

**WEST VOLUSIA HOSPITAL AUTHORITY**

Prior Audit Follow-Up



Sherrill F. Norman, CPA  
Auditor General

## Board of Commissioners

The following individuals served on the West Volusia Hospital Authority Board during the period January 2023 through June 2023:

	<u>Seat No.</u>
Donna Pepin, Vice Chair through 1/18/23	Group A, Seat 1
Roger Accardi	Group A, Seat 2
Judy Craig, Commissioner through 1/18/23, Vice Chair from 1/19/23	Group A, Seat 3
Jennifer Coen, Chair	Group B, Seat 1
Voloria Manning	Group B, Seat 2

The team leader was Walter K. Cunningham, CPA, and the audit was supervised by Gina Bailey, CPA, CFE, CISA.

Please address inquiries regarding this report to Derek H. Noonan, CPA, Audit Manager, by e-mail at [dereknolan@aud.state.fl.us](mailto:dereknolan@aud.state.fl.us) or by telephone at (850) 412-2895.

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# WEST VOLUSIA HOSPITAL AUTHORITY

## Prior audit Follow-Up

### **SUMMARY**

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In our operational audit report No. 2022-174 of the West Volusia Hospital Authority (Authority), we noted 9 findings related to various functions and activities. This operational audit focused on the progress that the Authority had made, or was in the process of making, in addressing the findings and recommendations in report No. 2022-174.

Our audit disclosed that the Authority had:

- Corrected 7 findings (Findings 1, 2, 3, 4, 7, 8, 9).
- Partially corrected 1 finding (Finding 6).
- Not corrected 1 finding (Finding 5).

### **BACKGROUND**

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The West Volusia Hospital Authority (Authority) is an independent special district in Volusia County, created in 1957 to provide access to health care for the qualified indigent residents within the Authority's geographic boundaries, the western portion of Volusia County (West Volusia). The Authority is governed by a five-member Board of Commissioners (Board), each elected for 4-year terms.<sup>1</sup> The commissioners elect a chair, vice-chair, secretary, and treasurer on an annual basis. The Authority has also established a Citizens Advisory Committee (CAC), which is composed of ten members appointed by the Board and who serve at the pleasure of the Board. The CAC makes recommendations to the Board on how to serve and meet the health care needs of West Volusia residents.

The Authority does not directly own or manage any hospital or clinic. The Authority levies ad valorem (property) taxes to provide funding to hospitals and contracted agencies to support health care for low-income residents of West Volusia. The Authority has one employee, an Administrator responsible for creating and publishing the Authority Board agendas, reviewing submitted invoices for accuracy and compliance with funding agreements and contracts, and performing other administrative tasks on behalf of the Board. The Board contracted with an accounting firm to perform its accounting functions, an attorney for legal work, and a third-party administrator (TPA) to provide health care network access and related administrative services.

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<sup>1</sup> Chapter 2004-421, Section 3, Charter Section 2, Laws of Florida, provides that, to stagger Board member 4-year terms, elections are held every 2 years by identifying Commissioners as either Group A (three Commissioners) or Group B (two Commissioners). Group A Commissioners are elected in one election cycle, and Group B Commissioners are elected in the next election cycle.

# ***FINDINGS AND RECOMMENDATIONS***

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## **Finding 1: Significant Constraints Imposed on Audit**

### **Previously Reported**

Contrary to State law,<sup>2</sup> the Authority did not provide requested records needed to achieve all the objectives of our audit, thereby imposing significant constraints on the conduct of our audit.

We recommended that, in future audits, the Authority demonstrate a commitment to accountability and comply with all auditor requests when such requests are made in accordance with Federal and State laws.

### **Result of Follow-Up Procedures**

***The Authority corrected this finding.*** During the course of our audit, the Authority employee, and the health care provider agency responsible for providing human immunodeficiency virus (HIV) testing and counseling, health behavior and education, and non-clinical support to West Volusia's indigent population for the 2022-23 fiscal year provided all requested records.

