

March 27, 2013

Board of Directors

Florida Health Maintenance Organization Consumer Assistance Plan

Suite 1200, 106 East College Avenue

Tallahassee, Florida 32301

We were engaged to perform the following procedures for Florida Health Maintenance Organization Consumer Assistance Plan (the Plan):

- Review the Plan's current investment policy.
- Review the criteria for investing in certificates of deposit (CDs) established by Wells Fargo.
- Schedule all certificates of deposits that are invested under the advice of Wells Fargo.
- Verify that all certificates of deposits are invested in the name of the Plan.
- Verify that all certificates of deposits were funded by the Plan through the Wells Fargo account.
- Verify through independent means that all certificates of deposit recommended by Well Fargo are issued by banks with a minimum of \$100 million in assets
- Verify through independent means that all banks recommended for investing have a CAMEL (**C**apital adequacy, **A**sset quality, **M**argins, **E**arnings returns and **L**everage & Liquidity) rating of Superior, Excellent or Average as published by IDC Financial Publishing.
- Verify through independent means that all recommended banks have a "**Texas Ratio**" as developed by RDC Capital of 40% or less.

We have issued the following report documenting the completion of the above agreed upon procedures as well as our findings.

The Plan's current investment policy needs to be updated to better address the current investment portfolio and strategy. The Plan's cash position has significantly increased over the past few years and as a result the investment strategy has also changed. The Plan historically did not actually have investments per se; it had cash and cash equivalents. The Plan's main cash management needs were more related to liquidity. As the cash position has risen the emphasis has shifted to the need for more security.

The Plan should address what constitutes cash and cash equivalents, which is typically defined as demand deposits, highly liquid money market funds, and highly liquid investments with original maturities of three months or less at time of acquisition.

The Investment policy needs to address the definition of what is an investment, what constitutes short term investments, long term investments and how investments are going to be recorded at fair market value. The estimation of fair value for financial assets should be based on the framework established by the fair value measurements and disclosures accounting guidance as outlined in the accounting standards. The policy also

needs to address the additional risks that come from holding investments, rather than just cash and cash equivalents. These risks include credit risk, custodial risk, concentration of credit risk, and interest rate risk.

The Plan's strategy has now placed a greater emphasis on security as the amount of cash has increased. As a result the Plan now has certificate of deposits in numerous banks with different lengths of maturity ranging from sixty months to three months with twelve to twenty-four months becoming more prevalent. The emphasis of the overall strategy is security of the investments, and the current investments reflect that goal. The investment policy just needs an update to better reflect the changing cash situation.

The plan at year end had the following cash, cash equivalents and investments. The Plan has set up the following General Ledger accounts on its financial statements with the following amounts at year end.

1004	Wells Fargo General Account	\$	25,565
1012	Wells Fargo Bank Bus High MMI	\$	932,096
1006	Wells Fargo Cert of Deposit	\$	4,325,000
1010	Treasurers SPIA	\$	3,539,828
1013	Hancock Bank CD	\$	125,556

Our agreed upon engagement is related to the activity of the Wells Fargo Bank High MMI account which was used to fund the purchase of all the certificates of deposit in the Wells Fargo Cert of Deposit account.

The Plan recorded the following purchases on the books this year from the Money Market account:

01/18/2012	To record purchase of 6 month Sovereign Bank CD Administered by Wells Fargo; settlement date 1/...	1006 · Wells Fargo Cert of Deposit	250,000.00
01/20/2012	To record purchase of 3 month Everbank CD Administered by Wells Fargo; settlement date 1/20/12	1006 · Wells Fargo Cert of Deposit	250,000.00
01/23/2012	To record purchase of 3 month Mizrahi Tefahot Bank CD Administered by Wells Fargo; settlement da...	1006 · Wells Fargo Cert of Deposit	175,000.00
01/25/2012	To record CDs purchased an Administered by Wells Fargo; settlement date 1/25/12: 250,000 - 6 mon...	1006 · Wells Fargo Cert of Deposit	1,175,000.00
01/27/2012	To record purchase of 12 month State Bank of India CD Administered by Wells Fargo; settlement da...	1006 · Wells Fargo Cert of Deposit	250,000.00
01/31/2012	To record purchase of 3 month Safra Nat'l Bank CD Administered by Wells Fargo; settlement date ...	1006 · Wells Fargo Cert of Deposit	175,000.00
02/01/2012	To record purchase of 24 month CD - Discover CD and 18 month CD -Ally Bank CD both Administered ...	1006 · Wells Fargo Cert of Deposit	350,000.00
02/17/2012	To record purchase of 12 month Bank of Baroda CD Administered by Wells Fargo; settlement date 2/...	1006 · Wells Fargo Cert of Deposit	249,950.00
02/22/2012	To record purchase of 2 - 24 month CDs – Discover Bank and Worlds Foremost Jumbo Administered b...	1006 · Wells Fargo Cert of Deposit	250,000.00
02/24/2012	To record purchase of 3 month Bank Hapoalim B M CD Administered by Wells Fargo; settlement date ...	1006 · Wells Fargo Cert of Deposit	250,000.00
08/01/2012	To record purchase of 24 month Sovereign Bank CD Administered by Wells Fargo; settlement date 8/...	1006 · Wells Fargo Cert of Deposit	175,000.00
10/31/2012	To record purchase of 24 month Sallie Mae Bank CD Administered by Wells Fargo; settlement date 1...	1006 · Wells Fargo Cert of Deposit	250,000.00
12/18/2012	To record purchase of 3 month Medallion Bank Salt Lake City UT CD Administered by Wells Fargo; s...	1006 · Wells Fargo Cert of Deposit	250,000.00
12/19/2012	To record purchase of two (2) 3 month CDs - Mizuho Corp Bk USA CD New York NY (\$250,000) and Co...	1006 · Wells Fargo Cert of Deposit	450,000.00
12/21/2012	To record purchase of 3 month Hombanc Natl Assn Lake Mary Fla Primary CD Administered by Wells F...	1006 · Wells Fargo Cert of Deposit	250,000.00
05/11/2012	To record purchase of 12 month Privatebank & TR CO CD Administered by Wells Fargo; settlement da...	1006 · Wells Fargo Cert of Deposit	175,000.00
05/16/2012	To record purchase of 24 month BMW Bank of NA Administered by Wells Fargo; settlement date 5/16/12	1006 · Wells Fargo Cert of Deposit	250,000.00
07/20/2012	To record purchase of 24 month GE Capital Bank (GE Capital Financial) Salt Lake City, UT Primary...	1006 · Wells Fargo Cert of Deposit	250,000.00
			5,424,950.00

