

**ORDER OF THE TRAVIS COUNTY COMMISSIONERS COURT  
AMENDING THE TRAVIS COUNTY HEALTHCARE DISTRICT  
FINANCIAL POLICIES**

STATE OF TEXAS     §  
                                  §  
COUNTY OF TRAVIS §

Pursuant to Chapter 281 of the Health & Safety Code, Section 281.049, Purchasing and Accounting Methods and Procedures, the Commissioners Court hereby orders that the Hospital District Financial Policies be rescinded in full and the Travis County Healthcare District, d/b/a Central Health, Financial Policies in the form attached to this order be adopted effective for reporting for the fiscal year ending September 30, 2025 and thereafter.

Date of Order:   March 11, 2025  

**TRAVIS COUNTY COMMISSIONERS COURT**

DocuSigned by:  
*Andy Brown*  
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Andy Brown  
County Judge

DocuSigned by:  
*Jeffrey Travillion*  
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Jeffrey Travillion  
Commissioner, Precinct 1

DocuSigned by:  
*Brigid Shea*  
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Brigid Shea  
Commissioner, Precinct 2

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*Ann Howard*  
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Ann Howard  
Commissioner, Precinct 3

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*Margaret Gomez*  
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Margaret Gómez  
Commissioner, Precinct 4

# TRAVIS COUNTY HEALTHCARE DISTRICT FINANCIAL POLICIES

## Recitals and Background

Texas Health and Safety Code, Chapter 281, Section 281.049 authorizes the Commissioners Court to prescribe accounting and control procedures for the hospital district, and Section 281.053 authorizes the County Commissioners Court or its designated representatives to gain access to and inspect all documents related to the district.

In 2005, when The Travis County Healthcare District (herein referred to as “District” or “Central Health”) was created, the Commissioners Court approved an Order establishing financial policies for the District. The Financial policies were amended in 2008, and again in 2016 and 2017 to improve transparency and accountability.

In 2012, voters approved a tax rate increase for the District, specifically, “[a]pproving the ad valorem tax rate of \$0.129 per \$100 valuation ... [and that] funds will be used for improved healthcare in Travis County, including support for a new medical school consistent with the mission of Central Health, a site for a new teaching hospital, trauma services, specialty medicine such as cancer care, community-wide health clinics, training for physicians, nurses and other healthcare professionals, primary care, behavioral and mental health care, prevention and wellness programs, and/or to obtain federal matching funds for healthcare services.”

On October 17, 2017, the Travis County Commissioners Court ordered Central Health Financial Policies be revised to improve transparency and accountability and amended the financial policies for Central Health for Fiscal Year 2018 and thereafter (“2017 Financial Order”). The 2017 Financial Order provided that Central Health be accountable to ensure that all funds in a contract are used for the purposes as set forth in law and that adequate controls be in place to avoid jeopardizing Central Health’s ability to comply with the law. The order further provided that Central Health demonstrate to the County as part of the budget adoption process the documented processes or other means by which Central Health ensures funds are allocated appropriately to pay for or benefit the population served by Central Health.

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An excerpt from the Central Health CEO report to the Central Health Board of Managers regarding the Dell Medical School (and sent to the County), affirmed that “as mentioned during the June 6 and August 22 [2017] Travis County Commissioners Court meeting[s], due business diligence will be the central concept for managing the Affiliation Agreement between Central Health, the CCC and the Dell Medical School. Generally, this concept includes evaluation of financial information, program activities, and value generated for the benefit of the low income and indigent populations served by Central Health. The types of documents and evaluations needed to accomplish the work might vary by scope and name; more important, though, is the nature of the information to be evaluated[,]...” including periodic review of expenditures in accordance with the Affiliation Agreement, development of a means to value or measure the benefit of the medical school in redesigning programs for graduate medical education, residency management, and population health and social determinant programs for the Served Population, understanding of partnerships between the medical school and other entities and how they affect the served population, and understanding of competitive forces that might adversely affect the medical school and its benefit to the served population; concurrently, the same forces might positively impact Central Health’s partnerships with other entities.

On September 20 and 27, 2022, Central Health reported to Commissioners Court a Resolution by the Central Health Board of Managers on September 7, 2022 that adopted the Fiscal Year 2023 Budget (“FY2023 Budget Resolution”) and affirmed that “Central Health staff will present to the Central Health Board of Managers a defined reporting matrix, in collaboration with UT- Austin and the Dell Medical School and consistent with all terms of the Affiliation Agreement, that will include details on the clear reporting of the expenditures from the Permitted Investment Payment (\$35,000,000 per year) related to each of the six categories of Permitted investments and other obligations within the Affiliation Agreement.

1. The reporting matrix shall include, but is not limited to, the information requested by the Central Health Board of Managers in

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advance of the July 27, 2022 Board Meeting, and to the extent possible any subsequent requests.

