



**HARRIS COUNTY HOSPITAL DISTRICT
(DBA HARRIS HEALTH SYSTEM)
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

Reports on Federal and State Award Programs

Year ended February 28, 2015

**HARRIS COUNTY HOSPITAL DISTRICT
(DBA HARRIS HEALTH SYSTEM)
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

Table of Contents

| | Page(s) |
|---|----------------|
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 1–2 |
| Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> , and the State of Texas Single Audit Circular | 3–5 |
| Schedule of Expenditures of Federal and State Awards | 6–7 |
| Notes to Schedule of Expenditures of Federal and State Awards | 8 |
| Schedule of Findings and Questioned Costs – Federal and State Awards | 9–10 |



KPMG LLP
811 Main Street
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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Managers
Harris County Hospital District, dba Harris Health System
Houston, Texas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Harris County Hospital District, dba Harris Health System (System) as of and for the year ended February 28, 2015 and the related notes to the financial statements, which collectively comprise System's basic financial statements, and have issued our report thereon dated June 12, 2015. The financial statements of the Harris County Hospital District Foundation and Community Health Choice, Inc., the discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the



determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Houston, Texas
June 15, 2015



KPMG LLP
811 Main Street
Houston, TX 77002

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular

The Board of Managers
Harris County Hospital District, dba Harris Health System
Houston, Texas:

Report on Compliance for Each Major Federal and State Program

We have audited Harris County Hospital District, dba Harris Health System's (the System) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement and the State of Texas Single Audit Circular* that could have a direct and material effect on each of the System's major federal and state programs for the year ended February 28, 2015. The System's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the System's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State of Texas Single Audit Circular*. Those standards, OMB Circular A-133, and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state programs occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the System's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal and state program for the year ended February 28, 2015.



Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the System’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal and State Awards by OMB Circular A-133 and the State of Texas Single Audit Circular

We have audited the financial statements of the System as of and for the year ended February 28, 2015 and have issued our report thereon dated June 12, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State of Texas Single Audit Circular and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Houston, Texas
June 15, 2015

HARRIS COUNTY HOSPITAL DISTRICT
(dba Harris Health System)
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
Schedule of Expenditures of Federal and State Awards
Year ended February 28, 2015

| <u>Federal grantor/passthrough grantor/state grantor/federal program title</u> | <u>Catalog of federal domestic assistance number</u> | <u>Grantor number</u> | <u>Grant period</u> | <u>Expenditures</u> |
|---|--|---|---|-----------------------------|
| U.S. Department of Agriculture Farmer's Market Promotion Program | 10.168 | 12-25-G-1640 | 10/1/12 to 9/30/14 | \$ 15,978 |
| Total U.S. Department of Agriculture | | | | 15,978 |
| U.S. Department of Health and Human Services Strong Start for Mothers and Newborns | 93.611 | D1CMS331133-02 | 2/15/14 to 4/30/15 | 294,643 |
| Total-CFDA 93.611 | | | | 294,643 |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | H12HA24800-02 H12HA24800-03 | 8/1/13 to 7/31/14 8/1/14 to 7/31/15 | 132,801 194,254 |
| Total-CFDA 93.153 | | | | 327,055 |
| Consolidated Health Centers | 93.224 | H80CS00038-13 H80CS00038-14 | 11/1/13 to 10/31/14 11/1/14 to 10/30/15 | 2,144,743 1,106,356 |
| Total-CFDA 93.224 | | | | 3,251,099 |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | H76HA00128-23 H76HA00128-24 | 1/1/14 to 12/31/14 1/1/15 to 12/31/15 | 750,541 114,624 |
| Total-CFDA 93.918 | | | | 865,165 |
| Special Projects of National Significance | 93.928 | H97HA24959-02 H97HA24959-03 | 9/1/13 to 8/31/14 9/1/14 to 8/31/15 | 207,450 201,068 |
| Total-CFDA 93.928 | | | | 408,518 |
| Total Direct U.S. Department of Health and Human Services | | | | 5,146,480 |
| <i>Passed Through Harris County Public Health and Environmental Services:</i> | | | | |
| HIV Emergency Relief Project Grants (Fee-for-Service) | 93.914 | 14GEN0074 | 3/1/14 to 2/28/15 | 7,045,573 |
| Total Passed Through Harris County Public Health & Environmental Services | | | | 7,045,573 |
| <i>Passed Through City of Houston:</i> | | | | |
| HIV Prevention Activities – Health Department Based | 93.940 | C14-001-1 C15-002-18 | 1/1/14 to 12/31/14 1/1/15 to 12/31/15 | 331,443 60,460 |
| Total-CFDA 93.940 | | | | 391,903 |
| <i>Passed Through Texas Department of State Health Services</i> | | | | |
| Centers for Disease Control & Prevention-Investigations and Technical Assistance | 93.283 | 2014-044930 | 9/1/13 to 8/31/14 | 120,947 |
| Temporary Assistance for Needy Families | 93.558 | 2014-044930 2015-047052 | 9/1/13 to 8/31/14 9/1/14 to 8/31/15 | 95,554 58,087 |
| Total-CFDA 93.558 | | | | 153,641 |
| Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations financed in part by Prevention and Public Health Funds | 93.752 | 2015-047052 | 9/1/14 to 8/31/15 | 29,049 |
| Maternal and Child Health Services Block Grant to the States (Fee-for-Service) | 93.994 | 2014-044546 2014-044675 2015-046354 | 9/1/13 to 8/31/14 9/1/13 to 8/31/14 9/1/14 to 8/31/15 | 9,830 313,372 205,476 |
| Total-CFDA 93.994 | | | | 528,678 |
| HIV Prevention Activities – Health Department Based | 93.940 | 2014-002552 2015-002552 | 1/1/14 to 12/31/14 1/1/15 to 21/31/15 | 113,388 2,795 |
| Total-CFDA 93.940 | | | | 116,183 |
| Total Passed Through Texas Department of State Health Services | | | | 948,498 |
| <i>Passed Through Dallas County Hospital District</i> | | | | |
| AIDS Education and Training Centers | 93.145 | Other – 5952 Other – 7444 | 7/1/13 to 6/30/14 7/1/14 to 6/30/15 | 45,193 24,579 |
| Total Passed Through Dallas County Hospital District | | | | 69,772 |
| Total U.S. Department of Health and Human Services | | | | 13,602,226 |
| <i>Research and Development Cluster</i> | | | | |
| U.S. Department of Health and Human Services <i>Passed through Baylor College of Medicine</i> Centers for Research & Demonstration for Health Promotion and Disease Prevention | 93.135 | 101863581 102029808 | 9/30/13 to 9/29/14 9/30/14 to 9/29/15 | 95,833 76,237 |
| Total-CFDA 93.135 | | | | 172,070 |
| Mental Health Research Grants | 93.242 | 5600494045 | 6/1/13 to 5/31/14 | 2,060 |
| Total Passed Through Baylor College of Medicine | | | | 174,130 |
| <i>Passed through The University of Texas M.D. Anderson Cancer Center</i> | | | | |
| Cancer Cause and Prevention Research | 93.393 | 00910570 | 9/1/13 to 8/31/14 | 6,656 |

