

**STATE OF FLORIDA AUDITOR GENERAL**

Operational Audit

Report No. 2022-001  
July 2021

**CITRUS COUNTY HOSPITAL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## **Board of Trustees**

During the period October 2017 through March 2019, the following individuals served as Board of Trustees:

Deborah Ressler, Chairwoman  
Dr. Mark Fallows, D.O., Vice-Chairman  
Dr. Jeffrey Wallis, M.D., Secretary/Treasurer  
Allan Bartell  
Richard Harper

The team leader was James H. Cole, CPA, and the audit was supervised by Derek H. Noonan, CPA.

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# CITRUS COUNTY HOSPITAL BOARD

## **SUMMARY**

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This operational audit of the Citrus County Hospital Board (Board) focused on selected processes and administrative activities. Our audit disclosed the following:

### **Summary of Findings**

**Finding 1:** Board records did not demonstrate that the Board utilized an effective and efficient process to select the hospital valuation contractor.

**Finding 2:** The Board did not always procure transaction broker services in an effective and transparent manner.

**Finding 3:** Board policies and procedures need to be established to ensure that, before payments are made to law firms, Board personnel verify that services and related rates charged by the firms agree with the Board-approved contracts.

**Finding 4:** The Board had not established policies and procedures to effectively ensure that the hospital lessee made all contractually required payments.

**Finding 5:** The Board had not established policies and procedures to provide sufficient accountability and oversight over Citrus County Charitable Foundation disbursements, including grant awards to external organizations.

## **BACKGROUND**

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### CITRUS COUNTY HOSPITAL BOARD – OPERATIONAL HISTORY

The Citrus County Hospital Board (Board) was created by the Legislature in 1949 as a special taxing district and a public nonprofit corporation for the purpose of acquiring, building, constructing, maintaining, and operating a public hospital in Citrus County. The creating State law<sup>1</sup> granted the Board authority to enter into leases or contracts with a not-for-profit Florida corporation for the purpose of operating and managing the hospital and any or all of its facilities. The Board is governed by five trustees who are each appointed to a 4-year term by the Governor, subject to Senate approval and confirmation. The trustees elect a chair, vice chair, and secretary-treasurer on an annual basis.

Since the Board's creation, its authorized operations have expanded and been revised. For example:

- In 1965, the Legislature expanded the Board's purpose to include operating public hospitals, medical nursing homes, and convalescent homes in Citrus County.
- In 1987, the Board created the Citrus County Health Foundation, Inc., which was subsequently renamed the Citrus Memorial Health Foundation, Inc. (CMH Foundation). The purpose of the

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<sup>1</sup> Chapter 25728-732, 1949 Laws of Florida, *Citrus County Hospital Act*.

CMH Foundation, a nonprofit corporation, was to operate exclusively for the benefit of the Board and to carry out the Board's purposes specified in the special act. The CMH Foundation was managed by a board of directors composed of the five trustees of the Board, a minimum of 5 and maximum of 7 at-large directors, and the chief/president of the medical staff working at the Citrus Memorial Hospital (Hospital).

- The Board entered into a lease agreement and an agreement for hospital care with the CMH Foundation, effective March 1, 1990. During the lease period, the CMH Foundation did business as the Citrus Memorial Health System and offered 198-bed in-patient hospital care, a 24-hour emergency room, a walk-in clinic, a heart center, home health agency services, laboratory and diagnostic services, rehabilitation services, and orthopedic services. To help fund those services, the Board, as a special district, levied ad valorem taxes on taxable real and personal property in Citrus County. The agreement was terminated in 2014 after the Hospital incurred financial difficulties and litigation involving the Board and CMH Foundation.
- In 2011, the Legislature codified all prior special acts related to the Board.<sup>2</sup>
- In 2014, State law<sup>3</sup> amended the Board's charter to authorize the Board to enter into leases with any Florida corporation, rather than only a Florida nonprofit corporation, for the purpose of operating or managing the hospital and its facilities. The law also authorized the Board to create an irrevocable community trust or foundation (separate from the CMH Foundation) to manage the proceeds of a lease of the hospital and its facilities to a private for-profit entity, in the event such lease results in net proceeds that exceed existing debt associated with the hospital and its facilities for loans, notes, revenue bonds, or other bond obligations, and a reasonable estimate of the Board's administrative costs and costs to facilitate, manage, or enforce the lease and its covenants for the term of the lease. Accordingly, the Board created the Citrus County Community Charitable Foundation, Inc. (Charitable Foundation). Because of the intent to have the Board operate the hospital through a lease with a private for-profit entity (thereby generating lease proceeds), the law removed the Board's authority to levy ad valorem taxes as a means to fund hospital services and provided that the newly established Charitable Foundation must use any net lease proceeds and any interest derived therefrom for the medically related needs of Citrus County citizens and residents.
- On October 31, 2014, the Board, CMH Foundation, and Citrus Memorial Hospital, Inc., a private for-profit hospital corporation, entered into a Master Agreement whereby the parties agreed that the existing lease between the Board and the CMH Foundation would be terminated and that a new lease agreement would be executed for the Citrus Memorial Hospital, Inc., to operate the hospital on behalf of the Board.<sup>4</sup> Concurrently, the Board entered into a lease agreement with the Citrus Memorial Hospital, Inc. (Lessee) to operate the hospital on behalf of the Board. The initial term of the lease was 50 years with the option for the Lessee to renew for an additional 25 years.

Concurrently, the Board and CMH Foundation entered into a Global Allocation and Contribution Agreement, which clarified provisions of the new lease. The Master Agreement required the CMH Foundation to take steps to begin dissolution and change its name to a name not similar to "Citrus Memorial Hospital" or "Citrus Memorial Health System." Accordingly, the CMH Foundation changed its name to the Foundation Resolution Corporation (FRC) and subsequently adopted a plan of liquidation to wind down remaining operations.

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<sup>2</sup> Chapter 2011-256, Laws of Florida, *Citrus County Hospital and Medical Nursing and Convalescent Home Act*.

<sup>3</sup> Chapter 2014-254, Laws of Florida, effective October 15, 2014.

<sup>4</sup> The Master Agreement also included another party to the agreement to act as "Guarantor" for the purposes specified in Section 12.22 of the Master Agreement. That section provides that the Guarantor shall guarantee the "prompt and faithful performance and observation by the Lessee of each and every obligation, covenant and agreement of the Lessee" set forth in the Master Agreement.

## HOSPITAL LEASE PROCEEDS AND USES

As previously mentioned, the Board created the Charitable Foundation to manage the proceeds from the lease with the Citrus Memorial Hospital, Inc. The terms of the applicable agreements (Master Agreement and lease agreement) provided for the Lessee to pay, at the time of the agreements' execution, gross lease proceeds of \$140 million, which was composed of advance rent totaling \$52 million for the leased real property over the initial 50-year term and the amount owed by the Lessee for the purchase of certain assets (inventory, bank accounts, personal property and equipment, interests in intellectual properties, goodwill, etc.) from the CMH Foundation. Table 1 shows the intended uses of the \$140 million gross lease proceeds.

**Table 1**  
**Hospital Lease Proceeds and Intended Lease Uses**  
**October 31, 2014**

<b>Hospital Lease Proceeds:</b>	<b>Amount</b>
Gross Lease Proceeds	\$140,000,000
Less Credit for Billing Application Not Needed and, Therefore, Not Purchased by the Private Hospital	(12,500,000)
Less Miscellaneous Net Uses of Gross Proceeds	(177,701)
<b>Net Lease Proceeds Provided to Board at Closing</b>	<b><u>\$127,322,299</u></b>
<b>Intended Lease Uses:</b>	<b>Amount</b>
CMH Foundation Debt Repayments	\$ 41,113,116
Indemnity Escrow Fund	38,700,000
Pension Escrow Account	25,000,000
General Escrow Account	14,030,735
Board Administrative Expense Account	8,000,000
Miscellaneous Expenses Paid at Closing	478,448
<b>Total Intended Uses</b>	<b><u>\$127,322,299</u></b>

Source: Master Agreement Settlement Statement.

The Master Agreement<sup>5</sup> established the following escrow fund and accounts from the net lease proceeds:

- An Indemnity Escrow Fund (IEF) in the amount of \$38.7 million to pay the Board and FRC's continuing obligations, covenants, agreements, and liabilities under the Master Agreement,<sup>6</sup> to include any indemnifiable losses that occur due to Board or CMH Foundation actions occurring prior to the October 31, 2014, closing date. Pursuant to the Master Agreement, the IEF moneys are to be disbursed in accordance with an escrow agreement.

According to Board records, financial activity in the IEF since the closing date through March 2019 included \$803,351 of investment earnings and, as shown in Table 2, \$19 million paid to other entities and accounts, leaving a balance of \$20,485,284.

<sup>5</sup> Master Agreement dated October 31, 2014.

<sup>6</sup> Section 2.7, Master Agreement dated October 31, 2014.

