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Georgia Department of Audits and Accounts
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Rural Hospital Tax Credit

Credit administration largely consistent with statutory requirements

Why we did this review

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program that includes the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20.

About the Rural Hospital Tax Credit

The Rural Hospital Tax Credit was established in 2017 and allows taxpayers to donate to eligible rural hospitals (56 in tax year 2020) and reduce their state income tax liability by the amounts they donate. Taxpayers may choose a specific hospital or, if one is not designated, the hospital will be chosen based on a ranking of need.

The Department of Revenue (DOR) administers portions of the RHTC related to taxpayer eligibility criteria, and the Department of Community Health (DCH) administers portions related to hospital eligibility criteria. In addition, a third-party vendor provides services to hospitals and contributors but is under contract with hospitals, not the state, for these services.

What we found

Rural hospital tax credit contributions were $46.5 million in 2019, well under the $60 million program limit. Hospitals, taxpayers, and third parties were largely compliant with statutory provisions, though Department of Revenue (DOR) controls should be strengthened to ensure proper limits are enforced for corporations and individuals claiming credits at pass-through limits.

Contributions to rural hospitals totaled $46.5 million in 2019.

After receiving more than $59 million in 2018, RHTC contributions to hospitals declined to $46.5 million in 2019 and may be at a similar level in 2020 (based on mid-December data). The decline may be attributed to a 2018 change in federal regulations that reduces the financial benefit of certain charitable contributions. An August 2020 rule partially restores the federal benefit by allowing some corporation and pass-through entity contributions to be deducted as a business expense.

As expected, RHTC collections vary significantly across the eligible hospitals. In 2019, 12 of the 58 eligible hospitals received more than $1 million in contributions, and 22 received less than $500,000. Most contributions were directed by donors and not necessarily to the neediest hospitals as designated by the Department of Community Health (DCH). Four of the 10 neediest received less than the average collections per hospital of $800,000.

Contributions not designated for a specific hospital by donors were distributed to the neediest hospital on the DCH list. Dorminy Medical Center received all undesignated contributions until reaching the $4 million hospital limit for approvals (donors failing to make approved contributions resulted in the hospital receiving less than $4 million). Undesignated contributions were then directed to the second hospital on the list.

All RHTC hospitals met eligibility requirements and received annual contributions within the statutory limit of $4 million.

DCH reviewed and updated the list of eligible hospitals, ensuring that all met statutory requirements. The number of eligible hospitals dropped to 56 in 2020 from 58 in the two previous years. All hospitals provided DCH with required RHTC reports that detailed 2019 contributions.

Total RHTC contributions did not exceed the $60 million program limit, and no hospital received contributions exceeding the $4 million hospital limit. The hospital with the highest RHTC contribution total in 2019—Colquitt Regional Medical Center—received $3.3 million. We also found that the DOR information system rejects additional contribution preapproval requests once $4 million in requests have been approved for a hospital.

Taxpayer credits earned in 2019 were largely in compliance with state law, but we identified weaknesses in controls related to pass-throughs and corporate credits.

While most 2019 taxpayer contributions to rural hospitals complied with state law, we found a limited number of credits that exceeded statutory limits. Individual taxpayer credits were within limits allowed for individuals who are part of a pass-through entity, while a small number of corporate credits were above the statutory limit of 75% of the entity's income tax liability.

Individual taxpayers have credit limits in effect between January 1 and June 30 each year. Some taxpayers were approved at higher limits available to pass-through entities such as Limited Liability Companies (LLCs), S Corporations, or partnerships, but DOR does not have controls necessary to ensure that the taxpayers are members of the pass-through entities or that they derived sufficient income from the pass-through to allow the credit amount.

Credits for corporations are limited to the lesser of the contribution amount or 75% of the corporation's income tax liability. We found a limited number of credits above the 75% threshold. These likely occurred because DOR calculates the limit based on the tax liability estimated by the corporation when applying for the credit. If the actual liability at year end is lower, the credit may exceed the limit.

Hospitals paid Georgia HEART 3% of contributions, as permitted by state law.

In tax year 2019, all 58 rural hospitals contracted with Georgia HEART Hospital Program, LLC to provide services such as marketing the credit to taxpayers, processing taxpayer preapproval requests, processing contributions, and assisting hospitals with record-keeping and required reporting to DOR and DCH. Georgia HEART charged rural hospitals a 3% fee ($1.4 million in fee revenue). Contribution expenditure reports filed with DCH indicated that no rural hospital made payments that exceeded the 3% limit.

What we recommend

DOR should ensure that taxpayers identify the pass-through entities from which they are claiming income and that it does not allow corporate taxpayer credits that exceed 75% of their actual tax liability. We also recommend that Georgia HEART directly report undesignated contributions to DOR. See Appendix A for a detailed listing of recommendations.

DOR Response: *DOR provided technical comments that were addressed and indicated that it had no comments on the findings.*

DCH Response: *DCH provided technical comments that were addressed and indicated its agreement with the report.*

Georgia HEART Response: *Georgia HEART provided technical comments that were incorporated, including RHTC preapproval and contribution data though mid-December. A comment regarding a follow-up to a 2019 special examination finding can be found on page 19.*

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Purpose of the Special Examination

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program. The review must include:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20.

A description of the objectives, scope, and methodology used in this review is included in Appendix B. A draft of the report was provided to the Department of Revenue, the Department of Community Health, and Georgia HEART for their review, and pertinent responses were incorporated into the report.

Background

Rural Hospitals

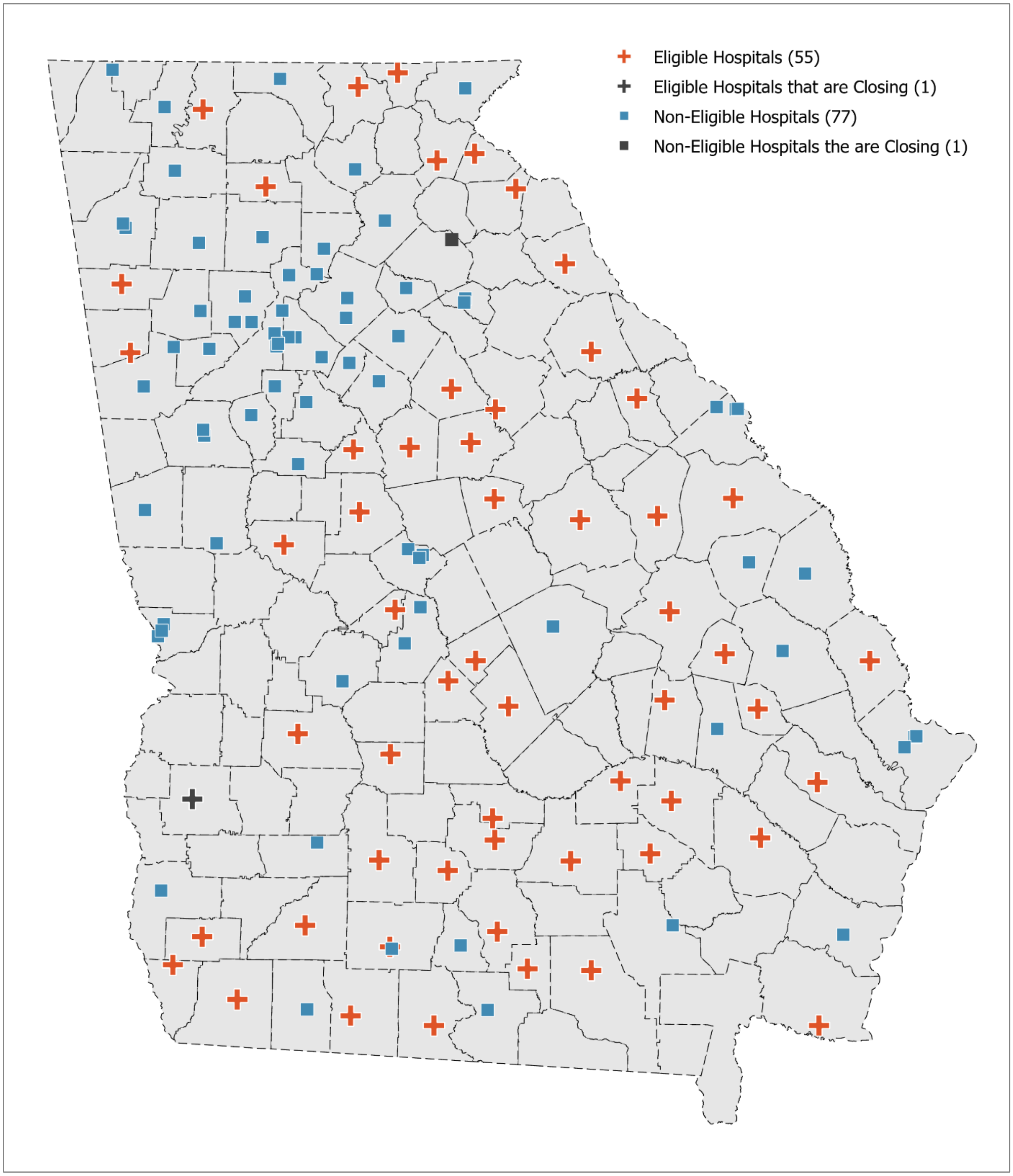
The Rural Hospital Tax Credit *was established to encourage donors to provide financial support to* ***rural hospitals.***