## **Finding 2: Monitoring – Human Immunodeficiency Virus Services Agreement**

### **Previously Reported**

The Authority should enhance its oversight and monitoring procedures to provide greater assurance that grantees provide services consistent with the Board's intent and that payments to grantees are appropriate, properly supported, and in compliance with agreement terms and conditions.

We recommended that the Authority enhance its oversight and monitoring procedures to provide greater assurance that grantees provide services consistent with the Board's intent and that payments to grantees are appropriate, properly supported, and in compliance with grant agreement terms and conditions. In addition, we recommended that the Authority:

- Include provisions in future health care provider agency (HIV Grantee) agreements requiring the Grantee to provide records, including records supporting the clients served, the services provided, and test results, in sufficient detail to enable the Board to effectively monitor and evaluate Grantee performance.
- Consider establishing the frequency of HIV testing and other services eligible for reimbursement in the grant agreement and periodically verify the HIV Grantee's compliance with such limits.

### **Result of Follow-Up Procedures**

***The Authority corrected this finding.*** Our examination of Authority records and discussions with Authority personnel disclosed that the Board enhanced its oversight and monitoring procedures to provide greater assurance that grantees provide services pursuant to the Board's intent by:

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<sup>2</sup> Section 11.47(1), Florida Statutes.

- Assigning certain monitoring responsibilities, such as the review of invoices and supporting records provided by the HIV Grantee, to the Administrator hired in June 2022.
- Engaging a CPA firm in June 2022 to obtain documentation, review grantee invoices provided, and provide such information to the Board for their consideration prior to approving payment to the grantees.

Further, in October 2022, the Authority entered into a new agreement with the HIV Grantee requiring the HIV Grantee to provide records, including a de-identified listing of clients served that includes the number of services provided by the grantee to each client in the 3 month period preceding the invoice date. Our examination of the funding agreement and discussions with Authority personnel disclosed that the HIV Grantee was not required, nor expected, to provide the HIV test results to the Authority. In response to our inquiries, Authority personnel indicated the funding agreement supports the Board's intent to facilitate preventative testing, treatment, and prevention of HIV transmission. Authority personnel indicated that if the Board wanted to obtain an individual's test results, the Health Insurance Portability and Accountability Act (HIPAA) and State Law<sup>3</sup> would require the HIV Grantee to obtain individual consent from those tested prior to providing the results. The Board believes that, should such information be entered into the public records, the effectiveness of the program would be reduced.

To determine the adequacy of the Board's current monitoring procedures over the HIV Grantee, we examined the nine invoices totaling \$157,488 submitted for payment by the HIV Grantee during the period October 2022 through June 2023 and determined that the invoices were at the level of detail required by the funding agreement. Further, to determine whether the HIV Grantee tested the same individual three or more times within a 3 month period, we examined the records supporting the 791 tests performed. Our examination disclosed that 21 individuals were tested three or more times between January 2023 and June 2023; however, none of the individuals received three or more tests within a 3 month period.

### **Finding 3: Grantee Compliance Monitoring**

#### **Previously Reported**

The Authority did not have adequate policies and procedures to ensure that grantee compliance review reports contained all information necessary for the Authority to make fully informed decisions on reported results. Additionally, the Authority Board did not always take appropriate action of record to resolve deficiencies identified in those reports.

We recommended that the Board require its accounting firm to include in the compliance reports the amounts received by grantees. In addition, we recommended the Board adopt written policies and procedures to ensure that the compliance reports include all factors and information, including questioned costs and a reasonable estimate of the potential total exceptions and deficiencies, necessary for the Board's informed consideration of grantee performance.

We also recommended that the policies and procedures require the Board to take appropriate actions based upon findings and recommendations noted in compliance reports, such as waiving or requiring repayment of questioned costs and determining whether additional compliance testing is warranted.

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<sup>3</sup> Chapter 381.004(2), Florida Statutes.

