

Galveston County Health District

Single Audit Reports

Year Ended September 30, 2018



Galveston County Health District
September 30, 2018

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Galveston County Health District
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services Direct Programs:				
Health Center Program Cluster:				
<i>Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)</i>	93.224	N/A	\$ -	\$ 1,088,427
<i>Grants for New and Expanded Services under the Health Center Program</i>	93.527	N/A	-	2,348,253
Total Health Center Program Cluster			0	3,436,680
Passed through Texas Department of State Health Services:				
<i>Public Health Emergency Preparedness</i>	93.069	537-18-0353-00001	0	51,197
<i>Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements</i>	93.074	537-18-0174-00001	-	146,823
<i>HPP and PHEP Aligned Cooperative Agreements</i>	93.074	537-18-0174-00001-01	-	51,793
<i>HPP and PHEP Aligned Cooperative Agreements</i>	93.074	537-18-0188-00001	-	51,352
<i>HPP and PHEP Aligned Cooperative Agreements</i>	93.074	537-18-0188-00001-01	-	15,805
			0	265,773
<i>Project Grants and Cooperative Agreements for Tuberculosis Control Programs</i>	93.116	2016-001420-01	-	11,185
<i>Project Grants and Cooperative Agreements for Tuberculosis Control Programs</i>	93.116	HHS000048400001	-	38,127
			0	49,312
<i>Immunization Cooperative Agreements</i>	93.268	537-18-0057-00001	-	27,231
<i>Immunization Cooperative Agreements</i>	93.268	HHS000119700012	-	18,701
			0	45,932
<i>Epidemiology and Laboratory Capacity (ELC) for Infectious Diseases</i>	93.323	537-18-0353-00001	-	93,521
<i>ELC for Infectious Diseases</i>	93.323	537-18-0353-00001-01	-	32,210
			0	125,731

Galveston County Health District
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Passed through Texas Department of State Health Services (Continued):				
<i>PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds</i>	93.539	537-18-0057-00001	\$ 0	\$ 64,622
<i>Sexually Transmitted Diseases (STD) Prevention and Control Grants</i>	93.977	2016-001343-01	-	63,456
<i>STD Prevention and Control Grants</i>	93.977	2016-001343B-05	-	76,645
			0	140,101
<i>HIV Prevention Activities Health Department Based</i>	93.940	2016-001343B-05	-	70,345
<i>HIV Prevention Activities Health Department Based</i>	93.940	2016-004097-02	-	39,277
<i>HIV Prevention Activities Health Department Based</i>	93.940	2016-004097-03	-	99,013
			0	208,635
<i>Preventative Health and Health Services Block Grant</i>	93.991	537-18-0218-00001	0	254,808
Total passed through Texas Department of State Health Services			0	1,206,111
Passed through Texas Health and Human Services Commission:				
<i>Maternal and Child Health Services Block Grants to the States</i>	93.994	2016-003926-02	-	48,402
<i>Maternal and Child Health Services Block Grants to the States</i>	93.994	2016-003926-01	-	4,777
			0	53,179
<i>Centers for Disease Control and Prevention Investigations and Technical Assistance</i>	93.283	529-17-0023-00015B02	0	120,361
Total passed through Texas Health and Human Services Commission			0	173,540
Passed through National Association of County & City Health Officials:				
<i>Medical Reserve Corps Small Grant Program</i>	93.008	MRC18-0334	0	4,854
Total U.S. Department of Health and Human Services Direct Programs			0	4,821,185

Galveston County Health District
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Passed through Texas Department of State Health Services:				
<i>WIC Special Supplemental Nutrition Program for Women, Infants, and Children</i>	10.557	2017-049803-001A	\$ 0	\$ 979,652
Total U.S. Department of Agriculture			0	979,652
U.S. Environmental Protection Agency				
Passed Through the Texas General Land Office:				
<i>Beach Monitoring and Notification Program Implementation Grants</i>	66.472	16-101-000-9301-02	-	103,361
<i>Beach Monitoring and Notification Program Implementation Grants</i>	66.472	16-101-000-9301-03	-	15,225
Total passed through Texas General Land Office			0	118,586
Passed Through the Texas Commission on Environmental Quality:				
<i>Performance Partnership Grants</i>	66.605	582-14-80090-01	0	88,306
Total U.S. Environmental Protection Agency			0	206,892
U.S. Department of Homeland Security				
<i>Community Disaster Loans</i>	97.030		0	50,854
Passed Through the Texas Commission on Environmental Quality:				
<i>Homeland Security Biowatch Program</i>	97.091	582-16-60019-02	-	77,485
<i>Homeland Security Biowatch Program</i>	97.091	582-19-90034	-	6,792
Total passed through Texas Commission on Environmental Quality			0	84,277
Total U.S. Department of Homeland Security			0	135,131
Total Expenditures of Federal Awards			\$ 0	\$ 6,142,860

Galveston County Health District
Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Galveston County Health District under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Galveston County Health District, it is not intended to and does not present the net position and changes in net position of Galveston County Health District.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Galveston County Health District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. The federal loan program listed subsequently is administered directly by Galveston County Health District, and balances and transactions relating to these programs are included in Galveston County Health District's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at September 30, 2018, consists of:

Federal CFDA Number	Program Name	Outstanding Balance at September 30, 2018
97.030	Community Disaster Loans	\$ 17,099

