



**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, 2013

**HARRIS COUNTY HOSPITAL DISTRICT**  
**(dba Harris Health System)**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

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KPMG LLP  
811 Main Street  
Houston, TX 77002

**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, 2013 and the related notes to the financial statements, which collectively comprise System's basic financial statements, and have issued our report thereon dated June 20, 2013. The financial statements of the Harris County Hospital District Foundation and Community Health Choice, Inc. 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 20, 2013



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, 2013. 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, 2013.



### ***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, 2013 and have issued our report thereon dated June 20, 2013, 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 20, 2013

**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, 2013

Federal grantor/pass-through grantor/ state grantor/federal program title	Catalog of federal domestic assistance number	Grantor number	Grant period	Expenditures
U.S. Department of Justice Passed Through the Office of the Governor: Crime Victim Assistance	16.575	2577901	09-01-12-08-31-13	\$ 8,433
U.S. Department of Health and Human Services: Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918 93.918	5-H76-HA00128-20 5-H76-HA00128-21	01-01-12-12-31-12 01-01-13-12-31-13	630,916 119,990
Total – CFDA 93.918				<u>750,906</u>
Consolidated Health Centers	93.224 93.224	6-H80-CS00038-11 6-H80-CS00038-12	11-01-11-10-31-12 11-01-12-10-31-13	2,140,730 988,010
Total – CFDA 93.224				<u>3,128,740</u>
ARRA-Health Center Integrated Services Development Initiative	93.703	6-C81-CS14178	06-29-09-06-30-12	154,260
Special Projects of National Significance	93.887	1-C76-HF19522	08-01-10-08-31-12	8,136
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	1-H12HA24800-01	08-01-12-07-31-13	101,221
Specially Selected Health Projects	93.928	1-H97HA24959-01	09-01-12-08-31-13	41,692
Total Direct U.S. Department of Health and Human Services				<u>4,184,955</u>
Passed Through Harris County Public Health and Environmental Services: HIV Emergency Relief Project Grants (Fee-for-Service)	93.914	11GEN1988	03-01-12-02-28-13	6,495,512
Total Passed Through Harris County Public Health & Environmental Services				<u>6,495,512</u>
Passed Through Houston Regional HIV/AIDS Resource Group: Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153 93.153	11HCH00RWD 11HCH00RWDY	08-01-11-07-31-12 09-01-11-08-31-12	155,347 142,599
Total – CFDA 93.153				<u>297,946</u>
Total Passed Through Houston Regional HIV/AIDS Resource Group				<u>297,946</u>
Passed Through The Southeast Regional Advisory Council: National Bioterrorism Hospital Preparedness Program	93.889	N/A	07-01-11-06-30-12	29,239
Total Passed The Through Southeast Regional Advisory Council				<u>29,239</u>
Passed Through The City of Houston: The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	93.523 93.943	C12-034-1E C13-001-4	04-01-12-06-30-12 01-01-13-12-31-13	10,108 11,400
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.940 93.940	C12-001-7 C12-001-7	01-01-12-12-31-12 01-01-13-12-31-13	194,692 36,164
HIV Prevention Activities – Health Department Based	93.940	C12-034-1	01-01-12-12-31-12	43,942
Total – CFDA 93.940				<u>274,798</u>
Total Passed Through The City of Houston				<u>296,306</u>
Passed Through Texas Department of State Health Services: ARRA-Prevention and Wellness-States, Territories, and Pacific Islands	93.723	2011-038109	06-15-11-03-31-12	3,875
Centers for Disease Control and Prevention-Investigations and Technical Assistance (Fee-for-service)	93.283	2011-038377	07-01-11-06-30-12	29,976
Temporary Assistance for Needy Families	93.558	2012-041363	07-01-12-06-30-13	151,311



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Schedule of Expenditures of Federal and State Awards  
Year ended February 28, 2013

