 120 full-time equivalent employees, only one (1) position is vacant – the Chief Financial Officer position (CFO), which has been vacant since mid-May 2020. In the interim, the Hospital contracts with an individual who is a certified public accountant and held the position previously for more than 35 years prior to retirement. This individual has served as the CFO on an as needed (acting) basis when the CFO position has been vacant for short periods of time.

Although current employee turnover and vacancy rates are relatively low, the Hospital has difficulty filling highly specialized medical positions (e.g., pediatric physician).

JDM has contributed significantly to the recruitment of physicians by identifying specialists and two (2) experienced physicians in emergency room care who, in turn, were capable of recruiting additional physicians. Since JDM consultants are physicians, they also assist with medical duties such as providing daily oversight to the nurse practitioners and providing education sessions as needed. JDM was also able to bring specialists on board.

When vacancies occur for both specialized medical and non-medical staff members, Human Resources management has been successful at recruiting new hires to fill these positions using the sources that follow:

- Posting in local newspapers
- Posting on the Hospital’s website
- Posting on the Hospital’s in-house job posting board
- Online advertisement (i.e., Indeed)



WORKLOADS

Doctors Memorial Hospital is a 20-bed facility in a rural part of the Florida Panhandle where there tends to be a lower number of staff to perform jobs that require medical training. According to interviews with the Chief Operating Officer and the Human Resources Director, several staff members perform multiple medical-related job roles in addition to their official job role. Hospital and Human Resources management have been resourceful at handling workload demand, particularly for medical-related functions by cross-training staff and educating them on quality standards.

Figure 2-5 provides examples of how Doctors Memorial Hospital (program) employees are minimizing staffing levels by training staff to provide maximum workload coverage to multiple job functions.

**FIGURE 2-5
HOSPITAL EXECUTIVE-LEVEL (ADMINISTRATOR) DIRECT REPORTS & PRIMARY JOB FUNCTIONS**

Official Job Role	Additional Job Roles
<i>COO</i>	HIPAA Security Officer IT Director
<i>Director of Nursing</i>	Quality Director
<i>Director of Utilization Review</i>	Case Management Director Swing Bed Director
<i>Director of Pharmacy</i>	Infection Control Director
<i>Director of Health Information Management</i>	Employee health Director
<i>Director of Radiology</i>	Radiation Safety Officer
<i>Director of Facilities Management</i>	Director of Emergency Management Director of Safety Director of Security
<i>Director of Materials Management</i>	Director of Dietary Director of Housekeeping
<i>Director of Human Resources</i>	Risk Management Designee

Source: Doctors Memorial Hospital’s Human Resources Department, July 2020.

In addition to the administrative roles shown in Figure 2-5, medical staff have expanded roles as well. Examples include the following:

- Radiology staff are trained in multiple modalities (i.e., MRI and X-Ray and CT, etc.) to minimize staff needed concurrently.
- Lab staff are trained on multiple modalities and equipment to minimize the staff needed concurrently.
- The Administrative Assistant does Joint Commission Coordinator, Physician Credentialing and Performance Improvement Coordinator roles.



- The Assistant Director of Nursing is a working manager who supervises the Emergency Room and is responsible for training the staff as we setup the Intensive Care Unit.

Hospital physicians also perform multiple director roles on committees as shown in **Figure 2-6**.

**FIGURE 2-6
MEDICAL DIRECTORS, COMMITTEE ASSIGNMENTS/MEMBERS**

Committee Name	Committee Assignments
<i>Medical Records</i>	Chief Medical Director Hospital Administrator Chief Nursing Officer Health Information Director Chief Nursing Director All Active Staff Members
<i>Utilization Management</i>	Chairman/Executive Director Consultant Hospital Administrator Chief Nursing Officer Utilization Review and Case Management Director All Active Staff Members
<i>Medical Executive</i>	Chief Medical Director Hospital Administrator All Active Members
<i>Pharmacy and Therapeutics</i>	Chief Medical Director Hospital Administrator Pharmacy Director Registered Nurse/Chief Nursing Officer
<i>Disaster/Emergency</i>	Chairman/Executive Director Consultant Co-Chairman/Chief Medical Officer Hospital Administrator Maintenance/Safety Director Administrative Secretary All Department Managers
<i>Tissue and Transfusion</i>	Chief Medical Director Hospital Administrator Chief Nursing Officer Laboratory Director Registered Nurse
<i>Safety/Risk Management/Infection Control/Hospital Facilities/Engineering</i>	Chairman/Executive Director Consultant Hospital Administrator Risk Management Designee Maintenance/Safety Director Pharmacy Director/Infection Control Nurse Registered Nurse/Employee Health All Department Managers
<i>Medical Staff Performance Improvement</i>	Chairman/Executive Director Consultant V-Chief of Staff Secretary All Staff Members



Committee Name	Committee Assignments
<i>Emergency Room</i>	Chairman/Chief Medical Officer Hospital Administrator Registered Nurse/Chief Nursing Officer Director of Nursing
<i>Chart Audit</i>	Chairman/Executive Director Consultant Hospital Administrator Ancillary Department Managers
<i>Medical Staff Officers</i>	Chief of Staff Vice Chief of Staff Secretary

Source: Doctors Memorial Hospital’s Human Resources Department, July 2020.

COVID-19 has increased the demand for nurses in the Holmes County area, so there is less availability of the PRN pool as they often provide services to more than one (1) facility.

The Hospital’s nurse/patient ratio depends on the acuity of the patients being treated, and COVID-19 has made maintaining such ratios extremely difficult as some staff have tested positive personally or had a member of their family test positive and then are unavailable to work shifts.

Based on the analysis of the MJ Team, the Hospital has kept staffing levels consistent over the past three (3) years. A medical consulting company has been engaged to assist with identifying highly specialized medical positions such as pediatric and emergency room physicians, which has significantly reduced the Hospital’s vacancy rates. Although Doctors Memorial Hospital is located in a rural area, management has been resourceful at handling workload demand by cross-training staff. Hospital physicians perform multiple director committee roles to increase training opportunities for staff. Accordingly, this subtask is met.

Overall Research Task 2 Conclusion: Based upon the work and conclusions reached for the two (2) subtasks, we deem that this research task is met.



RESEARCH TASK 3

ALTERNATIVE METHODS OF PROVIDING SERVICES OR PRODUCTS.

FINDING SUMMARY – Overall, Doctors Memorial Hospital (Hospital) meets Task 3. The Hospital evaluates existing in-house services and activities to assess the feasibility of alternative methods of providing services. It has contracted out several functions and programs and periodically evaluates the performance of these programs to determine if they are performing to expectations. It has also made changes to service delivery methods when their evaluations/assessments found that such changes would reduce program costs without significantly affecting the quality of services. The Hospital identifies possible opportunities for alternative service delivery methods that have the potential to reduce program costs without significantly affecting the quality of services. The Hospital holds regular discussions with peer agencies to identify potential structural or procurement practices that can improve the delivery of services and programs.

RESEARCH SUBTASK ANALYSIS AND CONCLUSIONS

SUBTASK 3.1 – Determine whether program administrators have formally evaluated existing in-house services and activities to assess the feasibility of alternative methods of providing services, such as outside contracting and privatization, and determine the reasonableness of their conclusions.

To address the requirements of this subtask, the MJ Team conducted an interview with the COO of Doctors Memorial Hospital regarding the evaluation of existing in-house services and the Hospital's procurement process and reviewed all of the documentation provided for each of the evaluations and procurements.

Doctors Memorial Hospital routinely evaluates programs to assess the feasibility of alternative methods of providing services. According to the COO, they analyze the cost and availability of hiring or retaining full-time staff versus outsourcing some Hospital services. The COO offered several examples.

Marketing and Public Relations

After hiring a new doctor, the Hospital identified the need for marketing and public relations services to increase new patient appointments. This including increasing awareness of potential patients in surrounding counties and driving outpatient bookings for hospital services. In their analysis, the Hospital compared public relations coordinator salaries from other hospitals in the state, provided by the Florida Hospital Association (FHA). This analysis showed a full-time marketing director would (on average) be \$28/hour or \$58,000 per year plus benefits. The Hospital solicited proposals from two (2) marketing/public relations firms. After compiling the data, it was decided that it was a better use of resources to outsource individual marketing and public relations projects, such as the campaign for the new physician than to employ a full-time staff member with associate costs. The contracted vendor is charging the



Hospital \$1,600 for 90 days plus \$1,499 for Ad creation, including messaging strategy, copywriting, research, design, and programming.

Outstanding Claim Collection

The Hospital staff identified a potential source of revenue by increasing the collection of outstanding insurance claims. This analysis showed the Hospital had over \$3 million in unpaid claims. The CEO analyzed the cost savings of contracting this service out versus hiring a full-time denial recovery specialist. The Hospital's human resources department provided information, based on comparative salary information provided by the FHA, that a full-time denial recovery specialist would cost \$68,000 annually. The COO solicited a proposal from a vendor to provide additional outsourced staff to address the insurance denials and delays to help recoup part of the \$3.29 million owed to the Hospital. The Hospital selected a vendor instead of hiring additional in-house staff after the vendor's proposal was only \$1,560/month (\$18,720/year).

Revenue Cycle Management

Currently, the COO is analyzing the benefit of outsourcing the Hospital's revenue cycle management. The COO is in discussions with a vendor to determine if it would be more economical for the Hospital to outsource these services. They are currently in the initial phase of the process and are requesting data to analyze. They could outsource just the use of some of the vendors' tools or may decide to outsource the business and coding departments completely. They are gathering information to learn more about the company's tools and get their analysis of the Hospital's services. From there, the Hospital will do its analysis and decide what is financially and strategically best.

Based on the analysis performed, our work revealed no issues or concerns related to whether program administrators formally evaluated in-house services and activities to assess the feasibility of providing these services using outside contractors. Therefore, the subtask is deemed to be met.

SUBTASK 3.2 – Determine whether program administrators have assessed any contracted and/or privatized services to verify effectiveness and cost savings achieved and determine the reasonableness of their conclusions.

To address the requirements of this subtask, the MJ Team conducted an interview with the COO of Doctors Memorial Hospital regarding the evaluation of privatized services and reviewed all documentation provided regarding the assessment of contracted services.

Doctors Memorial Hospital evaluates its contracted services for effectiveness and cost savings and provided the following examples during our interview.

