



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, 2014

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, 2014 and the related notes to the financial statements, which collectively comprise System's basic financial statements, and have issued our report thereon dated June 19, 2014. 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 19, 2014



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, 2014. 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, 2014.



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, 2014 and have issued our report thereon dated June 19, 2014, 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 19, 2014

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, 2014

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 Agriculture Farmer's Market Promotion Program	10.168	12-25-G-1640	10-01-12-09-30-14	\$ 7,223
Total U.S. Department of Agriculture				<u>7,223</u>
U.S. Department of Justice Passed Through the Office of the Governor: Crime Victim Assistance	16.575	2577901	09-01-12-08-31-13	964
Total U.S. Department of Justice				<u>964</u>
Department of Homeland Security Passed Through The Texas Department of Public Safety: Hazard Mitigation Grant	97.039	DR-1791-082	01-01-11-09-30-11	265,562
Total Department of Homeland Security				<u>265,562</u>
U.S. Department of Health and Human Services Strong Start for Mothers and Newborns	93.611	D1CMS331133-01	02-15-13-02-14-14	201,472
	93.611	D1CMS331133-02	02-15-14-02-14-15	9,773
Total – CFDA 93.611				<u>211,245</u>
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	H12HA24800-01	08-01-12-07-31-13	85,596
	93.153	H12HA24800-02	08-01-13-07-31-14	132,482
Total – CFDA 93.153				<u>218,078</u>
Consolidated Health Centers	93.224	H80-CS00038-13	11-01-12-10-31-13	2,012,224
	93.224	H80-CS00038-14	11-01-13-10-31-14	998,241
Total – CFDA 93.224				<u>3,010,465</u>
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918	H76-HA00128-22	01-01-13-12-31-13	549,026
	93.918	H76-HA00128-23	01-01-14-12-31-14	128,215
Total – CFDA 93.918				<u>677,241</u>
Special Projects of National Significance	93.928	H97HA24959-01	09-01-12-08-31-13	109,759
	93.928	H97HA24959-02	09-01-13-08-31-14	129,867
Total – CFDA 93.928				<u>239,626</u>
Total Direct U.S. Department of Health and Human Services				4,356,655
Passed Through Harris County Public Health and Environmental Services: HIV Emergency Relief Project Grants (Fee-for-Service)	93.914	13GEN0041	03-01-13-02-28-14	6,548,461
Total Passed Through Harris County Public Health & Environmental Services				<u>6,548,461</u>
Passed Through The City of Houston HIV Prevention Activities — Health Department Based	93.940	C13-002-18	01-01-13-12-31-13	187,739
	93.940	C14-001-1	01-01-14-12-31-14	31,317
Total – CFDA 93.940				<u>219,056</u>
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	C13-001-4	01-01-13-12-31-13	86,171
Total Passed Through The City of Houston				<u>305,227</u>
Passed Through Texas Department of State Health Services: Temporary Assistance for Needy Families (Fee-for-Service)	93.558	2012-041363	07-01-12-08-31-13	120,808
	93.558	2014-044930	09-01-13-08-31-14	65,202
Total – CFDA 93.558				<u>186,010</u>
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	2014-044930	09-01-13-08-31-14	154,696
Maternal and Child Health Services Block Grant to the States (Fee-for-Service)	93.994	2013-042442	09-01-12-08-31-13	36,181
	93.994	2014-044546	09-01-13-08-31-14	8,557
	93.994	2013-042494	09-01-12-08-31-13	25,463
	93.994	2014-044675	09-01-13-08-31-14	224,990
Total – CFDA 93.994				<u>295,191</u>
HIV Prevention Activities — Health Department Based	93.940	2013-043066	01-01-12-12-31-13	67,273
	93.940	2014-002552	01-01-14-12-31-14	1,863
Total – CFDA 93.940				<u>69,136</u>
Total Passed Through The Texas Department of State Health Services				705,033

