



**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, 2017

**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 Trustees  
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 (the System), as of and for the year ended February 28, 2017 and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated June 29, 2017. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 29, 2017



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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular**

The Board of Trustees  
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's, dba Harris Health System (the System), compliance with the types of compliance requirements described in the *OMB 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, 2017. The System's major federal and state programs are identified in the summary of auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Texas Single Audit Circular. Those standards, the Uniform Guidance, 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 program 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, Harris County Hospital District, dba Harris Health 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, 2017.



### *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 the Uniform Guidance 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 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Uniform Guidance 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 Required by the Uniform Guidance 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, 2017 and have issued our report thereon dated June 29, 2017, 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 the Uniform Guidance 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 expenditures 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 29, 2017

**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, 2017

<u>Federal grantor/pass-through 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>Amount paid to subrecipients</u>
Planning Grant for Healthcare and Public Health Sector Cybersecurity Information Sharing	93.835	HITEP150033-01	9/30/15 to 9/29/16	\$ 68,299	
Strong Start for Mothers and Newborns	93.611	D1CMS331133-03 D1CMS331133-04	6/1/15 to 8/31/16 9/1/16 to 5/31/17	129,767 51,387	
Total – CFDA 93.611				<u>181,154</u>	
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	H12HA24800-04 H12HA24800-05	8/1/15 to 7/31/16 8/1/16 to 7/31/17	148,046 183,648	
Total – CFDA 93.153				<u>331,694</u>	
Consolidated Health Centers	93.224	H80CS00038-15 H80CS00038-16	1/1/16 to 12/31/16 1/1/17 to 12/31/17	3,188,575 652,185	
Total – CFDA 93.224				<u>3,840,760</u>	
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00128-25 H76HA00128-26	1/1/16 to 12/31/16 1/1/17 to 12/31/17	650,474 131,220	
Total – CFDA 93.918				<u>781,694</u>	
Special Projects of National Significance	93.928	H97HA24959-04 H97HA24959-05	9/1/15 to 8/31/16 9/1/16 to 8/31/17	185,039 123,666	
Total – CFDA 93.928				<u>308,705</u>	
Total Direct U.S. Department of Health and Human Services				<u>5,512,306</u>	
<i>Passed through Harris County Public Health and Environmental Services:</i> HIV Emergency Relief Project Grants (Fee-for-Service)	93.914	16GEN0187	3/1/16 to 2/28/17	6,923,696	
Total passed through Harris County Public Health & Environmental Services				<u>6,923,696</u>	
<i>Passed through City of Houston:</i> HIV Prevention Activities – Health Department Based	93.940	C16-002-18 C17-002-18	1/1/16 to 12/31/16 1/1/17 to 12/31/17	315,706 29,137	
Total – CFDA 93.940				<u>344,843</u>	
Total passed through City of Houston				<u>344,843</u>	
<i>Passed through Texas Department of State Health Services:</i> Temporary Assistance for Needy Families	93.558	2015-047052	9/1/14 to 8/31/16	224,272	
Maternal and Child Health Services Block Grant to the States (Fee-for-Service)	93.994	2016-003928-00 2016-003928-01 2015-047052	9/1/15 to 8/31/16 9/1/16 to 8/31/17 9/1/15 to 8/31/16	132,919 216,678 50,571	
Total – CFDA 93.994				<u>400,168</u>	
HIV Prevention Activities – Health Department Based	93.940	U62PS003650 U62PS003650	1/1/16 to 12/31/16 1/1/17 to 12/31/17	117,416 7,521	112,248
Total – CFDA 93.940				<u>124,937</u>	
Total passed through Texas Department of State Health Services				<u>749,377</u>	
<i>Passed through Texas Health &amp; Human Services Commission</i> Temporary Assistance for Needy Families	93.558	529-17-0023-00037	9/1/16 to 8/31/17	100,375	
Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	529-17-0023-00037	9/1/16 to 8/31/17	208,056	
Maternal and Child Health Services Block Grant to the States (Fee-for-Service)	93.994	529-17-0023-00037	9/1/16 to 8/31/17	48,014	
Total passed through Texas Health & Human Services Commission				<u>356,445</u>	
<i>Passed through Dallas County Hospital District:</i> AIDS Education and Training Centers	93.145	U10HA29290 U10HA29290	9/1/15 to 6/30/16 7/1/16 to 6/30/17	55,081 57,400	
Total passed through Dallas County Hospital District				<u>112,481</u>	
Total U.S. Department of Health and Human Services				<u>13,999,148</u>	
Research and Development Cluster: 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	102216179	9/30/15 to 9/29/16	112,112	
Total passed through Baylor College of Medicine				<u>112,112</u>	
Total Research and Development Cluster				<u>112,112</u>	
Total Expenditures of Federal Awards				<u>14,111,260</u>	<u>112,248</u>