Contracted Employee/Service Evaluations

The Hospital department managers formally review all vendors on an annual basis using a standard "service contract performance evaluation" form created by the Hospital. This form is



used to evaluate the overall performance of vendors and contractors utilized in each department. It rates all vendors as exceptional, satisfactory, unsatisfactory, N/A, and insufficient information on the following criteria:

- Work performance in compliance with contract terms.
- Materials, supplies and equipment provided as required.
- Staff availability and responsiveness.
- Timeliness: reports, invoices, repairs, etc. completed promptly or within reasonable time frame.
- Staff professionalism.
- Adherence to state and federal regulations and guidelines for critical access hospital.
- Prompt and effective correction of situations and conditions.
- Documents, Records, Invoices received in a timely manner.
- Quality of work.
- Overall rating.

Source: Doctors Memorial Hospital Service Contract Performance Evaluation.

At the end of the evaluation, the department manager must recommend contract renewal, termination, or renegotiation.

Pulmonary Rehabilitation and Physical Therapy Services

Another example of the Hospital's ongoing vendor review includes its current fiscal analysis of pulmonary rehabilitation and physical therapy services. Both programs are contracted services, and the Hospital is currently analyzing the financials to see if these services are effective and achieving enough cost savings for the Hospital. **Figure 3-1** below shows the contract service review as of March of 2020.

**FIGURE 3-1
CONTRACT SERVICE REVIEW, MARCH 2020**

Contracted Service	Charges Billed	Total Paid	Payroll/ Invoices Paid	Profit/Loss <i>(Total paid less payroll/invoices paid)</i>
<i>Pulmonary Rehabilitation</i>	\$183,241	\$66,647	\$49,253	\$17,394
<i>Physical Therapy</i>	\$469,899	\$205,635	\$25,925	\$179,710

Source: Doctors Memorial Hospital Therapy Contract Service Review as of 3.31.20.

Based on the analysis performed, our work revealed no issues or concerns related to whether program administrators assessed contracted and/or privatized services to verify effectiveness and cost savings. Therefore, the subtask is deemed to be met.



SUBTASK 3.3 – Determine whether program administrators have made changes to service delivery methods when their evaluations/assessments found that such changes would reduce program cost without significantly affecting the quality of services.

To address the requirements of this subtask, the MJ Team conducted an interview with the COO of Doctors Memorial Hospital regarding changes to service delivery methods and reviewed all documentation provided regarding these changes.

As a result of their frequent evaluations of vendors and services, the Hospital makes necessary changes to reduce costs without affecting the quality of their healthcare. The following are a few examples provided by the COO.

Outstanding Claim Collection

As mentioned above, the Hospital had outsourced some of its outstanding insurance claim collections to a private vendor. The company was tasked with collecting claims over 60 days. In total, the vendor collected \$116,000. While the Business Office Manager noted the company worked well with the Hospital staff, the contract was terminated when an analysis showed the company was duplicating the efforts of the Hospital staff. As a result, the Hospital decided to hire an in-house commercial biller and did not need an outside service. The Hospital has found the commercial biller has more consistent productivity and is cross-trained in other duties performed by the business office, which has provided more value to the Hospital.

Inpatient Withdrawal Care

In 2014, the Hospital contracted out the management of its inpatient substance abuse medical stabilization services (withdrawal care) to a hospital management company. The Hospital terminated the contract in 2019 after a financial analysis of present performance showed the program was not profitable. Currently, the Hospital is not performing those services but plan on exploring reoffering them after a noncompete clause expires.

Advanced Practice Registered Nurse

After a presentation by a hospital financial consultant, the Hospital identified several changes to delivery methods that would reduce costs without affecting the quality of healthcare to its patients. One example is the use of advanced practice registered nurses (APRNs) rather than physicians in the Emergency Rooms to save costs. Physicians cost the Hospital \$100/hr., while APRNs cost \$65/hr. **Figure 3-2** shows the analysis the Hospital used to identify the savings that have been realized for the first six (6) months of 2020. It is important to note, while the Hospital loses money on professional fees, it does collect other fees associated with ER stays as well. The Hospital's use of APRNs helps to minimize their loss from professional fees with ER stays.



**FIGURE 3-2
ANNUAL SAVINGS FROM USING ARPN RATHER THAN PHYSICIANS**

		Physician Cost	APRN Cost	Savings
<i>Reimbursement</i>		\$279,679	\$237,727	
<i># Hours</i>	4,368	\$436,800	\$283,920	
	Total	\$(157,121)	\$(46,193)	\$110,928

Source: Doctors Memorial Hospital ER Levels 6 Month Analysis Jan thru June 2020.

Self-pay collections service

The Hospital had contracted its self-pay collections service to a private vendor. The vendor had guaranteed to meet the average collection rate of the previous vendor. However, at the end of the contract term, the Hospital decided to terminate the contract after the vendor failed to produce timely invoices each month and receiving complaints from multiple patients.

MRI services

At one point, the Hospital contracted with a shared MRI service. However, a consultant review showed it would be more cost-effective to perform MRI services in-house. The Hospital was paying a fee-per procedure to utilize the shared MRI service one day a week. The analysis showed the Hospital could make more revenue delivering these services in-house after factoring in all expenses versus their cash receipts. **Figure 3-3** below highlights the profitability of in-house MRI services.

**FIGURE 3-3
5-YEAR PROFITABILITY OF IN-HOUSE MRI SERVICES**

	Year 1	Year 2	Year 3	Year 4	Year 5
Procedures	1,040	1,092	1,125	1,159	1,193
Average cash receipt per procedure	698	719	741	763	786
Total Receipts	725,920	785,082	832,894	883,617	937,430
Expenses					
Depreciation	\$ 82,000	\$ 82,000	\$ 82,000	\$ 82,000	\$ 82,000
Interest	16,400	13,372	10,223	6,000	3,000
Maintenance contract		85,900	85,900	85,900	85,900
Salary - 1 FTE	47,800	49,234	50,711	52,232	53,799
Benefits	9,560	9,847	10,142	10,446	10,760
Supplies	26,000	27,300	28,119	28,963	29,831
Cryogen	30,000	30,900	31,827	32,782	33,765
Total expenses	211,760	298,553	298,922	298,323	299,056
Cash receipts over expenses	\$ 514,160	\$ 486,530	\$ 533,972	\$ 585,294	\$ 638,374

Source Doctors Memorial Hospital MRI Pro forma 6-2015.



Based on the analysis performed, our work revealed no issues or concerns related to whether program administrators have made changes to service delivery methods when their evaluations/assessments found that such changes would reduce program costs without significantly affecting the quality of service. Therefore, the subtask is deemed to be met.

SUBTASK 3.4 – Identify possible opportunities for alternative service delivery methods that have the potential to reduce program costs without significantly affecting the quality of services, based on a review of similar programs in peer entities (e.g., other counties, etc.).

To address the requirements of this subtask, the MJ Team conducted an interview with the COO of Doctors Memorial Hospital regarding opportunities for alternative service delivery methods to reduce program costs and reviewed all documentation provided regarding these opportunities.

The MJ Team learned during interviews that the Hospital is a member of several hospital associations, including the Florida Hospital Association (FHA) and the National Rural Hospital Association (NRHA). These associations provide the Hospital with the opportunity to network and share data with other hospitals to determine ways to reduce program costs. Additionally, the Hospital frequently speaks with other Florida hospitals that use the same electronic health record provider and are similar sized.

Specifically, because of discussions with other NRHA hospitals, the COO identified the opportunity to implement telemedicine services during the pandemic. The COO has been communicating with peer hospitals that provide telemedicine services to share experiences and garner best practices. The use of telemedicine has enabled the Hospital to use existing employed providers and expand the Hospital's reimbursement services.

Additionally, the Hospital received a financial evaluation comparing the Hospital to its peer group and other Critical Access Hospitals (CAHs) in Florida from a consulting firm. This assessment identified the opportunity for a positive economic impact on the Hospital if it increased volumes for its swing bed program. Swing bed services allow a hospital to use their beds for acute care or post-hospital Skilled Nursing Facility care. According to the COO, the Hospital is using the swing bed program as an alternative to acute care stays because they are not held to the acute care inpatient 96-hour requirement. As a result of this assessment, the Hospital has begun to market its swing bed program and has made this part of its weekly strategy meeting goals, regularly discussing it at their daily leadership meetings. Marketing the swing bed program will help increase another source of revenue for the Hospital, as well as save the Hospital money because it is a less intensive stay to an acute care stay. It requires less staff and supplies. The care is targeted and concentrated on what the therapy requires.



Based on the analysis performed, our work revealed no issues or concerns related to whether program administrators have reviewed peer entities' approaches for identifying opportunities for alternative service delivery methods that have the potential to reduce program costs without significantly affecting the quality of services. Therefore, the subtask is deemed to be met.

Overall Research Task 3 Conclusion: Based upon the work and conclusions reached for the four (4) subtasks, we deem that this research task is met.



RESEARCH TASK 4

GOALS, OBJECTIVES, AND PERFORMANCE MEASURES USED BY THE PROGRAM TO MONITOR AND REPORT PROGRAM ACCOMPLISHMENTS.

FINDING SUMMARY – Overall, Doctors Memorial Hospital (the Hospital) partially meets Task 4.

The Hospital lacks a formal comprehensive strategic plan with measurable objectives aligned with the budget. Performance measures related to program performance related to debt monitoring and reporting are adequate. However, performance measures for medical operations require approval by medical senior management. Internal controls, including policies and procedures, do not provide reasonable assurance that program goals and objectives will be met.

RESEARCH SUBTASK ANALYSIS AND CONCLUSIONS

SUBTASK 4.1 – Review program goals and objectives to determine whether they are clearly stated, measurable, can be achieved within budget, and are consistent with the Hospital's strategic plan.

A goal is a desired result to achieve and is typically broad and long-term. An objective, on the other hand, defines the specific, measurable actions to achieve the overall goal. Although performance measures may have other characteristics, these have been established by the Governmental Accounting Standards Board.

- Relevant measures matter to the intended audience, and clearly relate to the activity being measured.
- Understandable measures are clear, concise, and easy for a non-specialist to comprehend. This applies to language used in the title and description, and to technical aspects of the measure such as the scale used in charts or selection of performance targets.
- Timely measures have information available frequently enough to have value in making decisions.
- Comparable measures provide the reader with a frame of reference or context to tell if current performance meets or exceeds expectations.
- Reliable measures have data that is verifiable, free from bias, and an accurate representation of what it is intended to be.
- Cost effective measures justify the time and effort to collect, record, display, and analyze the data given the measure's value.



To address the requirements of this subtask, the MJ Team requested documentation of the Hospital’s program goals and objectives to review them for consistency with the Hospital’s strategic plan.