**Table 2**  
**Indemnity Escrow Fund**  
**Payments to Other Entities and Accounts**  
**From October 31, 2014, Through March 31, 2019**

Entity or Account	Amount
Charitable Foundation	\$ 7,781,220
Pension Escrow Account	4,000,000
Board	3,443,780
Guarantor	2,505,448
General Escrow Account	802,319
FRC	485,299
<b>Total Paid to Other Entities and Accounts</b>	<b><u>\$19,018,066</u></b>

Source: Board records.

- A Pension Escrow Account (PEA) in the amount of \$25 million to help address funding needs of the CMH Foundation's defined benefit pension plan. According to the Board's 2018-19 fiscal year audited financial statements,<sup>7</sup> during the closeout of the pension plan, it was determined that additional funds were needed beyond those originally anticipated to fully meet pension obligations. The IEF and FRC contributed \$4 million and \$1 million to the PEA, respectively, and the PEA earned \$128,746 of investment earnings from the closing date through March 2019. Thus, PEA sources totaled \$30.1 million and, as shown in Table 3, according to Board records as of March 2019, the PEA had expended \$29.2 million, leaving a balance of \$954,886 as of that date.

**Table 3**  
**Pension Escrow Account Payments**  
**From October 31, 2014, Through March 31, 2019**

Payment Purpose	Amount
Pension Funding	\$27,800,000
Plan Expenses	1,000,333
Miscellaneous	373,527
<b>Total Paid to Other Entities and Accounts</b>	<b><u>\$29,173,860</u></b>

Source: Board records.

- A General Escrow Account (GEA) for which \$14,030,735 was initially deposited, representing the amount of net proceeds at closing, less amounts required for other purposes specified in the Master Agreement (including the IEF and PEA).<sup>8</sup> Pursuant to the Global Allocation and Contribution Agreement,<sup>9</sup> moneys in the GEA were made available for the CMH Foundation's use, such as insurance coverage, hospital claim settlements, and philanthropic donations. Any moneys remaining in the GEA are to be contributed to the Charitable Foundation after the Board and CMH Foundation agree in writing that the CMH Foundation has made adequate provision for the conclusion of its affairs.<sup>10</sup>

<sup>7</sup> Note 9 to the Board's 2018-19 fiscal year audited financial statements.

<sup>8</sup> Section 3.3(a), Master Agreement dated October 31, 2014.

<sup>9</sup> Section 13, Global Allocation and Contribution Agreement, as amended July 28, 2015.

<sup>10</sup> Section 15, Global Allocation and Contribution Agreement, as amended July 28, 2015.

According to Board records, financial activity in the GEA from the closing date through March 2019 included \$1,500,732 transferred from the Lessee and various other sources, \$802,319 transferred from the IEF, and \$3,404 in interest earnings. As of March 2019, GEA sources totaled \$2.3 million and, as shown in Table 4, expenses totaled \$16.2 million, leaving a balance of \$125,549.

**Table 4**  
**General Escrow Account Payments**  
**From October 31, 2014, Through March 31, 2019**

Payment Purpose	Amount
Satisfy FRC Obligations	\$15,522,896
Charitable Foundation	688,745
<b>Total Paid to Other Entities and Accounts</b>	<b><u>\$16,211,641</u></b>

Source: Board records.

In addition, the Global Allocation and Contribution Agreement<sup>11</sup> provided for \$8 million to be retained by the Board to cover the Board’s future operational expenses, such as salaries, benefits, insurance, and audit fees, over the term of the hospital lease.

## FINDINGS AND RECOMMENDATIONS

### Finding 1: Hospital Valuation Contractor Selection Process

The Board’s stewardship and fiduciary responsibilities include ensuring that Board internal controls provide for the effective and efficient use of public resources in accordance with applicable laws, contracts, and Board policies and procedures. To promote responsible spending and improved accountability, it is important that the Board consistently utilize an effective and efficient process for procurement and that Board records demonstrate that public funds are properly utilized in fulfilling the legally established Board responsibilities.

To assist the Board and other public entities in the effective and efficient use of public resources, State law<sup>12</sup> establishes that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. State law specifies that documentation of the acts taken is an important means of curbing any improprieties and establishing public confidence in the process by which goods and services are procured. Additionally, for competitive procurements made through the request for proposals (RFP) process, the National Institute of Governmental Purchasing (NIGP)<sup>13</sup> in its *Global Best Practices* recommends:

- Use of clearly defined criteria for procurement decisions.

<sup>11</sup> Sections 2b and 2p, Global Allocation and Contribution Agreement, as amended July 28, 2015.

<sup>12</sup> Section 287.001, Florida Statutes.

<sup>13</sup> NIGP: The Institute for Public Procurement, is a membership-based, nonprofit organization composed of members representing Federal, state, provincial and local government levels throughout the United States and Canada and provides support to professionals in the public sector procurement profession.

- A clear understanding by evaluation committee members of how criteria and scoring should be applied.
- Use of a consistent approach when scoring against preannounced criteria.
- Transparency of the selection criteria and evaluation process.

Also, State law<sup>14</sup> provides that a district or municipal hospital acting by and through its governing board may sell or lease a hospital to a for-profit or not-for-profit Florida entity.

As part of our audit procedures, we requested for examination, and Board personnel provided, records to document the reasonableness of the process for selecting a hospital valuation contractor. Our examination disclosed that, to determine the most appropriate course of action and prepare for a potential sale or new lease of the hospital, in November and December 2012 the Board advertised an RFP in several area newspapers inviting interested parties to submit proposals for valuing the Citrus Memorial Hospital and other listed assets. The RFP requested that the proposals include a comparison to “determine whether it is more beneficial to taxpayers and the affected community for the hospital to be operated by a governmental entity, or whether the hospital can be operated by a not-for-profit or for-profit entity with similar or better cost-efficiencies or measurable outcomes.” Proposals were to be submitted by December 27, 2012, and evaluated by the Board’s Strategic Planning Committee (SPC), which was composed of the five Board members.

Seven firms responded to the RFP and presented proposals to the SPC during its January 3, 2013, meeting. The SPC then selected one of the respondents and authorized the Board General Counsel to prepare, and submit for Board member review, a contract with that respondent. At the January 17, 2013, meeting, the Board approved the contract for \$116,000. According to Board records, during the period January 2013 through April 2013, the Board paid the hospital valuation contractor the \$116,000 contracted amount. Notwithstanding, our examination disclosed several deficiencies in the hospital valuation contractor selection process, including deficiencies related to the award and evaluation criteria, scoring instructions, scoring methodology, and evaluation process.

**Award and Evaluation Criteria.** As shown in Table 5, the RFP identified 6 award criteria in Section 4.1,<sup>15</sup> 16 award criteria in Section 4.8,<sup>16</sup> and 8 evaluation criteria in Section 4.2.<sup>17</sup>

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<sup>14</sup> Section 155.40(1), Florida Statutes.

<sup>15</sup> Citrus County Hospital Board of Trustees *Request for Proposals as Amended on December 17, 2012*, Section 4.1 – Qualification Process.

<sup>16</sup> Citrus County Hospital Board of Trustees *Request for Proposals as Amended on December 17, 2012*, Section 4.8 - Award Criteria.

<sup>17</sup> Citrus County Hospital Board of Trustees *Request for Proposals as Amended on December 17, 2012*, Section 4.2 - Evaluation Criteria.

**Table 5  
RFP Award and Evaluation Criteria**

<b>Award Criteria - Section 4.1</b>	<b>Award Criteria - Section 4.8</b>	<b>Evaluation Criteria - Section 4.2</b>
1 Range of previous relevant experience.	1 Relevant experience.	1 Proven track record of key personnel in providing required services.
2 Quality of the proposal and methodology.	2 Quality of proposal document submitted.	2 Appropriateness of the proposed solution.
3 Quality of resources available for this project.	3 Expertise of the specific proposed individuals.	3 Technical ability.
4 Demonstrated understanding of the requirements.	4 Understanding of the issuer's requirements.	4 Understanding of requirements, pursuant to Section 155.40(5), Florida Statutes.
5 Ability to meet the project timescale.	5 Stated ability to meet deadlines.	5 Ability to meet project timeframes.
6 Cost.	6 Cost.	6 Cost, including daily rates, payment schedule and non-financial incentives.
	7 Experience.	7 Project management.
	8 Financial capacity.	8 Financial viability.
	9 Timeframe.	
	10 Stated ability to meet all the minimum requirements.	
	11 Completeness of proposal documentation.	
	12 Economic standing.	
	13 Qualifications.	
	14 Reference sites.	
	15 Demonstrated understanding of the needs of the Board.	
	16 Value for money.	

Source: Citrus County Hospital Board of Trustees *Request for Proposals as Amended on December 17, 2012*.