2. This matrix shall be developed by December 1, 2022 and presented at the following Board of Managers meeting.
3. The reporting information shall be provided to the Central Health Board of Managers on a schedule beginning January 31, 2023 and continuing through January 31, 2024, with specific reporting elements and intervals in accordance with the agendas for the Board of Managers' meetings.
4. Concurrently, the Board and CEO, and other staff as designated, shall continue to optimize all the provisions, including the enforcement remedies, in the affiliation agreement for the benefit of the patients served by or eligible for the Medical Access Program.”

On September 27, 2022, the Commissioners Court Ordered that an Independent Performance Audit be performed and outlined information to be included in the scope of work, including an assessment of how well Central Health and its providers have served the needs of the medically indigent in Travis County and an assessment of Central Health’s financial accountability procedures and controls related to the expenditures of Central Health funds.

On April 19, 2023 a contract was executed with Mazars USA, LLP (“Mazars”) to conduct the performance audit (“2023 Performance Audit”).

The 2023 Performance Audit reviewed whether Central Health was performing in accordance with the mission, vision and principles that it has published, which is to improve the health of the community by caring for those who need it the most and to create access to care and coordinate health care services, so that residents with low income have the opportunity to get well and stay healthy.

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On September 10, 2024, Mazars presented its findings and recommendations related to the 2023 Performance Audit to the Travis County Commissioners Court (“Mazars Report”).

The Financial Policies for Fiscal Year 2025 and thereafter, as stated below, reflect the financial policies previously adopted in the 2017 Financial Order, and additional requirements prescribed by the Travis County Commissioners Court including the recommendations and findings from the 2023 Performance Audit and Mazar’s Report.

### **Financial Policies of Travis County Healthcare District, d/b/a Central Health**

#### **The Travis County Healthcare District will:**

1. Maintain the Travis County Healthcare District’s, d/b/a Central Health, financial records in accordance with a comprehensive basis of accounting consistent with all applicable laws and regulations.
2. Prepare the District’s annual budget using Local Gov’t Code, Chapter 111, Section 63 as the method for formatting a budget in the same manner used by the Travis County Planning and Budget Office, except that the District’s CFO shall serve as the budget officer and will obtain any information necessary to prepare financial statements from District auditors, as necessary, and references to projects shall refer to programs, as those terms are defined in District’s budget.
3. For each year, the District shall present a no-new revenue budget along with the District’s proposed budget to allow Commissioners to meet their obligations and make their budget approval decisions timely.
4. In delivering funds for any Interlocal Agreement, Memorandum of Understanding or any other contracting method with a non-profit or governmental entity, the District will comply with all applicable

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statutes and constitutional requirements, including Tex. Const. Art. III, Sections 52(a), and Texas Health & Safety Code chapters 281 and 61 to ensure that all funds are used for the purposes as set forth in law. The District shall ensure adequate controls are in place so as to avoid jeopardizing the District's ability to comply with all applicable laws. In addition, the District shall include this requirement for compliance of the law in every service contract with vendors, and affiliated units and nonprofits (i.e., CommUnityCare, Sendero, Community Care Collaborative, and Capital City Innovation). To satisfy this section as to CommUnityCare, the Co-Applicant Agreement with CommUnityCare will outline the requirements for the parties, along with an agreed-upon list of financial documents to be shared between the District and CommUnityCare.

5. Maintain an adequate and effective system of internal controls over the District's financial operations (including transactions and reporting). At a minimum, adequate internal controls should be maintained and monitored for the following areas: cash handling and management, collections, receivables, liabilities, capital assets, and financial reporting.
6. In accordance with Central Health's 2023 Budget Resolution, Section B (d)(v.), Central Health will present to the Central Health Board of Managers and the Travis County Commissioners Court "a defined reporting matrix, in collaboration with UT-Austin and the Dell Medical School and consistent with all terms of the Affiliation Agreement, that will include details on the clear reporting of the expenditures from the Permitted Investment Payment (\$35,000,000 per year)...." Central Health will present this reporting matrix regarding the Affiliation Agreement and reporting expenditures from the Permitted Investment Payment to the Travis County Commissioners Court each year.
7. Create, maintain, and publish District policies for the following areas:
  - Investments
  - Capital Assets
  - Fixed Asset Procedures

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- Cash handling
  - Electronic funds transfers
  - Financial monitoring system and standard operating procedures as outlined and recommended in Section 2.4 of the Mazars Report for overseeing the expenditures of District funds by itself and 3<sup>rd</sup> party providers,
  - Debt and Long-Term Planning Policy, Expense and Revenue Policy, Risk Management and Internal Control Policy
  - Policy and procedures handbook for reconciling expenses charged against the \$35 million for Affiliation Agreement and with other agreements as outlined in Section 2.4 of the Mazars Report.
8. Prepare the District's annual financial statements in accordance with a comprehensive basis of accounting consistent with state law.
  9. In accordance with Section 2.9 of the Mazars Report, Central Health will establish a regular compliance review process to identify and address any potential legal and regulatory issues, to occur on a quarterly basis.
  10. Provide the County Auditor with the District's monthly financial statements and related variance analysis (including component units of the District and Capital City Innovation) by the last day of the following month after presentation to the District's Board of Managers, and CommUnityCare's financial statements shall be provided on a quarterly basis after presentation to the District's Board of Managers. For any financial statements for Sendero, the Commissioners Court will accept filings as sufficient when they are filed with the Texas Department of Insurance and then copied to County Auditor.
  11. Contract with a qualified firm of certified public accountants, approved by the County Auditor, to audit the District's financial statements each fiscal year in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government*

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*Auditing Standards*, issued by the Comptroller General of the United States.