## **Result of Follow-Up Procedures**

***The Authority corrected this finding.*** Our examination of Authority records disclosed that the Board adopted policies<sup>4</sup> in July 2023 that required the grantee compliance reports issued by the accounting firm to include factors and information necessary for the Board's informed consideration of grantee performance, including actual noted deficiencies questioned costs and reasonable estimates of potential total deficiencies and questioned costs to provide sufficient context of the results of the compliance reports to the Board for consideration. Further, the adopted policies require the Board to consider the compliance reports and take appropriate actions to compel grantee corrective actions, as deemed necessary.

To determine whether the compliance reports included all required elements necessary for the Board's informed consideration of grantee performance and whether the Board took appropriate actions regarding deficiencies and questioned costs noted in the reports, we examined the six compliance reports issued by the accounting firm during the period January 2023 through June 2023. We noted that the compliance reports were presented to the Board and included the information necessary for the Board's informed consideration of grantee performance and that, as necessary, the Board considered the results of the reports and what action, if any, was appropriate. For example, one of the compliance reports issued noted that the grantee did not maintain a worksheet evidencing how the grantee calculated income eligibility for clients served and indicated that this exception affected the entire program and population. However, because the report also indicated that the accounting firm was able to verify eligibility based on other grantee documentation, the Board decided to not take any action regarding the deficiency.

### **Finding 4: Monitoring Contracted Services**

#### **Previously Reported**

The Authority paid a grantee for medical services pursuant to invoices not supported by the detailed records required by the grant agreement.

We recommended that the Authority require the grantee providing pharmacy services to provide the invoice supporting information required by the funding agreements and ensure that the information is utilized for payment processing and accomplishing the Authority's contract monitoring responsibilities. Alternatively, if the Board determined that such documentation was not necessary to support grantee invoices, the Board should remove the requirements from the funding agreements and establish alternate payment and monitoring procedures to ensure that the grantee is providing the contracted services in accordance with the Board's expectations.

## **Result of Follow-Up Procedures**

***The Authority corrected this finding.*** In June 2020, the Authority amended its agreement with its third-party administrator (TPA) to include pharmacy services in addition to primary care services provided by the TPA.

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<sup>4</sup> *West Volusia Hospital Authority Additional Policies.*

To determine whether the invoices submitted by the TPA were in accordance with the agreement between the Authority and the TPA, we examined the seven invoices totaling \$307,555 submitted by the TPA for pharmacy services during the period January 2023 through June 2023. Our examination disclosed that the submitted invoices were in accordance with the Board-approved agreement and reviewed by the TPA and the accounting firm for accuracy prior to submission for Board approval.

## **Finding 5: Contract Approval**

### **Previously Reported**

The Board did not approve health care services agreements between the Authority's TPA and health care providers that obligated the Authority to pay for the health care services.

We recommended that the Board adopt policies and procedures to require contracts negotiated by the TPA on the Board's behalf be Board-approved at a publicly noticed meeting.

### **Result of Follow-Up Procedures**

***The Authority did not correct this finding.*** Our examination of Authority records and discussions with Authority personnel disclosed that the Board did not adopt written policies and procedures that require the Board to approve contracts negotiated by the TPA on the Board's behalf at publicly noticed meetings.

In response to our inquiries, Authority personnel indicated that public discussion and approval of the TPA-negotiated contracts with health care providers would limit the TPA's negotiating power with health care providers and increase overall costs of providing health care to taxpayers. In addition, the Authority's contracted attorney indicated that there is no legal requirement that the Board directly approve TPA-negotiated health care provider agreements.

Notwithstanding this response, acknowledging and approving the health care provider agreements at a publicly noticed Board meeting would enhance transparency; affirm that the agreements meet the intent of the Board; and reduce the potential for misunderstandings and disagreements among the Board, TPA, and health care providers.

**Recommendation:** We continue to recommend that the Board adopt policies and procedures to require contracts negotiated by the TPA on the Board's behalf be Board-approved at a publicly noticed meeting.

## **Finding 6: Accumulation of Resources**

### **Previously Reported**

The Authority accumulated significant resources that may be in excess of amounts necessary for the Authority to fulfill its duties and responsibilities.