During the year there were several sales and purchases of Certificates of Deposits that were done directly within the Wells Fargo Certificate of Deposit account, as well as some transfers of cash back to the money market account. We have attached the end of the year statement from Wells Fargo regarding the specific certificates held.

We were able to verify back to the actual monthly statements the transfers between the Money Market account and the purchasing and selling of certificates of deposit within the Wells Fargo Certificate of deposit account. All Purchases and sales were agreed to the actual monthly statements and the general ledger.

Based on the information available on the year end schedule we were able to identify all the banks issuing certificates of deposits, recommended by Wells Fargo.

As part of the verification process I spoke with the Investment advisor for Wells Fargo, Scott A. Hilton, CFP® Financial Advisor Senior Vice President-Investments; he forwarded me the criteria that Wells Fargo Advisors use when evaluating brokered CDs for possible recommendation:

1. All CDs we recommend are issued by banks with a minimum of \$100 million in assets.
2. We utilize research from IDC Financial Publishing which rates over 16,000 different banks using a proprietary model called CAMEL (Capital Adequacy, Asset quality, Margins, Earnings returns and Leverage & Liquidity). IDC calculates and analyzes 24 key financial ratios which are used in a numerical rating system that

determines a classification into one of six different rating categories. Wells Fargo will only recommend banks that fall into the three highest ratings which are Superior, Excellent and Average.

3. We utilize the Texas Ratio which is an early warning indicator developed by RDC Capital in the 1980's. The Texas Ratio is calculated by dividing a bank's non-performing assets and loans delinquent more than 90 days and divides it by the bank's tangible capital equity plus its loan loss reserve funds. All banks we recommend must have a Texas ratio of 40% or less.

We discussed the above criteria along with the nature of my engagement. Mr. Hilton contacted me approximately one week later and informed me that Wells Fargo was not able to, or was unwilling to document compliance with any of the above three criteria. He sent me information regarding the definition of the Brokered CD account, a brochure on SPIA insurance and how that worked, as well as a confirmation of the actual investment account at December 31, 2012.

He informed me the criteria related to whether a recommended bank had over \$100 million in assets would not be documented by his firm. He also stated that the research from the IDC Financial Publishing is proprietary in nature and requires a subscription to the service and that Wells Fargo was not willing to document any compliance with ratings developed for the financial institutions recommended for the purchasing of Brokered Certificates of Deposit. I was also informed that Wells Fargo was not able to document compliance with the third criteria that recommended banks have a "Texas Ratio" of 40% or less.

Mr. Hilton was not saying that the banks recommended were not in compliance with any of the recommended criteria, he was simply stating that Wells Fargo and Company's compliance department was not willing to document compliance. Their position was that each brokered Certificate of Deposit was insured under FDIC limits and the account as a whole also had SPIC insurance along with an additional amount of coverage from Lloyds of London. He stated that the additional criteria should not be relied upon for investment decisions because the important thing is the insurance.

Based on the fact that Wells Fargo is not willing to document its own compliance with the criteria they outlined they would be using, it did not make sense to go ahead with the independent verification process. We recommend that the Board make a decision regarding the importance of the additional criteria used in the recommendations of the banks, versus the costs associated with attempting to verify criteria that can't be confirmed by the advisors who recommended the criteria in the first place.

We were able to document that based on the activity recorded within the money market account and Brokered Certificate of Deposit account the full name, address and web site for each listed bank. The ability to verify that each recommended bank has deposits in excess of \$100 million is possible; however, since Wells Fargo is not willing to document compliance, we felt it would be prudent to issue a draft report and discuss with the board how to proceed.

We appreciate the opportunity to be of service to you and believe this report accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. We would like to schedule a conference call to discuss the progress of the engagement and, and to determine the next course of action.

Very truly yours,

Moran & Smith LLP

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