Contrary to NIGP recommendations, the RFP did not clearly define all award criteria or explain how certain award criteria differed from similar award criteria. Specifically:

- The economic standing, reference sites, and value for money (criteria Nos. 12, 14, and 16, respectively) award criteria in Section 4.8 were not defined.
- Some Section 4.8 award criteria appeared duplicative of other Section 4.8 criteria. For example, criterion No. 1, relevant experience, appeared duplicative of criterion No. 7, experience, and criterion No. 5, stated ability to meet deadlines, appeared duplicative of criterion No. 9, timeframe.
- Some award and evaluation criteria were duplicative of, or similar to, criteria in other RFP sections. For example:
  - Sections 4.1, 4.2, and 4.8 each included cost as criterion No. 6.
  - Section 4.1 criterion No. 2, quality of the proposal and methodology, and criterion No. 5, ability to meet the project timescale, were similar to Section 4.8 criterion No. 2, quality of proposal document submitted, and criteria No. 9, timeframe, respectively.
  - Section 4.1 criterion No. 4, demonstrated understanding of the requirements, was similar both to Section 4.8 criterion No. 4, understanding of the issuer's requirements, and Section 4.2 criterion No. 4, understanding of requirements, pursuant to Section 155.40(5), Florida Statutes.

Insofar as some of the RFP award and evaluation criteria were duplicative or very similar, it is not apparent that the respondents and SCP members were provided clearly defined and distinct criteria under which the proposals were to be evaluated. Without clearly defined and distinct criteria, there is an increased opportunity for misunderstanding or misinterpreting the criteria or their importance. This could lead to unintended scoring differences and failure to select the most favorable proposal and may also make decisions vulnerable to challenge.

**Scoring Instructions.** As previously mentioned, the NIGP recommends that evaluation committee members have a clear understanding how criteria and scoring should be applied and use a consistent approach when scoring against preannounced criteria. However, Board records provided for our examination did not demonstrate that SCP members were provided written instructions explaining how criteria and scoring should be applied. Providing evaluation team members with such instructions would help ensure that team members understand the scoring criteria and use a consistent approach to identify and select the most favorable proposal.

**Scoring Methodology.** The SPC Chairperson completed an RFP checklist for each of the respondents. The RFP checklist was divided into two parts, and the first part included two sections consisting of 13 items. The second part included 17 sections consisting of 82 items, including 4 of the 6 award criteria from RFP Section 4.1 criteria (range of previous relevant experience, quality of resources available for this project, ability to meet the project timescale, and cost) and the 8 RFP Section 4.2 evaluation criteria. However, the RFP checklist did not include items for the 16 RFP Section 4.8 award criteria or the other 2 RFP Section 4.1 criteria, except for certain criteria that were duplicative of, or similar to, other criteria in RFP Section 4.1 or Section 4.2. The checklist also included numerous items that were not identified as award or evaluation criteria in the RFP.

Moreover, neither the RFP nor the RFP checklists completed by the SPC Chairman provided a scoring or weighting method to rank the proposals. The RFP was silent regarding an established scoring or ranking method and the RFP checklists consisted of columns of “yes” and “no” boxes for each of the items the reviewer could use to indicate whether the respondent had provided or satisfied the applicable criterion. However, by limiting the answers to “yes” and “no” responses, the checklist did not provide for an accurate assessment of the respondent’s responses to certain criteria, such as range of previous experience, quality of resources available for this project, ability to meet the project timescale, and cost criteria. To properly evaluate responses to such criteria, the checklist could have included, for example, a numeric scale of 0 to 5, with 0 being “no information provided” and 5 being “minimum requirements exceeded.”

Accordingly, it was not apparent that the RFP or the checklists completed by the SPC Chairman established an appropriate methodology to evaluate the proposals and demonstrate selection of the most favorable contractor. A properly developed and implemented scoring methodology would assist the Board in consistently ranking proposals in accordance with established criteria and help avoid the appearance of favoritism in the procurement process.

**Evaluation Transparency.** Consistent with NIGP-recommended best practices, the Board should ensure full transparency regarding the proposal evaluation process. However, Board records did not fully

evidence the evaluation and ranking process for the seven proposals or how the successful respondent was selected. Specifically, we noted:

- The SPC Chairperson-prepared RFP checklists for six of the seven proposals were dated December 27, 2012, and the remaining checklist was dated January 2, 2013. According to Board personnel, the SPC Chairperson prepared the checklists without input from the other SPC members, and the other SPC members did not prepare checklists for, or otherwise document, evaluation of the seven proposals.
- At its January 3, 2013, public hearing, the SPC heard presentations from the seven respondents, and SPC members were able to ask questions of each respondent. However, the SPC meeting minutes did not indicate whether the respondents were ranked or that the selected respondent received the highest ranking. Nor did the minutes otherwise indicate the basis for selecting the respondent who was awarded the contract.

Absent Board records demonstrating individual ranking of the respondents based on the RFP criteria, it was not readily apparent how the Board selected the respondent with the most favorable proposal.

**Recommendation:** The Board should enhance proposal solicitation and evaluation procedures to ensure that:

- RFPs clearly define the criteria to be used to evaluate proposals and prescribe a methodology for scoring and ranking proposals based on the defined criteria.
- Individuals responsible for evaluating proposals are provided written instructions that address how to apply established criteria when scoring proposals.
- Records evidencing the evaluation and scoring of proposals and selection process are maintained.

## **Finding 2: Transaction Broker Selection**

An effective procurement process for contractual services typically requires documented requests for proposals, consideration of service provider proposals, selection of the most qualified service provider, and written contracts embodying all provisions and conditions of the procurement and delivery of the services. While fees are considered, fees are generally not the primary or sole criteria in selecting the most qualified provider.

At the March 28, 2013, meeting, the Board accepted the hospital valuation contractor's valuation of the hospital, approved a resolution to publish an RFP for the hospital sale or lease, and directed that a transaction broker be engaged to identify and communicate with all potential interested parties and provide the Board direction and assistance with all aspects of the sale or lease. During that meeting, the Board Vice-Chairman offered to bring three firm names to the Board for the transaction broker services, to which the Board agreed, and another Board member offered to check the firms' references. The Board also agreed to select the transaction broker during its April 15, 2013, meeting, which it did.

Our examination of Board records and discussions with Board personnel regarding the selection of transaction brokers disclosed that the procedures used by the Board were not adequate to ensure that the transaction broker services were effectively and efficiently obtained.

**Selection Methodology.** The Board used a request for information (RFI) process to solicit proposals and select a vendor to provide transaction broker services. While the RFI requested potential vendors to submit a proposal that included information about the vendor, the RFI did not specify evaluation criteria or describe how the requested information was to be used to evaluate potential respondents. Typically, an RFI process collects information from vendors to create a pool of vendors who have the potential to provide the desired services and, then, an RFP with defined evaluation criteria is used to request proposals from those vendors. Although we requested, Board personnel did not provide records evidencing why an RFP was not used (either in lieu of, or in conjunction with, the RFI) to procure transaction broker services. The Board's use of the RFI, without an RFP specifying the criteria for evaluating respondent proposals, increased the risk that the Board would not select the most appropriate vendor to provide the transaction broker services.

**Selection of First Transaction Broker.** With regard to the Board's selection of the first transaction broker to assist in the sale or lease of the hospital, we noted that:

- While the Board sent the RFI to three transaction brokers identified by the Board's Vice-Chairman, the Board did not advertise the RFI or otherwise communicate the RFI to other potential transaction brokers. In response to our inquiry as to why the RFI was not advertised or communicated to other brokers, the Board General Counsel indicated that State law did not require the solicitation of bids for transaction broker services. Notwithstanding the lack of a statutory competitive selection requirement, advertising the RFI to other potential vendors would have provided additional assurance that the Board obtained the most favorable proposal and engaged the most qualified vendor.
- The NIGP, in its *Public Procurement Guide for Elected and Senior Government Officials*, indicates that potential service providers should be given adequate time (typically a minimum of 14 to 30 days) to prepare bids or proposals. Although the RFI was not dated, it referred to the Board's authorization at its March 28, 2013, meeting and required respondents to submit their proposals by noon on April 5, 2013, and be prepared to give proposal presentations at the April 15, 2013, Board meeting. Those dates allowed the firms 8 or fewer days to prepare and submit proposals, which may not have provided adequate time. In response to our inquiry regarding the proposal timeframe, the Board General Counsel indicated that the time allowed was consistent with State law,<sup>18</sup> which does not require a specific minimum response time or establish a timeframe for obtaining transaction broker services. Notwithstanding, providing interested vendors adequate time to prepare and submit their proposals and presentations improves the vendors' ability to prepare more comprehensive and accurate proposals and presentations for Board consideration.
- The RFI's scope of work section stated that the Board sought a prospective firm to render transaction services as a "broker/banker and consult" for the hospital sale or lease. The RFI indicated that respondents "selected to participate in the presentation" would be allowed 1 hour to present their proposals and answer any Board questions, and the Board was expected to select a respondent at the end of the presentations. The RFI also indicated that each respondent should provide qualification information, including, for example:
  - The company's hospital mergers and acquisition experience.
  - The primary representatives' hospital mergers and acquisitions experience.
  - A list of the primary representatives' hospital mergers and acquisitions from the last 5 years.

At the Board's April 15, 2013, meeting, the three firms presented their proposals, and the Board selected a firm. However, Board meeting minutes did not indicate the reasons the Board selected

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<sup>18</sup> Section 155.40, and Chapter 287, Florida Statutes.

the firm and, although we requested, Board personnel did not provide records evidencing the process used to determine the most favorable proposal. As such, Board records did not demonstrate that the Board selected a transaction broker at the lowest price consistent with desired quality.

