

REPORTS ON FEDERAL AND STATE AWARD PROGRAMS

Harris County Hospital District and Affiliate, a Component Unit of
Harris County, Texas
Year ended February 28, 2003

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

Reports on Federal and State Award Programs

Year ended February 28, 2003

Contents

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	1
Report of Independent Auditors on Compliance and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> , and on Schedule of Expenditures of Federal and State Awards	3
Schedule of Expenditures of Federal and State Awards	5
Notes to Schedule of Expenditures of Federal and State Awards	11
Schedule of Findings and Questioned Costs – Federal Programs	12
Schedule of Findings and Questioned Costs – State Programs	14

Report of Independent Auditors on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements in
Accordance with *Government Auditing Standards*

Board of Managers
Harris County Hospital District and Affiliate

We have audited the combined financial statements of the Harris County Hospital District and Affiliate (the “District”) as of and for the year ended February 28, 2003, and have issued our report thereon dated May 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District’s combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of combined 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the combined financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material

weaknesses. However we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated May 21, 2003.

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

May 21, 2003

Ernst & Young LLP

Report of Independent Auditors on Compliance and on Internal Control
Over Compliance in Accordance With *OMB Circular A-133*, and on
Schedule of Expenditures of Federal and State Awards

Board of Managers
Harris County Hospital District and Affiliate

Compliance

We have audited the compliance of Harris County Hospital District and Affiliate (the “District”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal and state programs for the year ended February 28, 2003. The District’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedules of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state 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; 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*. Those standards and OMB Circular A-133 require that we plan and perform our 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 District’s compliance with those requirements and performing other such 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 on 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 and state programs for the year ended February 28, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal and state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, 2003, and have issued our report thereon dated May 21, 2003. Our audit was performed for the purpose of forming an opinion on the combined financial statements taken 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 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 and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

May 21, 2003

Ernst & Young LLP

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

Schedule of Expenditures of Federal and State Awards

Year ended February 28, 2003

State Grantor or Federal Program Title	Catalog of Federal Domestic Assistance Number	Grantor Number	Grant Period	Expenditures
U.S. Department of Labor				
<i>Passed through The University of Texas Medical Branch @ Galveston</i>				
Work/School Project	17.258	N/A	04-01-02 – 08-31-03	\$ 1,848
Total U.S. Department of Labor				<u>1,848</u>
Federal Emergency Management Agency				
<i>Passed through The Texas Department of Public Safety-Division of Emergency Management</i>				
Tropical Storm Allison	83.544	N/A	N/A	<u>25,272</u>
Total Federal Emergency Management Agency				<u>25,272</u>
U.S. Department of Health and Human Services				
Outpatient Early Intervention Services with Respect to HIV Disease				
	93.918	H76-HA00128-11	01-01-02 – 12-31-02	744,428
	93.918	H76-HA00128-12	01-01-03 – 12-31-03	<u>117,203</u>
				861,631

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

Schedule of Expenditures of Federal and State Awards (continued)

<u>State Grantor or Federal Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Grantor Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
Healthcare for the Homeless	93.151	H80-CS00038-01	11-01-01 – 10-31-02	\$ 1,517,019
	93.151	H80-CS00038-02	11-01-02 – 10-31-03	<u>682,499</u>
				2,199,518
Replication & Implementation of Scientifically- Proven Asthma Interventions	93.283	U59/CCU620821-01	09-30-01 – 09-29-02	57,101
	93.283	U59/CCU620821-02	09-30-02 – 09-29-03	<u>28,363</u>
				85,464
Community Access Program	93.252	6-G92-OA00151-01	06-01-02 – 08-31-02	207,370
	93.252	6-G92-OA00151-02	09-01-02 – 08-31-03	<u>398,051</u>
				605,421
Wireless Internet Access for Health Services Outreach	93.879	1-G08-LM07339-01	09-28-01 – 09-27-03	10,845
Medical Reserve Corps	93.008	US2SG02040-0	09-30-02 – 09-29-03	4,223

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

Schedule of Expenditures of Federal and State Awards (continued)

<u>State Grantor or Federal Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Grantor Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
<i>Passed through Harris County Public Health & Environmental Services:</i>				
Ryan White Outpatient Ambulatory (Fee for Service)	93.914	02GEN0142A	03-01-02 – 02-28-03	\$ 4,158,369
Ryan White Women's Program (Fee for Service)	93.914	02GEN0141A	03-01-02 – 02-28-03	565,867
Ryan White Meals at Thomas Street Clinic (Fee for Service)	93.914	02GEN0140	03-01-02 – 02-28-03	85,448
Telephone Triage Services	93.252	N/A	09-01-01 – 05-31-02	78,370
<i>Passed through Houston Regional HIV/AIDS Resource Group:</i>				
Title IV Women's Program	93.153	HCH.012	08-01-01 – 07-31-02	114,583
	93.153	HCH.014	08-01-02 – 07-31-03	123,880
Title IV Youth Program	93.153	HCH.013	09-30-01 – 09-29-02	131,558
	93.153	HCH.015	09-30-02 – 09-29-03	58,641
				<u>428,662</u>

