

FY 2019-2020 GRAND JURY FINAL REPORT
RESPONSES TO FINDINGS (F1) AND RECOMMENDATIONS (R)

Report Number Respondents (& Date)	Report Title (With F1, C and R#)
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REPORT NO. 01 April 2, 2020

Title: **Financial Relationship Between Ventura County Medical Center and Ventura County General Fund**

Required Respondent: **Board of Supervisors** (Joint response with the Health Care Agency)
(C-01, C-02, C-03, C-04, C-05, C-06, C-07, R-02 and R-03)

Requested Respondent: **Ventura County Health Care Agency** (Joint response with Board of Supervisors)
(C-01, C-03, C-04, C-05, C-06, C-07, and R-03)

Response to Grand Jury Report Form

Report Title: Financial Relationship Between Ventura County Medical Center and Ventura County General Fund

Report Date: April 2, 2020

Response by: Robert J. Bravo Title: Deputy Executive Officer, CEO

CONCLUSIONS

- I (we) agree with the findings numbered: C-01 and C-07
- I (we) disagree wholly or partially with the findings numbered: C-02, C-03, C-04, C-05 and C-06

RECOMMENDATIONS

- Recommendations numbered _____ have been implemented.
(Attach a summary describing the implemented actions.)
- Recommendations numbered _____ have not yet been implemented but will be implemented in the future.
(Attach a timeframe for the implementation.)
- Recommendations numbered _____ require further analysis.
(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered R-02 and R-03 will not be implemented because they are not warranted or are not reasonable.
(Attach an explanation.)

Date: 9/11/2020 Signed: [Signature]

Number of pages attached 2

Response to Grand Jury Report Form

Report Title: Financial Relationship Between Ventura County Medical Center and the Ventura County General Fund

Report Date: April 2, 2020

Response by: Robert J. Bravo Title: Deputy Executive Officer Date: September 1, 2020

FINDINGS/CONCLUSIONS

C-01. The Grand Jury concluded the State's lengthy process to make full payment of the amounts owed to the Medical Center under the Medi-Cal incentive programs has been the underlying factor in creating the need for advances from the General Fund.

Response: Agree – The State and federal governments' lengthy process to make full payments to Ventura County Medical System is one of the underlying factors creating the need for advances from the General Fund. The current policies that govern the funding of public health systems and safety net hospitals require a lengthy review process by the State Department of Health Care Services as well as from the federal department for the Center of Medicare and Medicaid Services. As a result, approval for payment and the receipt of funds for reimbursement have been significantly delayed.

C-02. The Grand Jury concluded the CAFR is unclear as to whether the advances to the Medical Center are reciprocal or nonreciprocal.

Response: Disagree – With respect to the County of Ventura's Comprehensive Annual Financial Report (CAFR), the Ventura County Auditor-Controller along with the County's external independent auditor provide the required leadership and guidance with this document and its contents. As such, we support the Auditor-Controller's position that the June 30, 2019 County of Ventura CAFR properly, accurately, and clearly reflects the Reciprocal Interfund Activity of an Interfund Loan (Advance) between the County Medical Center Enterprise Fund and the General Fund.

C-03. The Grand Jury concluded that the funds advanced from the General Fund to the Medical Center do not require the payment of interest and there is no specific requirement of repayment. Advances are repaid by the Medical Center to the General Fund only when cash flow permits.

Response: Agree – That no payment of interest is required of the funds advanced from the General Fund to the Medical Center. However, we disagree that there is no specific requirement of repayment. As outlined in the June 30, 2019 County of Ventura CAFR, "repayment is expected when available cash is in excess of that needed for operations." Therefore, Cash Flow projections provided by the Medical Center Enterprise Fund are used to establish anticipated repayment.

C-04. The Grand Jury concluded that advances from the General Fund to the Medical Center are not a "loan".

Response: Disagree – With respect to the Interfund Loan between the General Fund and Medical Center Enterprise Fund, the use of the terms "loan" or "advance" are interchangeable.

C-05. The Grand Jury concluded references to the advances from the General Fund to the Medical Center as loans creates unfounded expectations with respect to repayment of the advances and interest thereon.

Response: Disagree – The County of Ventura's June 30, 2019 CAFR accurately presents the Reciprocal Interfund Activity (Interfund Loan/Advance) between the General Fund and Medical Center Enterprise Fund in conformity with GAAP accounting. Additionally, the use of the term "advances" does not create any unfounded or additional expectations of repayment of the of the advances and interest thereon.

C-06. The Grand Jury concluded the failure of VCHCA and the Auditor-Controller's Office to communicate and coordinate their public statements regarding the Medical Center's financial performance creates the perception the two agencies are providing conflicting statements.

Response: Disagree – We disagree with the conclusion made by the Grand Jury regarding the communication and coordination between the VCHCA and Auditor-Controller's Office. The Health Care Agency works effectively with the Auditor-Controller's Office and the County Executive Office in the preparation and the communication of the financial status for the Medical Center.

C-07. The Grand Jury concluded the Medical Center is taking appropriate actions to obtain full reimbursement of Medi-Cal incentive program fund owed from the State.