On April 30, 2013, the Board executed a written contract with the selected transaction broker, which provided that the transaction broker would receive compensation to include:

- A \$775,000 transaction fee payable at the closing of the hospital sale or lease.
- A fee of \$20,000 payable each month upon execution of the contract through closing of the hospital sale or lease, or until the contract was terminated by either party or expired, whichever occurred first.<sup>19</sup> Such fees were to be deducted from the \$775,000 transaction fee at the closing date.
- A maximum monthly fee of \$20,000 for a period of 6 months for communication services. For each of the 6 months, the transaction broker was to initially be paid a monthly retainer of \$10,000, or a total of \$60,000, but could then bill for up to another \$60,000 at the end of the 6-month period.

The contract also provided that the transaction broker would be paid a maximum of \$5,000 per month for out-of-pocket expenses such as travel, food, lodging or other subsistence and authorized the transaction broker to spend an additional \$60,000 over 6 months for communication expenses to include, but not be limited to, travel of communication specialists, town hall meetings, radio, and print media.

In May 2013, shortly after contracting with the transaction broker, the Board advertised and issued an RFP for the sale, lease, partnership, affiliation, merger, or joint venture of some or all property, pursuant to State law.<sup>20</sup> Minutes of subsequent Board meetings indicated the Board's dissatisfaction with the transaction broker's actions. Specifically:

- According to the Board's May 29, 2013, meeting minutes, an individual in attendance claimed the Hospital sale/lease "bidding process" had been "contaminated" and referred to an alleged e-mail sent by the transaction broker regarding a meeting held in the Board General Counsel's office between one of the early RFP respondents and an elected State official. In response to our inquiry, the General Counsel indicated that the respondent met with two former elected State officials in the Board Counsel's conference room; however, the General Counsel asserted that no wrongdoing occurred and that the meeting did not involve the Board. The respondent withdrew its proposal before the final selection. Although we requested, Board personnel indicated they did not have the e-mail referenced at the Board meeting and did not recall the date of the respondent's meeting with the former elected State officials.

At the same May 29, 2013, Board meeting, the Board adopted a resolution restricting the transaction broker's communications. For example, the resolution prohibited the transaction broker from communicating with any member of the press and media on behalf of, or in regard to, the Board, and required that any public records requests received by the transaction broker be forwarded to the Board General Counsel within 48 hours of receipt.

- According to the July 10, 2013, special Board meeting minutes, a motion was made to terminate the transaction broker's contract after discussion regarding the transaction broker's "conduct and unprofessional behavior." The motion failed on a 2-2 vote.

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<sup>19</sup> Section 4.1, Contract No. 2013-002, provided for a termination date of March 31, 2014, unless sooner terminated in accordance with other terms of the contract.

<sup>20</sup> Section 155.40, Florida Statutes.

- According to the Board's July 19, 2013, meeting minutes, the General Counsel informed the Board that the transaction broker refused to comply with public records requests and referred to previous e-mails from the transaction broker's attorneys indicating that the Board needed to pay \$12,000 to the transaction broker to obtain the requested records. The Board then voted to immediately terminate the transaction broker's contract.

During the period April 2013 through June 2013, the Board paid the transaction broker \$60,000. On August 19, 2013, the transaction broker sued the Board for breach of contract and deprivation of procedural due process under the contract. On January 22, 2014, the Board executed a settlement agreement with the transaction broker, which provided that the Board would pay the transaction broker an additional \$700,000. On February 13, 2014, the Board's insurance company agreed to reimburse the Board \$325,000 for the breach of contract lawsuit costs, reducing to \$375,000 the Board's net cost to settle the lawsuit. According to the Board General Counsel, the Board agreed to the \$700,000 settlement with the transaction broker to prevent any legal issues from delaying the hospital lease closing date because the hospital was having financial difficulties and the lessee selected by the Board in September 2013 wanted the matter resolved prior to signing the Master Agreement.

**Selection of Second Transaction Broker.** To replace the terminated transaction broker, the Board issued another RFI for transaction broker services dated August 2, 2013. On August 7 and 8, 2013, the Board issued public notices in several area newspapers inviting interested parties to submit proposals. The RFI indicated that each respondent should provide the same qualification information included in the March 2013 RFI and required respondents to submit their proposals on or before August 14, 2013, only 7 days after the first public notice date. Despite the brief response time, e-mail correspondence provided by Board personnel indicated that the Board received timely proposals from ten respondents.

According to the August 22, 2013, Board meeting minutes, an attorney contracted by the Board to assist with the hospital sale or lease narrowed the number of respondents down to three, based on experience and fees. The Board selected one of the three respondents at the August 22, 2013, Board meeting; however, the meeting minutes did not indicate the reason the Board selected that respondent and, although we requested, Board personnel did not provide records evidencing the process used to determine the most favorable respondent nor an explanation as to why the contracted attorney did not consider RFI-specified qualifications other than experience and fees.

A week later, on August 29, 2013, the Board held a special meeting because, according to the meeting minutes, one of the ten RFI proposals had not been included in the August 22, 2013, meeting packets distributed to Board members. According to the General Counsel, the vendor engaged to prepare the Board member meeting packets failed to include one of the proposals in the August 22, 2013, meeting packets. After the omission was discovered, Board members were sent the previously omitted proposal for review and consideration during the August 29, 2013, special meeting. At that meeting, after consultation with the contracted attorney, the Board decided to contract with the transaction broker selected at the August 22, 2013, meeting. The Board contract provided that the selected transaction broker would receive compensation totaling \$550,000. During the period October 2013 through November 2014, the Board paid the transaction broker the full contract amount. However, as Board records did not evidence the process used to determine the most favorable proposal, Board records did not demonstrate that the Board selected the transaction broker at the lowest price consistent with desired quality.

**Recommendation:** The Board should establish appropriate policies and procedures for acquiring professional services. Such policies and procedures should ensure that:

- RFPs with specified evaluation criteria are used, as appropriate, to competitively procure professional services.
- RFPs are advertised to a broad audience of potential respondents.
- Sufficient time is provided for RFP responses.
- Records evidencing the process used to evaluate proposals and select the most favorable proposal are maintained.

**Finding 3: Legal Services Procurement and Contract Monitoring**

Pursuant to State law,<sup>21</sup> the Board is authorized to contract as necessary to carry out its responsibilities, which may require the use of law firms as needed. To ensure that the most qualified law firms are used, a proper selection process is essential. In addition, effective contract monitoring procedures are essential to ensure that contracted law firms comply and are paid in accordance with applicable contract terms and conditions.

During the audit period, the Board primarily utilized four contracted law firms for:

- Transaction counsel for the hospital lease process and indemnification for claims attributable to hospital actions prior to the lease date.
- Researching and appealing Medicare reimbursements.
- Pension litigation against the Board’s pension plan administrator for breach of fiduciary duty.
- Florida Sunshine Law<sup>22</sup> and Public Records Law<sup>23</sup> issues.

As shown in Table 6, the Board paid approximately \$1.3 million to the four law firms during the period October 2017 through March 2019.

**Table 6  
Contractual Legal Services Paid  
October 2017 Through March 2019**

Contracted Firm	Amount Paid
Law Firm 1	\$61,390
Law Firm 2	586,308
Law Firm 3	558,627
Law Firm 4	77,847
<b>Totals</b>	<b><u>\$1,284,172</u></b>

Source: Board records.

<sup>21</sup> Chapter 2014-254, Laws of Florida.

<sup>22</sup> Section 286.011, Florida Statutes.

<sup>23</sup> Chapter 119, Florida Statutes.

Our examination of Board records and discussions with Board personnel disclosed that Board policies and procedures for selecting firms to provide legal services and managing legal services contracts could be improved.

**Competitive Selection.** The Board had not established policies to require the competitive selection of legal services. Board records evidenced that competitive selection processes<sup>24</sup> were used to select Law Firms 1 and 2; however, although we requested, Board personnel did not provide records evidencing the processes used to select Law Firms 3 and 4. According to the Board General Counsel, because State law does not specifically require the Board to competitively procure legal services, the Board does not always competitively procure such services. Absent Board policies that require use of a competitive selection process for all legal services, there is an increased risk that such services may not be obtained at the lowest cost consistent with desired quality, or that the selected firm may not have sufficient knowledge or experience.

**Contract Monitoring.** The four legal services contracts provided that the law firms would bill the Board at certain established attorney and paralegal hourly rates. To determine whether the Board paid for legal services at the hourly rates listed in the contracts, we initially selected for examination Board records supporting ten payments totaling \$481,157 from the payments totaling \$1,284,172 made to the four law firms during the period October 2017 through March 2019. We found that, for two payments (one each to Law Firms 1 and 4), the Board paid hourly rates that exceeded the contract rates.

We expanded our audit procedures to examine Board records supporting 17 additional payments totaling \$48,733. In total, we examined 27 legal services contract payments totaling \$529,890 and determined that, for 18 of the 27 payments selected, nine hourly rates paid by the Board to Law Firms 1 and 4 exceeded the contract hourly rates by \$18,094. Table 7 compares the hourly rates billed and paid to the contract hourly rates.