The MJ Team requested the Hospital’s strategic plan. The Hospital provided an informal spreadsheet with the following strategic goals, tactical initiatives, and metrics listed in **Figure 4-3**.

**FIGURE 4-3
STRATEGIC GOALS**

Strategic Goal	Tactical Initiatives	Metrics/Due Date
1. <i>Increase revenues</i>	<ul style="list-style-type: none"> • Decrease ED transfer • Increase swing bed/rehab services • Increase ED volume • Evaluate coding and billing process • Increase upfront cash collection • Increase services to nursing home • Renegotiate manage care contract 	Weekly report of progress
2. <i>Decrease cost</i>	<ul style="list-style-type: none"> • Decrease supply cost (GPO) • Decrease other expenses • Decrease labor cost w/o layoffs 	Weekly report of progress
3. <i>Alleviate hospital debt</i>	<ul style="list-style-type: none"> • USDA loan • Renegotiate current bond 	Weekly report of progress
4. <i>Surtax</i>	<ul style="list-style-type: none"> • Surtax marketing • Surtax audit 	Weekly report of progress
5. <i>Increase external marketing</i>	<ul style="list-style-type: none"> • Outreach to community providers • Outreach to local employers • Marketing program • Facebook marketing • Website replacement • Increase patient satisfaction surveys 	Weekly report of progress
6. <i>Increase internal marketing</i>	<ul style="list-style-type: none"> • Increase staff morale • Hardwiring institutional culture 	Weekly report of progress
7. <i>Improve customer experience</i>	<ul style="list-style-type: none"> • Revamp phone tree • Implement concierge model 	Weekly report of progress
8. <i>Increase clinical services</i>	<ul style="list-style-type: none"> • Increase clinical space • Finalize logistics of specialty services • Evaluate telemedicine services • MRI usage or renting it out • Increase ancillary services • Recruit additional surgeon 	Weekly report of progress
9. <i>Strategic planning</i>	<ul style="list-style-type: none"> • New Board initiation and orientation • Strategic plan review regarding physician/ services strategy • Management organization structure review 	Weekly report of progress



Strategic Goal	Tactical Initiatives	Metrics/Due Date
	<ul style="list-style-type: none"> • Physical plant planning • Corporate IT infrastructure/SharePoint • Virtual work 	

Source: Doctors Memorial Hospital's Strategic Plan.

Although the Hospital has identified strategic goals, it lacks a formal comprehensive strategic plan with objectives which are measurable and aligned with the budget. Examples of strategic plans are available on some hospitals' website. An excerpt from a sample strategic plan follows in **Figure 4-4** which includes measurable objectives.

FIGURE 4-4
EXCERPT FROM SAMPLE STRATEGIC PLAN

<p><i>Strategic Priority #1:</i> Improve value by achieving exemplary outcomes that matter to patients while lowering the per capita costs of care and anticipating changes in the dynamic healthcare environment</p>		<p><i>Measure of Success:</i> Demonstrate improvement on national benchmarks of target outcomes and efficiency each year.</p>	
Goal	Highlighted Tactics	Measures	
I	<p>Improve value from our patients' perspectives</p> <ul style="list-style-type: none"> • Define core set of patient-centered outcomes • Implement strategies to improve those outcomes • In all processes, eliminate steps that do not create value for the patient 	<ul style="list-style-type: none"> • Improve performance on patient-centered outcome measures 	
II	<p>Build culture that fosters innovation in value-driven approaches to care</p> <ul style="list-style-type: none"> • Encourage, prioritize, and resource pilot projects focused on innovative approaches to value creation for specific conditions or chronic diseases 	<ul style="list-style-type: none"> • Adoption rate of innovations that emerge from pilot projects 	

Source: Parkland Health & Hospital System Website - <https://www.parklandhospital.com/strategic-plan-2020>.

In addition to reviewing the Doctors Memorial Hospital's strategic goals, we reviewed general program goals for the Hospital's daily medical operations in its Performance Improvement Plan.



This plan is designed to provide a systematic and organized program for the promotion of quality patient care and services. **Figure 4-5** presents the program goals for the Organizational Performance Improvement Plan.

**FIGURE 4-5
ORGANIZATIONAL PERFORMANCE IMPROVEMENT PLAN’S GOALS**

Goal	Clearly Stated?	Relevant Strategic Goals, if applicable
1. Improve patient care quality and services by measuring, assessing, and improving those governance, managerial, clinical, and support processes that most affect patient outcomes.	Yes	<i>Increase clinical services</i>
2. Improve patient care processes and outcomes.	Yes	<i>Increase clinical services</i>
3. Shift the primary focus from the performance of individuals to the performance of the organization’s systems and processes.	Yes	
4. Utilize internal and external customer feedback to improve the services necessary to excel in a competitive healthcare environment.	Yes	<i>Increase external marketing</i>
5. Organize data into useful information, utilizing internal data sources and external data sources.	Yes	
6. Utilize external information sources representing “Best Practices” in the design of systems to improve patient outcomes and processes.	Yes	
7. Utilize results from Infection Control, Utilization Review, Risk Management, and Safety to improve processes that affect patient care outcomes.	Yes	
8. Promote the provision of a comparable level of care throughout the hospital.	Yes	
9. Maintain a continuing education program utilizing, in part, results of the monitoring and evaluation of patient care.	Yes	
10. Provide and promote a mechanism for the integration and documentation of all performance improvement.	Yes	
11. Enhance communication between the Medical Staff, Hospital Departments/Services, and the Governing Body regarding the conclusions and recommendations resulting from review activities and the actions to take to address the findings and recommendations.	Yes	
12. To ensure a system in which all Key Patient Care and Organizational Functions and Dimensions of Performance are evaluated and addressed.	Yes	

Source: Organizational Performance Improvement Plan 2020 dated 1/1/2020.

In reviewing program goals and objectives to determine whether they are clearly stated, measurable, can be achieved within budget, and are consistent with the Hospital's strategic plan, the Hospital lacks a comprehensive strategic plan. In addition, the program goals and guidelines in the Organizational Performance Improvement Plan are not clearly aligned with the strategic goals nor do they include measurable objectives. Accordingly, the subtask is partially met.



RECOMMENDATION 4.1

Develop a formal and comprehensive strategic plan with goals and objectives which are clearly stated, measurable, and can be achieved within budget. Update the Organizational Performance Improvement Plan with goals that link to the strategic plan and objectives which are clearly stated, measurable, and can be achieved within budget.

SUBTASK 4.2 – Assess the measures, if any, the Hospital uses to evaluate program performance and determine if they are sufficient to assess program progress toward meeting its stated goals and objectives.

To address the requirements of this subtask, the MJ Team reviewed examples of documents with performance measures.

Bond Holder Reports and Annual Disclosure Reports

The hospital administrators provide financial and operational reports to the bond holders. The reports cover all aspects of the hospital’s operations and finances and demonstrate to the bond holders whether the hospital is operating effectively and responsibly. Performance measures included in these reports include:

- Aging of accounts payable;
- Long-term debt service coverage ratio; and
- Days cash on hand.

Annual Performance Improvement Report

Various departments provide information including statistics and patient survey results for the annual hospital wide Performance Improvement Report. The report lacks alignment with the program goals in the Performance Improvement Plan. Moreover, some statistics in the Report are not linked to a target performance measure to determine if the outcome is acceptable or requires improvement.

Departmental Performance Improvement Plan

Various departments maintain internal Performance Improvement Plans. For example, the Radiology Department’s Performance Improvement Plan includes goals, objectives, and performance indicators as shown in **Figure 4-6**.

FIGURE 4-6

EXCERPTS FROM RADIOLOGY DEPARTMENT’S PERFORMANCE IMPROVEMENT PLAN

GOAL	OBJECTIVE	INDICATOR
1. Maintain x-ray repeat analysis to levels below 9% and 5% for mammography examinations.	Provide a safe environment for staff to work in with acceptable occupational radiation exposure levels.	Radiation dosimetry



GOAL	OBJECTIVE	INDICATOR
2. Maintain a level of Emergency Clinician-Radiologist disagreements below 2% to ensure accurate interpretations of Radiology examinations.	Provide radiology examinations with the minimum amount of radiation as reasonably achievable.	Repeat analysis

Source: Radiation Department’s Performance Improvement Plan.

The Maintenance Department lacks performance measures related to maintaining the program-related facilities secured by debt service. The Maintenance Director/Safety Coordinator and department staff are responsible for the day to day operations, repair and maintenance of the hospital buildings as well as safety inspections and emergency preparedness. Maintaining the building is important as the facility is secured by the Hospital’s debt. Typical performance measures include the number of days to complete a workorder. The department provides comments for the following areas in the Performance Improvement Report, yet the goal, objective, and performance measure are not documented.

**FIGURE 4-7
MAINTENANCE DEPARTMENT’S ENVIRONMENT OF CARE REPORT
PER FIRST QUARTER FY2020 PERFORMANCE IMPROVEMENT REPORT**

Area	Status per Performance Improvement Report	Goal / Objective	Performance Indicator
<i>Security Management Report</i>	There were 0 incidents	Not stated	Not stated
<i>Hazardous Materials Management Report</i>	100%-Continue to monitor	Not stated	Not stated
<i>Life Safety Report</i>	100%-Continue to monitor	Not stated	Not stated
<i>Medical Equipment Management Report</i>	All preventative maintenance has been completed.	Not stated	Not stated
<i>Emergency Preparedness Report</i>	No issues currently	Not stated	Not stated

Source: Doctors Memorial Hospital’s First Quarter 2020 Performance Improvement Report.

The Maintenance Department’s Performance Improvement Report also focuses on the operating performance of key equipment/systems as shown in **Figure 4-8**.

**FIGURE 4-8
MAINTENANCE DEPARTMENT’S UTILITIES MANAGEMENT REPORT
PER FY2019 ANNUAL PERFORMANCE IMPROVEMENT REPORT**

GOAL	OBJECTIVE	TARGET
<i>Maintain essential equipment/systems functioning at 100 percent of expected capability</i>	Inspect the following equipment/ systems for optimal performance: <ul style="list-style-type: none"> • Communications • Water Heaters 	100% of expected capacity



GOAL	OBJECTIVE	TARGET
	<ul style="list-style-type: none"> • Chillers/Air Handlers • Water Supply • Electrical • Generator • Telephone Lines 	

Source: Doctors Memorial Hospital’s FY2019 Annual Performance Improvement Report.

While some departments have completed Performance Improvement Plans, the adequacy of the performance measures related to medical procedures require assessment and approval by the medical team’s management. Some departments such as the Business Office do not generate reports with performance measures. Performance measures related to program performance related to debt monitoring and reporting are adequate. Thus, in assessing the measures the Hospital uses to evaluate program performance and determine if they are sufficient to assess program progress toward meeting its stated goals and objectives, this subtask is partially met.