Federal grantor/pass-through grantor/ state grantor/federal program title	Catalog of federal domestic assistance number	Grantor number	Grant period	Expenditures
Maternal and Child Health Services Block Grant to the States (Fee-for-Service)	93.994	2012-039642	09-01-11-08-31-12	\$ 4,806
	93.994	2013-042442	09-01-12-08-31-13	7,286
	93.994	2012-039452	09-01-11-08-31-12	15,503
	93.994	2013-042494	09-01-12-08-31-13	<u>19,100</u>
Total – CFDA 93.994				<u>46,695</u>
HIV Prevention Activities – Health Department Based	93.940	2012-040346	01-01-12-12-31-12	82,772
	93.940	2013-043066	01-01-12-12-31-13	<u>11,518</u>
Total – CFDA 93.940				<u>94,290</u>
Total Passed Through The Texas Department of State Health Services				<u>326,147</u>
Passed Through Dallas County Hospital District:				
AIDS Education and Training Centers	93.145	Other – 3045	07-01-11-06-30-12	48,160
	93.145	Other – 3045	07-01-12-06-30-13	<u>31,819</u>
Total – CFDA 93.145				<u>79,979</u>
Total Passed Through The Dallas County Hospital District				<u>79,979</u>
Total U.S. Department of Health and Human Services				<u>11,718,517</u>
Research and Development Cluster:				
U.S. Department of Health and Human Services:				
Passed Through The Baylor College of Medicine:				
Centers for Research & Demonstration for Health Promotion and Disease Prevention	93.135	5600286044	09-28-11-09-27-12	36,518
Mental Health Research Grants	93.242	5600494045	08-01-10-07-31-11	4,133
	93.242	5600494045	08-01-11-05-31-12	<u>9,668</u>
Total - CFDA 93.242				<u>13,801</u>
Total Passed Through The Baylor College of Medicine				<u>50,319</u>
Passed Through The University of Texas M.D. Anderson Cancer Center:				
Innovations in Applied Public Health Research	93.061	32475/98110488	09-01-10 - 08-31-12	62,309
Cancer Cause and Prevention Research	93.393	33110/98010570	09-01-10 - 08-31-11	9,718
	93.393	11111276/98010570	09-01-11 - 08-31-12	<u>7,517</u>
Total - CFDA 93.393				<u>17,235</u>
Total Passed Through The University of Texas MD Anderson Cancer Center				<u>79,544</u>
Total Research and Development Cluster				<u>129,863</u>
<b>Total Expenditures of Federal Awards</b>				<b><u>11,848,380</u></b>
Texas Department of State Health Services:				
DFCHS-Healthy Texas Babies		2012-040624	12-01-11-08-31-13	71,934
CHS-Breast and Cervical Cancer (Fee-for-service)		2011-038377	07-01-11-06-30-12	176,619
		2012-041363	07-01-12-06-30-13	<u>205,421</u>
Total – CHS-Breast and Cervical Cancer (Fee-for-service)				<u>382,040</u>
Maternal and Child Health Services Block Grant to the States (MCH Block Grants) (Fee-for-Service)		2012-039642	09-01-11-08-31-12	20,375
		2013-042442	09-01-12-08-31-13	<u>19,082</u>
Total – Maternal and Child Health Services Block Grant to the States (MCH Block Grants) (Fee-for-Service)				<u>39,457</u>
SHS-Case Management		2012-039000	09-01-11-08-31-12	56,422
		2013-041660	09-01-12-08-31-13	<u>44,549</u>
Total – SHS-Case Management				<u>100,971</u>
TB-Prevention and Control-Hospitals (Fee-for-service)		2012-039049	09-01-11-08-31-12	7,700
		2013-040990	09-01-12-08-31-13	<u>4,480</u>
Total – TB-Prevention and Control-Hospitals (Fee-for-service)				<u>12,180</u>
CHS-Epilepsy Services		2012-039757	09-01-11-08-31-12	8,244
		2013-041677	09-01-12-08-31-13	<u>50,079</u>
Total – CHS-Epilepsy Services				<u>58,323</u>
CHS-Fee for Service		2012-039452	09-01-11-08-31-12	12
		2013-042494	09-01-12-08-31-13	<u>159</u>
Total – CHS-Fee for Service				<u>171</u>
Total Direct Texas Department of State Health Services				<u>665,076</u>

**HARRIS COUNTY HOSPITAL DISTRICT**  
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Schedule of Expenditures of Federal and State Awards  
Year ended February 28, 2013