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<sup>24</sup> For example, four law firms made presentations at a July 2013 Board meeting.

**Table 7**  
**Hourly Rates Billed and Paid that Exceeded Contract Rates**  
**For October 2017 Through March 2019**

Law Firm	Billed and Paid Hourly Rate <sup>a</sup>	Contract Hourly Rate	Rate Difference	Hours Billed	Excess Charges
Law Firm 1	\$580 <sup>b</sup>	\$410 <sup>b</sup>	\$170	1.2	\$ 204
	550	410	140	4.0	560
	495	410	85	13.8	1,173
	490 <sup>b</sup>	410 <sup>b</sup>	80	28.8	2,304
	475	410	65	2.9	189
	345	265	80	1.6	128
	335	265	70	2.3	161
				Total	<u>\$4,719</u>
Law Firm 4	300	200	100	47.5	4,750
	250	200	50	172.5	8,625
				Total	<u>\$13,375</u>
<b>Total for Both Law Firm 1 and Law Firm 4</b>					<b><u>\$18,094</u></b>

<sup>a</sup> Some of the paid hourly rates were included in more than 1 of the 18 payments with hourly rates billed and paid in excess of the contract hourly rates.

<sup>b</sup> Billed and paid hourly rates were for firm partners whose names were not listed in the contract. For comparison purposes, the contract hourly rate is the rate for firm partners named in the contract.

Source: Board records.

According to the Board General Counsel, certain contract and contract amendment language allowed rate increases. However, our examination of the law firm contracts disclosed:

- The Law Firm 1 contract was dated September 2013 and was amended in June 2014. The contract provided that “while the parties recognize that staffing needs may change, it is agreed that Firm will provide written notice to CCHB if it removes, substitutes or adds any other attorneys”<sup>25</sup> and “while Firm typically reviews and may periodically adjust its rates, the parties agree that no adjustments may be made under this Agreement unless agreed to in a writing executed by CCHB.”<sup>26</sup> However, although we requested, Board personnel did not provide records evidencing that Law Firm 1 notified the Board of the additional attorneys or Board approval of attorney rate adjustments.
- The most recent Law Firm 4 contract, dated November 2010, identified the billing rate as \$200 per hour for all attorneys and did not specify a contract period. The contract provided that “rate changes may occur in the future after written notice to the client.” However, although we requested, Board personnel did not provide records evidencing that Law Firm 4 notified the Board of any rate adjustments.

The Board General Counsel indicated that the Board discusses the attorney fee rates when the Board approves attorney invoices for payment. However, although we requested, Board personnel did not provide records evidencing discussions about billed attorney fee rates or Board approval of rates in

<sup>25</sup> Law Firm 1 agreement, Section 3.2.

<sup>26</sup> Law Firm 1 agreement, Section 4.3.

excess of those specified in the contracts. The General Counsel further indicated that he and the Board Chair review all legal invoices and that attorney fees are “regularly and constantly scrutinized by the CCHB.” Notwithstanding this procedure, documented authorization for hourly rate increases would provide the Board further assurance that legal services are procured at agreed-upon rates.

**Recommendation: The Board should enhance policies and procedures to require:**

- **Competitive procurement of legal services.**
- **Board personnel to document verification that the services and related billing rates agree with established contract rates before payments are made for legal services.**
- **Changes to contract provisions, including hourly rates and assigned attorneys, be in writing and agreed to by all parties.**

#### **Finding 4: Capital Expenditure Monitoring**

On October 31, 2014, the Board, the Foundation, and the Lessee entered into a Master Agreement and a long-term lease to operate the hospital on the Board’s behalf. The Master Agreement<sup>27</sup> requires that the Lessee or its affiliates make capital expenditures related to the delivery of healthcare services<sup>28</sup> of at least \$45 million in Citrus County within 5 years of the October 31, 2014, effective date of the lease. To ensure that the required amount is met, the Master Agreement requires the Lessee to deliver a written annual capital expenditures report within 90 days after, and as of, each effective date anniversary (i.e., each October 31) until the required amount has been met.

Each annual capital expenditures report was to include a schedule and summary showing, in reasonable detail, the capital expenditures made from the effective date through the applicable anniversary date. The reported capital expenditures were to be based on the financial records of the Lessee and its affiliates. Within 90 days following receipt of each report, the Board was to report its acceptance or describe any potential objections to reported capital expenditures, and failure by the Board to notify the Lessee of any such objections within 90 days was deemed to waive any opportunity for objections.

As shown in Table 8, the Lessee reported cumulative capital outlay expenditures of \$54.3 million in its October 31, 2018, capital expenditures report, thereby exceeding the required \$45 million amount.

<sup>27</sup> Section 10.15, Master Agreement, October 31, 2014.

<sup>28</sup> Per Section 10.15(b)(i), Master Agreement, October 31, 2014, capital expenditures related to the delivery of healthcare services may include, for example, expenditures relating to renovations, improvements, and expansions of existing facilities.

**Table 8  
Capital Expenditures Reported by Lessee to Board**

Year	Period	Capital Expenditures Reported	Number of Expenditures
1	November 2014 to October 2015	\$ 6,068,762	137
2	November 2015 to October 2016	12,833,270	273
3	November 2016 to October 2017	16,202,131	290
4	November 2017 to October 2018	19,189,959	320
<b>Total</b>		<b><u>\$54,294,122</u></b>	<b><u>1,020</u></b>

Source: Lessee annual reports filed with the Board.

Although the Master Agreement does not specifically provide for the Board to obtain documents supporting capital expenditures from the Lessee, the Master Agreement language does not preclude the Board from requesting such documentation. Our review of Board records disclosed that the Board did not request or receive documentation supporting that the capital expenditures reported by the Lessee were actually incurred and that the reported amounts were calculated pursuant to a reasonable methodology. Instead, to verify that the capital expenditure requirements were met, the Board relied on its review of the capital expenditures reports and physical observation by various Board member visits to construction sites identified in the reports.

Of the 1,020 Lessee reported capital expenditures totaling \$54.3 million reported as of October 31, 2018, we selected for examination 20 expenditures totaling \$10.2 million occurring during the period September 2015 to October 2018. Although our examination disclosed that the 20 expenditures qualified as capital expenditures as defined by the Master Agreement and were adequately supported, our audit work cannot substitute for the Board's responsibilities to review supporting records to confirm that the Lessee met the Master Agreement's capital spending requirements.

Without obtaining and examining the invoices supporting the reported capital expenditures, the Board has limited assurance that the Lessee expended \$45 million on qualifying capital expenditures as required by the Agreement.

**Recommendation: The Board should require and ensure that, for future agreements with similar spending conditions, Board personnel document verification of compliance with spending requirements through examination of supporting documentation.**

#### **Finding 5: Monitoring of the Charitable Foundation**

Pursuant to State law,<sup>29</sup> the Board created the Citrus County Community Charitable Foundation, Inc., (Charitable Foundation) as an irrevocable community foundation to manage the proceeds of the lease with the private hospital corporation (Lessee). The lease proceeds may only be used for medically related needs of Citrus County citizens and residents. According to the Charitable Foundation bylaws,<sup>30</sup> the Foundation's mission is to award grants to groups and organizations that establish programs, research,

<sup>29</sup> Chapter 2014-254, Laws of Florida.

<sup>30</sup> Section 1.03, Amended and Restated Bylaws of Citrus County Charitable Foundation, Inc. (2017).

or initiatives that promote the health or satisfy the medical needs of Citrus County residents. The bylaws<sup>31</sup> further prescribe requirements and restrictions regarding Charitable Foundation expenditures.

During the period October 2017 through March 2019, the Board provided \$4.2 million from the Indemnity Escrow Fund to the Charitable Foundation to be used for the medically related needs of Citrus County citizens and residents. Our examination of Board records and discussions with Board personnel disclosed that the Board's monitoring of the Charitable Foundation could be improved.

**Charitable Foundation Board (CFB) Meetings.** According to Board personnel, typically, at least one Board member attended CFB meetings as part of the Board's oversight responsibilities. As the CFB reviewed and approved disbursements and reviewed financial position reports at some CFB meetings, the presence of a Board member at the meetings provided some oversight over Charitable Foundation activities.

Our examination of CFB meeting minutes for the 25 meetings held during the period October 2017 through December 2019 disclosed that, although the CFB reviewed financial reports and approved disbursements during the meetings, the CFB meeting minutes did not indicate that a Board member attended the March 28, 2019, June 27, 2019, August 12, 2019, or December 19, 2019, CFB meetings. In response to our inquiries as to why a Board member did not attend the four meetings, the Board General Counsel indicated that the Board had no specific responsibilities except those provided for in State law<sup>32</sup> and that Board members serve in a volunteer capacity and had difficulty finding time to attend each meeting. Notwithstanding, since the Board's primary method for monitoring Charitable Foundation activities is through meeting attendance, the absence of a Board member at those meetings limits the Board's assurance that the Charitable Foundation is carrying out its activities in accordance with State law and as intended by the Board.