RECOMMENDATION 4.2

Continue to maintain the performance measures related to debt monitoring and reporting. Require appropriate senior management to review and formally approve performance measures for each department.

SUBTASK 4.3 – Evaluate internal controls, including policies and procedures, to determine whether they provide reasonable assurance that program goals and objectives will be met.

To address the requirements of this subtask, the MJ Team reviewed relevant internal controls to assure that program goals and objectives will be met.

Bondholder Agreements include requirements to monitor the status of meeting program goals and objectives. These requirements include:

- Annual Audited Financial Statements
- Monthly Financial Statements
- Accounts Payable Aging Reports
- Cash Flow Projections
- Days Cash on Hand
- Debt Service Coverage Ratios
- No Default Certificate
- Frequent Scheduled Bondholder Meetings
- Continuing Disclosure Agreements



- Bond Counsel Meetings
- Affiliation Agreements

Accounting policies and procedures include the following requirements:

- **Internal Control Policy:** monthly financial comparative reports indicating each month's performance against budget and prior year figures
- **Journal Entry Policy:** all journal entries are to be approved by the CFO or administrator
- **Cash Disbursements Policy:** The CFO must approve all payment requests and verify all invoices prior to disbursement

The Maintenance Department manages the facilities secured by the Hospital's debt, thus it is important to review the department's policies and procedures to assess if they are adequate and current, The Maintenance Department's policies and procedures include the following areas.

- Emergency Operations Plan
- Hazardous Vulnerability Analysis
- Life Safety Plan
- Evacuation Plan
- Fire Disaster Plan
- Disaster Drills.

However, policies and procedures lack examples of supporting forms, reports, or other relevant documentation and clear detailed instructions. As indicated in Subtask 6.2 , the Accounting Policy and Procedures manual is limited and outdated and includes 28 out of 40 pages applicable to other departments. Policies and procedures lack sufficient information to address the bondholder reporting requirements. In addition, Maintenance's policies and procedures lack information regarding facility planning and maintenance processes and requirements.

Based on our analysis, internal controls require improvement including documentation of comprehensive policies and procedures applicable to the program. Accordingly, the subtask is deemed as partially met.

RECOMMENDATION 4.3

Develop comprehensive policy and procedures for financial and operational areas that address the program areas related to debt service and facility maintenance.

Overall Research Task 4 Conclusion: Based upon the work and conclusions reached for the three (3) subtasks we deem that this research task is partially met.



RESEARCH TASK 5

THE ACCURACY OR ADEQUACY OF PUBLIC DOCUMENTS, REPORTS, AND REQUESTS PREPARED BY THE HOSPITAL WHICH RELATE TO THE PROGRAM.

FINDING SUMMARY – Overall, Doctors Memorial Hospital (the Hospital) partially meets this research objective. The MJ Team found that the most critical financial information such as the annual budget and audit were not available on the website when fieldwork began. The Hospital did provide examples of non-financial information (newspaper, email, and social media posts) that were useful, timely, and available to the public. Evidence of internal analytics reports were provided to demonstrate the adequacy and reach of public information, but no process or report was available to ensure required publicly available information is posted (e.g., the annual budget and audit). The Hospital makes program and cost data available on its website and provided evidence that processes are in place to ensure the accuracy and completeness of this information. The Hospital also provided evidence of a written policy to correct erroneous and incomplete information to the public in a timely manner, when necessary.

RESEARCH SUBTASK ANALYSIS AND CONCLUSIONS

SUBTASK 5.1 – Assess whether the program has financial and non-financial information systems that provide useful, timely, and accurate information to the public.

To address the requirements of this subtask, the MJ Team conducted a group interview with the Chief Operating Officer and Business Officer, Revenue Cycle Manager.

The MJ Team also evaluated relevant documents that are available to the public on the Hospital’s website during fieldwork conducted June 22-July 17, 2020 to determine usefulness, timeliness, and accuracy. **Figure 5-1** provides sample documents that are on the Hospital’s website. Most organizations consider the website to be the primary communications system (tool) that is used to ensure the public has access to pertinent, accurate, and timely data.

The Hospital uses the local newspaper to apprise community members of newsworthy information such as the introduction of new hospital staff and back to school drives and Facebook to relay provide information that needs to be relayed “real-time” such as the immediate implementation of the “NO Visitors” policy because of COVID-19.



**FIGURE 5-1
CURRENT FINANCIAL AND NON-FINANCIAL INFORMATION ON THE WEBSITE**

Sample Documents Available to the Public on the Website	
Financial Information	Description/Purpose
<i>Annual Budget, 2020, 2019, and 2018 (Posted 7/24/20)</i>	A spreadsheet that provides a monthly breakdown of annual revenue and operating expenses.
<i>Annual Financial Audit 2018 and 2017 (Posted 7/24/20)</i>	This report provides a complete set of year-end financial statements presented in conformity with <i>generally accepted accounting principles (GAAP)</i> and audited in accordance with <i>generally accepted auditing standards</i> by a firm of licensed certified public accountants.
<i>Form 990</i>	Form 990 is intended to provide the government and interested members of the public with a snapshot of the organization's activities for that year. Some donors may base their gifting decisions on what they can discern from Form 990.
<i>Financial Assistance and Discount Policy, Dated 10/1/17</i>	Policy stating Doctors Memorial Hospital seeks to provide quality care to those we serve regardless of their ability to pay. To that end, Doctors Memorial Hospital has put in place the tools and resources needed for the people we serve who qualify for financial assistance as outlined in the policy.
<i>Estimation of Charges for Elective Services Policy</i>	Policy that provides the process for requesting estimated charges for elective services.
<i>Chargemaster</i>	Master listing of all individual hospital service charge codes and unit billing cost. The master listing allows customers to access individual costs of all Hospital services.
Non-Financial Information	Description/Purpose
<i>Newspaper Posts</i>	Holmes County Time-Advertiser. Public meeting notices are posted in the newspaper. Notices of services offered by the hospital are posted in the newspaper.
<i>Email News Releases</i>	Mass email blasts are forwarded to community members regarding service offerings and policies related to access to information the community needs to know related to health matters.
<i>Social Media Posts (Facebook)</i>	Notices about services offered to the community are posted on Facebook including policies related to access to the hospital/testing/information and related health matters.
<i>COVID-19 Website Link</i>	Regularly updates regarding COVID-19 impact in the community.

Source: Compiled by the MJ Team.

While the Hospital provides relevant non-financial information, two (2) critical documents that the public would expect to see, the annual budget and annual financial audit, were not available on the website when the MJ Team began fieldwork.



Moreover, Doctors Memorial Hospital is designated as a special district and is required to meet the website reporting requirements that apply under s. 189.016, *Florida Statutes*. The statute states that beginning on October 1, 2015, or by the end of the first full fiscal year after its creation, each special district is required to maintain an official website containing the information shown in **Figure 5-2**. This figure provides a more expansive listing of the requirements. For example, in addition to the budget, the tentative budget must be posted on the special district’s official website at least two (2) days before the budget hearing, held pursuant to s. 200.065, *Florida Statutes*, or other law, to consider such budget and must remain on the website for at least 45 days. The final adopted budget must be posted on the special district’s official website within 30 days after adoption and must remain on the website for at least two (2) years.

**FIGURE 5-2
FLORIDA SPECIAL DISTRICT REQUIREMENTS**

Required Web-based Public Access	Available (Yes/No)
(a) Each independent special district shall maintain a separate website.	Yes
(b) Each dependent special district shall be prominently displayed on the home page of the website of the local general-purpose government upon which it is dependent with a hyperlink to such webpages as are necessary to provide the information required by this section. A dependent special district may maintain a separate website providing the information required by this section.	Not applicable
(2)(a) A special district shall post the following information, at a minimum, on the district’s official website:	
1. The full legal name of the special district.	No
2. The public purpose of the special district.	No
3. The name, official address, official e-mail address, and, if applicable, term and appointing authority for each member of the governing body of the special district.	No
4. The fiscal year of the special district.	No
5. The full text of the special district’s charter, the date of establishment, the establishing entity, and the statute or statutes under which the special district operates, if different from the statute or statutes under which the special district was established. Community development districts may reference chapter 190 as the uniform charter but must include information relating to any grant of special powers.	No
6. The mailing address, e-mail address, telephone number, and website uniform resource locator of the special district.	Yes
7. A description of the boundaries or service area of, and the services provided by, the special district.	Yes
8. A listing of all taxes, fees, assessments, or charges imposed and collected by the special district, including the rates or amounts for the fiscal year and the statutory authority for the levy of the tax, fee, assessment, or charge. For	No



Required Web-based Public Access	Available (Yes/No)
purposes of this subparagraph, charges do not include patient charges by a hospital or other health care provider.	
9. The primary contact information for the special district for purposes of communication from the department.	Yes
10. A code of ethics adopted by the special district, if applicable, and a hyperlink to generally applicable ethics provisions.	No
11. The budget of the special district and any amendments thereto in accordance with s. 189.016.	No
12. The final, complete audit report for the most recent completed fiscal year and audit reports required by law or authorized by the governing body of the special district.	No
13. A listing of its regularly scheduled public meetings as required by s. 189.015(1).	No
14. The public facilities report, if applicable.	Not applicable
15. The link to the Department of Financial Services’ website as set forth in s. 218.32(1)(g).	Yes
16. At least 7 days before each meeting or workshop, the agenda of the event, along with any meeting materials available in an electronic format, excluding confidential and exempt information. The information must remain on the website for at least one (1) year after the event.	No

Source: Compiled by the MJ Team. Note: The 2020 Florida Legislature enacted a law that changes the requirements for special districts. Under the new law, special districts are no longer required to post meeting materials on their websites but must post meeting agendas, and they must post a link to the Florida Auditor General’s website in lieu of posting audit reports.

The Information Technology Director is responsible for posting information on the Hospital’s website and department heads prepare the content.

Information Technology Department personnel perform occasional content updates as requested by various departments, but this process is not consistent. Hospital management indicated that going forward, they planned to request that the current board attorney (legal representative), who works on a contractual basis, be put on retainer with duties added to provide advice regarding changes in legislation affecting special districts and hospitals.

Based on the analysis performed, the Hospital’s website did not include critical financial information such as the annual budget or annual financial statements. Nor did the website meet statutory website reporting requirements for Florida’s special districts. The Hospital did provide relevant non-financial information such as news postings, email news releases, and social media postings which the public accesses on a regular basis. Therefore, this subtask is deemed to be partially met.



RECOMMENDATION 5.1

Assign a management team member and a legal counsel representative (for statutory requirements) with the responsibility for ensuring that public information is routinely reviewed.

SUBTASK 5.2 – Review available documents, including relevant internal and external reports that evaluate the accuracy or adequacy of public documents, reports, and requests prepared by the hospital related to the program.

To address the requirements of this subtask, the MJ Team reviewed various documents, which included:

- Required public information for special hospital districts
- Analytics utilization for the website and Facebook social media postings
- Strategic goals and tactical initiatives to enhance public outreach
- Craneware billing software reports

The Hospital does not conduct regular data compliance audits to ensure critical, required financial information is posted. As noted in Subtask 5.1, Hospital management had not posted the customary annual budget or financial statements and was unaware of the Special District website reporting requirements that also necessitated these documents along with others to be posted. In order to increase transparency, the Hospital may also want to routinely add updated information regarding the Hospital's bond program. This information should automatically be included in the Hospital's financial audit, which should be publicly displayed. Additionally, the Hospital may consider providing a direct link to information about the bond program on its website.

An external marketing firm has been engaged to assist with the preparation and design of some of the non-financial website content and monitor analytics associated with website and social media (Facebook) traffic. Public information content that is more likely to be accessed on a regular basis is reviewed and evaluated. For example, the Hospital recently offered free COVID-19 testing to all community members regardless of income. For the period May 1–July 15, 2020, analytics showed that the Hospital's Facebook page received 18,320 unique views and the average length of time a viewer spent on each page was 1.4 minutes. The Hospital's website also received 163,299 page views for the period between July 1, 2019 and June 30, 2020. Hospital department's use these statistics to determine the best media format to post information (i.e., the website or social media) and how often to maintain information on the each of the sites.

The Hospital has also implemented the use of Craneware billing software that triggers changes in individual hospital service charge codes and unit billing cost published on the chargemaster website link that is available to the public. The Hospital receives a report when billing codes are updated. The software helps to ensure that the billing codes are complete and accurate.



Best practices for data compliance requirements audits suggest that public sector/ governmental organizations need accurate and timely information to: 1) ensure accountability to the community, 2) manage service effectiveness, and 3) prioritize the best use of resources. An example of the application of this best practice would be to conduct a regular evaluation/ audit (e.g., bi-weekly, monthly, or quarterly depending on the function) of the content of information. This process should involve a “sweep” of the content by navigating page-by page checking to ensure it remains to be useful to the public, accurate, and that documents remain valid. If a regular “sweep” of the Hospital’s website had been conducted on an on-going basis, the out-of-date information likely would have been identified and updated timely.

Figure 5-3 presents the type of criteria the Hospital should consider when evaluating/auditing its website, social media postings and news releases, print and digital media materials as well as other information published in the public domain.

**FIGURE 5-3
SAMPLE PROCESS TO EVALUATE ADEQUACY AND ACCURACY OF PUBLIC DOCUMENTS**

Evaluation/Audit Criteria	Description
<i>Determine Goals</i>	Is the content of the information achieving its intended goal/purpose? Does the information meet all standards/requirements of governing entities? Is language easy to understand and professional and does the content tone carry the desired message?
<i>Determine Whether Information is Correct/ Complete</i>	As content ages, facts and data that were once accurate can become inaccurate. Is the information formatted consistently and free of spelling errors? Is all information accurate and complete?
<i>Determine Whether Information is Outdated</i>	Is the information still relevant or has the content become outdated?
<i>Determine Whether Content Meets Required Standards</i>	Is the required information made available to the public? Did the right subject matter experts contribute? Was the content useful? Did it reach its intended audience? Was the most effective media source used to reach the target audience? Was the production of the content cost-effective?

Source: The MJ Team.

Based on the analysis performed, the Hospital has not developed requirements standards to determine what information should be included on its website. This is especially important for financial data such as the annual budget and financial statements because members of the public would expect to find these reports. Hospital management has engaged a marketing firm to develop non-financial website content, newspaper postings, email news releases, and social media postings. The marketing firm monitors website and social media analytics to determine the effectiveness of the postings. Non-financial website and social media postings are more likely frequently viewed by the public. Therefore, this subtask is deemed to be partially met.



RECOMMENDATION 5.2

Establish data requirements standards for the Hospital website and implement a formal process that ensures timely update of information.

SUBTASK 5.3 – Determine whether the public has access to program performance and cost information that is readily available and easy to locate.

To evaluate this subtask, the MJ Team reviewed program performance and cost information contained on the Hospital’s website in the following documents:

- Community Health Needs Assessment;
- Chargemaster
- Quality Metrics for Florida Hospitals; and,
- Florida HealthPriceFinder.com.

A summary of the relevant information that was identified is outlined below:

- **Community Health Needs Assessment** – A link to this document is available on the website and provides the Hospital’s plan to assess and mobilize action to improve health for Holmes County community members. The document provides local health statistics comparisons to Florida statewide statistics along with goals, strategies, resources, behavior risk factors, and quantifiable performance measures and targets.
- **Chargemaster** – Data on this website link provides a master listing of all individual hospital service charge codes and unit billing cost. The master listing allows customers to access individual costs of all Hospital services. The Hospital has implemented the use of Craneware billing software that triggers changes in individual hospital service charge codes and unit billing cost published on the chargemaster website link to ensure that the billing codes are complete and accurate.
- **FloridaHealthPriceFinder.com** – Doctors Memorial Hospital’s website provides a link to the Florida Health Price Finder website which allows consumers and caregivers to look up the average amounts paid by insurance plans for a specific service, giving them a better estimate of what their total out-of-pocket expenses will be. The average payments are based on billions of lines of claims data from three (3) Florida health plans, and claims data from additional plans. Consumers can compare Doctors Memorial Hospital’s prices using Chargemaster to prices offered by other hospitals around the state.
- **FloridaHealthCare.gov** – Doctors Memorial Hospital’s website provides a link to this website which serves as an information resource for the Florida Medicaid program, and provides information to consumers about the quality of care they can expect to receive. Information regarding service (program) resources at Doctors Memorial Hospital can also be found on this website.



Additionally, Doctors Memorial Hospital contracts with an external vendor to assess satisfaction with the services it provides through the use of surveys. This survey assesses the performance of hospital staff, physicians, food, communication, and the cleanliness from the patient's perspective (program performance). These survey results were available prior the time the MJ Team began fieldwork, but the results were not posted on the website as required until July 25, 2020 and therefore were not considered in determination of the subtask rating. The survey link is:

https://www.doctorsmemorial.org/departments/business_office.html

In summary, the Hospital provides public access to program performance and cost information. Accordingly, the MJ Team concludes that this subtask is met.

SUBTASK 5.4 – Review processes the program has in place to ensure the accuracy and completeness of any program performance and cost information provided to the public.

To address the requirements of this subtask, the MJ Team interviewed the Chief Operating Officer and reviewed the processes the Hospital uses to ensure program performance and cost information is accurate and complete. The documents and reports reviewed are outlined below:

- Performance Improvement Committee Meeting Agenda;
- Sample Leadership Meeting Agendas and Management Reports;
- Annual Financial Audit, 2018 and 2017;
- Annual Budget 2020, 2019, and 2018;
- Management Operations Reports;
- Budget Process Procedures; and,
- Business Office and Accounting Procedures.

A Performance Improvement Committee meets quarterly and is chaired by the Performance improvement Coordinator. Committee members include the Chief Financial Officer, Human Resources Director/Risk Management Designee, Facilities Manager/Safety Director, Director of Dietary/Materials Management, and Housekeeping, and Utilization Review/Case Manager. Additional committee members include the Information Technology Director, Pharmacy Director, Emergency Room/Infection Control Supervisor, Laboratory Manager, Business Office Manager, and a community representative. The purpose of the Performance Improvement Committee is improved quality and reliability of services to customers/patients and improved cost-effectiveness.

The Hospital's leadership team consisting of Chief Executive Officer, Chief Executive Consultant, Chief Operating Officer, Nursing Director, Health Information Management Director, and the Case Management Director meet at 9 a.m. on weekdays to discuss important management issues that impact the accuracy and completeness of public information.



Finance Accuracy/Oversight Checks

The Hospital leadership team performs consistent oversight checks to review revenue received (including projections for the month), census (affects revenue), to be coded (future revenue) as well as other operational/non-financial matters.

Monthly financials are produced from the Accounting Department that are distributed to department managers for comparison between actual and budgeted revenue/expenses.

Financial data from all cost centers is reviewed for accuracy by the Chief Financial Officer and Business Office, Revenue Cycle Manager (sample cost center reports were provided).

Policies for internal control, budget process, inventory control, review of contracts, processing of payments and bank reconciliations were provided.

Budget Accuracy Process

The Hospital prepares an annual budget which projects the best financial plan of the operations for the coming fiscal year.

- The budget preparation begins at the department manager level, working in conjunction with the Chief Financial Officer.
- The completed budget is presented to the Board for approval prior to the date the budget takes effect.
- The budget is input into the Hospital accounting software to allow monitoring of the budget versus actual finances.
- The approximate timetable for the annual budget development follows:

May – Department managers present to the Chief Financial Officer their capital requests for the following year along with any operational requests.

June – Executive management team prepares initial full budget and reviews with department managers for revision. Public notice should be made of a July budget meeting. The tentative budget must be posted to the Hospital website at least two (2) days prior to the scheduled budget meeting.

July – Public budget meeting held. Tentative budget to remain on Hospital website for at least forty-five days.

August – The Chief Financial Officer prepares the final budget to present to the Board for approval at board meeting prior to commencement of budget. The Final Budget should be posted on the website within thirty days after adoption and remain on the website for at least two (2) years.

The MJ Team identified no deficiencies in the accuracy and completeness of the program performance and cost information in the sample documents that were reviewed. Based on the practices outlined above, the MJ Team concludes that the Hospital has adequate internal processes in place to ensure performance and cost information are both accurate and complete. Accordingly, this subtask is met.



SUBTASK 5.5 – Determine whether the program has procedures in place to ensure that reasonable and timely actions are taken to correct any erroneous and/or incomplete program information included in public documents, reports, and other materials prepared by the Hospital and that these procedures provide for adequate public notice of such corrections.

To address this subtask, the MJ Team requested the Hospital’s written policy regarding correcting erroneous and incomplete information that is published in the public domain in a timely manner.

Hospital management indicated that they could find no recent examples of incorrect or incomplete information that had been posted via newspaper, email, social media releases or on its website. The Hospital’s written policy for correcting this type of information is presented in **Figure 5-4** below.