Response: Agree – We agree with the Grand Jury's conclusion.

RECOMMENDATIONS

R-02. The Grand Jury recommends the Board not refer to the General Fund transfers to the Medical Center as "loans" rather than "advances."

Response: Disagree – With respect to the Interfund Loan between the General Fund and Medical Center Enterprise Fund, the use of the terms "loan" or "advance" are interchangeable; and therefore, the use of either term would be appropriate.

R-03. The Grand Jury recommends the Board adopt a written policy/procedure requiring an enterprise fund, such as the Medical Center, to consult with the Auditor-Controller's Office before disclosure of any projected financial information.

Response: Partially Agree – We believe that clear and transparent communication and collaboration are essential for communicating accurate financial information to the public. This type of communication and collaboration currently works effectively between County departments and ensures the delivery of clear and accurate information. As such, we do not believe such a policy or procedure is necessary at this time.

Response to Grand Jury Report Form

Report Title: Financial Relationship Between Ventura County Medical Center and the Ventura County General Fund

Report Date: April 2, 2020 (Delivered May 21, 2020)

Response by: William Foley

Title: Director – Health Care Agency

FINDINGS / CONCLUSIONS

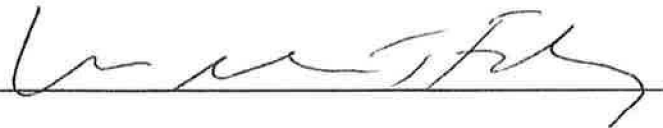
- I (we) agree with the Facts / Conclusions numbered: C-01, and C-07
- I (we) disagree wholly or partially with the Facts / Conclusions numbered: C-04 (no response), C-03, C-05, and C-06. (Attach a statement specifying any portions of the Findings / Conclusions that are disputed; include an explanation of the reasons.)

RECOMMENDATIONS

- Recommendations numbered _____ have been implemented.
(Attach a summary describing the implemented actions and date completed.)
- Recommendations number _____ have not yet been implemented but will be implemented in the future.
(Attach a time frame for the implementation.)
- Recommendations numbered _____ require further analysis.
- Recommendations numbered R-03 will not be implemented because they are not warranted or are not reasonable.

Date: August 26, 2020

Signed: _____



Number of pages attached: 2

Response to Grand Jury Report Form

Report Title: Financial Relationship Between Ventura County Medical Center and the Ventura County General Fund

Report Date: April 2, 2020 (Delivered May 21, 2020)

Response by: William Foley Title: Director – Health Care Agency Date: August 26, 2020

FINDINGS/CONCLUSIONS

C-01. The Grand Jury concluded that State's lengthy process to make full payment of the amounts owed to the Medical Center under the Medi-Cal incentive programs has been the underlying factor in creating the need for advances from the General Fund.

Response: Agree. The current policies that govern the financing of public health systems and safety net hospitals require a lengthy review processes by the State, Department of Health Care Services as well as from the federal department for the Center of Medicare and Medicaid Services. As a result, approval for payment and the receipt of funds for reimbursement are significantly delayed.

C-03: The Grand Jury concluded that the funds advanced from the General Fund to the Medical Center do not require the payment of interest and there is no specific requirement of repayment. Advances are repaid by the Medical Center to the General Fund only when cash flow permits.

Response: Agree that there is no requirement for the payment of interest. However, we disagree that there is no specific requirement of repayment. The County of Ventura CAFR outlines the provisions for repayment by stating "repayment is excepted when available cash is in excess of that needed for operations."

C-04. The Grand Jury concluded that advances from the General Fund to the Medical Center are not a "loan".

Response: No Response. The terminology used to identify the cashflow financing required by the Medical Center is best determined by those responsible for the accounting reporting policies. Therefore, we will comply to the terms used as directed by the Auditor-Controller and the County Executive Office.

C-05. The Grand Jury concluded references to the advances from the General Fund to the Medical Center as loans creates unfounded expectations with respect to repayment of the advances and interest thereon.

Response: Disagree. Irrespective of the terminology used to describe the cash flow financing for the Medical Center, the Health Care Agency is committed to achieving a self-sustaining financial position, which includes paying as appropriate any "advancement" or "loan" from the General Fund.

C-06. The Grand Jury concluded the failure of VCHCA and the Auditor-Controller's Office to communicate and coordinate their public statements regarding the Medical Center's financial performance creates the perception the two agencies are providing conflicting statements.

Response: Disagree. The Health Care Agency works with the Auditor-Controller's Office and the County Executive Office in the preparation and the communication of the financial status for the Medical Center.

C-07. The Grand Jury concluded the Medical Center is taking appropriate actions to obtain full reimbursement of Medi-Cal incentive programs fund owned from the State.

Response: Agree.

RECOMMENDATIONS

R-03. The Grand Jury recommends the Board adopt a written policy/procedure requiring an enterprise fund, such as the Medical Center, to consult with the Auditor-Controller's Office before public disclosure of any projected financial information.

Response: Disagree. Currently the Health Care Agency works with the Auditor-Controller's Office as well as the County Executive Office regarding the generation and communication of financial information. This practice of collaboration occurs for all budget units within the Health Care Agency.