**Oversight of Grantee Compliance.** To help ensure and demonstrate that donations to external organizations accomplish an authorized purpose, it is important for established policies and procedures to:

- Define the criteria for making donations to the organizations.
- Specify the methodology for calculating donation amounts.
- Require agreements with the organizations that specify how the donations will serve a CFB purpose and what records, such as periodic financial reports and related support, the organizations must provide to the CFB to properly account for the use of the donations.

The CFB had developed procedures for awarding grants to local qualifying organizations and established a Grants Committee to review grant proposals for proper form and other requirements and then submit the proposals to the CFB for review and approval. Additionally, the Charitable Foundation Web site included a Grant Funding Guidelines page with links to the Grant Application Process and Grant Frequently Asked Questions documents.

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<sup>31</sup> Sections 1.05, 5.05, 6.03, 6.07, 6.08, 8.08, 9.03, and 9.04, Amended and Restated Bylaws of Citrus County Charitable Foundation, Inc. (2017).

<sup>32</sup> Chapter 2014-254, Laws of Florida.

Grantees are required to provide an Interim Report Form at either 120 days or 6 months after the grant award date and a 1st Year and 2nd Year (Yearly) Report Form thereafter during the grant term. Examples of information that grantees were required to provide in the Report Forms included:

- A list of up to five accomplishments toward meeting goals and objectives.
- A description of any setbacks encountered during the period, how they impacted the grant project, and how they were addressed.

In addition, both the Interim and Yearly Report Forms required the following attachments:

- Grant promotional materials.
- A list of the grantee’s board of directors.
- A copy of the filed Internal Revenue Service (IRS) Form 990<sup>33</sup> showing grantee expenditures.
- An expense report indicating how the grant award was spent.

Additionally, the grantee is required to attach to the Yearly Report Form the “Most recent audit, account review, or end-of-year financial statement.” However, the Yearly Report Form instructions do not indicate the type of report that should be attached and each of these reports provide varying levels of assurance. For example, audits and reviews are conducted by independent certified public accountants (CPAs) and audits provide more assurance than reviews. An end-of-year financial statement may be unaudited and unreviewed and contain no independent assurances. As the instructions allow a grantee to submit one of the three reports, the grantees could opt to file the report with the least amount of assurance, which may be inconsistent with CFB intent.

As shown in Table 9, the Charitable Foundation made eight disbursements totaling \$97,530 to five grantees during the period October 2017 through March 2019.

**Table 9**  
**Charitable Foundation Grantee Award Information**  
**For the Period October 2017 through March 2019**

Grantee	Grant Award Date	Award Amount	Amount Disbursed	Interim Report Filed Date	1st Year Report Filed Date
Grantee 1	10/26/17	\$ 10,000	\$10,000	02/19/18	09/26/18
Grantee 2	06/28/18	5,000	5,000	12/26/18	06/28/19
Grantee 3	06/28/18	59,280	59,280		06/16/19
Grantee 4	01/24/19	10,000	7,500	01/24/19	01/23/20
Grantee 5	01/24/19	21,000	15,750	01/24/19	02/24/20
<b>Totals</b>		<b><u>\$105,280</u></b>	<b><u>\$97,530</u></b>		

Source: Grant records provided by Board personnel.

Our examination of the five awards disclosed that all served a documented CFB purpose and were properly supported, calculated, and approved. To determine whether the Board provided appropriate oversight over the expenditure of the Charitable Foundation’s grants, in March 2020 we requested the

<sup>33</sup> Internal Revenue Service Form 990 - *Return of Organization Exempt from Income Tax*.

five grantees' Interim and 1st Year Reports and other required supporting records due to be filed with the Charitable Foundation from the grant award dates through January 2020.

Although we requested, Board personnel did not provide the:

- Interim Report for Grantee 3.
- Interim Report attachments for Grantees 4 and 5.<sup>34</sup>
- 1st Year Report attachment, most recent audit report, account review, or end-of-year financial statement, for Grantees 3, 4, and 5.
- 1st Year Report attachment, filed IRS Form 990 showing expenditures, for Grantees 3 and 5.

Absent the required grantee records, the Board has reduced assurance that the grantees are complying with the grant agreement terms and using the Charitable Foundation grant moneys for the intended purposes identified in the agreements.

**Recommendation: The Board should:**

- **Take appropriate actions to ensure that the Charitable Foundation enhances its policies and procedures regarding monitoring efforts to ensure that external organizations fully comply with the grant agreement terms and use the grant funds for intended purposes.**
- **Require the Charitable Foundation to revise its Report Form instructions to clarify instances in which audited, reviewed, and unaudited and unreviewed financial statements are to be provided.**

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

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. Pursuant to Section 11.45(2)(j), Florida Statutes, the Legislative Auditing Committee, at its February 7, 2019, meeting, directed us to conduct this operational audit of the Citrus County Hospital Board.

We conducted this operational audit from July 2019 through August 2020 in accordance with generally accepted government auditing standards.<sup>35</sup> 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.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned

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<sup>34</sup> Grantees 4 and 5 did not provide the following required attachments when they filed the Interim Report with the Charitable Foundation: promotional/dissemination/informational material sample; list of current Board of Directors; proof of compliance with Grant Agreement Section 5, a-i. or d); most recent audit report, account review, or end-of-year financial statement; and filed IRS Form 990.

<sup>35</sup> Government Auditing Standards, December 2011.

responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.

- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus 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 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 the selection and examination of transactions and records for the period October 2017 through March 2019 (audit period) and selected transactions taken prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically 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.

An audit by its nature, does not include a review of all records and actions of Board management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, Board policies and procedures, and other guidelines, and interviewed Board personnel to obtain an understanding of Board processes.
- Examined Board meeting minutes for the audit period and selected meetings prior and subsequent thereto to determine the propriety and sufficiency of actions taken related to the scope of the audit.

- Examined Board records to determine whether the Board had adopted anti-fraud policies and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals.
- Obtained and reviewed the performance audit reports of Citrus County Charitable Foundation's (Charitable Foundation's) operations for the 2015-16 through 2018-19 fiscal years prepared by the Citrus County Clerk of the Circuit Courts and determined whether any of the audit reports' findings and recommendations were pertinent to our audit scope.
- Evaluated whether the Board adequately considered quantitative and qualitative advantages of selling and leasing the Citrus County Memorial Hospital in reaching its decision to lease rather than sell the hospital.
- Determined whether the Board competitively selected a hospital valuation entity, transaction brokers, and law firms in accordance with State law and good business practices.
- Determined whether the hospital lease amount was reasonable compared to the hospital valuation entity's valuation.
- Determined whether the Indemnity, Pension, and General Escrow accounts amounting to \$38.7 million, \$25.0 million, and \$14.0 million, respectively, and created pursuant to the Master Agreement, whereby the Lessee agreed to operate the hospital on behalf of the Board, were established pursuant to a valid public purpose and that the amounts were established using reasonable assumptions and methodologies, and the accounts' actual uses were approved by the Board, served valid public purposes, and were allowable under the Master Agreement provisions.
  - We examined supporting documentation for 4 disbursements totaling \$7.2 million, selected from the 22 Indemnity Escrow Fund disbursements totaling \$7.7 million during the audit period, to verify that the disbursements were allowable under the Master Agreement, served valid public purposes, and were approved by the Board.
  - We examined supporting documentation for 3 disbursements totaling \$983,077, selected from the 9 Pension Escrow Account disbursements totaling \$1,015,122 during the audit period, to verify that the disbursements were allowable under the Master Agreement, served valid public purposes, and were approved by the Board.
  - We verified that all six General Escrow Account disbursements totaling \$456,129 during the audit period represented investment earnings properly transferred to the Charitable Foundation.
- Examined Board records and inquired of Board personnel to determine whether the Board demonstrated that the Master Agreement non-compete clause<sup>36</sup> served a valid public purpose.
- From the 112 payments totaling \$1.3 million to contracted legal counsel during the audit period, examined 27 payments totaling \$530,000 to determine whether the payments were adequately supported and whether invoiced rates agreed with the contracted rates.
- For the period October 2017 through December 2019, examined records supporting \$2.2 million expended for legal services, including the \$1.3 million noted above, to determine the necessity for acquiring the services. According to Board records, these legal services contributed to the Board recovering \$4.9 million from Medicare and Medicaid, obtaining a refund of \$581,523 from a healthcare services provider, and avoiding \$576,620 in healthcare insurance provider costs.

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<sup>36</sup> Section 10.8, Master Agreement, October 31, 2014. The Section prohibits the Board and the Charitable Foundation from offering any healthcare services that are comparable to the hospital Lessor's healthcare services within the County and within 30 miles of the hospital.