**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, 2017

Federal grantor/pass-through grantor/state grantor/federal program title	Grantor number	Grant period	Expenditures	Amount paid to subrecipients
Texas Department of State Health Services:				
Expanded Primary Healthcare	2015-046736	9/1/15 to 8/31/16	1,584,101	
Expanded Primary Healthcare	2015-046718	9/1/15 to 8/31/16	<u>538,894</u>	
Total – Expanded Primary Healthcare			<u>2,122,995</u>	
CHS – Title V-Prenatal Services (Fee-for-Service)				
	2016-003891-00	9/1/15 to 8/31/16	10,967	
	2016-003891-01	9/1/16 to 8/31/17	<u>42,440</u>	
Total – CHS Title V-Prenatal Services			<u>53,407</u>	
TB – Prevention and Control – Hospitals				
	2016-048254	9/1/15 to 8/31/16	33,600	
	2016-048254-001	9/1/16 to 8/31/17	<u>4,900</u>	
Total – TB-Prevention and Control – Hospitals			<u>38,500</u>	
Breast & Cervical Cancer Control Program (Fee-for-Service)				
CHS Epilepsy Services	2015-047052	9/1/14 to 8/31/16	846,500	
Clostridium Difficile Infection	2015-001503	9/1/14 to 11/30/16	69,801	
	2016-003979-01	10/1/15 to 8/31/17	<u>178,345</u>	178,345
Total Texas Department of State Health Services			<u>3,309,548</u>	
Texas Health & Human Services Commission				
Family Planning Grant Program	529-16-0102-00051	8/1/16 to 8/31/17	11,878	
Healthy Texas Women's Grant Program	529-16-0132-00028	9/24/16 to 8/31/17	21,021	
Epilepsy Outpatient Services Grant Program	529-17-0069-00002	9/1/16 to 8/31/17	49,145	
Breast & Cervical Cancer Control Program (Fee-for-Service)	529-17-0023-00037	9/1/16 to 8/31/17	<u>154,899</u>	
			<u>236,943</u>	
Cancer Prevention and Research Institute of Texas (CPRIT):				
<i>Passed through Baylor College of Medicine:</i>				
Reducing Racial/Ethnic Disparities in CRC Screening: A Comprehensive EMR-Based Patient Navigation Program Including Technology-Driven CRC Outreach and Education	PP160122	8/31/16 to 8/30/17	28,747	
Prevent HCC – through Screening, Vaccination, and Treatment of Viral Hepatitis	PP160089	8/31/16 to 8/30/17	29,739	
Leveraging a Community Network for Cancer Prevention to Increase HPV Vaccine Uptake and Completion among Pediatric Patients in a Safety Net Healthcare Setting	PP160079	8/31/16 to 8/30/17	27,356	
Empowering the Medically Underserved Through a Community Network for Cancer Prevention	PP14028	8/31/15 to 8/30/16 8/31/16 to 8/30/17	142,233 <u>106,418</u>	
Total Community Network for Cancer Prevention			<u>248,651</u>	
Expansion of a Comprehensive Cervical Cancer Screening Program for Medically Underserved Women in Harris County	PP160049	12/1/15 to 11/30/16 12/1/16 to 11/30/17	133,911 <u>42,300</u>	
Total Cervical Cancer Screening Program			176,211	
Improving Breast Cancer Screening and Follow-up of Medical Underserved Harris County Residents			<u>257,937</u>	
Total passed through Baylor College of Medicine			<u>768,641</u>	
Total Cancer Prevention and Research Institute of Texas (CPRIT)			<u>768,641</u>	
Total Expenditures of State Awards			<u>4,315,132</u>	178,345
Total Expenditures of Federal and State Awards			<u>\$ 18,426,392</u>	<u>290,593</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, 2017

**(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, 2017.

**(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 the Uniform Guidance 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 received for particular services performed by the System during fiscal year 2017.

**(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) Indirect Cost Rate**

The System did not elect to use the 10% de minimis indirect cost rate.

**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, 2017

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

*Financial Statements*

Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies identified? \_\_\_\_\_ 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
- Significant deficiencies identified? \_\_\_\_\_ 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 the Uniform Guidance? \_\_\_\_\_ yes   X   no

Any audit findings disclosed that are required to be reported in accordance with 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
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease – Fee-for-Service
State	Breast and Cervical Cancer Control Program – Fee-for-Service

**HARRIS COUNTY HOSPITAL DISTRICT  
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Schedule of Findings and Questioned Costs – Federal and State Awards  
Year ended February 28, 2017

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

Federal: \$750,000

State: \$750,000

Auditee qualified as low-risk auditee?

yes       no

**Section II – Financial Statement Findings**

No current year findings.

**Section III – Federal and State Award Findings and Questioned Costs**

No current year findings.

**HARRIS COUNTY HOSPITAL DISTRICT  
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Schedule of Prior Year Audit Findings – Federal and State Awards  
Year ended February 28, 2017

**Finding Number:** 2016-001

**Federal Agency:** Department of Health and Human Services

**Federal Program Name:** Consolidated Health Centers Cluster

**Program CFDA No.:** 93.224

**Grant Number:** H080CS00038-14 and H080CS00038-15

**Compliance Requirement:** Reporting

**Type of Finding:** Significant Deficiency and Noncompliance

**Questioned Costs:** None

Under Uniform Grant Guidance, nonfederal entities may be required to submit special reports as required by the terms and conditions of the federal award. In accordance with OMB No. 0915-0193, the Uniform Data System report is required to be submitted for the Consolidated Health Centers Cluster program. Health centers must report activity for the entire calendar year. Table 5, line 19 of the report requires the health center to report the number of dental patient visits that occurred during the reporting year. A patient is an individual who has at least one reportable visit during the reporting year. An individual can only be counted once as a patient. The Department of Health and Human Services considers this information to be a key line item.

In fiscal year 2016, the System did not have adequate controls in place to ensure accuracy of the Uniform Data System report. We found that total dental services (Table 5, Line 19) within the Uniform Data System report submitted for fiscal year 2016 did not agree to the System's records. The System reported 1,884 patient visits; however, the correct amount that should have been reported was 1,464 patient visits.

The program should implement procedures to ensure reports submitted to the federal awarding agency are complete and accurate. Such procedures should include reconciliation of the report to the underlying support.

*Corrective Action:*

Corrective action was taken.