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

Schedule of Expenditures of Federal and State Awards (continued)

<u>State Grantor or Federal Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Grantor Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
<i>Passed through State Department of Health:</i>				
Breast & Cervical Cancer Control Program (Fee for Service)	93.919	7415369366-2002	09-01-01 – 08-31-02	\$ 6,846
	93.919	7415369366A2003	10-01-02 – 06-30-03	<u>37,471</u>
				44,317
Women and Children (Fee for Service)	93.994	7415369366-2002	09-01-01 – 08-31-02	266,050
	93.994	7415369366A2003	09-01-02 – 08-31-03	<u>211,652</u>
				477,702
<i>Passed through Dallas County Hospital District:</i>				
TX/OK A105 Education & Training Center (AETC)	93.145	N/A	07-01-01 – 06-30-02	14,337
	93.145	N/A	07-01-02 – 06-30-03	<u>17,656</u>
				31,993
Total U.S. Department of Health and Human Services				<u>9,637,830</u>
Total Expenditures of Federal Awards				9,664,950

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

Schedule of Expenditures of Federal and State Awards (continued)

<u>State Grantor or Federal Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Grantor Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
State Awards				
Texas Department of Health				
Diabetes Awareness & Education–Asian	N/A	7415369366A2002	09-01-01 – 08-31-02	\$ 80,555
		7415369366-2003	09-01-02 – 08-31-03	<u>31,110</u>
				111,665
Community/Family Resources	N/A	7415369366A-2002	09-01-01 – 08-31-02	67,642
		7415369366-2003	09-01-02 – 08-31-03	<u>58,791</u>
				126,433
Tuberculosis Elimination	N/A	7415369366-2002	09-01-01 – 08-31-02	–
		7415369366A2003	09-01-02 – 08-31-03	<u>38,780</u>
				38,780
Breastfeeding Coalition	N/A	7415369366-2003	09-01-00 – 08-31-03	99,448
Hospital Based Development	N/A	7415369366B2002	01-01-02 – 08-31-02	7,425

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

Schedule of Expenditures of Federal and State Awards (continued)

<u>State Grantor or Federal Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Grantor Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
Texas Cancer Council				
<i>Passed through the University of Texas @ Austin:</i>				
African-American Breast Cancer Screening				
Outreach	N/A	UTA03-064	09-01-01 – 08-31-02	\$ 28,366
			09-01-02 – 08-31-03	<u>24,783</u>
				53,149
Total Expenditures of State Awards				<u>436,900</u>
Total Expenditures of Federal and State Awards				<u><u>\$10,101,850</u></u>

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

Notes to Schedule of Expenditures of Federal and State Awards

February 28, 2003

1. Significant Accounting Policies

Basis of Accounting

The schedule of expenditures of federal and state awards is prepared on the accrual basis of accounting.

2. 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 District during fiscal year 2003.

3. Subrecipients

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

Program Title	CFDA No.	Amount Provided
Health Care for the Homeless	93.151	\$ 490,501
Outpatient Early Intervention Services with Respect to HIV Disease	93.918	114,981
Ryan White Outpatient Ambulatory Women and Children	93.914	1,086,374
	93.994	160,808
Total		<u>\$ 1,852,664</u>

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

Schedule of Findings and Questioned Costs – **Federal Programs**

Year ended February 28, 2003

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards Section

Dollar threshold used to determine Type A programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes
Type of auditor’s report on compliance of major programs:	Unqualified
Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weakness(es)?	None reported
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	No

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

Schedule of Findings and Questioned Costs – **Federal Programs (continued)**

Part I – Summary of Auditor’s Results (continued)

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.151	U.S. Department of Health and Human Services: Healthcare for the Homeless.
93.252	U.S. Department of Health and Human Services: Community Access Program.
93.994	U.S. Department of Health and Human Services: Passed through Texas Department of Health, Women & Children.

Part II – Schedule of Financial Statement Findings

This Section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

No findings were noted.

Part III – Schedule of Federal Award Findings and Questioned Costs

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by Circular A-133 section .510. Where practical, findings should be organized by federal agency or pass-through entity.

No findings were noted.

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

Schedule of Findings and Questioned Costs – **State Programs**

Year ended February 28, 2003

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

State Awards Section

Dollar threshold used to determine Type A programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes
Type of auditor’s report on compliance of major programs:	Unqualified
Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weakness(es)?	None reported
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	No

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

Schedule of Findings and Questioned Costs – **State Programs (continued)**

Part I – Summary of Auditor’s Results (continued)

Identification of major programs:

State Award Number	Name of State Program or Cluster
74153969366A – 2002 74153969366 – 2003	Texas Department of Health: Community/ Family Resources

Part II – Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

No findings were noted.

Part III – Schedule of State Award Findings and Questioned Costs

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major state programs, as required to be reported by Circular A-133 section .510. Where practical, findings should be organized by state agency or pass-through entity.

No findings were noted.