We recommended that the Authority adopt a written policy that establishes minimum and maximum levels of unrestricted fund balance. We also recommended the Board establish a plan to address any excessive General Fund resources, for example, the Board could reduce ad valorem tax levies or expand health care services to West Volusia Residents

**Result of Follow-Up Procedures**

**The Authority partially corrected this finding.** On November 17, 2022, the Board adopted policies<sup>5</sup> that meet Government Finance Officers Association (GFOA) recommended guidelines.<sup>6</sup> Specifically, the policies require the Authority to maintain an operating reserve of at least 25 percent, with a target range of 40 to 60 percent of 1 year of operating expenditures. As shown in Table 1, our follow-up audit procedures disclosed that the Authority maintained an unrestricted fund balance of \$21 million for the 2021-22 fiscal year, which was 150 percent of the Authority’s 2021-22 fiscal year expenditures, which is significantly higher than the policy target rate of 40 to 60 percent. In addition, the 2021-22 fiscal year unrestricted fund balance increased by 22 percent from the 2019-20 fiscal year amount.

**Table 1  
Revenues, Expenditures, and Fund Balances by Fiscal Year  
For the 2019-20 Through 2021-22 Fiscal Years**

	2019-20	2020-21	2021-22
Ad Valorem Tax Revenue	\$19,507,765	\$17,072,528	\$17,520,345
Other Revenue	217,927	119,041	117,674
Total Revenue	<u>19,725,692</u>	<u>17,191,569</u>	<u>17,638,019</u>
Total Expenditures, Health care and Other	15,496,057	14,748,013	13,977,734
Net Change in Fund Balance	<u>4,229,635</u>	<u>2,443,556</u>	<u>3,660,285</u>
Fund Balance, Beginning	13,124,306	17,353,941	19,797,497
Fund Balance, Ending	<u>\$17,353,941</u>	<u>\$19,797,497</u>	<u>\$23,457,782</u>
Fund Balance:			
Nonspendable	\$ 133,626	\$ 2,000	\$ 2,000
Committed	-	-	2,496,809
Assigned, Subsequent Year’s Budget	2,000,000	1,177,700	-
Unassigned	15,220,315	18,617,797	20,958,973
Total Fund Balance	<u>\$17,353,941</u>	<u>\$19,797,497</u>	<u>\$23,457,782</u>
Property Tax Millage	1.908	1.5035	1.4073
Unrestricted Fund Balance (Assigned and Unassigned)	\$17,220,315	\$19,795,497	\$20,958,973
Unrestricted Fund Balance as a % of Expenditures	111%	134%	150%

Source: Authority Records

In an effort to reduce the total unrestricted fund balance, the Authority decreased its millage rate from 1.5035 for the 2020 property tax year to 1.4073 mills for the 2021 property tax year, a decrease of .5007 mills (26 percent). Additionally, as shown in Table 1, as of September 30, 2022, the Board had committed \$2.5 million, which represented funds held back in the event the Authority lost its appeal of the outcome of a lawsuit with Volusia County (County) regarding Medicaid funding. In June 2022, the

<sup>5</sup> Accounting and Fiscal Policies.

<sup>6</sup> GFOA Best Practice: *Fund Balance Guidelines for the General Fund*, September 2015, recommends at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than 2 months of the regular general fund operating revenues or regular general fund operating expenses.



Seventh Judicial Circuit Court ordered the Authority to pay the \$2.5 million to the County and become current with the County's monthly statements of the Authority's Medicaid financial responsibility. The Circuit Court's order was affirmed by the Fifth District Court of Appeal in August 2023. A similar lawsuit filed by the County is currently pending against the Authority, and it is likely that the Authority will have to pay the Authority's share of the County Medicaid match on an ongoing basis, estimated as \$2.7 million in the 2023-24 fiscal year.

Notwithstanding, as the Authority's 2021-22 fiscal year unrestricted fund balance of \$21 million significantly exceeded the policy target range, the Authority may have retained resources in excess of the amount needed to achieve its purpose of providing health care access to qualified indigent residents within the Authority's geographic boundaries.