Federal grantor/pass-through grantor/ state grantor/federal program title	Catalog of federal domestic assistance number	Grantor number	Grant period	Expenditures
Passed Through The City of Houston:				
DSHS Expanded and Integrated HIV Testing		D12-001-2	09-01-11-08-31-12	\$ 328,112
DSHS Expanded and Integrated HIV Testing		D13-001-2	09-01-12-08-31-13	127,282
Total Passed Through The City of Houston				<u>455,394</u>
Total Texas Department of State Health Services				<u>1,120,470</u>
Cancer Prevention and Research Institute of Texas (CPRIT):				
Passed through The Baylor College of Medicine:				
Community Collaboration to Empower the Medically Underserved for Cancer Prevention and Control		5600682188 101686902	08-01-11-07-31-12 08-01-12-07-31-13	221,802 265,576
Developing a Comprehensive Cervical Cancer Screening Program for the Uninsured and Underinsured Women in Harris County		101653724	03-01-12-02-28-13	<u>63,028</u>
Total Passed Through The Baylor College of Medicine				550,406
Passed through The University of Texas Health Science Center at Houston:				
Increasing Breast, Cervical, and Colon Cancer Screening and Increasing HPV vaccination among Underserved Texans: A Collaboration with the United Way's 211 Program		0008866B	03-01-12-02-28-13	5,063
Total Passed Through The University of Texas Health Science Center at Houston				<u>5,063</u>
Total Cancer Prevention and Research Institute of Texas (CPRIT)				<u>555,469</u>
<b>Total Expenditures of State Awards</b>				<u><b>1,675,939</b></u>
<b>Total Expenditures of Federal and State Awards</b>				<u><b>\$ 13,524,319</b></u>

See accompanying notes to schedule of expenditures of federal and state awards.

**HARRIS COUNTY HOSPITAL DISTRICT**  
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Notes to Schedule of Expenditures of Federal and State Awards  
Year ended February 28, 2013

**(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, 2013.

**(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 2013.

**(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.

**(5) Subrecipients**

Of the federal award expenditures presented in the Schedule, the System provided federal awards to subrecipients as follows for the years ended February 28, 2013:

<u>Program title</u>	<u>CFDA No.</u>	<u>Amount provided</u>
AIDS Education and Training Centers	93.145	\$ 15,000
Coordinated Services & Access to Research For Women, Infants, Children & Youth	93.153	34,043
Consolidated Health Centers	93.224	499,644
HIV Emergency Relief Project Grants (Fee for Service)	93.914	1,223,326
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918	127,963
HIV Prevention Activities – Health Department Based	93.940	17,832
		<u>\$ 1,917,808</u>

**HARRIS COUNTY HOSPITAL DISTRICT**  
**(dba Harris Health System)**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

Schedule of Findings and Questioned Costs – Federal and State Awards  
Year ended February 28, 2013

**Section I – Summary of Auditors’ Results**

***Financial Statements***

Type of auditors’ report issued: Unqualified

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: Unqualified

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***

<b>CFDA Number</b>	<b>Name of program</b>
93.153	Coordinated Services and Access to Research for Woman, Infants, Children, and Youth
93.703	ARRA-Health Center Integrated Services Development Initiative
93.224	Consolidated Health Centers
93.940	HIV Prevention Activities- Health Department Based
STATE	DSHS Expanded and Integrated HIV Testing
STATE	CHS-Breast and Cervical Cancer (Fee-for-service)



**HARRIS COUNTY HOSPITAL DISTRICT  
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Summary Schedule of Prior Audit Finding

Year ended February 28, 2013

***Reference No. 2012-1***

**Section 1512 of American Recovery and Reinvestment Act (ARRA) Report**

**CFDA 93.703 – ARRA-Health Center Integrated Services Development Initiative**

**Award years – June 29, 2009 – June 30, 2012**

**Award number – C81CS14178**

**Type of finding – Significant Deficiency**

***Condition***

The District did not properly report expenditures in the 2011 fourth quarter Section 1512 report.

***Recommendation***

The District should ensure its report review process is properly completed to ensure the accuracy of the Section 1512 report prior to submission.

***Status of Prior Year Finding***

The remaining two 1512 reports were reviewed prior to submission to the federal agency. These reports accurately stated the cumulative expenditures for the project.