**FIGURE 5-4
PUBLIC INFORMATION RELEASE AND CORRECTION POLICY**

SUBJECT: Public Information Release and Correction Policy	REFERENCE #2064
DEPARTMENT: HOSPITALWIDE	PAGE: 1 OF: 1
	EFFECTIVE: 06/2018
APPROVED BY: (pending approval)	REVISED:

POLICY:

- Newspaper releases
 - The marketing director or designee should be notified in advance of the information and timing necessary for the news release. The marketing director should draft the release in Associated Press (AP) media style, proof spelling and get approval from the administrator prior to sending the news release.
 - Corrections to news releases should be prefixed with "CORRECTION" and then state the corrected information referencing the original incorrect news release.
- Email News releases
 - The marketing director or designee should be notified in advance of the information and timing necessary for the email news release. The marketing director should draft the release in Associated Press (AP) media style, proof spelling and get approval from the administrator prior to sending the news release.
 - Corrections to news releases should be prefixed with "CORRECTION" and then also state "Please see correction highlighted below". State the corrected information and highlight it
- Social Media posts
 - The marketing director or designee should be notified in advance of the information and timing necessary for the social media release. The marketing director should proof spelling and get approval from the administrator prior to posting.
 - Corrections to social media posts should have the prefix "UPDATE" and then the time – followed by the updated information (on the original post).
 - Inappropriate comments should be hidden, not deleted, unless the posts are highly inflammatory.
- Website Information
 - The marketing director or designee should be notified in advance of the information and timing necessary for the website update. The marketing director should proof spelling and get approval from the administrator prior to providing the content to the IT director for website update.
 - Care should be taken to avoid using any copyrighted work.
 - Corrections to website information that are event related should have the prefix "UPDATE" and then the time – followed by the updated information.

Source: Doctors Memorial Hospital Administrative Policies and Procedures.



Based on the fact that the Hospital had no recent public documents that required correction and they have a formal, written policy to correct erroneous and incomplete information in place, the MJ Team concludes that this subtask is met.

Overall Research Task 5 Conclusion: Based upon the work and conclusions reached for the five (5) subtasks, we deem that this research task is met.



RESEARCH TASK 6

COMPLIANCE OF THE PROGRAM WITH APPROPRIATE POLICIES, RULES, AND LAWS.

FINDING SUMMARY – Overall, Doctors Memorial Hospital (Hospital) partially meets Research Task 6. The Hospital has a process to assess its compliance with state law and local ordinances related to the indigent care sales surtax. However, the absence of a functioning board of trustees is a significant impediment to the Hospital’s ability to enter into contracts and to freely engage in the day-to-day activities of a fully functioning health care facility. Program internal controls are reasonable, but require improvement in maintaining comprehensive and current policies and procedures. Recommendations included in the FY2018 external audit reports have not been implemented. Hospital administrators have taken reasonable and timely actions to determine whether planned uses of the surtax comply with applicable state laws, rules, and regulations.

RESEARCH SUBTASK ANALYSIS AND CONCLUSIONS

SUBTASK 6.1 – Determine whether the program has a process to assess its compliance with applicable (i.e., relating to the program's operation) federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies.

To address the requirements of this subtask, the MJ Team interviewed the Chief Executive Officer (CEO), Chief Operating Officer (COO), Business Office Revenue Cycle Manager, and Physician Executive. MJ also examined documentation evidencing the Hospital’s processes and legal infrastructure that ensures compliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies related to the sales surtax.

The Hospital’s process for ensuring legal compliance with federal, state, and local laws is multifaceted consisting of engaging attorneys in various legal specialties, hospital staff designated as Risk Management and Safety Coordinators, memberships in professional associations that provide legislative updates and education, and accreditation agency’s standards. Each of these elements of the Hospital’s legal infrastructure is discussed below.

Attorney Legal Services

The Hospital has relationships with a number of attorneys who specialize in various facets of the law. **Figure 6-5** provides an overview of the law firms and the legal services they provide.



**FIGURE 6-5
ATTORNEYS & LEGAL SERVICES**

Law Firm	Service Description	Tenure
<i>Morris, Manning & Martin LLP</i>	Provides ad hoc general legal advice in healthcare regulations, Stark law, HIPAA compliance, employment contracts, and clinic acquisitions.	2019 to present
<i>Squire Patton and Boggs</i>	Provides legal advice regarding tax free bond issuance, Florida law affecting hospital governance, and taxation.	2006 to present
<i>Henry Buchanan, P.A.</i>	Provides general legal counsel including contracts, medical malpractice defense and consult with healthcare and bond attorneys as necessary.	More than 10 years
<i>The Krizner Group</i>	Workplace investigations, human resource and risk management trainings for leadership, employment law litigation, and management of governmental audits.	More than 10 years

Source: Doctors Memorial Hospital Administration.

Hospital Staff

As a hospital, safety and risks are key concerns. Accordingly, there is an employee who is the risk manager for the Hospital in addition to a risk manager designee. The Hospital Administrator is the Hospital’s risk manager and the Human Resources Director is the risk manager designee. As such, the risk manager or risk manager designee ensures that incident reports are completed timely and that proper procedures are followed in reporting/treatment processes. The risk manager or risk manager designee assesses exposure to risk, has meetings with staff, and coordinates the state’s annual audit of the Hospital’s risk management program.

The Maintenance Director is the Hospital’s designated safety officer and heads the Safety Committee. The safety officer participates in performance/risk/safety meetings with department staff, ensures adherence to the Safety Management Plan and procedures, and coordinates an annual safety appraisal of the Hospital. See subtasks 1.1, 1.3, and 1.4 for a discussion of risk management and safety meetings and reports.

Professional Associations

DMH is a member of the Florida Hospital Association (FHA). Founded in 1927, FHA represents itself as the “voice of Florida’s hospital community.” The association supports its members on the federal and state level through representation and advocacy, education, and information services. FHA keeps its members apprised of legal, regulatory, and other issues relevant to its members. For example, FHA distributes daily news clips on topics of interest. It also sends out



emails informing members of upcoming seminars and grant awardee technical assistance conference calls.

Topics from the July 1, 2020, news clips covered the following topics:

- U.S. Department of Health and Human Services' announcement on extending the national public health emergency declaration, which is to expire on July 25, 2020.
- Health Care related to new Florida laws taking effect.
- Financial impact of COVID-19 on hospitals and health systems according to the American Hospital Association.

In an email, FHA informed hospital administrators on June 29, 2020, that the Governor had signed the Fiscal Year 2020-2021 *General Appropriations Act* and has used the line item veto to eliminate over \$1 billion in spending. However, no reductions were made to Medicaid program funding for hospitals.

Accreditation Agency Standards

Accreditation is an important and necessary component of demonstrating and evaluating quality and performance in any profession. Hospital accreditation is a demonstration to the public that the facility is committed to providing high quality services, which are assessed and validated by an independent body.

The Joint Commission (JC) accredits and certifies thousands of health care organizations and programs in the United States. The gold seal is recognized nationwide as a symbol of quality that reflects an organization's commitment to meeting certain performance standards that lead to safer, more effective medical care.

JC standards are the basis for the accreditation of health care organizations throughout the world. The standards define performance expectations, structures and functions that must be in place to receive JC certification and are the basis of an objective evaluation process that can help health care organizations measure, assess and improve performance. The standards focus on important patient, individual, or resident care and organization functions that are essential to providing safe, high quality care.

Conditions of Participation (CoP) are requirements that hospitals and critical access hospitals must meet to participate in the Medicare and Medicaid Programs. CoP 485.627(a) *Governing Body or Responsible Individual* states the following:

"The Critical Access Hospital (CAH) has a governing body or an individual that assumes full legal responsibility for determining, implementing and monitoring policies governing the CAH's total operation and for ensuring that those policies are administered so as to provide quality health care in a safe environment."

Doctors Memorial Hospital passed its triennial unannounced accreditation survey in 2018 as discussed in Subtask 1.3 and 1.4. During the survey reviewers found that although the Hospital had a governing body, *"The governing body/leadership did not ensure that Conditions of*



Participation were met as determined through observations, documentation and staff interviews.” Accordingly, the reviewers rated this requirement as moderate/widespread on the SAFER matrix.

Although the Hospital was reaccredited in 2018, it has been unable to convene its board of trustees. The last board meeting was September 30, 2019. A full board consists of five members. Since March 2018, two board members have died, and three members have resigned since December 2019. The Governor appointed one board member in December 2019. Currently, the Hospital has only one board member. The board, when constituted, consists of a group of local citizens whose charge is to preserve DMH’s mission and vision. The Governor appoints the five-member board of trustees who each serve alternating four-year terms, as required under Chapter 30843, *Laws of Florida*, (1955) and Article 3.1 of the Hospital’s Bylaws.

All board of trustee members reside in and represent one of the five (5) voting districts in Holmes County. According to the Governor’s Appointment Office, three names have been completed and are now ready for the Governor to appoint them to the board. The Hospital continues to communicate with the Governor’s Office to address board vacancies. The absence of a sitting board of trustees prevents the Hospital from developing and reviewing its overall mission and strategy and guiding its long-term goals, policies, plans, and financial and operational viability, including management of surtax funds.

Based on the analysis performed, the Hospital has a process to assess its compliance with state law and local ordinances related to the indigent care sales surtax. However, the absence of a functioning board of trustees is a significant impediment to the Hospital’s ability to enter into contracts and to freely engage in the day-to-day activities of a fully functioning health care facility. Therefore, the subtask is deemed to be partially met.

RECOMMENDATION 6.1

Continue efforts to fill board vacancies to ensure that the board of trustees for the Hospital is fully functional.

SUBTASK 6.2 – Review program internal controls to determine whether they are reasonable to ensure compliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures.

To address the requirements of this subtask, the MJ Team reviewed the program internal control environment. The management of an organization is responsible for maintaining an effective system of program internal controls. As the purpose of the proposed Indigent Health Care Trust Fund is to service existing debt, the “program” is defined as debt administration and management and supporting hospital operations. The Hospital’s program internal controls include the following.



Laws, Rules and Regulations

The Hospital’s legal infrastructure includes outside legal counsel to advise regarding contracts, federal, state and local laws and other general counsel matters. The Hospital is also a member of the Florida Hospital Association which informs members of relevant legal and regulatory matters for consideration. The Hospital has a bond counsel who is frequently consulted, participates in bondholder calls, and attends board meetings when requested.