**Recommendation: We recommend that the Board consider the Authority's Medicaid financial responsibility and continue efforts to bring the ending unrestricted fund balance into the Authority's target range of 40 to 60 percent of 1 year of operating expenditures.**

## **Finding 7: Budget Preparation**

### **Previously Reported**

The Authority had not established written budget preparation policies and procedures. Additionally, contrary to State law,<sup>7</sup> the 2015-16 through 2020-21 fiscal year budgets generally did not include estimated beginning or ending fund balances.

We recommended that the Authority establish written budget policies and procedures that require budgets to include balances brought forward from prior fiscal years as required by State law.

### **Result of Follow-Up Procedures**

***The Authority corrected this finding.*** Our examination of Authority records and discussions with Authority personnel disclosed that the Board adopted policies<sup>8</sup> requiring the adopted budgets to include the fund balance from the previous fiscal year. The budget adopted for the 2022-23 fiscal year included a \$20 million carryforward fund balance from the 2021-22 fiscal year, which approximated the \$21 million carryforward fund balance in the audited financial statements.

## **Finding 8: Citizens Advisory Committee (CAC) Member Removal**

### **Previously Reported**

The Authority had not established policies and procedures governing the removal of Citizens Advisory Committee (CAC) members. In addition, in May 2019, the Authority Board removed a CAC member at a public meeting without placing the member's removal on the agenda, which limited the opportunity for public involvement.

<sup>7</sup> Section 189.016(3), Florida Statutes.

<sup>8</sup> *West Volusia Hospital Authority Additional Policies.*

To promote transparency of Authority operations and encourage community involvement, we recommended that the Board:

- Publicly notice in advance all proposed Board actions, including those that may be deemed controversial.
- Amend its bylaws or otherwise establish policies and procedures for removing CAC members.

### **Result of Follow-Up Procedures**

***The Authority corrected this finding.*** Our examination of Authority records disclosed that in January 2023 the CAC By-Laws were updated to establish the process for removing CAC members, including a requirement that any such removal be noticed on a published agenda prior to the Authority Board meeting. Further, our examination of the six Authority Board meetings held during the period January 2023 through June 2023 disclosed that the Authority Board did not remove any CAC members and only took action on matters noticed in the agendas made available to Authority Board members and the public prior to the meetings.

## **Finding 9: Anti-Fraud Policies and Procedures**

### **Previously Reported**

The Authority had not established anti-fraud policies or procedures.

We recommended that the Board establish policies and procedures for communicating, investigating, and reporting known or suspected fraud and that such policies and procedures:

- Define fraud and provide examples of acts constituting fraud.
- Require individuals to communicate and report known or suspected fraud.
- Provide for anonymous reporting of known or suspected fraud.
- Require officials to keep accurate records of known or suspected fraud reported.
- Assign responsibility for investigating potential incidents of fraud and for taking appropriate action.
- Provide guidance for investigating potential and actual incidents of fraud; reporting evidence obtained by the investigation to the appropriate authorities; and protecting the reputations of persons suspected but determined not guilty of fraud.

### **Result of Follow-Up Procedures**

***The Authority corrected this finding.*** In May 2023, the Board adopted anti-fraud policies and procedures<sup>9</sup> that adequately addressed our recommendations.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

Pursuant to Section 11.45(3)(a), Florida Statutes, we conducted an operational audit of the West Volusia Hospital Authority (Authority) and issued our report No. 2022-174 in March 2022. Pursuant to Section 11.45(2)(j), Florida Statutes, the objective of this audit was to perform, no later than 18 months

<sup>9</sup> *West Volusia Hospital Authority Anti-Fraud Policy.*

after the release of that report, appropriate follow-up procedures to determine the Authority's progress in addressing the findings and recommendations contained within report No. 2022-174.

