

**CITRUS HEALTH NETWORK, INC.**

MANAGEMENT LETTER JUNE 30, 2025

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## MANAGEMENT LETTER

To the Board of Directors of Citrus Health Network, Inc.

### Report on the Financial Statements

We have audited the financial statements of Citrus Health Network, Inc. (the "Center"), as of and for the fiscal year ended June 30, 2025, and have issued our report thereon dated December 12, 2025.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance, and Schedule of Findings and Questioned Costs in accordance with the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated December 12, 2025, should be considered in conjunction with this management letter.

### Management Letter

In planning and performing our audit of the financial statements of the Center as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *management point* is an observation and/or a suggestion regarding the Center’s activities that go beyond internal control related matters.

Our consideration of internal control was for the limited purpose described in the first paragraph of this subsection and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Generally accepted auditing standards require auditors to communicate *material weaknesses* and *significant deficiencies* in internal control that they become aware of during the audit. Generally accepted auditing standards do not require auditors to communicate *management points*. Our firm’s policy requires us to inform you of any *management points* discovered during our audit.

The following summarizes the results of our audit for the year ended June 30, 2025:

Material Weakness Identified	<u>      </u> Yes	<u>  X  </u> No
Management Point Identified	<u>  X  </u> Yes	<u>      </u> No

We wish to congratulate the Center on receiving a management letter where no material weaknesses in internal controls were reported.

**Additional Matters**

Section 10.654(1)(e), Rules of the Auditor General, requires that we communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements, Federal programs, or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Verdeja - Alvarez, LLP*

VERDEJA & ALVAREZ, LLP

Coral Gables, Florida  
December 12, 2025

**CITRUS HEALTH NETWORK, INC.  
OBSERVATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**Subsequent event**

Observation

Subsequent to year-end, we were informed that the Center is reviewing a matter involving potential irregularities. At this time, the review is ongoing and remains in the preliminary stages.

Recommendation

The Center should assess the nature and scope of the potential irregularities and determine any related financial impact on the Center's operations, and ensure that appropriate segregations of duties and related internal controls are in place.

CHN Management Response: Citrus Health Network Inc. acknowledges the auditor's recommendation. The center is currently reviewing and updating relevant policies and procedures related to internal controls, including segregation of duties, to strengthen oversight and ensure controls are appropriately designated and operating effectively.

**Cash**

Observation

The Center had only about ½ month of expenses in cash reserves at June 30, 2025.

Recommendation

The Center where possible should increase its sources of unrestricted revenues or reduce expenses in order to increase cash reserves to at least 3 months of expenses.

CHN Management Response: Citrus Health Network Inc. acknowledges the auditor's recommendation and recognizes the importance of maintaining adequate unrestricted cash reserves. The Center is taking steps to improve liquidity through enhanced revenue cycle management, contract negotiations, improve collections, and expense controls. Management will monitor progress toward building reserves and will provide regular updates to the Board as part of monthly Finance Committee.

**Gross Profit from Pharmacy**

Observation

Pharmacy at the Center has operated profitably in the past and did so for June 30, 2025. However, the gross profit from the pharmacy department decreased during the year.

Recommendation

Pharmacy should review the revenues and expenses and determine that its gross profit maintains consistent with prior years.

CHN Management Response: Citrus Health Network, Inc. acknowledges the auditor's recommendation. During the past year our total number of prescriptions has consistently increased, the gross profit is slowly decreasing due to several factors. The cost of goods (especially brand name medications and some generics) have increased. In addition, 340B prices that remained consistently low have slowly been increased by manufacturing companies.

**CITRUS HEALTH NETWORK, INC.  
OBSERVATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**Investments**

Observation

The Center has long-term investments of approximately \$313,000. The value of the investments has not changed on the financial statements over the past few years.

Recommendation

Not-for-profit organizations should generally reflect investments at their fair-market values. The Center should review the balances in the investments and determine whether adjustments are required.