The Rural Hospital Tax Credit (RHTC) was established to provide financial support to rural hospitals by allowing Georgia taxpayers to contribute to eligible rural hospitals and receive a tax credit. The RHTC became effective January 1, 2017.

Rural hospitals in Georgia face financial challenges; nine have closed since 2010. Closures can occur for several reasons. Rural communities suffer from depopulation, resulting in fewer hospital patients. Additionally, rural hospitals often have a high share of patients who either lack insurance or are on Medicaid, which has lower reimbursement rates than most group insurance.

As of 2020, 134 hospitals provided acute, short-term care to patients in Georgia, including 56 RHTC-eligible hospitals. In several regions, including Southwest, Southeast, and Middle Georgia, a hospital closure would significantly increase the distance residents would need to travel to receive medical care. For example, the Southwest Georgia Regional Medical Center in Randolph County is surrounded by counties that lack hospitals. The hospital closed in October 2020.

Exhibit 1
More than 40% of Georgia Hospitals are Eligible for RHTC



[1] The Southwest Georgia Regional Medical Center in Randolph County and the Northridge Medical Center in Jackson County closed due to insufficient funding on October 22, 2020 and October 31, 2020, respectively.

Eligibility Criteria

In tax year 2020, 56 hospitals are eligible to receive contributions through the RHTC.[1] A hospital must meet the following criteria to qualify:

- Reside in a county with a population of less than 50,000 or be designated as a Critical Access Hospital.
- Be an acute care licensed hospital that provides inpatient hospital services that participates in Medicare and Medicaid.
- Provide healthcare services to indigent patients.
- Has at least 10% annual net revenue from indigent care, charity care, or bad debt.
- Is operated by a county or municipal authority or is a tax-exempt 501(c)(3) organization.
- Is current with all audits and reports required by law.
- Beginning in 2020, has a three-year average patient margin, as percent of expense, less than one standard deviation above the statewide three-year average of other rural hospitals, as calculated by the Department of Community Health (DCH).

DCH is required to annually rank all eligible rural hospitals by financial need. To rank rural hospitals by financial need, DCH utilizes the following each year:

- **Dun and Bradstreet Supplier Evaluation Risk (SER) Score** – Obtained from the Supplier Qualifier Reports that the hospitals submit with their five-year plans, this supply risk metric helps management professionals evaluate long-term risks of doing business with various entities, including hospitals.

- **Low Income Utilization Rate (LIUR)** – The LIUR is the percentage of revenue a hospital receives from Medicaid, state and local government cash subsidies, and uncompensated hospital services attributable to charity care. This is obtained from the Disproportionate Share Hospital calculation.

- **Current Ratio** – Calculated using annual financial data that hospitals submit to DCH, the Current Ratio measures an entity's ability to pay short-term obligations or those due within one year.

DCH ranks each eligible rural hospital for each criterion and adds the three equally weighted ranks to calculate a hospital's overall financial need ranking. DCH posts the ranked list of eligible hospitals on its website. All eligible rural hospitals may receive RHTC contributions.

RHTC Tax Limits

The RHTC has an annual aggregate limit of $60 million, and each hospital has an annual individual limit of $4 million. Taxpayers who participate in the RHTC may

[1] The Southwest Georgia Regional Medical Center closed in October of 2020, reducing the number of eligible hospitals to 55. The number was 58 in 2018 and 2019.

receive a state tax credit equal to 100% of their contribution to an eligible rural hospital. The maximum contribution between January 1 and June 30 is $5,000 for individuals and $10,000 for married couples filing jointly and owners of pass-through entities[2] (including S-corporations and partnerships). Unlimited contributions for individuals are allowed after July 1 of the tax year if the $60 million aggregate limit has not been met. For C-corporations, it is also a 100% tax credit, equal to the actual contribution amount or 75% of the corporation's income tax liability, whichever is less. Credits not claimed in the tax year of the contribution can be carried forward for five years.

The General Assembly has made changes to the RHTC most years since its creation in 2017. As shown in **Exhibit 2**, both the value of the tax credit and tax credit limit have increased. In addition, the General Assembly changed aspects of the RHTC, including to allow owners of pass-through entities to be eligible, to require certain documents to be publicly posted by participating rural hospitals, to establish how undesignated contributions are directed, and to require an annual audit by the Department of Audits and Accounts.

Exhibit 2
RHTC Limits Have Changed Over Time

	2017	2018	2019 – 2020
State Tax Credit			
Individual[1]	90% (initially 70%)	90%	100%
C-Corporate	90% (initially 70%) or 75% of the corporation's tax liability, whichever is less	90% or 75% of the corporation's tax liability, whichever is less	100% or 75% of the corporation's tax liability, whichever is less
Maximum Preapproval Amount through June 30[2]			
Individual[1]	$5,000 individual $10,000 married (initially $2,500 and $5,000)	$5,000 individual $10,000 married	$5,000 individual $10,000 married $10,000 LLC member, S-Corp shareholder, partner
Maximum Credit Amount – Full Year			
Individual	Unlimited	Unlimited	Unlimited
C-Corporate	90% (initially 70%) of the amount expended or 75% of the corporation's tax liability, whichever is less	90% of the amount expended or 75% of the corporation's tax liability, whichever is less	100% of the amount expended or 75% of the corporation's tax liability, whichever is less

[1] Owners of pass-through entities have the same limits and credit amounts as married filing jointly, provided that the maximum credit "shall be allowed only for the portion of the income on which such tax was actually paid by such individual."

[2] Donation limits are removed after June 30, with donations preapproved on a first-come basis until the aggregate cap of $60 million is reached.

Source: O.C.G.A. § 48-7-29.20

[2] For pass-through entities, O.C.G.A. § 48-7-29.20 states that the maximum credit "shall be allowed only for the portion of the income on which such tax was actually paid by such individual."

Roles and Responsibilities

DCH and the Department of Revenue (DOR) are responsible for administering the RHTC. DCH enforces statutory requirements for rural hospitals and DOR enforces statutory requirements related to taxpayer credit claims. In addition, a private third-party vendor acts as a pass-through for some taxpayer contributions to the hospitals under contract.

DCH Requirements

O.C.G.A. § 31-7-22 and O.C.G.A. § 31-8-9.1 require DCH to:

- Finalize the list of rural hospitals eligible for participation in the RHTC for the upcoming calendar year.
- Maintain an operations manual containing the current ranking of rural hospitals in order of financial need, the criteria and formula used to calculate financial neediness of rural hospitals, rural hospitals deadlines for submitting required information to DCH, and materials required for rural hospitals to submit.
- Collect five-year plans from rural hospitals each year.
- Prepare an annual report containing information from the operations manual for members of the General Assembly and the governor.
- Post on its website a list of eligible rural hospitals in order of financial need; the annual report prepared for the General Assembly; amounts retained by third-party vendors participating in soliciting, administering, or managing contributions; and a link to DOR's website containing RHTC tax credit information.

DOR Requirements

O.C.G.A. § 48-7-29.20 requires DOR to:

- Track and enforce contribution limits for the RHTC.
- Notify taxpayers of preapproval or denial for contributing to the RHTC within 30 days.
- Post timelines and deadlines related to the RHTC on its website.
- Post the ranking of rural hospitals eligible to receive RHTC contributions.
- Maintain a monthly progress report of total preapproved contributions to date to rural hospitals, total contributions received to date by rural hospitals, total aggregate amount of preapproved contributions, aggregate amount of tax credits available, and a list of preapproved contributions made to undesignated rural hospitals, as well as which rural hospitals have received undesignated contributions.