We conducted this follow-up audit from June 2023 through September 2023 in accordance with generally accepted government auditing standards. 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 our audit objectives.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the follow-up audit, weaknesses in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The overall objective of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our follow-up audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the period January 2023 through June 2023, and selected Authority actions taken prior and subsequent thereto. Our audit included the examination of pertinent Authority records and transactions, inquiry of Authority personnel, observation of procedures in practice, and additional follow-up procedures as appropriate. Unless otherwise indicated in this report, records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

In conducting our audit, we:

- Reviewed applicable laws, Authority policies and procedures, and other guidelines, and interviewed Authority personnel to obtain an understanding of applicable processes and administrative activities and the relevant requirements.
- Examined the 2022-23 fiscal year funding agreement between the Authority and the human immunodeficiency deficiency (HIV) grantee (HIV Grantee) to determine whether it included provisions requiring the HIV Grantee to provide records supporting the clients served to the Board and whether provisions regarding the frequency of HIV testing was added.

- Examined the nine invoices totaling \$157,488 and accompanying utilization data submitted by the HIV Grantee to the Board during the period October 2022 through June 2023 to determine whether the number of individuals who received HIV testing and outreach services corresponded to the utilization data and HIV Grantee records and complied with funding agreement requirement terms and conditions. In addition, obtained HIV test results from the HIV Grantee reviewed to determine whether the frequency of HIV testing was consistent with Board intent.
- Examined Authority records and inquired of Authority personnel and Authority contractor personnel to evaluate the methods used to monitor grantee services and to ensure that any invoices provided to the Board are adequately supported by evidence of the provision of such services.
- Determined whether the Board had established policies and procedures that required the contracted accounting firm's compliance reports to summarize the results of the examinations and provide recommendations to the Board including all factors necessary for the Board's informed consideration of grantee performance.
- Examined the six compliance reports issued by the accounting firm during the period January 2023 through June 2023 to determine whether they included the contractually required information.
- Determined whether Board actions considered the conclusions and recommendations from the accounting firm's compliance reports.
- Examined the amendment to the Authority's pharmacy services agreement with its third-party administrator (TPA) to determine whether the agreement required TPA-submitted invoices be prepared in sufficient detail to evidence that the Authority was invoiced for pharmacy services in accordance with agreement terms and conditions.
- Examined the seven TPA-submitted pharmacy services invoices totaling \$307,555 for the period January 2023 through June 2023 to determine whether the invoices included the amount of detail required by the agreement and whether the invoices were supported by records sufficient to demonstrate that pharmacy services were provided in accordance with agreement terms and conditions.
- Examined Authority records to determine whether the Board had adopted policies and procedures that required the Board to approve contracts entered into by the TPA on the Board's behalf.
- Examined minutes of the 16 Board meetings held during the period January 2022 through June 2023 to determine whether the Board approved contracts entered into by the TPA on the Board's behalf.
- Examined Authority records to determine whether the Board had adopted policies and procedures that established a minimum level of unrestricted fund balance to be maintained and whether such policies and procedures complied with Government Finance Officers Association (GFOA) recommendations.
- Obtained and reviewed the Authority's 2021-22 fiscal year financial audit report to determine whether the Authority's unrestricted fund balance amount complied with GFOA recommendations and Authority policies and procedures.
- Analyzed Authority financial records to determine whether the financial resources accumulated by the Authority were reasonable compared to Authority expenditures and in compliance with Authority policy and procedures target amounts.
- Determined whether the Board had adopted policies and procedures that required adopted budgets to include balances brought forward from the prior fiscal year in accordance with Section 189.016(3), Florida Statutes.

- Examined the Board-adopted 2022-23 fiscal year budget to determine whether balances brought forward from the prior fiscal year were included.
- Examined Authority records to determine whether the Authority Board had adopted policies and procedures for removing Citizens Advisory Committee (CAC) members in a transparent manner that provided opportunity for public input.
- Examined minutes of the 16 Authority Board meetings and 8 Citizens Advisory Committee (CAC) Board meetings held during the period January 2022 through June 2023 to determine the propriety and sufficiency of actions taken relative to the programs, activities, and functions included in the scope of the original audit including whether the Authority Board:
  - Removed any CAC members.
  - Discussed significant items in detail prior to acting on those items.
  - Took action only for topics included in publicly noticed agendas in a transparent manner that allowed for participation of interested members of the public.
- Examined Authority records to determine whether the Board had adopted anti-fraud policies and procedures to provide guidance for communicating known or suspected fraud to appropriate individuals.
- Reviewed Authority records and inquired of Authority personnel to determine whether the Authority made any expenditures or entered into any contracts utilizing the authority granted by an applicable state of emergency.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## **AUTHORITY**