CHN Management Response: Citrus Health Network, Inc. acknowledges the auditor's recommendation. Management will record any necessary adjustment to properly reflect the long-term investments at fair market value in the financial statements and will implement procedures to ensure investment balances are reviewed and updated on an ongoing basis.

**Prepaid Expenses**

Observation

During the audit, it came to our attention that certain prepaid expenses at FCN (a department of the Center) have not been updated and balances may need to be reviewed.

**Prepaid Expenses**

Recommendation

FCN should review all prepaid expenses and other assets and determine whether adjustments are necessary.

CHN Management Response: Citrus Health Network, Inc. acknowledges the auditor's recommendation. All prepaid accounts are being reviewed and any adjustments necessary will be made before the end of FY 2026.

**Loss from Operations**

Observation

FCN incurred a deficit from operations of approximately \$800,000. The Organization has incurred losses in the previous three years.

Recommendation

As indicated in note 16 of the Citrus financial statements, FCN must pursue obtaining additional funding from DCF in order to operate profitably.

CHN Management Response: Citrus Health Network, Inc. acknowledges the auditor's recommendation. DCF, KPMG and all of the lead agencies across the State have been working on an actuarial-based funding formula. The most recent version calls for over \$70 million to be added for child welfare including \$16 million to Citrus. This formula is being presented to the legislature during the current session. Whether any additional funding is provided will not be known until session ends in March 2026. For the current deficit, Citrus has applied for risk pool funding and will request "back of the bill" funding to cover carryforward deficits and the projected FY 2026 deficit. The full amount of additional funding will not be known until the legislative session ends in March 2026.

**CITRUS HEALTH NETWORK, INC.  
OBSERVATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**Access Controls**

Observation

During the walkthrough with the Chief Information Officer, it was noted that the Center has a Disaster Recovery Plan (“Plan”) in place. VA performed inquiries and determined that the infrastructure to support the Plan had been purchased and delivered to the offsite location that would house the environment. However, at the time of the walkthrough the Plan had not been tested but management informed VA that testing is scheduled to occur mid-year of 2026.

Recommendation

Management should formally test the Disaster Recovery Plan in a timely manner to validate that the offsite infrastructure operates as intended and that recovery objectives can be achieved. The results of the test should be documented, any identified deficiencies remediated, and the Plan updated accordingly. Thereafter, management should establish and adhere to a periodic disaster recovery testing schedule to ensure ongoing effectiveness.

CHN Management Response: Citrus Health Network, Inc. acknowledges the auditor’s recommendation. Disaster Recovery: Citrus Health Network has contracted with Assured Data Protection for our Disaster Recovery environment. Critical server data hosted in our datacenter is already stored in a secure, redundant, Tier III certified environment with continuous backup both onsite and in the cloud. The data for our self-hosted servers is also replicated to Assured’s environment, which mirrors our datacenter and is ready to assume a primary role in the event of a catastrophe in the main datacenter. This new datacenter went online in October 2025. We have not reached the point where we can perform a DR test yet, but we will do so by June 2026 and continue every 6 months thereafter. The tests will be scripted and results will be logged.

**Access Controls**

Observation

System access for transferred users within the Center is not subject to a formal annual review process, increasing the risk that access rights may remain inappropriate over time.

Recommendation

Management should establish and implement a formal annual user access review process for transferred users to ensure system access rights remain appropriate based on current job responsibilities. The review should be documented, include timely removal or modification of inappropriate access, and be subject to management oversight to reduce the risk of unauthorized or excessive access.

CHN Management Response: Citrus Health Network, Inc. acknowledges the auditor’s recommendation. Access Control: It was noted that we have a system in place to account for granting access at hire and as requested by supervisors, as well as upon termination of staff. We also have a system in place to review “stale” accounts and terminate access. However, we do not have a formal process to review staff access when they change roles within the enterprise. We will develop and implement this process by the end of calendar year 2026 Q1.