Third-Party Administrator

Portage Charity Advisors (Portage) established itself as a third-party administrator prior to the RHTC law coming into effect. Portage created the Georgia HEART Hospital Program to assist rural hospitals in obtaining and administering contributions through the RHTC. In April 2018, Portage was converted into Georgia

HEART Hospital Program, LLC and the owner contributed 100% of his interest in Georgia HEART to the Georgia Community Foundation, a 501(c)(3) tax-exempt organization[3]. The leadership remained the same.

Georgia HEART contracted with all 58 eligible rural hospitals in 2019. As permitted by state law, it charged each hospital a 3% fee on its services. According to Georgia HEART, its services include:

- Marketing the RHTC to individuals and businesses.
- Submitting and tracking taxpayers' preapproval requests to DOR.
- Managing an online dashboard for rural hospitals to view contributions in real-time.
- Assisting with preparing documents rural hospitals must submit to DCH and DOR.
- Providing RHTC-related customer service to rural hospitals and contributors.

Contribution Process

Taxpayers may contribute to the RHTC through DOR's online Georgia Tax Center or through Georgia HEART.

- **Contributing through Georgia HEART** – Most taxpayers contribute to the RHTC through Georgia HEART. Taxpayers complete a form on the Georgia HEART website, and the information is submitted to DOR on their behalf. Taxpayers may contribute without specifying a rural hospital, allowing Georgia HEART to designate to the highest ranked hospital on the DCH list. Georgia HEART informs the taxpayer of the hospital that should receive the contribution. Whether a contribution was initially designated by the taxpayer or Georgia HEART, the taxpayers send checks made out to the hospital, and Georgia HEART deposits the checks on behalf of the hospital.

- **Contributing directly through DOR** – A taxpayer can submit a request to DOR for preapproval to contribute to a specified rural hospital. DOR then sends notification of preapproval or denial within 30 days based on the aggregate, taxpayer, and rural hospital limits of the RHTC. Prior to November 2019, DOR's system could not process contributions that were not already designated to an eligible hospital. A system update now permits the processing of these undesignated contributions.

Taxpayers have 180 days to submit their preapproved contributions to their designated rural hospital to claim the credit on their state income taxes. After submitting their check, the taxpayer's designated rural hospital confirms with the taxpayer that it received their contribution and submits required documentation to DOR. Once the hospital reports that the contribution was received, the taxpayer is eligible to claim the credit on a tax return.

[3] According to the transparency and accountability narrative posted on Georgia HEART's website.

Requested Information

Hospitals Receiving Contributions

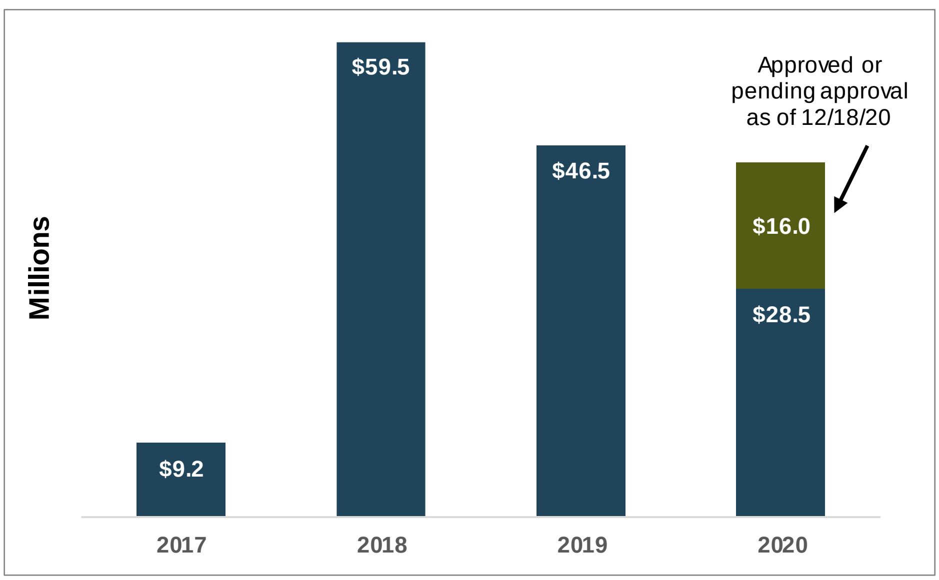
Finding 1: Eligible hospitals received approximately $46.5 million in RHTC contributions in tax year 2019, with amounts to individual hospitals varying significantly.

Contributions to rural hospitals decreased by approximately 22% from tax years 2018 to 2019. The 2019 decline can be largely attributed to a reduction in undesignated contributions. Tax year 2019 contributions totaled $46.5 million, and individual hospitals received between $150,000 and $3.3 million.

Rural Hospital Contributions

Rural hospitals received $46.5 million[4] in RHTC contributions in 2019—a $13 million (22%) decrease from 2018 RHTC contributions (see **Exhibit 3**). Contributions may be similar in 2020, though final contribution amounts will not be known until 60 days after the end of the calendar year. As of December 18, Georgia HEART reported $28.5 million in contributions, $11.4 million in preapprovals (no contribution yet made), and $4.6 million in requested approvals pending with DOR.

Exhibit 3
RHTC Contributions Highest in Tax Year 2018



Source: 2017-2019 DOR contribution data, 2020 DOR and Georgia HEART response

The total number of taxpayers contributing to the RHTC has also decreased by 24%—from approximately 5,900 in 2018 to approximately 4,500 in 2019. As shown in **Exhibit 4**, individual taxpayers—including individual pass-through owners—

[4] During tax year 2019, taxpayers requested and received $55.9 million in credit approvals. However, nearly $10 million in preapprovals were cancelled because the taxpayer did not make the contribution or made a contribution that was lower than the preapproval amount.

IRS Regulations and the RHTC

The Internal Revenue Services has adopted two regulations in recent years that have (or will likely have) an impact on RHTC contributions.

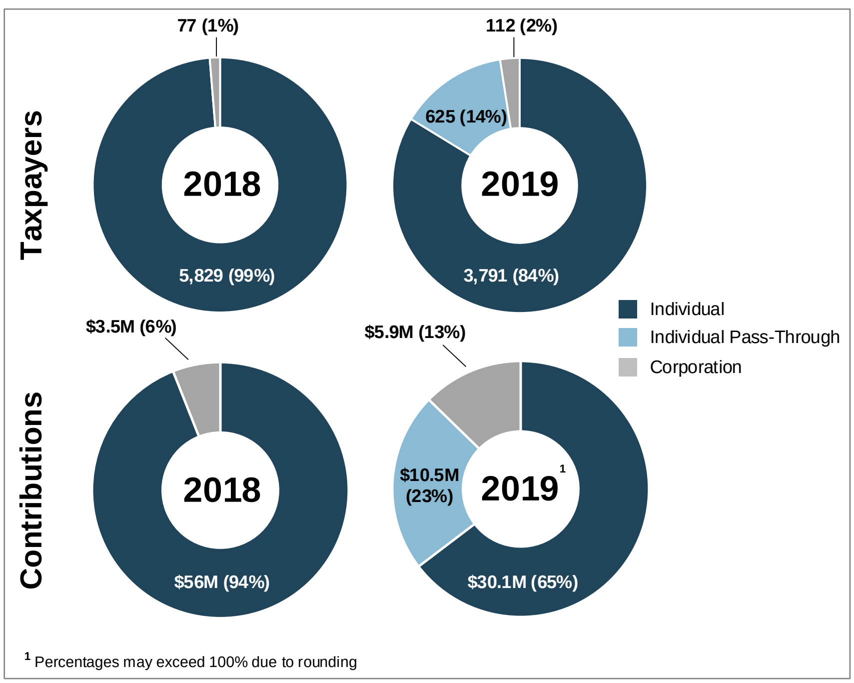
A rule resulting from the Tax Cuts and Jobs Act of 2017 disallowed the RHTC as a charitable contribution. The 2018 rule (finalized in 2019) would not permit the federal deduction if a taxpayer received a 100% state tax credit for the contribution. The rule change likely contributed to the decline in contributions in 2019.

