



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

STATE OF FLORIDA HEALTH CARE SURTAX TRUST FUND

REPORT # 257

March 12, 2014

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March 12, 2014

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

Dear Chairman Sharpe and Commissioners:

The Clerk of Circuit Court's County Audit Department performed an audit of the State of Florida Health Care Surtax Trust Fund (Surtax Trust Fund) of Hillsborough County for the fiscal years ended September 30, 2012, and 2013. This audit was performed in accordance with Section 212.055(4)(a)6.b.3.d, Florida Statutes.

- The County Audit Department confirmed that the Indigent Surtax revenue in the County's general ledger (FAMIS and Oracle) agreed with the Florida Department of Revenue's public payment reports and the County's corresponding bank statements.
- The County Audit Department confirmed that there were no significant differences between the revenue amounts received from the State Indigent Health Care and Trauma Surtax, the Local Government ½ Cent Surtax, and the Community Investment Tax (CIT).
- The County Audit Department confirmed that the expenditures in the County's Surtax Trust Fund were used to reimburse the expenditures from the County's Indigent Operations Fund.
- The County Audit Department sample tested expenditures and obtained confirmation from Fiscal & Support Services-Public Safety & Community Services (FSS-PSCS) that the expenditures from the County's Indigent Operations Fund were appropriate.
- The County Audit Department verified that the County gave \$3.5 million to a level 1 trauma center (Tampa General Hospital) in each of the two fiscal years reviewed.
- The County Audit Department verified that:

- a. Hillsborough County's independent external certified public accountants (Cherry Bekaert LLP) audited the investments on behalf of the Surtax Trust Fund as part of the annual financial statement audits;
- b. Cherry Bekaert's audit opinions and audit reports covered the County's financial statements, as well as, internal control assessments and compliance with laws;
- c. Cherry Bekaert did not identify any material concerns related to the Surtax Trust Fund of Hillsborough County during fiscal year 2012. As of February 28, 2014, Cherry Bekaert has not identified any material concerns related to the Surtax Trust Fund of Hillsborough County during fiscal year 2013.

The County Audit Department did not identify any material concerns during testing; therefore, it appears that management established mechanisms to provide a reasonable level of compliance with Section 212.055(4), Florida Statutes.

Sincerely,

Peggy Caskey, CIA, CFE, CISA
Director of County Audit

- c: Legislative Delegation (14)
Pat Frank, Clerk of the Circuit Court
Daniel Klein, Chief Deputy Clerk, Clerk to the Board
Tim Simon, Director of Finance
Mike Merrill, County Administrator
Sharon Subadan, Deputy County Administrator
Ven Thomas, Director of Family and Aging Services
Gene Earley, Director of Health Care Services Division, Family and Aging Services
Bruce Dangremond, Manager of Performance Mgmt, Business and Support Services

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BACKGROUND INFORMATION:

In 1991, Hillsborough County enacted a half-cent sales surtax to fund the County's Health Care Plan for indigent residents. The surtax remains the property of the State. It is distributed by the Department of Revenue on a regular and periodic basis to the Clerk of the Circuit Court. The 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 directives 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 on expenditures in the County's Indigent Health Care Services Fund - the Health Care Plan.

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

In 2003, the Legislature of the State of Florida enacted a requirement that the Clerk perform, 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 fiscal years ended September 30, 2012, and 2013.)

OBJECTIVES:

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

- the Indigent Surtax revenue in the County's general ledger agrees with the Florida Department of Revenue's public payment reports and the County's corresponding bank statements;
- the State Indigent Health Care and Trauma Surtax receipts agree with the Local Government ½ Cent Surtax and the Community Investment Tax;
- the expenditures in the County's Surtax Trust Fund were used to reimburse the expenditures from the County's Indigent Operations Fund;

- the expenditures from the County's Indigent Operations Fund were appropriate;
- the County gave \$3.5 million to a level 1 trauma center in each of the two fiscal years reviewed; and
- Hillsborough County's independent external certified public accountants (Cherry Bekaert LLP) audited the investments on behalf of the Surtax Trust Fund as part of the annual financial statement audits.