Compliance with Debt-Related Agreements

Bondholder agreements require periodic reporting and meetings to monitor key program outcomes and identify potential areas of deficiency. In addition to generating monthly bondholder reports, the Hospital submitted the required Annual Disclosure Agreement for FY2018 and FY2017 which includes the following documents:

- **Annual Audited Financial Statements:** includes evaluation of internal controls and reports material internal control or reporting weaknesses, if applicable.
- **Debt Service Coverage Ratio:** reports ratio of debt to income.
- **Liquidity Ratio:** reports average number of days of cash on hand.
- **Management Discussion and Analysis Utilization:** provides a summary of the quantity of inpatient and outpatient service levels.
- **No Default Certificate:** certification that Hospital is not in default of any other covenants other than the ones listed below in **Figure 6-6**. These defaults have resulted in waivers authorized by bondholders and represent monitoring and reporting controls.

**FIGURE 6-6
DISCLOSURE REQUIREMENTS**

Description	Long-Term Debt Service Coverage Ratio		Days Cash on Hand	
	FY2018	FY2017	FY2018	FY2017
Bondholder’s Target Ratio	1.10	1.10	45	45
Hospital’s Actual Ratio	0.96	(.01)	33.83	20

Source: Doctors Memorial Hospital’s Annual Disclosure Report.



Policies and Procedures

As shown in **Figure 6-7**, documented policies and procedures include the following.

**FIGURE 6-7
KEY POLICIES AND PROCEDURES**

Policy	Description
<p><i>Internal Control of Hospital Operation Policy #2104</i> Eff. 5/1996; Revised 6/2017</p>	<p>Describes methods and procedures to safeguard assets, monitor the accuracy and reliability of accounting data, promote managerial efficiency, and encourage adherence to managerial policy. Methods include:</p> <p>Policies and Procedures:</p> <ul style="list-style-type: none"> • Administrative Policy and Procedure Manual. • Human Resources Policy and Procedure Manual. • Departmental Policies and Procedures. • Budgets and Business Plan. • Fiscal Control Policies and Procedures: Department manuals for Accounting, Patient Accounting, Business Office, Credit and Collection, Debt Processing, and Materials Management. <p>Fiscal Reporting System:</p> <ul style="list-style-type: none"> • Reporting system that provides sufficient and timely data for program planning and evaluation. <p>Monthly Reports:</p> <ul style="list-style-type: none"> • Financial Comparative Reports. • Payroll Management and Labor Distribution Reports.
<p><i>Review of Contract Services Policy #2114</i> Eff. 5/1996; Revised 6/2017</p>	<p>Describes the review process for contract services including the following:</p> <ul style="list-style-type: none"> • CEO and Controller shall ensure proper review and coordination of all contracts. • Final negotiations and execution of all contracts remain solely in purview of the CEO or CEO designee. • Contracted services for patient care will be included in the hospital’s performance improvement program and results may be used in future contract negotiations.
<p><i>Compliance Plan Policy #3003</i> Eff. 5/2000; Revised 6/2017</p>	<p>Policy designed to detect and prevent accidental and intentional noncompliance with applicable laws throughout the organization. The Board of Directors made the commitment to provide and promote high moral and ethical business practices.</p> <ul style="list-style-type: none"> • Compliance program plan shall be implemented under the guidance and supervision of the Compliance Committee. Meetings shall be held on a bimonthly basis.



Policy	Description
<p><i>Department Manual: Business Office Reviewed 10/2019; pages dated 1998-2018</i></p>	<p>Manual includes medical terms and various procedures and forms.</p>
<p><i>Department Manual: Accounting Policy and Procedure Manual Eff. 6/2017; Revised 7/2018</i></p>	<p>Manual includes procedures for cash disbursements, budgeting, fixed assets, and other areas.</p>

Source: Doctors Memorial Hospital’s Policies and Procedures.

The Accounting Policy and Procedure Manual consists of only a few pages and limited information. Examples of information excluded from the manual include the following:

- Administration and accounting for debt accounts and payments.
- The accounting system and workflow approvals.
- Bondholder requirements.
- Grant applications and funds. There is a hospital account set aside for grant funds. Any payments made from this account must be approved by the CFO and CEO to verify that the payment is related to the grant before disbursements are made.

Annual Training

The Hospital conducts an annual in-service that is mandatory for all staff. It includes training on the following:

- Federal privacy regulations
- Abuse and neglect regulations
- Infant security policies
- Positive workplace environment
- Domestic violence
- Preventing workplace violence
- Active shooter
- Preventing workplace harassment and sexual harassment
- OSHA
- Back safety
- Disaster preparedness
- Fire disaster plan
- Fire safety
- Infection control and exposure to blood
- Bloodborne pathogens
- Falls prevention



- Cultural sensitivity
- Patient rights and ethics
- Risk management and incident reporting
- Risk management
- Biomedical waste management
- Time and attendance requirements
- Acceptable use of hospital equipment

In addition, the Hospital has an agreement with Home Town Health to provide education for the staff on a variety of topics including those affected by regulations.

External Audit Reports including Evaluation of Internal Controls

During an audit of a governmental entity, independent auditors perform procedures and issue reports that address the entity's internal controls. The County's independent auditors issued the reports in connection with their audit, which are shown in **Figure 6-8**.

**FIGURE 6-8
SUMMARY OF EXTERNAL AUDIT REPORTS FINDINGS – FY2017, FY2018, FY2019¹**

INDEPENDENT AUDITOR REPORTS FINDINGS		
Report Description	Carr Riggs & Ingram CPAs Audited Financial Statements and Supplemental Information Dated March 13, 2019 Years Ended 9/30/2018 and 9/30/2017	Carr Riggs & Ingram CPAs Audited Financial Statements and Supplemental Information Dated April 30, 2018 Years Ended 9/30/2017 and 9/30/2016
<i>Note to Financial Statement</i>	Note 9- Long-Term Debt. As of September 2018, the Hospital had violated some of its bond covenants. The Hospital received a waiver for the current year.	Note 10- Long-Term Debt. As of September 2017, the Hospital had violated some of its bond covenants. The Hospital received a waiver for the current year.
<i>Independent Accountants' Report on An Examination of Compliance Requirements in Accordance with Chapter 10.550, Rules of the Auditor General</i>	No exceptions.	No exceptions.
<i>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</i>	Material weakness identified in Finding 2018-001 and significant deficiency in Finding 2018-002 explained in detail below in the <i>Schedule of Findings and Responses</i> .	Material weakness identified in Finding 2017-001 explained in detail below in the <i>Schedule of Findings and Responses</i> .



INDEPENDENT AUDITOR REPORTS FINDINGS		
Report Description	Carr Riggs & Ingram CPAs Audited Financial Statements and Supplemental Information Dated March 13, 2019 Years Ended 9/30/2018 and 9/30/2017	Carr Riggs & Ingram CPAs Audited Financial Statements and Supplemental Information Dated April 30, 2018 Years Ended 9/30/2017 and 9/30/2016
<i>Schedule of Findings and Responses</i>	Finding 2018-001 Accounts Receivable Reserves and Net Patient Revenue. Deficiencies in the reserving methodologies and the calculation of the allowance for bad debts.	
<i>Schedule of Findings and Responses</i>	Finding 2018-002 Accrual and Balance Sheet Presentation. Internal controls were insufficient to detect certain misstatements in the financial statements. Certain liabilities and assets required adjustment or reclassification to be presented in accordance with generally accepted accounting principles including accounts payable, prepaid expense, and capital assets.	Finding 2017-001 Accrual and Balance Sheet Presentation. Internal controls were insufficient to detect certain misstatements in the financial statements. Certain liabilities and assets required adjustment or reclassification to be presented in accordance with generally accepted accounting principles including accounts payable and short-term debt.
<i>Management Letter</i>	Finding 2018-002 is a partial repeat of prior audit finding 2017-001 where there were misstatements in the unaudited financial statements requiring adjustments and reclassifications to certain liabilities and assets to present the financial statements in accordance with generally accepted accounting principles.	Finding 2017-001 is a partial repeat of prior audit finding 2016-001 where there were misstatements in the unaudited financial statements requiring adjustments and reclassifications to certain liabilities and assets to present the financial statements in accordance with generally accepted accounting principles.

¹ Audited Financial Statements for FY2019 not yet released.

Source: Audited financial statements.

The audited financial statements for the years ended 9/30/2016 and 9/30/2015 indicated no findings for the year ended 9/30/2015. However, the auditors reported significant adjustments were required for underestimated amounts due to third-party payers for FY2016. No other findings were reported. Hospital management stated the FY2019 audited financials and Disclosure Reports are not 100% finalized because management is waiting on the appointment of Board members who must vote to accept the reports. Thus, we could not determine if the recurring issues with misstatements in the unaudited financial statements requiring adjustments and reclassifications has been resolved.



Based on the analysis performed, program internal controls are reasonable to ensure compliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures, yet require improvement in ensuring that all year-end accounting adjustments and account classifications are properly reported. The external auditor’s reports for FY2018 and FY2017 indicate partial repeat of prior year’s audit findings. The Accounting Policy and Procedures manual is limited and outdated. The first 14 of 40 pages consist of the organization-wide Compliance Plan (employee standards of conduct) dated 06/2017 to be administered by the Compliance Committee; three pages for the Internal Control of Hospital Operation Policy dated 06/2017 to be administered by all departments; and eleven pages of personnel policies for a total of 28 non-accounting responsible pages. Policies and procedures lack updates to address the accounting procedures required to resolve the repeat audit findings.

Therefore, this subtask is deemed to be partially met.

RECOMMENDATION 6.2

Conduct a complete year-end review to ensure all adjustments are completed prior to the annual audit. Develop and maintain a comprehensive accounting policy and procedure manual to maintain knowledge transfer and consistent accounting practices.

SUBTASK 6.3 – Determine whether program administrators have taken reasonable and timely actions to address any noncompliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures identified by internal or external evaluations, audits, or other means.

To address the requirements of this subtask, the MJ Team reviewed whether corrective actions were timely taken to address audit findings discussed in Subtask 6.2. In addition, a review of other external evaluations was completed in Subtask 1.4. Based on interviews and review of supporting documents, **Figure 6-9** presents the status of implementation of the external auditor’s recommendations.

**FIGURE 6-9
REVIEW OF CORRECTIVE ACTIONS FOR REASONABLENESS AND TIMELINESS**

Per Audited Financial Statements and Supplemental Information Prepared By: Carr Riggs & Ingram CPAs Dated March 13, 2019 Years Ended 9/30/2018 and 9/30/2017			Per MJ Team Discussion with Hospital Management
External Audit Report	Recommendation	Management Response	Corrective Action(s) and Date Completed or To Be Implemented
AUDIT NOTE 2018 AND 2017 - LONG-TERM DEBT	None. The financial statements do not include any	The Hospital received waivers for fiscal years	Based on the Conditional Waiver Agreements dated September 30, 2018 and



Per Audited Financial Statements and Supplemental Information Prepared By: Carr Riggs & Ingram CPAs Dated March 13, 2019 Years Ended 9/30/2018 and 9/30/2017			Per MJ Team Discussion with Hospital Management
External Audit Report	Recommendation	Management Response	Corrective Action(s) and Date Completed or To Be Implemented
<i>As of September 2018, and September 2017, the Hospital had violated certain of its bond covenants.</i>	adjustments related to the events of default or that would result from the Hospital's inability to cure such defaults in the future.	2018, 2017, and 2016.	February 2, 2018, no corrective action required.
<p>FINDING 2018-001 <i>Accounts Receivable Reserves and Net Patient Revenue. Deficiencies in the reserving methodologies and the calculation of the allowance for bad debts. In addition, the CFO resigned before the fiscal year-end ledger was completely closed, which likely resulted in certain routine adjustments not being recorded and other reconciling items not being corrected in a timely manner.</i></p>	Routinely monitor collections percentages through the use of a comprehensive "lookback analysis" or comparable information, using a sufficiently long (yet current) look back period in determining the reserve percentages to be used in its patient accounts receivable reserve methodology. In addition, the Hospital should ensure that its reserve methodology considers the entire population of patient accounts receivable, gross of any credit balances payable to patients and insurers.	We agree with the findings and are taking steps to correct in fiscal year 2019 which will include hiring a new, experienced CFO.	<ol style="list-style-type: none"> 1. In October 2019, the Hospital changed its reserve methodology to include the entire population of patient accounts receivable, gross of any credit balances payable to patients and insurers, to calculate the reserve for bad debts. 2. With the preparation of the July 2020 financial statement, the hospital will change its reserve methodology for Medicare, Medicaid and all other insurance and third party payers to make its calculations for reserve based on the gross account receivable. 3. The Hospital will also begin to routinely monitor its collections percentage through comprehensive "lookback analysis" to compare collections with the calculated net revenues to be sure the calculations are representative of the amounts to be collected.
FINDING 2018-002		Management recognizes the	<ol style="list-style-type: none"> 1. In May 2020, the Hospital began a procedure to



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External Audit Report	Recommendation	Management Response	Corrective Action(s) and Date Completed or To Be Implemented
<p>Accrual and Balance Sheet Presentation. Internal controls were insufficient to detect certain misstatements in the financial statements. Certain liabilities and assets required adjustment or reclassification to be presented in accordance with generally accepted accounting principles including accounts payable, prepaid expense, and capital assets.</p>		<p>required audit adjustments were significant to the financial statements. A complete year-end review will ensure all adjustments are completed prior to the audit.</p>	<p>compare all general ledger accounts balances to worksheets that calculate what the current balance of prepaid expenses and accrued expenses, debt and related accounts and estimated third party payer settlements.</p> <p>2. In August 2020, the Hospital plans to focus on strengthening internal controls surrounding financial reporting and the proper presentation of financial statements with GAAP and take step to ensure that appropriate measures are taken to record all assets and liabilities.</p>

Source: Audited Financial Statements and Interviews with Hospital Management.

Waiver Agreements

In regard to the notes in the audited financial statements which indicated the Hospital had violated certain of its bond covenants, yet had received a waiver of these events from the bondholders, the MJ Team reviewed the Waiver Agreements for the fiscal years 2016 through 2018 noting the following areas of noncompliance. For these years, the Hospital:

- 1) Did not meet the Long-Term Debt Service Coverage Ratio (DSCR Covenant) – FY2016, 2017, 2018;
- 2) Did not deliver audited financial statements and Officer’s Certificate to the Trustee (Audit Delivery Covenant) – FY2016, 2017, 2018;
- 3) Did not meet the Liquidity Covenant – FY2017, 2018; and
- 4) Made late principal and interest payments for the months of October 2017, January 2018, and February 2018.



Based on the analysis performed, program administrators have not taken reasonable and timely actions to address any noncompliance with applicable federal, state, and local laws, rules, and regulations; contracts; grant agreements; and local policies and procedures identified by internal or external evaluations, audits, or other means. Recommendations in the FY2018 external audit report dated March 13, 2019 have not been implemented. Corrective actions are in progress and planned to be completed by September 30, 2020 according to the Hospital’s finance staff. Therefore, this subtask is deemed to be not met.

RECOMMENDATION 6.3

Continue plans to implement the external auditor’s recommendations. Include documentation of any new procedures and reports used in the department’s accounting manual to maintain knowledge transfer and consistent accounting practices. Consider filling the vacant chief financial officer position prior to the end of the fiscal year.

SUBTASK 6.4 – Determine whether program administrators have taken reasonable and timely actions to determine whether planned uses of the surtax are in compliance with applicable state laws, rules, and regulations.

To address the requirements of this subtask, the MJ Team compared the language of s. 212.055(7), *Florida Statutes*, Voter-Approved Indigent Care Surtax to Ordinance 20-01 No. 20-01 approved on April 7, 2020 by the Holmes County Board of Commissioners authorizing the placement of a sales surtax on the November 3, 2020 ballot. The comparison, which is presented in **Figure 6-4**, in the Holmes County section of the report, demonstrates that the intended uses of the surtax follow the statute.

MJ also reviewed Board of Trustee minutes where plans for the indigent care surtax were discussed as well as email correspondence between the Holmes County Attorney and the Hospital CEO about placing the surtax ordinance on the Board of County Commissioner’s agenda for approval. **Figure 6-10** presents this information and further demonstrates that planned uses of the sales surtax comply with applicable state laws, rules, and regulations.

FIGURE 6-10

DISCUSSION OF SURTAX PLANNED USES

Source	Description
<i>June 11, 2019 – Email from the Hospital’s COO to its attorney asking for assistance and an opinion about the various sections of s. 212.055, Florida Statutes related to discretionary sales surtaxes.</i>	The COO listed the nine sections in the statute then stated: <i>“In reading the county commissioner meetings for Desoto County, they discuss the language in (7) of the statute... and end up drafting an ordinance that limits use of the tax money to existing debt incurred by the hospital.”</i>



Source	Description
<i>October 22, 2019 – Hospital Board of Trustee Minutes</i>	The Hospital CEO reported, during an operations update to the board of trustees, that the indigent care tax would be on next year’s ballot.
<i>September 30, 2019 – Hospital Board of Trustee Minutes</i>	The Hospital CFO reported that the indigent care tax project is under way to help with reimbursement.
<i>September 16, 2019 – Hospital Board of Trustee Minutes</i>	The Hospital CEO reported that she has been working on getting information sent to county commissioners for a ½ cent tax for indigent care. It is set to be on their agenda by the next session.
<i>February 3, 2020 – Email from the Hospital CEO to the Holmes County Attorney.</i>	“I just spoke with the elections office and they informed me that you would need to supply the language [of the ordinance] to their office.”
<i>February 4, 2020 – Email from the Holmes County Attorney to the Hospital CEO.</i>	“I will prepare the referendum language and present it to the board at our next meeting on February 18 th .”
<i>February 18, 2020 – Email from the Holmes County Attorney to the Hospital CEO.</i>	“Attached please find the referendum that will be presented to the BOCC tomorrow morning for approval....”
<i>March 3, 2020 – Email from the Holmes County Attorney to the Hospital CEO.</i>	“Attached please find the draft ordinance for the Indigent Care Sales Surtax. I have also included a copy of the Notice that will run in the newspaper advertising the public hearing before the Board of County Commissioners. ...the public hearing and vote on the matter will be April 7, 2020....”

Source: Doctors Memorial Hospital Board of Trustee Member and Staff Emails.

Based on the analysis performed, hospital administrators have taken reasonable and timely actions to determine whether planned uses of the surtax comply with applicable state laws and local ordinances. Therefore, the subtask is deemed to be met.

Overall Research Task 6 Conclusion: Based upon the work and conclusions reached for the four (4) subtasks, we deem that this research task is partially met.



DOCTORS MEMORIAL HOSPITAL MANAGEMENT RESPONSE



August 27, 2020

Mr. Gilbert Hopkins, CPA
McConnell & Jones LLP
4828 Loop Central Drive, Suite 1000
Houston, Texas 77081

Dear Mr. Hopkins,

Please review the following response to your audit findings and recommendations for Holmes County Hospital Corporation.

Forbearance Agreement Compliance

Holmes County Hospital Corporation is pursuing refinance of bond debt through commercial bank options. Additionally, the hospital is preparing an application for USDA refinancing to be submitted when USDA releases its guidance to applicants.

Future bondholder reports will formally document any variances from forbearance agreement requirements.

Strategic Plan

Hospital management will present a formal strategic plan to the Board to review and approve at the board meeting scheduled for September 24, 2020.

Performance Improvement Plan

The Performance Improvement plan is being updated to align with the goals that have been identified by hospital management for the formal strategic plan. The updated plan will include performance measures related to debt monitoring and reporting. It will also include objectives and goals for all hospital departments.

Post Office Box 188 2600 Hospital Drive Bonifay, FL 32425 (850) 547-8000
www.doctorsmemorialhospital.com



Policies and Procedures

Accounting (including debt service) and Facility maintenance policies and procedures are being updated and will be presented to the board for approval at the September 24, 2020 board meeting. A policy describing the comprehensive lookback analysis described by the financial auditors will be included.

Regulation Compliance

The hospital administrator and a designated legal counsel are responsible for ensuring that the hospital complies with statutes regulating special districts. Legal counsel attends board meetings to provide advice and updates on statutory requirements as well as communicating with hospital management and board members as required.

Public Data Requirements

A policy has been implemented to ensure compliance with public data requirements for special districts. Public data requirements will be discussed monthly at a strategy meeting to ensure compliance with regulations.

Board Position Vacancies

The Florida governor's office has informed hospital management that it intends to fill two board member positions immediately, thus resulting in a quorum for board oversight. A board meeting has been scheduled for September 24, 2020.

Chief Financial Officer Vacancy

Hospital management is reviewing applications and conducting interviews to select a suitable candidate for the chief financial officer position. Hospital management will introduce their preferred applicant to the board at the September 24th, 2020 meeting for the board's approval.

If you have any questions or need additional information, please call me at (850) 547-8001 or you may email me at joann@doctorsmemorial.org.

Sincerely,

A handwritten signature in black ink that reads "JoAnn Baker". The signature is written in a cursive style.

JoAnn Baker
Administrator