An August 2020 rule may reverse the decline in contributions from corporations and pass-through entities. It provides both with an avenue to claim contributions to non-profits as an "ordinary and necessary" business expense rather than a charitable contribution. The taxpayer must be able to argue that the payment will financially benefit the business in some way, for instance, through increased name recognition in the state.

decreased by 24%, and their contributions decreased by 27% in 2019. However, the number of corporate taxpayers and amount of corporate contributions in 2019 increased by 45% and 67%, respectively.

Individual taxpayers represented approximately 84% of taxpayers that made contributions in 2019 and approximately 65% of the contribution amount (i.e., credits earned). Individual pass-through owners represented 14% of contributors and approximately 23% of contributions. As shown in **Exhibit 4**, the percentage of contributions made by corporate taxpayers more than doubled from 2018 to 2019.

Exhibit 4
Most RHTC Contributions Received from Individuals, Tax Years 2018-2019



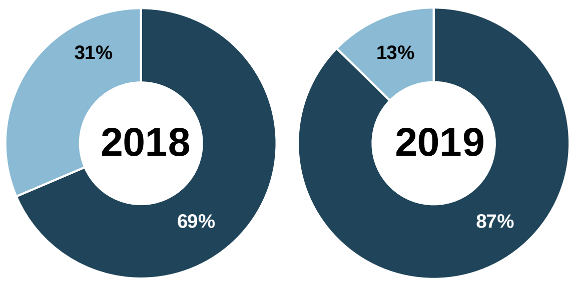
Source: Georgia HEART

Designated vs. Undesignated Contributions

The majority of contributions have been designated to specific rural hospitals, and the percentage increased between 2018 and 2019. As shown in **Exhibit 5**, designated contributions comprised approximately 87% of total contributions in 2019, up from 69% in 2018, while undesignated contributions decreased accordingly.

As previously mentioned, the decrease in undesignated contributions[5] is likely related to the RHTC no longer qualifying as a charitable contribution for federal tax purposes. Designated contributions are less likely to be affected because the donors may have a personal, professional, or community-related reason for donating to a particular hospital, even without the additional federal tax benefit.

Exhibit 5
Percentage of Contributions Not Designated Dropped, Tax Years 2018-2019



	2018	2019
Designated	$40,810,000	$40,620,000
Undesignated	$18,700,000	$5,890,000
Total	$59,510,000	$46,510,000

Source: DOR & Georgia HEART contribution cata

Distribution of RHTC Contributions Across Rural Hospitals

RHTC contributions to individual hospitals varied significantly in 2019. Annual contributions ranged from approximately $150,000 for Mitchell County Hospital to $3.3 million for Colquitt Regional Medical Center, with a median contribution of $580,000 and an average of $800,000 (see Appendix C for a list of hospitals and their contributions). As shown in **Exhibit 6**, 46 of the 58 rural hospitals received less than $1 million in contributions in 2019.

Exhibit 6
Few Hospitals Received More than $1 Million, 2019

Total Contributions	Hospitals
$0 - $500k	22
$500k - $1M	24
$1M - $1.5M	5
$1.5M - $2M	2
$2M - $2.5M	3
$2.5M - $3M	0
$3M - $3.5M	2

Source: DOR contribution data

[5] Georgia HEART designates these contributions to the hospital deemed most in need, as determined by DCH. See the finding on page 19 for more information.

The distribution of RHTC contributions was not consistent with individual hospitals' financial need as determined by DCH. Nearly two-thirds of eligible hospitals (37) received less than the $800,000 average contributions, and six hospitals received total contributions more than twice the $800,000 average contribution. Of the five hospitals with more than $2 million in contributions, one was on the bottom half of DCH's list of hospitals ranked by financial need. Four of the 10 neediest hospitals received contributions below the average.

Finding 2: All RHTC contributions to hospitals were within statutory limits in tax year 2019.

Tax year 2019 contributions made through the RHTC program were within statutory limits. Preapprovals and contributions were within the aggregate limit for the program, and no hospital received contributions that exceeded mid-year or end-of-year limits.

As shown on **Exhibit 7** and described below, O.C.G.A. § 48-7-29.20 sets limits for aggregate earnings and individual hospitals, which were not exceeded in tax year 2019.

- **Aggregate Credit Limits** – According to state law, the aggregate amount of tax credits shall not exceed $60 million per taxable year. In tax year 2019, total contributions to rural hospitals through the program were $46.5 million—$13.5 million below the limit.

- **Individual Hospital Limits** – According to the law, no rural hospital shall receive more than $4 million of the aggregate contributions in a taxable year. Additionally, no hospital may receive more than $2 million from either individual taxpayers or corporations prior to July 1. During tax year 2019, no individual rural hospital received more than $3.3 million, and the highest preapproval amount for an individual hospital prior to July 1 was $1.9 million.

DOR's tax system has controls designed to ensure that total program and individual hospital limits are not exceeded. The controls are intended to reject an application for a tax credit that exceeds these limits.

Exhibit 7
RHTC Contribution in Compliance with State Law, Tax Year 2019

Statutory Requirement	Compliant	Non-Compliant
Credits earned from contributions are capped at $60 million each year.	✓	
Credits earned from contributions are capped at $4 million for individual hospitals each year.	✓	
Preapproved contributions do not exceed $2 million per hospital from individual taxpayers prior to July 1.	✓	
Preapproved contributions do not exceed $2 million per hospital from corporate taxpayers prior to July 1.	✓	

Finding 3: Rural hospitals that received RHTC contributions were eligible and in compliance with state law.

The Department of Community Health (DCH) verified that all rural hospitals receiving contributions in tax year 2019 were eligible based on the criteria established in state law. The hospitals followed statutory requirements to report all contribution expenditures and administrative fees remitted to third parties involved in the RHTC program.

- **Hospital Eligibility Requirements** – O.C.G.A. § 31-8-9.1 outlines criteria that must be met for rural hospitals to receive RHTC contributions. These criteria include a county population of no more than 50,000 or critical access designation, acceptance of Medicaid and Medicare patients, and demonstrating that at least 10% of annual net revenue is indigent care, charity, or bad debt. For a complete list of criteria established by state law, see page 3.

  To verify the eligibility of hospitals each year, DCH staff reviews census data, hospital financial reporting, IRS forms, and other information reported to the agency. DCH staff indicated that they were in the process of expanding the policy manual regarding hospital eligibility verification to formalize current practices.

- **Hospital Reporting Requirements** – O.C.G.A. § 31-8-9.1 requires rural hospitals to annually report to DCH how RHTC contributions are spent, as well as the payments made to third parties that solicit, administer, or manage RHTC donations. Payments to these third parties must not exceed 3% of total RHTC contributions.

  As shown in **Exhibit 8**, all hospitals receiving RHTC contributions complied with statutory requirements in 2019. All reported their contribution expenditures to DCH. These reports included administrative fees remitted to Georgia HEART for soliciting, administering, and managing contributions. The administrative fees did not exceed 3%.

Exhibit 8
Hospitals in Compliance with RHTC Reporting Requirements, 2019

Statutory Requirement	Compliant	Non-Compliant
Rural hospitals must report contribution expenditures to DCH	✓	
Rural hospitals must report payments to third parties to DCH	✓	
Payments to third parties do not exceed 3% of contributions	✓	

Rural Hospital Donation Expenditures

O.C.G.A. § 31-8-9.1 requires rural hospitals to annually report to DCH how RHTC contributions have been spent but does not indicate how contributions should be spent. The hospitals do report all expenditures in one of the nine categories listed in the table below. If a recipient hospital chooses not to spend all available contributions in the year reviewed, it must report how it intends to use the remaining contributions in the future.

As shown in the table below, the majority of RHTC expenditures were incurred in two categories: regular operating expenses and capital expenditures. Regular operating expenses (28% of expenditures) can include costs such as administering medicine or providing other treatment to patients. Capital expenditures (25%) may include renovating outdated facilities or expanding existing facilities to increase services. Other notable expenditures included medical equipment purchases (13%), payments to reduce long-term debt (9%), and undefined/other expenditures (13%).

