



**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 29, 2016

**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 (the System), as of and for the year ended February 29, 2016 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 20, 2016. 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 20, 2016



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 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'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 29, 2016. 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 29, 2016.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The System's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The System's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

The System's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The System's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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 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 29, 2016 and have issued our report thereon dated June 20, 2016, 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 awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Houston, Texas
June 20, 2016

**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 29, 2016

<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.S. Department of Health and Human Services:				
Planning Grant for Healthcare and Public Health Sector Cybersecurity Information Sharing	93.835	HITEP150033-01	9/30/15 to 9/29/16	\$ 9,641
Strong Start for Mothers and Newborns	93.611	D1CMS331133-02	2/15/14 to 5/31/15	87,698
		D1CMS331133-03	6/1/15 to 8/31/16	274,976
Total-CFDA 93.611				<u>362,674</u>
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	H12HA24800-03	8/1/14 to 7/31/15	131,272
		H12HA24800-04	8/1/15 to 7/31/16	159,224
Total-CFDA 93.153				<u>290,496</u>
Consolidated Health Centers	93.224	H80CS00038-14	11/1/14 to 12/31/15	3,162,454
		H80CS00038-15	1/1/16 to 12/31/16	573,479
Total-CFDA 93.224				<u>3,735,933</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00128-24	1/1/15 to 12/31/15	625,465
		H76HA00128-25	1/1/16 to 12/31/16	127,762
Total-CFDA 93.918				<u>753,227</u>
Special Projects of National Significance	93.928	H97HA24959-03	9/1/14 to 8/31/15	194,342
		H97HA24959-04	9/1/15 to 8/31/16	179,548
Total-CFDA 93.928				<u>373,890</u>
Total Direct U.S. Department of Health and Human Services				<u>5,525,861</u>
<i>Passed through Harris County Public Health and Environmental Services:</i>				
HIV Emergency Relief Project Grants (Fee-for-Service)	93.914	15GEN0052	3/1/15 to 2/29/16	6,982,122
Total Passed Through Harris County Public Health and Environmental Services				<u>6,982,122</u>
<i>Passed Through City of Houston:</i>				
HIV Prevention Activities – Health Department Based	93.940	C15-002-18	1/1/15 to 12/31/15	302,300
		C16-002-18	1/1/16 to 12/31/16	47,054
Total-CFDA 93.940				<u>349,354</u>
Total Passed Through City of Houston				<u>349,354</u>
<i>Passed through Texas Department of State Health Services:</i>				
Centers for Disease Control & Prevention-Investigations and Technical Assistance				
Temporary Assistance for Needy Families	93.558	2015-047052	9/1/14 to 8/31/16	114,278
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	20,921
Maternal and Child Health Services Block Grant to the States (Fee-for-Service)	93.994	2015-046354	9/1/14 to 8/31/15	209,237
		2016-003928	9/1/15 to 8/31/16	303,081
Total-CFDA 93.994				<u>512,318</u>
HIV Prevention Activities – Health Department Based	93.940	2015-002552	1/1/15 to 12/31/15	115,150
		2016-002552	1/1/16 to 12/31/16	2,045
Total-CFDA 93.940				<u>117,195</u>
Total Passed Through Texas Department of State Health Services				<u>764,712</u>
<i>Passed through Dallas County Hospital District:</i>				
AIDS Education and Training Centers	93.145	Other – 7444	7/1/14 to 6/30/15	76,761
		Other – 8993	9/1/15 to 6/30/16	34,919
Total Passed Through Dallas County Hospital District				<u>111,680</u>
Total U.S. Department of Health and Human Services				<u>13,733,729</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	102029808	9/30/14 to 9/29/15	98,856
		102216179	9/30/15 to 9/29/16	55,052
Total-CFDA 93.135				<u>153,908</u>
Total Passed Through Baylor College of Medicine				<u>153,908</u>

**HARRIS COUNTY HOSPITAL DISTRICT
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Schedule of Expenditures of Federal and State Awards