HARRIS COUNTY HOSPITAL DISTRICT
(dba Harris Health System)
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
Schedule of Expenditures of Federal and State Awards
Year ended February 28, 2015

| <u>Federal grantor/passthrough grantor/state grantor/federal program title</u> | <u>Catalog of federal domestic assistance number</u> | <u>Grantor number</u> | <u>Grant period</u> | <u>Expenditures</u> |
|---|--|-----------------------|---------------------|----------------------|
| | | 00002046 | 6/1/14 to 4/30/15 | \$ 74,185 |
| Total-CFDA 93.393 | | | | 80,841 |
| Total Research and Development Cluster | | | | 254,971 |
| Total Expenditures of Federal Awards | | | | <u>13,873,175</u> |
| Texas Department of State Health Services | | | | |
| Expanded Primary Healthcare | | 2014-045296 | 9/1/13 to 8/31/14 | 989,436 |
| Expanded Primary Healthcare | | 2014-045360 | 11/1/13 to 8/31/14 | 2,600,704 |
| Expanded Primary Healthcare | | 2015-046736 | 9/1/14 to 8/31/15 | 211,580 |
| Expanded Primary Healthcare | | 2015-046718 | 9/1/14 to 8/31/15 | 485 |
| Total-Expanded Primary Healthcare | | | | 3,802,205 |
| CHS-Breast and Cervical Cancer (Fee-for-Service) | | 2014-044930 | 9/1/13 to 8/31/14 | 95,068 |
| | | 2015-047052 | 9/1/14 to 8/31/15 | 197,933 |
| Total-CHS Breast and Cervical Cancer | | | | <u>293,001</u> |
| CHS – Title V-Prenatal Services (Fee-for-Service) | | 2014-044546 | 9/1/13 to 8/31/14 | 32,424 |
| | | 2015-046001 | 9/1/14 to 8/31/15 | 34,259 |
| Total-CHS Title V-Prenatal Services | | | | <u>66,683</u> |
| SHS-Case Management | | 2014-044146 | 9/1/13 to 8/31/14 | 54,826 |
| | | 2015-047079 | 9/1/14 to 8/31/15 | 17,817 |
| Total-SHS Case Management | | | | <u>72,643</u> |
| TB-Prevention and Control – Hospitals | | 2014-044094 | 9/1/13 to 8/31/14 | 15,820 |
| | | 2015-046131 | 9/1/14 to 8/31/15 | 5,460 |
| Total-TB-Prevention and Control – Hospitals | | | | <u>21,280</u> |
| CHS Epilepsy Services | | 2014-001503 | 9/1/13 to 8/31/14 | 64,642 |
| | | 2015-001503 | 9/1/14 to 8/31/15 | 53,076 |
| Total-CHS Epilepsy Services | | | | <u>117,718</u> |
| CHS-Title V-Child Health Services | | 2014-044675 | 9/1/13 to 8/31/14 | 1,932 |
| Total-Title V -Child Health Services | | | | <u>1,932</u> |
| Total Direct Texas Department of State Health Services | | | | <u>4,375,462</u> |
| <i>Passed Through The City of Houston</i> | | | | |
| DSHS Expanded and Integrated HIV Testing | | C13-001-20 | 9/1/13 to 8/31/14 | 342,884 |
| | | C13-003-20 | 9/1/14 to 12/31/14 | 145,596 |
| Total – DSHS Expanded and Integrated HIV Testing | | | | <u>488,480</u> |
| Total Texas Department of State Health Services | | | | <u>4,863,942</u> |
| Cancer Prevention and Research Institute of Texas (CPRIT) | | | | |
| <i>Passed through Baylor College of Medicine</i> | | | | |
| Empowering the Medically Underserved Through a Community Through a Community Network for Cancer Prevention | | 102023945 | 8/31/14 to 8/30/15 | 118,102 |
| Developing a Comprehensive Cervical Cancer Screening Program for the Uninsured and Underinsured Women in Harris County | | 101653724 | 3/1/14 to 2/28/15 | 144,068 |
| Improving Breast Cancer Screening and Follow-up of Medical Underserved Harris County Residents | | 101939059 | 12/1/13 to 11/30/14 | 16,810 |
| | | 102060471 | 12/1/14 to 11/30/15 | 59,027 |
| Total Passed Through Baylor College of Medicine | | | | <u>338,007</u> |
| <i>Passed through The University of Texas Health Science Center at Houston:</i> | | | | |
| Increasing Breast, Cervical, and Colon Cancer Screening and Increasing HPV vaccination among underserved Texas: A collaboration with the United Way's 211 Program | | 0008866B | 3/1/14 to 2/28/15 | 49,052 |