RHTC Donations		
2019 Donations	$ 46,495,311	
Unspent from Prior Years	$ 12,184,517	
Total	**$ 58,679,828**	
RHTC Expenditures		**% of Total**
Regular Operating Expenses	$ 12,009,164	28%
Capital Expenditures	$ 10,677,452	25%
Equipment Purchases	$ 5,556,296	13%
Other	$ 5,547,463	13%
Payments to Reduce Long-term Debt	$ 3,905,742	9%
Personnel Expenses	$ 2,480,201	6%
Contracts (Other than HEART)	$ 1,751,091	4%
Admin Fees to HEART	$ 1,394,694	3%
Motor Vehicle Purchases	$ 149,755	0.3%
Total	**$ 43,471,858**	**100%**
RHTC Outstanding		
Unspent Donated Funds	**$ 15,207,970**	

Taxpayers Obtaining Credits

Finding 4: Most taxpayer credits earned in 2019 were in accordance with state law, but controls related to pass-throughs and corporate credits need to be strengthened.

While most 2019 taxpayer contributions to rural hospitals complied with state law, we found a limited number of credits that exceeded statutory limits. DOR does not have processes that ensure that individuals claiming credits associated with pass-through entities are members of the entity or have sufficient income for the credit. In addition, controls do not ensure that corporations' credits are always limited to 75% of the entity's income tax liability in the year in which the credit is earned.

As shown in **Exhibit 9** and discussed below, we identified instances of noncompliance with corporate limits. We also found issues with the controls related to both pass-through and corporate limits.

Exhibit 9
Some Corporate Approvals Exceeded Statutory Limits, Tax Year 2019

Statutory Requirement	Compliant	Non-Compliant
Preapprovals do not exceed $5,000 for Single, Head of Household, or Married Filing Separately.	✓	
Preapprovals do not exceed $10,000 for Married Filing Joint, LLCs, S-Corp, and other pass-through entities.	✓	
Approvals of corporate credits do not exceed 75% of income tax liability.		✗

Individual Taxpayer Contribution Limits

RHTC preapprovals for individual taxpayers did not exceed mid-year statutory limits during tax year 2019. O.C.G.A. § 48-7-29.20 limits the amount of preapproved credits provided to individual taxpayers prior to July 1 each year. These limits ensure that a few large taxpayers do not utilize the entire tax credit program allocation or the entire allocation for an individual hospital, providing a greater number of taxpayers with the opportunity to participate in the rural hospital tax credit program.

Individual taxpayer amounts are higher for those who receive income from pass-through entities such as Limited Liability Companies (LLCs), S Corporations, or partnerships. These individuals qualify for up to $10,000 in preapproved tax credits—or $20,000 when a married couple files a joint return and both receive income from pass-through entities. By contrast, individual taxpayers who do not receive income from pass-through entities are limited to preapprovals of $5,000 (if Single, Head of Household, or Married Filing Separate) and $10,000 (if Married Filing Jointly).

For individual taxpayers who are preapproved for a credit based on pass-through income, the total credit allowed cannot exceed the tax liability associated with that income. To calculate the tax liability, all Georgia income, loss, and expense from the taxpayer-selected pass-through entities are combined to determine Georgia income. That amount is then multiplied by the applicable marginal tax rate (5.75%). Therefore, to qualify for a $10,000 credit, a taxpayer must have received at least $173,913 in net Georgia taxable income from the selected pass-throughs to produce the necessary tax liability ($173,913 x 5.75% = $10,000).

DOR does not have sufficient processes to ensure that individual taxpayers who apply for the higher tax credits based on pass-through income are members of such an entity or receive enough income from such entities to qualify for the credit amounts. In 2019, 128 taxpayers were approved for credits using the higher limits for those receiving income from pass-throughs. It should be noted that taxpayers are not currently required to identify the pass-through entity they are associated with when applying for or claiming the credit. If the identity of each pass-through was included on the application forms and the forms used to claim the credit, DOR could verify that the tax liability requirements were met through an audit.

Corporate Tax Credit Limits

O.C.G.A. § 48-7-29.20 limits the amount of the RHTC that can be approved for a corporate and fiduciary taxpayer to the total contribution or 75% of the entity's income tax liability, whichever is less. A limited number of corporate tax credits were approved for amounts that exceeded statutory limits.

When applying for a RHTC contribution preapproval, a corporation provides its estimated income tax liability so its maximum possible credit can be calculated. Once the contribution is made and confirmed by the recipient hospital, the preapproved amount becomes an available tax credit that can be claimed on corporate tax returns. However, if the actual income tax liability is lower than the income tax liability originally estimated by the corporation, the approved tax credit may be above the statutory limit of 75% of liability. For example, if DOR preapproved a credit for a taxpayer donation of $75,000 but the corporation's actual tax liability was $80,000, the corporation would only qualify for a $60,000 credit (75% x $80,000). The extra $15,000 donated cannot be claimed by the corporation and cannot be carried forward.

Because DOR does not have a process to adjust credit amounts based on actual income tax liability, a small number of corporations have obtained tax credit amounts that they are not eligible to receive. In 2018 and 2019, we found that nine corporations received credits above the statutory limit. The excess credits totaled approximately $96,000.

RECOMMENDATIONS

1. DOR should require that taxpayers identify the pass-through entities from which they are claiming income.

2. DOR should develop processes to identify excess approved amounts and to adjust those amounts.

Finding 5: Rural hospital tax credits were primarily claimed by individual taxpayers in 2019, and the majority of credits were carried forward to future tax years.

Most tax credits earned in 2019, as well as those carried forward from previous years, were not claimed on 2019 tax returns. Instead, they will be carried forward as available tax credits in subsequent years. Individual taxpayers, who were responsible for nearly all earned and claimed credits in tax year 2019, represented most of Georgia's counties.

The majority of tax credits that were available to taxpayers in 2019 will be carried forward to future tax years. As shown in **Exhibit 10**, approximately $60.6 million in rural hospital tax credits were available in 2019—approximately $46.5 million was earned during 2019, with the remainder unclaimed from previous years. During tax year 2019, taxpayers claimed $18.4 million in rural hospital tax credits. As a result, more than $42.2 million in available tax credits will carry forward to future tax years.

Exhibit 10
More than $42 Million Credits Carried Forward End of Tax Year 2019

Credit Type[1]	2018	2019
Amount Available	$56,921,803	$60,633,737
Amount Claimed	-$42,517,998	-$18,368,507
Amount Remaining	$14,403,805	$42,265,230

[1] Amount Claimed and Amount Remaining do not include tax credits transferred to other individuals.

Source: DOR Tax Return Data

Individual taxpayers accounted for nearly all ($18.1 million) of the $18.4 million rural hospital tax credits claimed in 2019. Approximately 84% of individual taxpayers that claimed the rural hospital tax credit filed as married filing jointly. Corporations claimed approximately $300,000 in tax credits, and fiduciaries claimed approximately $1,000.

Individuals who claimed the rural hospital tax credit in tax year 2019 had an average Georgia Adjusted Gross Income of approximately $500,000. As shown in **Exhibit 11**, taxpayers in all income groups claimed the rural hospital tax credit, though the proportion of credits claimed greatly increased in the highest income group. Those with incomes above $700,000 represented one third ($6.4 million) of all credits claimed in 2019.

Exhibit 11
Most Credits Claimed by Taxpayers with Incomes Above $700,000, Tax Year 2019