- Scanned Board accounting records from October 31, 2014, through March 31, 2019, to determine whether the \$8 million in lease proceeds set aside for Board administrative expenses were expended for administrative expenses.
- Examined Board records and inquired of Board personnel to determine whether the Master Agreement early retirement benefits and severance payment provisions served valid public purposes.
- Evaluated the effectiveness of Board oversight controls over Charitable Foundation activities to ensure that:
  - The Charitable Foundation expends moneys in accordance with State law, Master Agreement provisions, Charitable Foundation bylaws, and good business practices.
  - The Charitable Foundation monitors payments to grantees and grantee compliance with reporting requirements.
- From 51 Charitable Foundation vendor payments totaling \$198,562 during the audit period, examined 20 payments totaling \$135,192 to determine whether the payments served valid public purposes.
- From \$97,530 granted by the Charitable Foundation to five grantees during the audit period, examined Charitable Foundation records to determine whether the grants were properly approved and whether the grantees complied with all reporting requirements.
- From the reported 1,020 Lessee capital expenditures totaling \$54.3 million, we examined records supporting 20 expenditures totaling \$10.2 million to determine whether the Lessee complied with the Master Agreement requirement<sup>37</sup> to make capital expenditures related to the delivery of healthcare services of at least \$45 million in Citrus County within 5 years of the October 31, 2014, effective date of the lease.
- 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**.

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<sup>37</sup> Section 10.15, Master Agreement, October 31, 2014.

## ***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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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## CITRUS COUNTY HOSPITAL BOARD

123 N. APOPKA AVE. • P.O. BOX 1030 • INVERNESS, FL 34450

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June 24, 2021

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

**VIA EMAIL ONLY (to flaudgen\_audrpt lg@aud.state.fl.us)**

**Re: Citrus County Hospital Board's Response to Auditor General's  
Preliminary and Tentative Audit Findings**

Dear Ms. Norman:

Please accept this letter as Citrus County Hospital Board's ("CCHB") response to the Preliminary and Tentative Audit Findings of an operational audit of the CCHB conducted by your office. The audit, which focused on "selected processes and administrative activities" of CCHB, rather than its general financial operations, was transmitted to us via email by your letter dated May 27, 2021.

CCHB is pleased to note that, after more than two years of extensive and thorough review, there were no findings by your office that CCHB in any way squandered taxpayer funds, pursued unjustified litigation, engaged in self-dealing or acted in any manner contrary to the best interests of the citizens and taxpayers of Citrus County. Indeed, there is no indication in the findings that the issues raised resulted in any loss of taxpayer dollars. To the contrary, the five (5) findings are perhaps most accurately viewed as accounting best practices that CCHB welcomes and will willingly embrace with this highly successful agency.

Each of the five (5) findings in the Preliminary and Tentative Audit Findings is specifically addressed in this response, which is being submitted electronically in accordance with your instructions in either source or PDF format(s) under my digitized signature. We want to thank you, as our State's Auditor General, for your painstaking 27 month detailed review of CCHB's operations. We appreciate the guidance provided. As required by Florida Statute § 11.45(4)(d), enclosed below is a "written statement of explanation or rebuttal concerning all of the findings, including corrective action" CCHB has taken or plans to take to preclude a recurrence of all findings.

June 24, 2021

CCHB's Response to Auditor General's Preliminary and Tentative Audit Findings

Page 2 of 2

If you or your office requires any additional information from CCHB, please do not hesitate to contact us at any time.

Thank you.

Sincerely,

*Deborah Ressler*

Deborah Ressler, RN, Chairman  
Citrus County Hospital Board

cc: Citrus County Hospital Board Trustees  
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## **CCHB's Response to Finding 1: Hospital Valuation Contractor Selection Process**

The Preliminary and Tentative Audit Findings summarize Finding 1 as follows: "Board records did not demonstrate that the Board utilized an effective and efficient process to select the hospital valuation contractor." (PTAF at 1).

The Preliminary and Tentative Audit Findings make the following recommendations with respect to Finding 1:

The Board should enhance proposal solicitation and evaluation procedures to ensure that:

- RFPs clearly define the criteria to be used to evaluate proposals and prescribe a methodology for scoring and ranking proposal based on the defined criteria.
- Individuals responsible for evaluating proposals are provided written instructions that address how to apply established criteria when scoring proposals.
- Records evidencing the evaluation and scoring of proposals and selection process are maintained.

(PTAF at 10).

CCHB notes that valuation contractor it selected is a nationally-recognized firm with over thirty years of experience in providing valuations of health care providers. The valuation firm was selected in an open public meeting during which presentations were made by all seven respondents and members were able to ask questions of each respondent. Nevertheless, CCHB agrees that a well-defined process for soliciting and evaluating proposals for services provides assurance that public funds are properly utilized in fulfilling legally established Board responsibilities. CCHB intends to implement the following improvements to its process for soliciting and evaluating proposals for services.

### *Clearly Defined Evaluation Criteria and Scoring Methodology*

1. Prior to issuing a request for proposals, CCHB will develop clearly defined and distinct criteria for evaluating proposals and a clear methodology for scoring proposals prior to awarding contracts for services. CCHB will also develop and distribute to Board Members a clear set of instructions for applying the scoring methodology.

### *Records of the Evaluation and Scoring Process*

2. CCHB will reflect in its records the final scoring of the proposals its receives in response to an RFP and its reasons for selecting the winning proposal.

**PLEASE NOTE:** CCHB drafted and approved a Purchasing Policy effective October 26, 2020, see CCHB website [www.citruscountyhospitalboard.com](http://www.citruscountyhospitalboard.com).

## **CCHB's Response to Finding 2: Transaction Broker Selection**

The Preliminary and Tentative Audit Findings summarize Finding 2 as follows: "The Board did not always procure transaction broker services in an effective and transparent manner." (PTAF at 1).

The Preliminary and Tentative Audit Findings make the following recommendations with respect to Finding 2:

The Board should establish appropriate policies and procedures for acquiring professional services. Such policies and procedures should ensure that:

- RFPs with specified evaluation criteria are used, as appropriate, to competitively procure professional services.
- RFPs are advertised to a broad audience of potential respondents.
- Sufficient time is provided for RFP responses.
- Records evidencing the process used to evaluate proposals and select the most favorable proposal are maintained.

(PTAF at 14)

CCHB notes that in the case of each solicitation for a transaction broker, there were a large number of responses and a robust competitive process. CCHB also notes that there is a substantial overlap in the subject matter to which Finding 2 and Finding 3 are addressed because both deal with the process for soliciting, evaluating and selecting providers of services to CCHB. Therefore, CCHB's responses to Finding 2 are also applicable to Finding 3. In addition, CCHB intends to implement the following improvements to its process for soliciting and evaluating proposals for services.

### *Use RFPs to competitively procure professional services*

1. Whenever appropriate to the size and complexity of the services to be provided, CCHB will use requests for proposals rather than requests for information, to solicit proposals for services. The RFPs will contain clearly defined criteria for evaluating the proposals it receives.

### *Advertising RFPs*

2. CCHB will use multiple channels to advertise RFPs to reach a broad audience appropriate to the type of services to be provided. Such channels may include newspapers and magazines with local, regional, and national distribution, targeted professional publications and websites, and social media.

*Time for RFP Responses*

3. CCHB will allow potential service providers adequate time to prepare bids or proposals, subject to the exigencies of the circumstances giving rise to the need for services. Typically a minimum of 14 days will be allowed.

*Records of the Evaluation and Scoring Process*

4. Please see CCHB's response number 2 to Finding 1 above.

**CCHB's Response to Finding 3: Legal Services Procurement and Contract Monitoring**

The Preliminary and Tentative Audit Findings summarize Finding 3 as follows: "Board policies and procedures need to be established to ensure that, before payments are made to law firms, Board personnel verify that services and related rates charged by the firms agree with Board-approved contracts." (PTAF at 1).

The Preliminary and Tentative Audit Findings make the following recommendations with respect to Finding 3:

The board should enhance policies and procedures to require:

- Competitive procurement of legal services.
- Board personnel to document verification that the services and related billing rates agree with established contract rates before payments are made for legal services.
- Changes to contract provisions, including hourly rates and assigned attorneys, be in writing and agreed to by all parties.

(PTAF at 17).

As the body responsible for taking Citrus Memorial Hospital permanently out of the taxpayer-funded public health system by eliminating the possibility of any ad valorem taxation and successfully placing it in the competitive private market causing receipt of millions and millions of tax dollars annually to Citrus County coffers, CCHB readily appreciates the value of competition, the need for competitive procurement, and contract monitoring—including, in particular, for legal services. CCHB accordingly welcomes the recommendations in the Preliminary and Tentative Audit Findings and remains committed to enhancing its policies and procedures for outside legal services.

### *Competitive Procurement of Legal Services*

First, with respect to competitive procurement, although Florida law does not require CCHB to competitively procure legal services, and the Rules Regulating The Florida Bar have long prohibited lawyers from charging any client, whether public or private, excessive fees for their services, *see* Rule 4-1.5(a), CCHB accepts the Preliminary and Tentative Audit Findings' recommendation for competitive procurement of legal services. To that end, moving forward, CCHB intends to implement the following best practices in its procurement of legal services, among others:

1. CCHB will issue RFPs to secure proposals from as numerous outside law firms or attorneys as possible for each area of expertise that may be needed;
2. To ensure the pool of potential law firms or lawyers submitting proposals is as expansive as possible, CCHB will broadly advertise its need for legal services across multiple media platforms, including online, in print newspapers, and The Florida Bar Career Center's Job Flash service;
3. CCHB will review all RFP responses on pre-determined, merit-based and work-specific criteria, including the factors outlined in The Florida Bar's Rules of Professional Conduct governing fees and costs for legal services (such as the time and labor required, the novelty and difficulty of the issues or questions presented, the skill required to perform the legal services properly, any time limitations imposed under the circumstances, and the significance of or amount involved in the representation); and
4. CCHB will use a scoring process that is understandable to both respondents and evaluators and will maintain appropriate documentation to create a fulsome record of its selection process.