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

Year ended February 28, 2014

Federal grantor/pass-through grantor/ state grantor/federal program title	Catalog of federal domestic assistance number	Grantor number	Grant period	Expenditures
<i>Passed Through Dallas County Hospital District:</i>				
AIDS Education and Training Centers	93.145	Other - 4453	07-01-12-06-30-13	23,541
	93.145	Other - 5952	07-01-13-06-30-14	46,297
Total Passed Through The Dallas County Hospital District				69,838
Total U.S. Department of Health and Human Services				774,871
RESEARCH AND DEVELOPMENT CLUSTER				
U. S. Department of Health and Human Services				
<i>Passed Through The Baylor College of Medicine</i>				
Centers for Research & Demonstration for Health Promotion and Disease Prevention	93.135	101739189	02-01-13-09-29-13	17,795
	93.135	101863581	09-30-13-09-29-14	12,029
Total - CFDA 93.135				29,824
Mental Health Research Grants	93.242	5600494045	06-01-12-05-31-13	520
	93.242	5600494045	06-01-13-05-31-14	8,342
Total - CFDA 93.242				8,862
Total Passed Through The Baylor College of Medicine				38,686
<i>Passed Through The University of Texas M.D. Anderson Cancer Center</i>				
Cancer Cause and Prevention Research	93.393	1111276/98010570	09-01-12 - 08-31-13	15,664
	93.393	00910570	09-01-13 - 08-31-14	10,308
Total - CFDA 93.393				25,972
Total Passed Through The University of Texas MD Anderson Cancer Center				25,972
<i>Passed Through The Trustees of Boston University</i>				
Child Health and Human Development Extramural Research	93.865	5-U01-HD059207-04	08-01-12 - 07-31-13	6,510
	93.865	5-U01-HD059207-05	08-01-13 - 07-31-14	2,870
Total - CFDA 93.865				9,380
Total Passed Through The Trustees of Boston University				9,380
Total Research and Development Cluster				74,038
Total Expenditures of Federal Awards				12,333,001
Texas Department of State Health Services				
Expanded Primary Healthcare		2014-045296	09-01-13-08-31-14	10,564
Expanded Primary Healthcare		2014-045360	11-01-13-08-31-14	10,172
DFCHS-Healthy Texas Babies		2012-040624	12-01-11-08-31-13	20,560
CHS-Breast and Cervical Cancer (Fee-for-service)		2012-041363	07-01-12-08-31-13	76,766
		2014-044930	09-01-13-08-31-14	39,040
Total - CHS-Breast and Cervical Cancer (Fee-for-service)				115,806
CHS-Title V-Prenatal Services (Fee-for-Service)		2013-042442	09-01-12-08-31-13	193,960
		2014-044546	09-01-13-08-31-14	45,696
Total - CHS-Title V-Prenatal Services (Fee-for-Service)				239,656
SHS-Case Management		2013-041660	09-01-12-08-31-13	55,676
		2014-044146	09-01-13-08-31-14	30,782
Total - SHS-Case Management				86,458
TB-Prevention and Control-Hospitals (Fee-for-service)		2013-040990	09-01-12-08-31-13	11,200
		2014-044094	09-01-13-08-31-14	14,560
Total - TB-Prevention and Control-Hospitals (Fee-for-service)				25,760
CHS-Epilepsy Services		2013-041677	09-01-12-08-31-13	52,984
		2014-001503	09-01-13-08-31-14	53,572
Total - CHS-Epilepsy Services				106,556
CHS-Title V-Fee for Service		2013-042494	09-01-12-08-31-13	778
		2014-044675	09-01-13-08-31-14	1,851
Total CHS-Title V-Fee for Service				2,629
Total Direct Texas Department of State Health Services				618,161
<i>Passed Through The City of Houston</i>				
DSHS Expanded and Integrated HIV Testing		D13-001-2	09-01-12-08-31-13	306,746
		C13-001-20	09-01-13-08-31-14	87,220
Total Passed Through The City of Houston				393,966
Total Texas Department of State Health Services				1,012,127
Cancer Prevention and Research Institute of Texas (CPRIT)				
<i>Passed through The Baylor College of Medicine:</i>				
Community Collaboration to Empower the Medically Underserved for Cancer Prevention and Control		101686902	08-01-12-07-31-13	78,915

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

Year ended February 28, 2014

<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>
Developing a Comprehensive Cervical Cancer Screening Program for the Uninsured and Underinsured Women in Harris County Total Passed Through The Baylor College of Medicine		101653724	03-01-13-02-28-14	161,058 <u>239,973</u>
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 Total Passed Through The University of Texas Health Science Center at Houston		0008866B	03-01-13-02-28-14	53,770 <u>53,770</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 Total Passed Through The University of Texas M.D. Anderson Cancer Center		36522/00000051/54451 36522/00000051/54451	09-01-12-08-31-13 09-01-13-08-31-14	28,634 12,886 <u>41,520</u>
Total Cancer Prevention and Research Institute of Texas (CPRIT)				<u>335,263</u>
Total Expenditures of State Awards				<u>1,347,390</u>
Total Expenditures of Federal and State Awards				\$ <u>13,680,391</u>

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

HARRIS COUNTY HOSPITAL DISTRICT
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A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
Notes to Schedule of Expenditures of Federal and State Awards
Year ended February 28, 2014

(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, 2014.

(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 2014.

(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, 2014:

<u>Program title</u>	<u>CFDA No.</u>	<u>Amount provided</u>
HIV Emergency Relief Project Grants	93.914	\$ 1,217,569
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918	114,294
		<u>\$ 1,331,863</u>

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

Schedule of Findings and Questioned Costs

Year ended February 28, 2014

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness(es) identified?	_____	yes	_____ <u>X</u> _____ no
• Significant deficiency(ies) identified that are not considered to be material weakness.	_____	yes	_____ <u>X</u> _____ none reported
Noncompliance material to the financial statements noted?	_____	yes	_____ <u>X</u> _____ no

Federal and State Awards

Internal control over major programs:			
• Material weakness(es) identified?	_____	yes	_____ <u>X</u> _____ no
• Significant deficiency(ies) identified that are not considered to be material weakness.	_____	yes	_____ <u>X</u> _____ none reported
Type of auditors’ report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133?	_____	yes	_____ <u>X</u> _____ no
Any audit findings disclosed that are required to be reported in accordance with section 510 of the <i>State of Texas Single Audit Circular</i> ?	_____	yes	_____ <u>X</u> _____ no

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of program</u>
93.914	HIV Emergency Relief Project Grants
93.918	Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease
STATE	DSHS Expanded and Integrated HIV Testing

HARRIS COUNTY HOSPITAL DISTRICT
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Schedule of Findings and Questioned Costs

Year ended February 28, 2014

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

Federal: \$369,359

State: \$300,000

Auditee qualified as low-risk auditee?

 x 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.