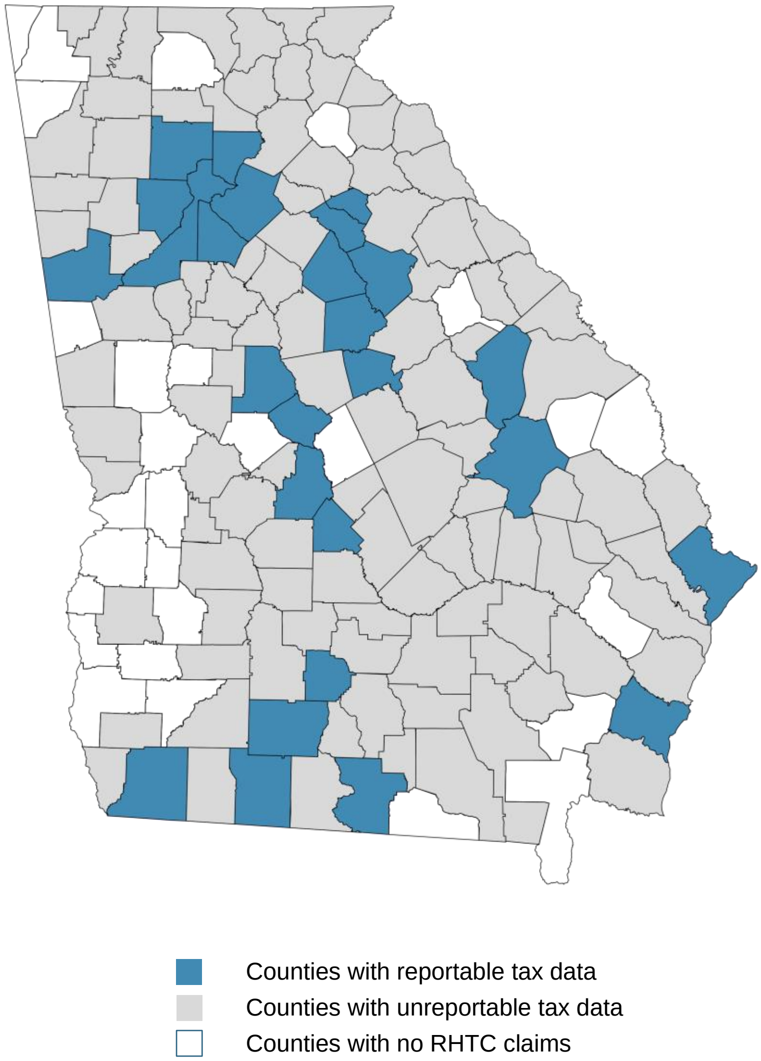
Taxpayer Income	Taxpayers	Credit Claimed (in thousands)
$0 - $50K	102	$556
$50K - $100K	163	$302
$100K - $150K	196	$595
$150K - $200K	218	$951
$200K - $250K	179	$1,015
$250K - $300K	164	$1,153
$300K - $350K	142	$1,096
$350K - $400K	136	$1,163
$400K - $450K	101	$1,023
$450K - $500K	76	$762
$500K - $550K	67	$670
$550K - $600K	76	$854
$600K - $650K	60	$658
$650K - $700K	80	$893
More than $700K	328	$6,369
Unreported	14	$308

Source: DOR tax records

Rural hospital tax credits were claimed by taxpayers in 131 counties in Georgia.[6] IRS tax information security guidelines limit tax data reporting to counties where 20 or more taxpayers claimed a credit. The 26 Georgia counties that met this criterion in 2019 are highlighted in **Exhibit 12**. These counties represent $12.2 million (66%) of the $18.4 million rural hospital tax credits claimed in 2019. Five counties were in Metro Atlanta, including the four counties with the most claimed credits in 2019.

[6] Taxpayers from 25 counties outside Georgia also took advantage of the tax credit.

Exhibit 12
Credits Claimed by Taxpayers Throughout the State, Tax Year 2019



County	Credit Claimed
Fulton	$2,674,340
DeKalb	$1,384,183
Cobb	$1,375,536
Gwinnett	$1,122,423
Colquitt	$843,464
Bibb	$468,892
Forsyth	$388,007
Thomas	$336,294
Carroll	$334,103
Glynn	$317,405
Greene	$310,670
Houston	$237,470
Lowndes	$236,908
Oconee	$236,627
Decatur	$229,139
Chatham	$227,528
Tift	$196,481
Monroe	$194,430
Cherokee	$184,260
Jefferson	$155,818
Morgan	$148,679
Clarke	$148,357
Baldwin	$121,471
Pulaski	$113,372
Putnam	$108,441
Emanuel	$90,331

Source: DOR tax records

Third-Party Organizations that Assist Taxpayers/Hospitals

Finding 6: Administrative fees retained by Georgia HEART in 2019 were within statutory limits.

Total administrative fees that rural hospitals remitted to Georgia HEART in tax year 2019 did not exceed the statutory limit of 3% of total contributions (see **Exhibit 13**). Additionally, no single rural hospital that received contributions in 2019 remitted administrative fees exceeding 3% of reported contributions.

Rural hospitals can elect to have third-party organizations solicit, administer, and/or manage the RHTC contributions they receive. Per O.C.G.A. § 31-8-9.1, third-party organizations may charge hospitals a fee not exceeding 3% of the total amount of contributions.

In tax year 2019, all 58 rural hospitals contracted with Georgia HEART to provide services such as marketing the credit to taxpayers, processing taxpayer preapproval requests, assisting hospitals with required reporting to DOR and DCH, and monitoring RHTC-related legislation. Georgia HEART charged rural hospitals a 3% fee for services. Georgia HEART's audited financial statements reported $1.4 million in administrative fee revenue in tax year 2019—3% of the $46.5 million in total RHTC contributions. Contribution expenditure reports that rural hospitals submitted to DCH further confirmed that no individual hospital exceeded the 3% limit.

Exhibit 13
Payments to Georgia HEART Within Statutory Limit, Tax Year 2019

Statutory Requirement	Compliant	Non-Compliant
Payments to third parties do not exceed 3% of contributions.	✓	

Follow Up of 2019 Special Examination Finding

A December 2019 special examination of the RHTC program identified that, although within statutory limits, Georgia HEART charged an administrative fee that greatly exceeded its stated expenses in 2018. In that year, Georgia HEART (and its predecessor) reported approximately $1.8 million in fee income and approximately $770,000 in expenses. Georgia HEART transferred its net income (excluding a contingency fund) to the Georgia Community Rural Health Fund per a donor agreement with the Georgia Community Foundation, a 501(c)(3) organization that manages the fund. As shown in the table below, the transfer amount totaled approximately $890,000.

Georgia HEART's transfer to GCF dropped significantly in 2019 due to a reduction in revenue, higher expenses, and a larger contingency fund. As a result of decreased contributions to hospitals, Georgia HEART's revenue dropped by approximately $365,000. Georgia HEART also reported a $176,000 increase in expenses and an increase in its contingency fund to approximately three months of expenses. As a result, the transfer to GCF was $200,000 in 2019.

	2019	2018
Revenues		
Fee Income[1]	$ 1,395,032	$ 1,759,406
Interest Income	$ 2,733	$ 4,263
Total Revenues	**$ 1,397,765**	**$ 1,763,669**
Expenses[2]		
Salaries, Wages, Benefits	$ 559,546	$ 392,860
General and Administrative	$ 257,953	$ 138,220
Promotional Fees	$ 131,072	$ 142,283
Portage Expenses	$ -	$ 98,640
Total Expenses	$ 948,571	$ 772,003
Net Income	$ 449,194	$ 991,666
Contingency Funds[3]	$ 249,194	$ 101,636
Transfer to GCF	**$ 200,000**	**$ 890,030**

[1] 2018 Fee Income includes approximately $150,000 in fees charged by Portage, Inc. prior to its transition to Georgia HEART.

[2] The top 3 expense line items include 8.5 months of expenses for 2018 because the organization operated as Portage, Inc. for the first 3.5 months of the year. Portage itemized expenses were not available for the period, so total Portage expenses were included as a separate line item. As a result, the 2018 and 2019 reported expenses such as salaries, wages, and benefits are not comparable.

[3] 2018 contingency funds include approximately $13,500 of net income from Portage, Inc.

Source: Georgia HEART Audited Financial Statements

***Georgia HEART Response:** "As of December 20, 2020, GCF has awarded grants to promote Georgia rural health in the amount of $1,037,000, the recipients of which GCF discloses annually on its Form 990 filed with the Internal Revenue Service."*

Finding 7: Undesignated donations are distributed to rural hospitals in accordance with state law.

Information from Georgia HEART and DOR indicates that undesignated funds are assigned to hospitals in accordance with state law. Georgia HEART assigns undesignated contributions to the hospitals ranked highest in financial need before submitting applications to DOR but should consider reporting funds to DOR as undesignated to further ensure compliance with state law.

Per O.C.G.A. § 48-7-29.20, if a donor does not specify what hospital should receive their contribution, the undesignated funds must be sent to the rural hospital with the highest financial need that has not received the maximum amount of contributions ($4 million) for that taxable year. The statute went into effect in April 2019

Georgia HEART staff reported that when they receive an undesignated contribution, they identify the hospital that should receive the funds using DCH's ranking by financial need and monthly tax credit data published by DOR.[7] Georgia HEART then completes the DOR contribution preapproval form and designates the eligible hospital. Once DOR accepts the preapproval, Georgia HEART notifies the taxpayer that they have 180 days to contribute to the selected hospital. See **Exhibit 15** for a summary of the process. Georgia HEART stated it used the DCH ranking of need to distribute $3.2 million in undesignated contributions in 2019 and $1.4 million in preapproved undesignated contributions as of December 1, 2020.