Year ended February 29, 2016

Federal grantor/pass through grantor/state grantor/federal program title	Catalog of federal domestic assistance number	Grantor number	Grant period	Expenditures
<i>Passed through The University of Texas M.D. Anderson Cancer Center:</i>				
Cancer Cause and Prevention Research	93.393	00002046	6/1/14 to 4/30/15	\$ 18,883
Total Passed Through The University of Texas M.D. Anderson Cancer Center				<u>18,883</u>
Total Research and Development Cluster				<u>172,791</u>
Total Expenditures of Federal Awards				<u>13,906,520</u>
<i>Texas Department of State Health Services:</i>				
Expanded Primary Healthcare		2015-046736	9/1/14 to 8/31/15	1,593,858
Expanded Primary Healthcare		2015-046718	9/1/14 to 8/31/15	924,849
Expanded Primary Healthcare		2015-046736	9/1/15 to 8/31/16	547,712
Expanded Primary Healthcare		2015-046718	9/1/15 to 8/31/16	860,171
Total-Expanded Primary Healthcare				<u>3,926,590</u>
CHS-Breast and Cervical Cancer (Fee-for-Service)		2015-047052	9/1/14 to 2/29/16	231,961
CHS – Title V-Prenatal Services (Fee-for-Service)		2015-046001	9/1/14 to 8/31/15	26,540
		2016-003891	9/1/15 to 8/31/16	64,033
Total-CHS Title V-Prenatal Services				<u>90,573</u>
SHS-Case Management		2015-047079	9/1/14 to 8/31/15	48,900
		2016-003957	9/1/15 to 8/31/16	9,398
Total-SHS Case Management				<u>58,298</u>
TB-Prevention and Control – Hospitals		2015-046131	9/1/14 to 8/31/15	23,800
		2016-048254	9/1/15 to 8/31/16	—
Total-TB-Prevention and Control – Hospitals				<u>23,800</u>
CHS Epilepsy Services		2015-001503	9/1/14 to 8/31/15	68,271
		2015-001503	9/1/15 to 8/31/16	52,990
Total-CHS Epilepsy Services				<u>121,261</u>
Clostridium difficile Infection		2015-001503	10/1/15 to 9/30/16	78,912
Total Direct Texas Department of State Health Services				<u>4,531,395</u>
<i>Cancer Prevention and Research Institute of Texas (CPRIT):</i>				
<i>Passed through Baylor College of Medicine:</i>				
Empowering the Medically Underserved Through a Community Network for Cancer Prevention		102023945	8/31/14 to 8/30/15	153,831
		102178796	8/31/15 to 8/30/16	159,360
Developing a Comprehensive Cervical Cancer Screening Program for the Uninsured and Underinsured Women in Harris County		5600786723	3/1/14 to 8/31/15	61,811
Expansion of a Comprehensive Cervical Cancer Screening Program for Medically Underserved Women in Harris County		102226031	12/1/15 to 11/30/16	15,702
Improving Breast Cancer Screening and Follow-up of Medically Underserved Harris County Residents		102060471	12/1/14 to 11/30/15	191,811
		102072368	12/1/15 to 11/30/16	61,763
Total Passed Through Baylor College of Medicine				<u>644,278</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	3/1/15 to 02/29/16	58,581
Total Passed Through The University of Texas Health Science Center at Houston				<u>58,581</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		3000462451	9/1/14 to 8/31/15	31,296
Total Passed Through The University of Texas M.D. Anderson Cancer Center				<u>31,296</u>
Total Cancer Prevention and Research Institute of Texas (CPRIT)				<u>734,155</u>
Total Expenditures of State Awards				<u>5,265,550</u>
Total Expenditures of Federal and State Awards				<u>\$ 19,172,070</u>

See accompanying independent auditors' report.

**HARRIS COUNTY HOSPITAL DISTRICT
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Notes to Schedule of Expenditures of Federal and State Awards
Year ended February 29, 2016

(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 29, 2016.

(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 2016.

(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 minimus indirect cost rate.

**HARRIS COUNTY HOSPITAL DISTRICT
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Schedule of Findings and Questioned Costs – Federal and State Awards
Year ended February 29, 2016

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
- 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? X yes _____ 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? X yes _____ 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

<u>CFDA number</u>	<u>Name of program</u>
93.224 State	Consolidated Health Centers Expanded Primary Healthcare (Fee-for-Service)

Dollar threshold used to distinguish between Type A and Type B programs: Federal: \$750,000
State: \$750,000

Auditee qualified as low-risk auditee? x yes no

**HARRIS COUNTY HOSPITAL DISTRICT
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Schedule of Findings and Questioned Costs – Federal and State Awards
Year ended February 29, 2016

Section II – Financial Statement Findings

No current year findings.

Section III – Federal and State Award Findings and Questioned Costs

Finding Number: 2016-001

Federal Agency: Department of Health and Human Services

Federal Program Name: Consolidated Health Centers Cluster

Program CFDA No: 93.224

Program Expenditures: \$3,735,933

Grant Number: H080CS00038-14 and H080CS00038-15

Fiscal Program Award Year Ended: December 31, 2016

Compliance Requirement: Reporting

Type of Finding: Significant Deficiency and Noncompliance

Questioned Costs: None

Repeat Finding: No

Criteria

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.

Condition

The System does 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.

Questioned Costs

Questioned costs are not applicable to this finding.

**HARRIS COUNTY HOSPITAL DISTRICT
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Schedule of Findings and Questioned Costs – Federal and State Awards

Year ended February 29, 2016

Cause

Program management did not thoroughly review information reported in the Uniform Data System report and agree such information to System records.

Recommendation

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 underlying support.

Contact Person for Corrective Action Plan

Pete Rodriguez, RNBSN, ACRN

Corrective Action Plan

Healthcare for the Homeless Program data reports for the Uniform Data System (UDS) report will be saved in electronic and hard copy folders by the staff member who completes the internal reports and enters the data into the UDS report template in the Electronic Handbook (EHB) of the federal grantor. The data entered by staff will be confirmed for accuracy by management who will compare the data entered into the UDS with the internal data reports.

Anticipated Completion Date

February 15, 2017 is the due date for the next UDS report. Implementaion of the plan will be immediate for all reporting.