

Harris County Hospital District
and Affiliates, a Component
Unit of Harris County, Texas

Reports on Federal and State Award Programs
for the Year Ended February 28, 2010

**HARRIS COUNTY HOSPITAL DISTRICT AND AFFILIATES,
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Managers
Harris County Hospital District and Affiliates
Houston, Texas

We have audited the combined financial statements of Harris County Hospital District and Affiliates (the "District"), as of and for the year ended February 28, 2010, and have issued our report thereon dated June 1, 2010. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

We also noted certain matters that we reported to management of the District in a separate letter dated June 1, 2010.

This report is intended solely for the information and use of the board of managers, management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

June 1, 2010

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Managers
Harris County Hospital District and Affiliates
Houston, Texas

Compliance

We have audited the compliance of Harris County Hospital District and Affiliates (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement and the State of Texas Uniform Grant Management Standards ("UGMS")* that are applicable to each of its major federal and state programs for the year ended February 28, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 UGMS. Those standards, OMB Circular A-133, and UGMS 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 program occurred. An audit includes examining, on a test basis, evidence about the District'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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended February 28, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance

and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 District'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal and State Awards

We have audited the combined financial statements of the District as of and for the year ended February 28, 2010, and have issued our report thereon dated June 1, 2010. Our audit was conducted for the purpose of forming an opinion on the combined financial statements. The accompanying schedule of expenditures of federal and state awards for the year ended February 28, 2010, is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

This report is intended solely for the information and use of the board of managers, management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

June 1, 2010

HARRIS COUNTY HOSPITAL DISTRICT AND AFFILIATES, A COMPONENT UNIT OF HARRIS COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED FEBRUARY 28, 2010

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 HEALTH AND HUMAN SERVICES:				
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918	6-H76-HA00128-18	01-01-09-12-31-09	\$ 689,212
	93.918	5-H76-HA00128-19	01-01-10-12-31-10	124,743
Consolidated Health Centers	93.224	2-H80-CS00038-08	11-01-08-10-31-09	1,946,744
	93.224	2-H80-CS00038-09	11-01-09-10-31-10	857,991
ARRA-Health Center Integrated Services Development Initiative	93.703	6-H8B-CS11567	03-27-09-03-26-11	65,466
ARRA-Health Center Integrated Services Development Initiative	93.703	1-C81-CS14178	06-29-09-06-28-11	185,116
Health Care and Other Facilities	93.887	4-C76-HF10639	09-01-08-05-31-09	146,192
	93.887	1-C76-HF09878	06-01-08-05-31-09	94,233
	93.887	1-C76-HF15094	08-01-09-07-31-10	565,290
	93.887	6-C76-HF09947	06-01-08-05-31-09	473,707
				<u>5,148,694</u>
Passed Through Harris County Public Health and Environmental Services:				
HIV Emergency Relief Project Grants (Fee-for-Service)	93.914	09GEN0076	03-01-09-02-28-10	4,910,254
HIV Emergency Relief Project Grants (Women's Program) (Fee-for-Service)	93.914	09GEN0075	03-01-09-02-28-10	542,181
HIV Emergency Relief Project Grants (Case Management Services) (Fee-for-Service)	93.914	09GEN0077	03-01-09-02-28-10	657,274
Special Projects of National Significance	93.928	08GEN1136	09-01-08-08-31-09	105,788
				<u>6,215,497</u>
Passed Through Houston Regional HIV/AIDS Resource Group:				
Coordinated Services and Access to Research for Women, Infants, Children, and Youth (Women's Program)	93.153	08HCH00T4	08-01-08-07-31-09	193,806
	93.153	10HCH00RWD	08-01-09-07-31-10	111,719
Coordinated Services and Access to Research for Women, Infants, Children, and Youth (Youth Program)	93.153	08HCH00TA	09-01-08-08-31-09	149,916
	93.153	10HCH00RWDY	09-01-09-08-31-10	75,013
				<u>530,454</u>
Passed Through The Baylor College of Medicine:				
Centers for Research & Demonstration for Health Promotion and Disease Prevention	93.135	5600286044	09-28-07-09-27-09	42,965
	93.135	5600286044	09-28-09-09-27-10	36,024
Mental Health Research Grants	93.242	101125940	09-30-09-07-31-10	4,209
				<u>83,198</u>

(Continued)

**HARRIS COUNTY HOSPITAL DISTRICT AND AFFILIATES,
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2010**

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 HIV Prevention Activities — Health Department Based	93.940	C9-001-7	09-30-08-09-29-09	\$ 173,753
	93.940	C10-001-7	09-30-09-09-29-10	176,399
	93.940	C9-034-1	01-01-09-12-31-09	<u>132,714</u>
				<u>482,866</u>
Passed Through The University of Texas M.D. Anderson Cancer Center: Innovations in Applied Public Health Research	93.061	29625/98110488	09-01-09-08-31-10	20,883
Cancer Cause and Prevention Research	93.393	26161/98010570	09-01-09-08-31-10	<u>18,328</u>
				<u>39,211</u>
Passed Through The Texas Department of State Health Services: Breast and Cervical Cancer Early Detection Programs (Fee-for-Service)	93.919	2008-028894	07-01-08-06-30-09	5,836
Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	2009-031575	07-01-09-06-30-10	158,199
Maternal and Child Health Services Block Grant to the States (MCH Block Grants) (Fee-for-Service)	93.994	2009-029538	09-01-08-08-31-09	86,330
	93.994	2010-031725	09-01-09-08-31-10	46,453
Demonstration to Maintain Independence and Employment	93.769	2009-029540	09-01-08-08-31-09	2,878,674
	93.769	2010-032565	09-01-09-08-31-10	532,365
HIV Prevention Activities — Health Department Based	93.940	2009-030649	01-01-09-12-31-09	117,011
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	2010-034329	01-01-10-12-31-10	<u>15,800</u>
				<u>3,840,668</u>
Passed Through The Dallas County Hospital District AIDS Education and Training Centers	93.145	N/A	07-01-08-06-30-09	74,502
	93.145	N/A	07-01-09-06-30-10	<u>32,075</u>
				<u>106,577</u>
Total U.S. Department of Health and Human Services				<u>16,447,165</u>
Total Expenditures of Federal Awards				<u>16,447,165</u>