Tax year 2019 data from DOR indicates that undesignated funds were directed in accordance with state law, as shown in **Exhibit 14**. Consistent with Georgia HEART's statements, we identified a large number of preapprovals occurring for Dorminy Medical Center, the highest ranked hospital on the DCH list. The records indicate that preapprovals for contributions to Dorminy reached the $4 million limit on December 19, at which time a large number of preapprovals were then sought and obtained for Candler County Hospital, the second hospital on the DCH list.

Exhibit 14
Undesignated Contributions Distributed in Compliance with Statute, Tax Year 2019

Statutory Requirement	Compliant	Non-Compliant
Undesignated funds are sent to neediest rural hospital.	✓	

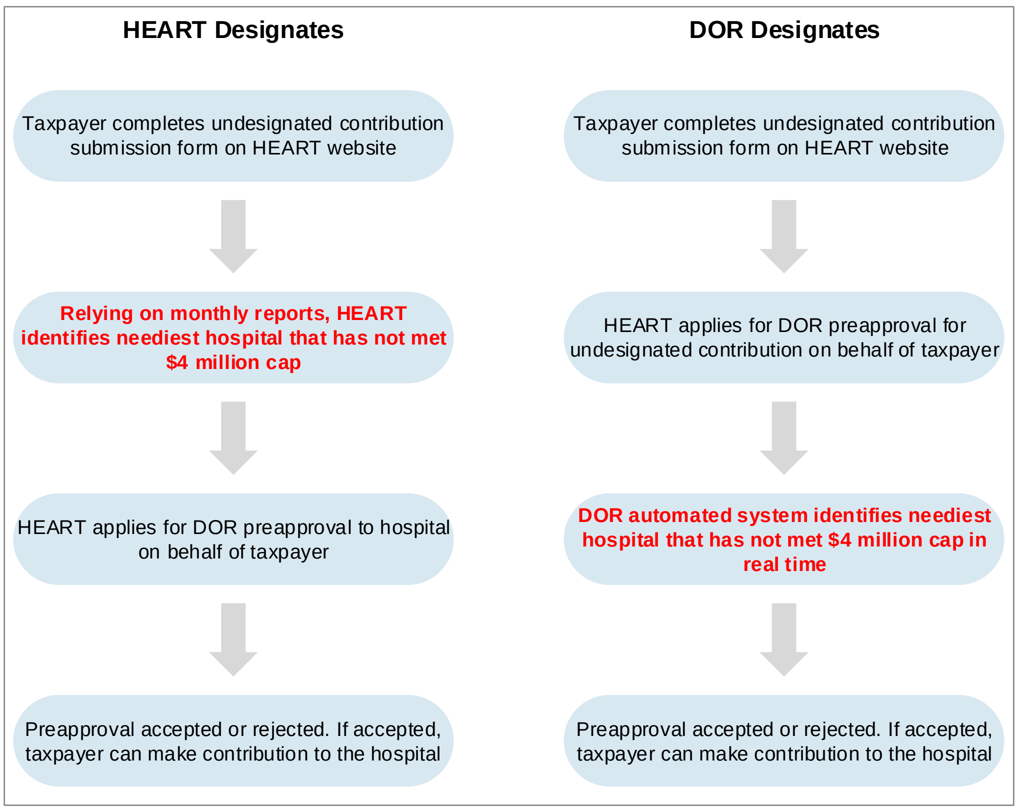
While Georgia HEART's current method of designating contributions based on DOR's list has not yet resulted in non-compliance, there is a risk that funds can be allocated to the wrong hospital. Preapproved contributions to hospitals can fluctuate throughout year for a variety of reasons. As such, the DOR information that Georgia HEART uses may not be up to date. For example, if a September DOR report indicated that the neediest hospital reached the $4 million preapproval cap, Georgia HEART

[7] State law does not require Georgia HEART to provide the Department of Audits and Accounts access to third party records. Our assessment was based on a description of the organization's process provided via email, a review of instructions to donors on its website, and a review of DOR preapproval records.

would assign undesignated contributions to the next hospital on the list. However, if a taxpayer failed to meet the contribution deadlines or contributed a lower amount than approved, the neediest hospital would then drop below the cap and be eligible to receive additional preapprovals. This could occur days after publication of the September monthly report, and Georgia HEART would not recognize this until DOR's October report.

As an alternative to submitting preapproval for a specific hospital, Georgia HEART can report undesignated contributions directly to DOR (see **Exhibit 15** for comparison of processes). In 2019, DOR expanded the capabilities of its online tax credit system to allow individual taxpayers or third parties to report undesignated contributions. The system then automatically directs undesignated funds to the neediest hospital with preapproval cap space. The system monitors preapproval caps in real time to immediately account for changes in hospitals' preapproval amounts.

Exhibit 15
Undesignated Contribution Process Strengthened by DOR Designating



Source: DOR and Georgia HEART documentation

RECOMMENDATION

1. Georgia HEART should directly report undesignated contributions to DOR rather than designating the contributions itself.

Appendix A: Table of Recommendations

Finding 1:	**Eligible hospitals received approximately $46.5 million in RHTC contributions in tax year 2019, with amounts to individual hospitals varying significantly. (p.7)**
No recommendations	
Finding 2:	**All RHTC contributions to hospitals were within statutory limits in tax year 2019. (p.10)**
No recommendations	
Finding 3:	**Rural hospitals that received RHTC contributions were eligible and in compliance with state law. (p.11)**
No recommendations	
Finding 4:	**Most taxpayer credits earned in 2019 were in accordance with state law, but controls related to pass-throughs and corporate credits need to be strengthened. (p.13)**
1. DOR should require that taxpayers identify the pass-through entities from which they are claiming income. 2. DOR should develop processes to identify excess approved amounts and to adjust those amounts.	
Finding 5:	**Rural hospital tax credits were primarily claimed by individual taxpayers in 2019, and the majority of credits were carried forward to future tax years. (p.15)**
No recommendations	
Finding 6:	**Administrative fees retained by Georgia HEART in 2019 were within statutory limits. (p.18)**
No recommendations	
Finding 7:	**Undesignated donations are distributed to rural hospitals in accordance with state law. (p.20)**
3. Georgia HEART should directly report undesignated contributions to DOR rather than designating the contributions itself.	

Appendix B: Objectives, Scope, and Methodology

Objectives

This report examines the Rural Hospital Tax Credit (RHTC) program. Specifically, our examination set out to determine the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20.

Scope

This performance audit generally covered tax year 2018 and 2019 rural hospital tax credits, with consideration of earlier or later periods when relevant. Information used in this report was obtained by reviewing relevant laws, rules, and regulations; interviewing agency officials and staff from the Department of Community Health (DCH), the Department of Revenue (DOR), and the Georgia HEART Hospital Program, LLC (Georgia HEART); analyzing data and reports by DCH, DOR, and Georgia HEART; and reviewing previous audit work conducted by our office.

We obtained DOR and Georgia HEART data on contributions made to rural hospitals during tax years 2018, 2019, and 2020. This included data on all preapproved contributions and the actual amounts received by rural hospitals. We assessed the data used for this examination and determined the data used were sufficiently reliable for our analyses.

We obtained DCH data on Georgia hospitals' finances. This included data on revenues, expenses, and RHTC contributions received. We assessed the data used for this examination and determined the data used were sufficiently reliable for our analyses.

DOAA obtained DOR data on taxpayers who contributed to the RHTC in 2018 and 2019. The encrypted data included all taxpayer contribution amounts to the RHTC, the dates taxpayers contributed, credits claimed and unclaimed by taxpayers, taxpayers' Georgia adjusted gross income, and taxpayers' county of residence. We assessed the data used for this examination and determined the data used were sufficiently reliable for our analyses.

Government auditing standards require that we also report the scope of our work on internal control that is significant within the context of the audit objectives. Each of the three objectives includes an assessment of compliance with state law. We gained an understanding of agency controls designed to ensure compliance and reviewed the data to identify instances of noncompliance. When noncompliance was identified in objective 2, we reviewed the internal controls to identify any deficiencies. Specific information related to our work is described by objective in the methodology section below, and deficiencies identified are noted in the findings.

