



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

STATE OF FLORIDA HEALTH CARE SURTAX TRUST FUND

REPORT # 230

MARCH 1, 2012

March 1, 2012

The Honorable Ken Hagan, Chairman
The Honorable Kevin Beckner
The Honorable Victor Crist
The Honorable Al Higginbotham
The Honorable Lesley “Les” Miller
The Honorable Sandra Murman
The Honorable Mark Sharpe

Hillsborough County’s independent Certified Public Accountants performed an annual County audit of the County as a whole, in which the State of Florida Health Care Surtax Trust Fund (Surtax Trust Fund) is included. The independent auditor’s audit opinion and audit reports cover the entire County’s financial statements as well as internal control assessment and compliance with laws. For our audit of the Surtax Trust Fund of Hillsborough County, Florida, in accordance with Section 212.055, Florida Statutes, for the years ended September 30, 2010 and 2011, we performed the procedures listed below. The accompanying Appendix A – Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balances for the Surtax Trust Fund of Hillsborough County, Florida for the years ended September 30, 2010 and 2011, are presented as background information to supplement this audit.

This audit consisted of only the following procedures:

- a. We confirmed that the discretionary sales surtax revenues sent by the State of Florida for indigent health care did in fact match the amount recorded as discretionary sales surtax revenues in the Surtax Trust Fund during the fiscal years 2010 and 2011.
- b. We verified that funds held on deposit in the Surtax Trust Fund were invested pursuant to general law.
- c. We verified that the expenditures in the County’s Indigent Health Care Services Fund were reimbursed by transfers out from the Surtax Trust Fund during the fiscal years.
- d. We determined that the county enacted and implemented a hospital lien law, and the Clerk gave \$3.5 million to a Level 1 trauma center (Tampa General Hospital) during each of the fiscal years.

- e. The annual expenditures of the County's Indigent Health Care Services Fund were included in the required external certified public accountant's audits and are reported in the respective Comprehensive Annual Financial Reports.

Each of these procedures was completed successfully. In addition, nothing came to our attention that would contradict our belief that the financial records of the Surtax Trust Fund are materially correct.

Sincerely,

Daniel A. Pohto, CPA, CIA
Director, County Audit

- c: Legislative Delegation (16)
Pat Frank, Clerk of the Circuit Court
Daniel Klein, Chief Deputy Clerk, Clerk to the Board
Tim Simon, Director, Finance
Mike Merrill, County Administrator
Sharon Subadan, Deputy County Administrator
Bart Banks, Interim Director, Family and Aging Services
Gene Earley, Interim Director, Health Care Services
Ray Reed, Manager, Fiscal Services & System Integration (Family & Aging Services)
Bruce Dangremond, Manager, Performance Mgmt, Business and Support Services

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Background Information	1
Objectives	1
Scope	1
Overall Evaluation	2
Opinion	2

APPENDIX

Appendix A – Balance Sheets Statements of Revenues, Expenditures and Changes in Fund Balances for fiscal years ended September 30, 2010 and 2011	3
--	---

THIS PAGE LEFT BLANK INTENTIONALLY

EXECUTIVE SUMMARY

BACKGROUND INFORMATION:

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

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

In 2003, the Legislature of the State of Florida enacted a requirement that the Clerk prepare, on a biennial basis, an audit of the Surtax Trust Fund commencing February 1, 2004. The audit is to be delivered to the Board of County Commissioners and to the chair of the Hillsborough County Legislative Delegation. (See Appendix A for Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balances for the years ended September 30, 2010 and 2011.)

OBJECTIVE:

The primary objective of the audit was to review and evaluate the adequacy and effectiveness of management's system of internal control and procedures over the Surtax Trust Fund. Specifically, we wanted to determine:

- Whether the controls of the fund are reasonable and adequate to prevent misuse or abuse of the surtax and that its use is in compliance with section 212.055, Florida Statutes.
- That management had established mechanisms to ensure compliance with the Statute and those mechanisms, in fact, achieve compliance.

SCOPE:

The audit period covers fiscal years ended September 30, 2010 and 2011. Audit procedures consist primarily of positive confirmations of surtax revenue with the State, analysis of account fluctuations, limited review of reasonableness of expenditures, review of County Ordinances, and inquiries of management.

OVERALL EVALUATION:

We found that the Clerk's County Finance Department has procedures in place to monitor the activity in the Surtax Trust Fund. The amounts recorded as sales surtax revenues agree to amounts confirmed by the State. Funds held on deposit are invested in accordance with general laws. Expenditures by the County's Health Care Plan are reimbursed by the Clerk's office through transfers from the Surtax Trust Fund. The County enacted and implemented a hospital lien law, and gave \$3.5 million annually to a Level 1 trauma center, Tampa General Hospital. The expenditures of the County's Indigent Health Care Services Fund are included in the required external certified public accountant's audits and are reported in the County's Comprehensive Annual Financial Reports. In addition, nothing came to our attention that would contradict our belief that the financial records of the Surtax Trust Fund are materially correct.

Due to the recent reorganization of the County Health Care Services Department, management should ensure that policies and procedures related to the Indigent Surtax Fund are reviewed and updated as necessary to reflect any changes in the personnel responsible for administering the fund.

The Surtax Trust Fund balance at the FY 2010 year end was \$54.225 million and at the FY2011 year end \$51.865 million.

OPINION:

In our opinion except for the concern for the recent reorganization, the controls and procedures over the Surtax Trust Fund are adequate and effective. Management has established mechanisms to ensure compliance with the section 212.055, Florida Statutes. Management's systems and programs are being carried out as planned.

AUDIT BY:

Daniel A. Pohto, Director, County Audit
Mark Kolman, Audit Manager
Marc Hogan, Auditor

APPENDIX A

**State of Florida Health Care Surtax Trust Fund
Balance Sheets
September 30, 2010 and 2011
(amounts in thousands)**

	<u>2010</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash equity	\$ 46,184	43,277
Due from other governmental units	<u>8,041</u>	<u>8,588</u>
Total Assets	<u><u>54,225</u></u>	<u><u>51,865</u></u>
 FUND BALANCES		
Restricted for:		
Hillsborough Healthcare	<u>54,225</u>	<u>51,865</u>
Total fund balances	<u><u>54,225</u></u>	<u><u>51,865</u></u>
Total liabilities and fund balance	<u><u>\$ 54,225</u></u>	<u><u>51,865</u></u>

**Statement of Revenues, Expenditures, and Changes in Fund Balances
For Fiscal years ended September 30, 2010 and 2011
(amounts in thousands)**

	<u>2010</u>	<u>2011</u>
Revenues		
Taxes - discretionary sales surtaxes	\$ 88,074	91,501
Interest	<u>1,502</u>	<u>549</u>
Total revenues	<u><u>89,576</u></u>	<u><u>92,050</u></u>
 Excess (deficiency) of revenues over (under) expenditures	 89,576	 92,050
 Other financing sources (uses):		
Transfers In	--	--
Transfers Out	<u>(103,237)</u>	<u>(94,410)</u>
Total other financing sources (uses)	<u><u>(103,237)</u></u>	<u><u>(94,410)</u></u>
 Net change in fund balance	 (13,661)	 (2,360)
 Fund balance, beginning of year	 67,886	 54,225
 Fund balance, end of year	<u><u>\$ 54,225</u></u>	<u><u>51,865</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY