

# Client Alert

Current Issues Relevant to Our Clients

October 14, 2013

## SEC Issues Cease and Desist Order against Miami-Dade County Hospital System in Connection with Bond Issue

On September 13, 2013, the Securities and Exchange Commission issued a cease and desist order against Public Health Trust of Miami-Dade County, which operates Jackson Health Systems, one of the largest hospital systems in the United States. The order is based on Miami-Dade County's issuance of \$83 million in revenue bonds on behalf of Public Health Trust in August 2009. The SEC alleged that Public Health Trust made misrepresentations and omissions in the official statement for the bonds.

- Public Health Trust stated that its financial statements were prepared in accordance with GAAP, but failed to properly account for liabilities relating to an arbitration award in violation of GAAP requirements.
- Public Health Trust did not disclose problems with a new billing system that resulted in a misstatement of present and projected revenues.
- Public Health Trust misrepresented its income statement financial information as current through April 30, 2009 instead of May 31, 2009.

Public Health Trust neither admitted nor denied the SEC's findings. Due to its cooperation with the SEC investigation and remedial acts of hiring outside consultants and restructuring its board, Public Health Trust is not required to take any further action.

To avoid similar SEC charges, issuers should consider these guidelines:

- When disclosing financial weaknesses, disclose all known factors causing each weakness, even if a particular factor is already discussed in another context.
- Facilitate regular communication between business units related to occurrences that may affect revenue or expenses. Remember to evaluate the effectiveness of processes designed to check the accuracy of the details. For example, the processes should ensure that financial statements are accurate for the type and time period of information represented.
- When implementing new systems or programs, show the effect of the changes in financial statements.
- Clearly account for the impact of arbitration and litigation awards in financial statements according to relevant accounting standards.

### For More Information

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*To discuss any topic covered in this Client Alert, please contact an attorney in our Public Finance Group or visit us online at [Chapman.com](http://Chapman.com).*

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