Methodology

To evaluate the contributions received by rural hospital organization, we reviewed DOR preapproval and contribution data for all hospitals receiving contributions through the RHTC. We used Georgia HEART data to identify the number of contributions that were reported, the contributor type, and the amount of contributions reported as undesignated. DCH data was used to report how hospitals had used their contributions.

We reviewed state law to identify compliance requirements related to total contributions to rural hospitals and reporting requirements for rural hospitals. We used DOR contribution data to determine whether total contributions complied with identified requirements, and reviewed DCH data and rural hospital documentation to determine whether hospitals satisfied reporting requirements related to RHTC contributions.

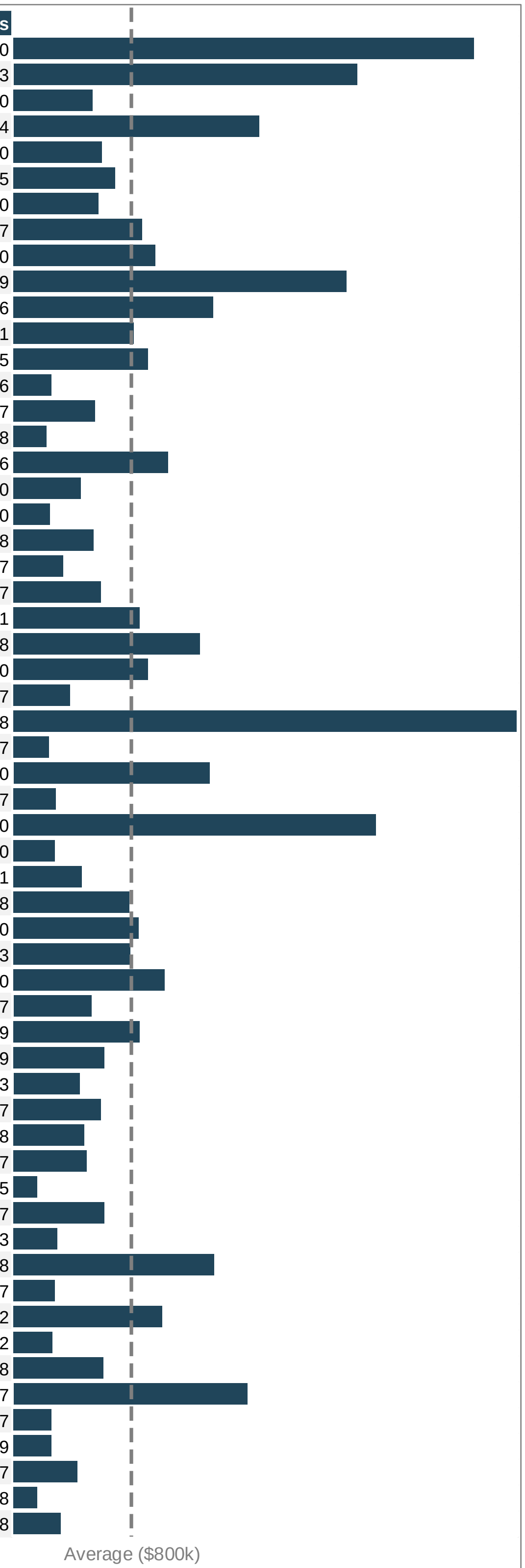
To evaluate the tax credits received by individual and corporate donors, we analyzed DOR tax return data for all taxpayers that claimed the RHTC in 2018 and 2019. We used taxpayer data to differentiate between credits granted to individual and corporate taxpayers, and to describe income levels and counties of residence of individual taxpayer. We also used DOR tax return data to identify the total amount of credits available for taxpayers to claim, the amount of credits that were claimed, and the amount of credits that were carried forward and are claimable in the future. Additionally, we reviewed state law to identify compliance requirements related to taxpayer contributions to rural hospitals. We used DOR contribution data to determine whether taxpayer contributions complied with the identified requirements.

To evaluate the amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20, we reviewed Georgia HEART's audited financials to identify administrative fee income from RHTC contributions in 2019. We also reviewed DCH data and rural hospital documentation to identify the amount rural hospitals reported as administrative fees charged by Georgia HEART. We reviewed O.C.G.A. § 48-7-29.20 to identify statutory limits on fees that can be charged by third parties and compared limits to Georgia HEART's 2019 administrative fee income.

We conducted this special examination in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C: RHTC Contributions by Hospital, 2019

Rank	Rural Hospital	County	Contributions
1	Dorminy Medical Center	Ben Hill	$3,032,450
2	Candler County Hospital	Candler	$2,261,083
3	Irwin County Hospital	Irwin	$521,850
4	Memorial Hospital Of Bainbridge	Decatur	$1,618,744
5	Liberty Regional Medical Center	Liberty	$584,090
6	Elbert Memorial Hospital	Elbert	$666,695
7	Emanuel Medical Center	Emanuel	$561,850
8	Taylor Regional Hospital	Pulaski	$844,217
9	Stephens County Hospital	Stephens	$929,340
10	WellStar Sylvan Grove Hospital	Butts	$2,193,219
11	Coffee Regional Medical Center	Coffee	$1,312,356
12	Wills Memorial Hospital	Wilkes	$791,271
13	St. Mary's Sacred Heart Hospital	Franklin	$883,115
14	Evans Memorial Hospital	Evans	$246,586
15	Navicent Health Baldwin	Baldwin	$532,507
16	Wayne Memorial Hospital	Wayne	$219,008
17	Habersham County Medical Center	Habersham	$1,018,646
18	Burke Medical Center	Burke	$446,400
19	University Hospital McDuffie	McDuffie	$239,750
20	Washington County Regional Medical Center	Washington	$531,908
21	Effingham Health System	Effingham	$330,157
22	Jefferson Hospital	Jefferson	$574,707
23	Dodge County Hospital	Dodge	$833,741
23	Tift Regional Medical Center	Tift	$1,226,708
25	Putnam General Hospital	Putnam	$885,900
26	Upson Regional Medical Center	Upson	$371,777
27	Colquitt Regional Medical Center	Colquitt	$3,309,808
27	Southwest Georgia Regional Medical Center	Randolph	$236,007
29	Piedmont Mountainside Hospital	Pickens	$1,292,170
30	Donalsonville Hospital Inc	Seminole	$279,507
30	St Mary's Good Samaritan Hospital	Greene	$2,383,260
32	Cook Medical Center	Cook	$268,600
33	Medical Center Of Peach County	Peach	$448,341
34	Southeast Georgia Health System	Camden	$763,428
35	Monroe County Hospital	Monroe	$826,040
35	Phoebe Sumter Medical Center	Sumter	$772,923
37	Meadows Regional Medical Center	Toombs	$998,040
38	Miller County Hospital	Miller	$516,107
39	Morgan Memorial Hospital	Morgan	$832,309
39	Polk Medical Center, Inc.	Polk	$594,419
41	Jeff Davis Hospital	Jeff Davis	$433,373
41	Union General Hospital	Union	$573,607
43	Grady General Hospital	Grady	$468,008
44	Bleckley Memorial Hospital	Bleckley	$481,207
45	Appling Hospital	Appling	$157,035
46	Bacon County Hospital	Bacon	$597,987
47	Phoebe Worth Medical Center	Worth	$290,563
48	Higgins General Hospital	Haralson	$1,322,388
49	Brooks County Hospital	Brooks	$273,507
50	Crisp Regional Hospital	Crisp	$982,212
50	Murray Medical Center	Murray	$255,452
52	Jasper Memorial Hospital	Jasper	$591,838
53	John D Archbold Memorial Hospital	Thomas	$1,536,177
54	South Georgia Medical Center - Berrien	Berrien	$246,007
55	Clinch Memorial Hospital	Clinch	$249,419
56	Chatuge Regional Hospital	Towns	$417,007
57	Mitchell County Hospital	Mitchell	$153,618
58	South Georgia Medical Center - Lanier	Lanier	$308,008



Source: Statutory reports on DOR website

The Performance Audit Division was established in 1971 to conduct in-depth reviews of state-funded programs. Our reviews determine if programs are meeting goals and objectives; measure program results and effectiveness; identify alternate methods to meet goals; evaluate efficiency of resource allocation; assess compliance with laws and regulations; and provide credible management information to decision makers. For more information, contact us at (404)656-2180 or visit our website at www.audits.ga.gov.