| Total Passed Through The University of Texas Health Science Center at Houston | | | | <u>49,052</u> |
| <i>Passed through The University of Texas M.D. Anderson Cancer Center</i> | | | | |
| Implementation of an Automated EMR System to Connect Smokers in a Safety Net Healthcare System with Smoking Cessation Treatment | | 36522/000000051/54451 | 9/1/13 to 8/31/14 | 104,957 |
| | | 3000462451 | 9/1/14 to 8/31/15 | 48,190 |
| Total Passed Through The University of Texas M.D. Anderson Cancer Center | | | | <u>153,147</u> |
| Total Cancer Prevention and Research Institute of Texas (CPRIT) | | | | <u>540,206</u> |
| Total Expenditures of State Awards | | | | <u>5,404,148</u> |
| Total Expenditures of Federal and State Awards | | | | <u>\$ 19,277,323</u> |

See accompanying independent auditors' report.

**HARRIS COUNTY HOSPITAL DISTRICT
(DBA HARRIS HEALTH SYSTEM)
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

Notes to Schedule of Expenditures of Federal and State Awards

Year ended February 28, 2015

(1) General

The schedule of expenditures of federal and state awards (Schedule) presents expenditures for all federal and state programs that were in effect during the year ended February 28, 2015.

(2) Basis of Accounting

Expenditures are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The information in this Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

(3) Fee-For-Service Programs

Certain grants are noted as fee-for-service programs on the Schedule. The expenditures shown for these grants represent amounts paid for particular services performed by the System during fiscal year 2015.

(4) Schedule May Not Agree with Other Federal and State Award Reporting

The information included in the Schedule may not fully agree with other federal or state award reports that the auditee submits directly to federal or state granting agencies because, among other reasons, the award report (a) may be prepared for a different fiscal period and (b) may include cumulative (from prior years) data rather than data for the current year only.

**HARRIS COUNTY HOSPITAL DISTRICT
(DBA HARRIS HEALTH SYSTEM)
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

Notes to Schedule of Expenditures of Federal and State Awards

Year ended February 28, 2015

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weakness? _____ yes X none reported

Noncompliance material to the financial statements noted? _____ yes X no

Federal and State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weakness? _____ yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133? _____ yes X no

Any audit findings disclosed that are required to be reported in accordance with section 510 of the *State of Texas Single Audit Circular*? _____ yes X no

Identification of Major Programs

| CFDA Number | Name of program |
|-------------|--|
| 93.914 | HIV Emergency Relief Project Grants (Fee-for-Service) |
| 93.994 | Maternal and Child Health Services Block Grant to the States (Fee-for-Service) |
| STATE | Expanded Primary Healthcare (Fee-for-Service) |

Dollar threshold used to distinguish between Type A and Type B programs:

| | |
|--|--------------------|
| | Federal: \$416,195 |
| | State: \$300,000 |

Auditee qualified as low-risk auditee? x yes no

**HARRIS COUNTY HOSPITAL DISTRICT
(DBA HARRIS HEALTH SYSTEM)
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**
Notes to Schedule of Expenditures of Federal and State Awards
Year ended February 28, 2015

Section II – Financial Statement Findings

No current year findings.

Section III – Federal and State Award Findings and Questioned Costs

No current year findings.