(Continued)

**HARRIS COUNTY HOSPITAL DISTRICT AND AFFILIATES,
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2010**

Federal Grantor/Pass-Through Grantor/ State Grantor/Federal Program Title	Catalog of Federal Domestic Assistance Number	Grantor Number	Grant Period	Expenditures
TEXAS DEPARTMENT OF STATE HEALTH SERVICES:				
Breast and Cervical Cancer Early Detection Programs (Fee-for-Service)		2008-028894	07-01-08-06-30-09	\$ 23,491
		2009-031575	07-01-09-06-30-10	19,447
CHS Federally Qualified Health Center Community/Family Resources		2009-030908	02-01-09-08-31-09	31,744
		2009-028286	09-01-08-08-31-09	68,430
		2010-032541	09-01-09-08-31-10	66,933
Tuberculosis Elimination (Fee-for-Service)		2009-028547	09-01-08-08-31-09	35,000
		2010-032296	09-01-08-09-31-10	17,500
BTGH Epilepsy Program		2009-028444	09-01-08-08-31-09	55,311
		2010-033075	09-01-09-08-31-10	<u>66,098</u>
Total Texas Department of State Health Services				<u>383,954</u>
Total Expenditure of State Awards				<u>383,954</u>
TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS				<u>\$16,831,119</u>

(Concluded)

**HARRIS COUNTY HOSPITAL DISTRICT AND AFFILIATES,
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2010**

1. GENERAL

The schedule of expenditures of federal and state awards presents expenditures for all federal and state programs that were in effect during the year ended February 28, 2010.

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 of expenditures of federal and state awards. The expenditures shown for these grants actually represent amounts paid for particular services performed by the Harris County Hospital District and Affiliates (the "District") during fiscal year 2010.

4. SUBRECIPIENTS

Of the federal award expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

Program Title	Catalog of Federal Domestic Assistance Number	Amount Provided to Subrecipient 2010
AIDS Education and Training Centers	93.145	\$ 26,550
Coordinated Services and Access To Research For Women, Infants, Children, and Youth (Womens Program)	93.153	31,832
Coordinated Services and Access To Research For Women, Infants, Children, and Youth (Youth Program)	93.153	28,060
Consolidated Health Centers	93.224	443,959
Demonstration to Maintain Independence and Employment	93.769	58,605
HIV Emergency Relief Project Grants (Fee for Service)	93.914	1,129,870
HIV Emergency Relief Project Grants (Women's Program Fee for Service)	93.914	55,939
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	111,809
Special Projects of National Significance	93.928	27,043
HIV Prevention Activities — Health Department Based	93.940	<u>45,983</u>
Total		<u>\$ 1,959,650</u>

**HARRIS COUNTY HOSPITAL DISTRICT AND AFFILIATES,
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS — FEDERAL PROGRAMS
FOR THE YEAR ENDED FEBRUARY 28, 2010**

PART I — SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section:

Type of auditor’s report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified, but not considered to be material weakness (es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards Section:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified, but not considered to be material weakness(es)	N/A
Type of auditor’s report on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.224	Consolidated Health Centers
93.887	Health Care and Other Facilities
93.703	ARRA-Health Care Integrated Services Development Initiative
93.918	Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease
93.153	Coordinated Services and Access To Research For Women, Infants, Children, and Youth
93.940	HIV Prevention Activities- Health Department Based
93.769	Demonstration to Maintain Independence & Employment

Dollar threshold used to determine Type A programs: \$493,415

Auditee qualified as low-risk auditee? Yes

PART II — FINANCIAL STATEMENT FINDINGS SECTION

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in an OMB Circular A-133 audit.

No significant financial statement findings were noted.

PART III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

This section identifies the audit findings required to be reported by OMB Circular A-133 Section .510(a) (e.g., significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program.

None noted in the current year.

PART IV — FOLLOW UP ON PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

This section documents follow up on prior-year audit findings.

	Findings	Questioned Cost
	Findings 2009-1	
	HIV Emergency Relief Project Grants (Fee-for-Service)	
Grant Information	CFDA #: 93.914. This Federal grant originates with the Department of Health and Human Services and is passed through to HCHD by Harris County Public Health and Environmental Services	
Condition	HCHD did not monitor program income as a part of the award's compliance requirements.	N/A
Recommendation	Management should establish a reconciliation to track and monitor program income for this particular grant, pursuant to the grant agreement in order to satisfy the related compliance requirement.	
Corrective Action Plan of Management	Management noted that program income was not initially properly classified. Grant Accounting Department, Decision Support Services, and Information Systems developed a detailed summary to reflect the pharmacy and clinic visits co-payments which are considered program income. Management provided a reconciliation summarizing the co-payments, effective for FY 2010. Management intends to continue to track and maintain program income to ensure that it has been properly accounted for and monitored.	
Status	Management provided monthly reports generated from the patient accounting/patient management systems detailed the clinic co-pays pharmacy co-pays. The reports are reviewed by Denny Anderson, Grant Director and reported in their financial status reports.	