### *Documented Verification of Legal Billing Rates and Established Contract Rates*

Second, with respect to documenting its verification that services and related billing rates agree with established contract rates before payments are made for legal services, it has always been CCHB's practice to rigorously scrutinize all law firm bills and invoices before making any payments for legal services—including, in particular, verifying that services and related billing rates agree with approved contract rates. CCHB nonetheless appreciates the need for better documentation of that practice. To better document its verification that services and related billing rates agree with established contract rates before payments are made for legal services, CCHB will implement the following best practices:

1. Upon receipt of any law firm bill or invoice, and prior to its submission to CCHB for payment consideration at a duly noticed public meeting, CCHB's General Counsel will create a written record—such as by email to CCHB's Administrative Assistant and/or Records Custodian—documenting his verification that all services and billing rates agree with established contract rates; and

2. CCHB's minutes of all duly noticed public meetings at which any bill or invoice for legal services is presented for payment consideration or approved for payment will be specifically notated to reflect the prior verification of CCHB personnel that all services and billing rates agree with established contact rates.

*Written Changes to Contract Provisions and Hourly Rates for Legal Services*

Third, with respect to changes to contract provisions for legal services, including changes to hourly rates and assigned attorneys, being made in writing and agreed to by all parties, CCHB accepts the Preliminary and Tentative Audit Findings' recommendation. Although the amounts at issue in Finding 3 appear to be de minimis (less than 3.5% of the \$529,890 in payments examined from October 2017 to March 2019), and were the result of an apparent failure to better document approved rate increases and not unapproved rate increases, CCHB will ensure that all changes to contract provisions for legal services—including changes to hourly rates and assigned attorneys—are first made in writing and agreed to by all parties. This policy, which in part is already reflected in certain of CCHB's contracts for legal services, *see, e.g.*, Law Firm 3's May 2017 contract, will extend not only to future contracts, but to all existing contracts for legal services to the fullest extent permitted by law.

**CCHB's Response to Finding 4: Capital Expenditure Monitoring**

The Preliminary and Tentative Audit Findings summarize Finding 4 as follows: The board had not established policies and procedures to effectively ensure that the hospital lessee made all contractually required payments.

The Preliminary and Tentative Audit Findings make the following recommendations with reflect to Finding 4:

The Board should require and ensure that, for future agreements with similar spending conditions, Board personnel document verification of compliance with spending requirements through examination of supporting documentation.

CCHB notes that requests for underlying documentation was made but same request was refused. Ultimately, the State of Florida Audit request was made to CCHB, which was forwarded to HCA and the supporting documentation was provided to the State of Florida from HCA.

CCHB shared with auditors that the issue of supporting documentation was actually negotiated out of any Master Agreement by HCA in 2014 due to CCHB's requirement to comply with Florida's Sunshine Laws.

CCHB welcomes and intends to implement all recommendations made by the Preliminary and Tentative Audit Findings.

**CCHB’s Response to Finding 5: Monitoring of the Charitable Foundation**

The Preliminary and Tentative Audit Findings summarize Finding 5 as follows: “The Board had not established policies and procedures to provide sufficient accountability and oversight over Citrus County Charitable Foundation disbursements, including grant awards to external organizations.” (PTAF at 1). In significant part, this finding appears to be predicated upon the assumption or belief that CCHB has oversight authority over the Charitable Foundation and that a primary means by which CCHB is able to exercise such oversight is through the attendance of CCHB trustees at Charitable Foundation meetings.

The Preliminary and Tentative Audit Findings make the following recommendations with respect to Finding 5:

The Board should:

- Take appropriate actions to ensure that the Charitable Foundation enhances its policies and procedures regarding monitoring efforts to ensure that external organizations fully comply with the grant agreement terms and use the grant funds for intended purposes.
- Require the Charitable Foundation to revise its Report Form instructions to clarify instances in which audited, reviewed, and unaudited and unreviewed financial statements are to be provided.

(PTAF at 21-22).

*The Charitable Foundation and CCHB*

The Charitable Foundation is an irrevocable foundation created pursuant to special law for the purpose of managing proceeds from the long-term lease of Citrus Memorial Hospital to a private for-profit entity. Chapter 2014-254, Laws of Florida, § 5(3). In contrast to a direct-support organization, *see, e.g.*, Fla. AGO 92-53 (1992), the Charitable Foundation is an independent and irrevocable entity that—irrespective of CCHB’s existence—has been tasked by the Florida Legislature with the power and authority to appropriate the foregoing proceeds and any interest derived therefrom, Chapter 2014-254, Laws of Florida, § 5(3), and to make grant disbursements for the medically related needs of the citizens and residents of Citrus County.

As a separate and distinct entity independent of CCHB, the Charitable Foundation is overseen and controlled by a diverse board of directors comprised of eleven (11) directors drawn from multiple-cross sections of the community, including: two (2) directors who are directly elected by the voters of Citrus County; one (1) director who is a publicly-elected County

Commissioner serving on the Citrus County Board of County Commissioners; one (1) director who is a publicly-elected Council Member serving on the City Council of the City of Inverness; one (1) director who is a publicly-elected Council Member serving on the City Council of the City of Crystal River; one (1) director who is the Public Health Officer of the Citrus County Health Department; one (1) director who is the Vice President of the Citrus County Campus of the College of Central Florida; three (3) directors who are chosen from the Chief of the Medical Staff of Bayfront Seven Rivers Hospital and/or Citrus Memorial Hospital, the President of the Citrus County Medical Society, and the President of the Florida Well-Care Alliance; and only (1) director who is a CCHB trustee.<sup>1</sup> See Section 5.03 of May 2019 Amended and Restated Bylaws. Although CCHB currently has the authority to reject certain amendments to the Charitable Foundation's bylaws, it has no authority to unilaterally amend the Charitable Foundation's bylaws or impose new or additional requirements on the Charitable Foundation. CCHB, in the main, is just one voice among eleven on the Charitable Foundation's board of directors, a significant plurality of which are elected by and directly answerable to the citizens of Citrus County with respect to their management of the lease proceeds and grant disbursements.

The Charitable Foundation is specifically—and, again, independently of CCHB—required by law to comply with all disclosure, accountability, and ethics requirements that apply to governmental entities and their elected and appointed officials. Chapter 2014-254, Laws of Florida, § 5(3)(c). Moreover, the Charitable Foundation is expressly subject to the audit authority of the Clerk of the Court for Citrus County (if not also the audit authority of the Florida Auditor General). See *id.*, § 5(3)(d). Chapter 2014-254 does not expressly provide CCHB with oversight authority or accountability over the Charitable Foundation.

#### *CCHB Attendance at Charitable Foundation Meetings*

Notwithstanding the foregoing, to the extent CCHB has or is able to exercise oversight over the Charitable Foundation and monitor its affairs, CCHB accepts the Preliminary and Tentative Audit Findings' implicit recommendation with respect to CCHB attendance at Charitable Foundation meetings. As noted, within and subsequent to the selected period of the audit, the Charitable Foundation's bylaws were amended to allow any of CCHB's trustees to attend Charitable Foundation board meetings. With this broadened flexibility, from January 2020 to May 2021, CCHB has attended the meeting of many of the Charitable Foundation meetings. So long as it continues to exist, CCHB will continue to ensure its attendance at Charitable Foundation meetings and thereby enhance the sought-after oversight identified in the Preliminary and Tentative Audit Findings.

#### *Presentation of Preliminary and Tentative Audit Findings to Charitable Foundation*

CCHB welcomes and takes no exception to the explicit recommendations in the Preliminary and Tentative Audit Findings regarding the need for the Charitable Foundation to (i)

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<sup>1</sup> Importantly, effective as of May 2019, the bylaws of the Charitable Foundation have authorized CCHB to allow any of its trustees to attend Charitable Foundation board meetings and provide that CCHB may rotate, in its discretion, who among the CCHB trustees will fill CCHB's board seat at any Charitable Foundation meeting. See Section 5.03(B) of May 2019 Amended and Restated Bylaws.

enhance its policies, procedures, and monitoring efforts to ensure that external organizations fully comply with grant agreement terms and use grant funds for intended purposes and (ii) revise its Report Form instructions to clarify instances in which audited, reviewed, and/or unaudited or unreviewed financial statements are to be provided by grantees. In CCHB's view, these are sound and appropriate recommendations that the Charitable Foundation should readily adopt. Absent, however, CCHB's power or authority to *require* the Charitable Foundation to implement the Preliminary and Tentative Audit Findings' recommendations, CCHB personnel will present them in full to the Charitable Foundation's board of directors at or before the Charitable Foundation's September 2021 meeting and make a formal motion for their immediate adoption and implementation.