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

Galveston County United Board of Health
Coastal Health & Wellness Governing Board
Galveston County Health District
Texas City, Texas

We have audited, 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, the financial statements of the governmental activities and each major fund of the Galveston County Health District (the District), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a 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 have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-0001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

The District's Response to Findings

The District's response to the finding identified in our audit are described in the accompanying schedule of findings questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 entity'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Houston Texas
February 28, 2019

**Report on Compliance for the Major Federal Program and Report on
Internal Control Over Compliance and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

Galveston County United Board of Health
Coastal Health & Wellness Governing Board
Galveston County Health District
Texas City, Texas

Report on Compliance for the Major Federal Program

We have audited Galveston County Health District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2018. The District's major federal program is 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program 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). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance that 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 2018-0002. Our opinion on the major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The District'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 District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *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. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-0002 that we consider to be a material weakness.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The District'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. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of the District as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated February 28, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

BKD, LLP

Houston, Texas
February 28, 2019

Galveston County Health District
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2018-0001	<p>Patient Accounts Receivable</p> <p>Criteria or specific requirement: The District's internal controls should be designed to prevent, or detect and correct, misstatements on a timely basis.</p> <p>Condition: The District's net patient accounts receivable balances were overstated by approximately \$695,000 as of September 30, 2018. The error was identified during the external audit.</p> <p>Effect: Adjusting journal entries were proposed and recorded.</p> <p>Cause: Based on recommendations from last year's audit, a new methodology for recording CHW revenue and accounts receivable was adopted which required the estimation of bad debt and manual journal entries to be recorded each month. At year-end unadjusted ending receivable balances, net of allowances, were greater than estimated future collections.</p> <p>Recommendation: We recommend that management review the accounts receivable balances periodically to determine if the balances reported are collectible and if an adjustment is necessary.</p> <p>Views of responsible officials and planned corrective actions: Patient Accounts Receivable - Journal entries were made as of 9/30/18 to correct accounts receivable. Going forward, we will revert to a modified accrual methodology until integration between EHR and accounting system is complete.</p>

Galveston County Health District
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2018-0002	<p>Health Center Program Cluster CFDA 93.224 and 93.527 U.S. Department of Health and Human Services Award No. 6 H80CS00344-16-11 Program Year 2018</p> <p>Criteria or specific requirement – Reporting – 45 CFR 75.342</p> <p>Condition – The District is required to prepare and submit an annual Uniform Data System (UDS) for each calendar year, an annual Federal Financial Report (FFR) for each grant year and quarterly Federal Cash Transaction Reports (FCTR) for each grant budget period. These reports are to be prepared using accurate financial and operational data.</p> <p>Questioned costs – \$0</p> <p>Context – One report for each report type listed above was selected for testing with specific data. The sample was not, and was not intended to be, statistically valid. Of the 19 inputs tested, three inputs on the FFR were determined to be inaccurate based on supporting data provided.</p> <p>Effect – The FFR did not accurately report program income, program income expended and unexpended program income.</p> <p>Cause – The client was unable to support the reported program income earned on the annual FFR. The program income, program income expended and unexpended program income were all inappropriately calculated and reported on the annual FFR.</p> <p>Identification as a repeat finding, if applicable – See 2017-0001.</p> <p>Recommendation – The District should revise policies and procedures over federal reporting to ensure reports are prepared using accurate information and supporting documentation for federal grant reports should be maintained.</p> <p>Views of Responsible Officials and Planned Corrective Actions – FFR - The FFR was resubmitted with corrected numbers.</p>

Galveston County Health District
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2018

Reference Number	Summary of Finding	Status
2017-0001	<p style="text-align: center;">Health Center Program Cluster CFDA 93.224 and 93.527 U.S. Department of Health and Human Services Award No. 3 H80CS00344-15-04 Program Year 2016</p> <p>Criteria or specific requirement – Reporting – 45 CFR 75.342</p> <p>Condition – The District is required to prepare and submit an annual Uniform Data System (UDS) for each calendar year, an annual Federal Financial Report (FFR) for each grant year and quarterly Federal Cash Transaction Reports for each grant budget period. These reports are to be prepared using accurate financial and operational data.</p> <p>Questioned costs – \$0</p> <p>Context – One report for each report type listed above was selected for testing with specific data. The sample was not, and was not intended to be, statistically valid. Of the 19 inputs tested, two inputs on the UDS and one input on the FFR were determined to be inaccurate based on supporting data provided.</p> <p>Effect – The FFR did not include contract pharmacy revenue in the total program income reported. The calendar year 2016 UDS report did not accurately report the nursing visits and total visits.</p> <p>Cause – The District's review of the calendar year 2016 UDS did not detect the visit data reporting error and the FFR program income calculation had not been updated to capture contract pharmacy charges and adjustments.</p> <p>Reasons for the audit finding's recurrence: The lines that were reported incorrectly in finding 2017-0001 were reported correctly this year, however, other line items were reported incorrectly in the 2018 FFR - See finding 2018-0002.</p> <p>Planned corrective action and any partial corrective action taken: FFR - The FFR was resubmitted with corrected numbers. Going forward, there will be organization restructuring that will allow for an additional layer of oversight to ensure that checks and balances take place.</p>	Partially Resolved