- As required under the Texas Government Code, Chapter 2256, Public Funds Investment Act, the District will, in conjunction with the annual financial audit, contract with the audit firm approved by the County Auditor to perform a compliance audit of management controls on investments and adherence to the District's established investment policies and statutory obligations.
- The District will, in conjunction with the annual financial audit, contract with the audit firm approved by the County Auditor to audit the compliance of the District with types of compliance procedures required in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to each of the District's Federal and State programs.
- The audit must be completed by February 28<sup>th</sup> of each year for the previous fiscal year ended September 30<sup>th</sup>, with the exception of the Sendero audit which will be completed by July 31<sup>st</sup> each year for the previous fiscal year ended December 31<sup>st</sup>.
- The District will direct its affiliated component units and non-profits (i.e., Sendero, Community Care Collaborative, and Capital City Innovation) to prepare annual audits for District and County review that meet all of the standards described for the District in this section. Regarding CommUnityCare, the parties will follow the Co-Applicant Agreement, and audits that are performed by CommUnityCare will be fully shared with District and County
- In accordance with Section 2.4 of the Mazars Report, Central Health will report to Commissioners Court the information reported by the Joint Affiliation Committee (JAC) to Central Health pursuant to the Affiliation Agreement's provision that the JAC advise and assist CCC and Central Health in the development of performance metrics to measure the achievement of IDS mission and goals and the

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identification of contributions made by the Permitted Investments.

- In accordance with Section 2.8 of the Mazars Report, Central Health will work to develop and implement clear performance metrics for the Joint Affiliation Committee in the Affiliation Agreement to ensure effective monitoring.
- In accordance with Section 2.6 of the Mazars Report, Central Health will work with Dell Medical to modify its Progress and Impact Community Report to reflect services directly provided to the population served by Central Health instead of a blended method.

12. Pay for an outside accountant or specialist hired by the County, if the County determines that the financial data requested above is not reliable, not in accordance with state statutes or is not timely.

13. Provide for an independent third party performance review or audit, no less than every five years to include Central Health's budgeting, financial reporting, governance, and management processes. Further, the review or audit will evaluate the relationships between Central Health and affiliated and non-affiliated entities. The reviews or audits will incorporate public input, and the final reports will be matters of public record. Additionally, the five-year reviews or audits will not preclude other targeted reviews or audits.

14. Central Health shall demonstrate to the County, as part of the annual budget adoption process before the Travis County Commissioner's Court or upon request by a delegated agent or employee of the County, the documented processes or other means by which Central Health ensures funds are allocated appropriately to pay for or benefit the population served by Central Health.

15. Absent adoption of a policy by Central Health regarding the protection of the District's intellectual property rights effective on or before January 1, 2018, this order shall continue to impose a requirement that all the District's agreements include a provision to protect the lawful interests in intellectual property, including profit sharing and

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commercialization rights. Such provisions shall be similar to those used by the County in its contracts.

16. **Reporting requirements to Commissioners Court:** District shall present to Commissioners Court four times per year on a quarterly basis in person at a session of the Travis County Commissioners Court the following:
  - a. Budget update to include actual expenses.
  - b. Itemized breakdown of funds spent for consultants, including governmental relations and outside counsel.
  - c. Three-year data to include:
    1. Number of indigent Travis County residents who are provided individual health care by clinical staff whose salaries are paid by the \$35 million payment from Central Health and information regarding:
      - i. The services provided to these patients, such as medical, behavioral health, nursing, specialty, etc.
      - ii. Outcomes for these indigent patients served in the current fiscal year. For example, improvements for those treated for chronic disease.
      - iii. Breakdown of subsection (c) above by zip code of patient's home address, race, ethnicity, age group.
      - iv. Breakdown of subsection (c) above by location served, such as CommUnityCare Clinics, Outpatient Clinic or Dell Medical School or street outreach, etc.
    - d. Consistent with voter approval of the 2012 election related to the medical school, that funds will be used for improved healthcare in Travis County and as a way to measure and improve clinical quality outcomes, Central Health will report on any updates made to the reporting and performance metrics on the use of funds for the Joint Affiliation Committee (JAC) to ensure transparency and accountability, including but not limited to health outcomes directly related to these funds.

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e. Provide updates on proposed and actual changes to co-applicant agreement with CommUnityCare.

17. Central Health will publish the final Order of the Travis County Commissioners Court amending the Financial Policies of the Travis County Healthcare District d/b/a Central Health on its website.