SCOPE:

The audit period covered fiscal years ended September 30, 2012, and 2013. Audit procedures consisted primarily of confirmations of surtax revenue with the State, an analysis of account fluctuations, a limited review of reasonableness of expenditures, a review of County Ordinances, and inquiries of management.

OVERALL EVALUATION:

The Surtax Trust Fund's fiscal year-end fund balance for 2012 and 2013 was \$48.768 million and \$54.303 million, respectively.

The County Audit Department's test results provide a reasonable level of assurance that the Indigent Surtax revenue was accurately recorded in the County's general ledger. The State Indigent Health Care and Trauma Surtax revenue amounts received by the County have no significant differences from the Local Government ½ Cent Surtax and the Community Investment Tax (CIT).

The expenditures tested appear to be appropriate. The expenditures in the County's Surtax Trust Fund were used to reimburse the expenditures from the County's Indigent Operations Fund. The County gave \$3.5 million to a level 1 trauma center (Tampa General Hospital) in each of the two fiscal years reviewed.

Hillsborough County's independent external certified public accountants (Cherry Bekaert LLP) audited the investments on behalf of the Surtax Trust Fund as part of the annual financial statement audits. Cherry Bekaert did not identify any material concerns related to the Surtax Trust Fund of Hillsborough County during fiscal year 2012. As of February 28, 2014, Cherry Bekaert has not identified any material concerns related to the Surtax Trust Fund of Hillsborough County during fiscal year 2013.

The County Audit Department did not identify any material concerns during testing; therefore, it appears that management established mechanisms to provide a reasonable level of compliance with Section 212.055(4), Florida Statutes.

OPINION:

In the County Audit Department's opinion, management established mechanisms to provide compliance with Florida Statutes 212.055.

AUDITED BY:

Peggy A. Caskey, CIA, CFE, CISA, Director of County Audit
Mark Kolman, CPA, CIA, CFE, CISA, Audit Manager
Marc Hogan, Auditor
Ben Everett, CPA, CIA, Auditor

APPENDIX A

State of Florida Health Care Surtax Trust Fund
Balance Sheets
September 30, 2012, and 2013
(amounts in thousands)

	<u>2012</u>	<u>2013</u>
ASSETS		
Current assets:		
Cash equity	\$ 39,622	44,725
Due from other governmental units	9,146	9,578
Total Assets	<u>48,768</u>	<u>54,303</u>
 FUND BALANCES		
Restricted for:		
Hillsborough Healthcare	48,768	54,303
Total fund balances	<u>48,768</u>	<u>54,303</u>
Total liabilities and fund balance	<u>\$ 48,768</u>	<u>54,303</u>

Statements of Revenues, Expenditures, and Changes in Fund Balances
For Fiscal Years Ended September 30, 2012, and 2013
(amounts in thousands)

	<u>2012</u>	<u>2013</u>
Revenues		
Taxes - discretionary sales surtaxes	\$ 95,774	99,760
Interest	441	149
Total revenues	<u>96,215</u>	<u>99,909</u>
 Excess (deficiency) of revenues over (under) expenditures	 96,215	 99,909
 Other financing sources (uses):		
Transfers In	--	--
Transfers Out	<u>(99,313)</u>	<u>(94,374)</u>
Total other financing sources (uses)	<u>(99,313)</u>	<u>(94,374)</u>
 Net change in fund balance	 (3,098)	 5,535
 Fund balance, beginning of year	 51,866	 48,768
 Fund balance, end of year	 <u>\$ 48,768</u>	 <u>54,303</u>

NOTE 1: The County has prepared a correcting journal entry that will increase interest allocation to the Surtax fund by \$77 thousand. This entry will be posted as part of the County's fiscal year 2013 year-end adjustments. Fiscal year 2013 may have other accounting adjustments made as a result of the financial statement audit performed by the external auditors. Therefore, the amounts shown here for fiscal year 2013 will not reflect any accounting adjustments made after the report date of this audit.

NOTE 2: Appendix A was prepared by the County Audit Department and was reviewed for accuracy by the County Finance Department.

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