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Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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## West Volusia Hospital Authority

Sherrill F. Norman, CPA  
Auditor General  
State of Florida  
Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

We received the Auditor General's preliminary and tentative audit findings and recommendations on October 30, 2023, resulting from your follow-up audit of the West Volusia Hospital Authority. We appreciate your team's diligence and review during the audit process, and we are pleased that the audit did not discover any instances of fraud or violations of WVHA's internal controls to avoid fraud. A focus of my time as chair, which began in January 2022, is to promote more transparency and accountability, and your findings have been a useful tool.

WVHA appreciates that the Auditor General has now deemed "corrected" all of its Findings for Items 1, 2, 3, 4, 7, 8 & 9. As suggested by the audit team, WVHA will only provide responses on Findings 5 (which the audit team indicated it was okay for us to "agree to disagree") and 6 (which the audit team deemed as a "strong partially corrected").

Sincerely,

A handwritten signature in black ink that reads "Jennifer Coen". The signature is fluid and cursive.

Jennifer Coen  
Chair, West Volusia Hospital Authority

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## West Volusia Hospital Authority's Response to the Florida Auditor General's Preliminary and Tentative Audit Findings

The Board of Commissioners of the West Volusia Hospital Authority appreciates the follow-up audit performed by staff of the Auditor General and their recommendations. The West Volusia Hospital Authority (WVHA) funds local agencies that serve the health care needs of our community. It operates as an independent special taxing district for the purpose of providing access *no-cost* primary and hospital care, *low co-pay* specialty care, and *low-cost* prescriptions for working poor residents of West Volusia. To qualify for access to this unique network of low or no-cost healthcare, applicants must first demonstrate that they are not eligible for Medicare, Medicaid, Affordable Care Act, SSI or any other governmental or private health care program. WVHA is a payer of last resort for those who would otherwise fall through the cracks. Instead of burdening taxpayers with the operational expense and liabilities of owning and operating hospital facilities, WVHA appropriates \$4 million dollars each year to reimburse for hospital and emergency room expenses of Health Card members, with no balance billing, at three privately owned and operated hospitals: AdventHealth DeLand, AdventHealth Fish Memorial, or HalifaxHealth| UF Health Medical Center of Deltona. Outside of funding for staffing local hospitals, WVHA funding **supports over 150 employees** of local agencies — people who live and work right here in West Volusia. WVHA also encourages funded agencies to work together to combine resources and reduce costs. Our goal is to keep costs down and keep local tax dollars close to home.

The Board of Commissioners has thoroughly reviewed the follow-up audit findings and recommendations made by the Auditor General. We are pleased that the audit findings did not discover any fraud or violations of WVHA's existing internal controls to avoid fraud. This is consistent with the "clean" audit findings WVHA has received over the last sixteen years of yearly outside audits, currently conducted by Powell & Jones and previously James Moore & Company and Moore, Stephens Lovelace, P.A. Similarly, as to WVHA's compliance with the statutory budget process during this timeframe, WVHA has consistently received findings of "no violations" of the TRIM (Truth in Millage) certifications requirements by the Director of Property Tax Oversight Program.

We continuously look for ways to improve our budget and operational practices, while keeping costs down for taxpayers.

**Below are our written explanations to the findings presented to us for your follow-up audit of the West Volusia Hospital Authority.**

**Finding 5:** The Authority did not approve health care services agreements between the Authority's third-party administrator and health care providers that obligated the Authority to pay for the health care services.

The WVHA reimburses its Third-Party Administrator ("TPA") on a fee-for-service basis for the hospital and specialty care services needed by Health Card members. The TPA is responsible for establishing its own hospital and specialty care networks, based on contracts that it negotiates



directly with providers. In public meetings as required by law, WVHA approves its TPA agreements, determines an overall budget for the hospital and specialty care services, and also determines a maximum potential reimbursement rate tied to comparable Medicaid or Medicare rates, but WVHA's agreement with the TPA permits and provides incentives for the TPA to negotiate lower rates with individual providers. While approving health care provider agreements at a publicly noticed Board meeting would enhance transparency, WVHA has learned based on its own experience with actually trying to negotiate these provider contracts in past public meetings that it would also limit the negotiating power of our TPA and increase overall costs of providing healthcare to taxpayers. Once one provider knows what other providers are willing to accept, the WVHA loses the ability to get the most competitive reimbursement rates with other providers. To reiterate, this lesson learned is based on actual past experience of the Authority, not merely the opinion of WVHA's contracted Attorney.

The alternative, recommended approach would be akin to WVHA contracting (in a public meeting) with Florida BCBS for indigent residents to receive care at contracted reimbursement rates in the Florida BCBS's PPO network. If WVHA were to then insist that Florida BCBS present its PPO contracts with providers for approval at WVHA meetings, it is likely that either Florida BCBS would terminate the contract entirely to avoid having to disclose publicly its proprietary rates with individual providers OR Florida BCBS would end up having to charge WVHA a higher contracted reimbursement rate after some individual providers which had agreed to accept lower rates become aware that other providers have negotiated higher rates with Florida BCBS.

WVHA is deeply committed to transparency in government, particularly where it is required by State laws such as the Public Records and Sunshine Law. But, WVHA is also deeply committed to reducing the costs of reimbursements for indigent health care services to taxpayers. Because the audit team acknowledged during the exit interview that there is no legal requirement that WVHA directly approves these individual provider agreements between the TPA and its network of providers, WVHA will continue allowing the publicly contracted TPA to negotiate for lower rates with its own network of providers and passing along those savings to taxpayers.

**Finding 6:** The Authority accumulated significant resources that may be in excess of amount necessary for the Authority to fulfill its duties and responsibilities.

Based upon the advice and a recommendation from its new accounting firm, James Moore & Co., P.L., the Authority has adopted a written policy that establishes a target range of unassigned/assigned fund balance and has implemented a plan to move the unassigned/assigned fund balance toward that target range. The accounting and fiscal policy adopted 11/17/22 was emailed to the State.

In addition to the items noted in the *Prior Audit Follow-Up Report* to reduce the total unrestricted fund balance, the Authority has also taken the following measures to further reduce the total unrestricted fund balance:

- Decreased millage rate from 1.4073 mills for the year-ending September 30, 2022, to 1.0816 mills for the year-ending September 30, 2023, a decrease of 0.3257 mills, or 23%.



- Amended the final budget for the year-ended September 30, 2023, by \$5,743,390 for actual County Medicaid Reimbursement expenditures incurred.
- Decreased millage rate from 1.0816 mills for the year-ending September 30, 2023, to 0.9806 mills for the year-ending September 30, 2024, a decrease of 0.1010 mills, or 9%.
  - This resulted in a budgeted use of \$2,800,000 reserves for the year-ending September 30, 2024.

The following is a projected systematic reduction in fund balance and estimated Unrestricted Fund Balance as a % of Expenditures through September 30, 2024:

23,457,782	Fund Balance at September 30, 2022
(4,204,000)	Estimated use of fund balance for the year-ended September 30, 2023
19,253,782	Estimated Fund Balance at September 30, 2023
20,216,838	Estimated Actual Total Expenditures for the year-ended September 30, 2023
<u>95%</u>	Estimated Unrestricted Fund Balance as a % of Expenditures at September 30, 2023
(2,800,000)	Budgeted Use of Fund Balance for the year-ended September 30, 2024
16,453,782	Estimated Fund Balance at September 30, 2024
18,900,000	Budgeted Expenditures for the year-ended September 30, 2024
<u>87%</u>	Estimated Unrestricted Fund Balance as a % of Expenditures at September 30, 2024