

Galveston County
Health District

SINGLE AUDIT REPORTS

Fiscal Year Ended
September 30, 2009

Galveston County Health District

SINGLE AUDIT REPORTS
Year Ended September 30, 2009

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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*

To Galveston County United Board of Health
Galveston County Coordinated Community Clinics
Governing Board
Galveston County Health District

We have audited the financial statements of the governmental activities and each major fund of the District of Galveston County Health District, (the "District") as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2009. 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2009-01.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Galveston County United Board of Health, the Galveston County Coordinated Community Clinics Governing Board, management, others within the organization and 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.

A handwritten signature in cursive script that reads "Salsbery & Co.".

Sugar Land, Texas
December 7, 2009



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE OF TEXAS
SINGLE AUDIT CIRCULAR**

To Galveston County United Board of Health
Galveston County Coordinated Community Clinics
Governing Board
Galveston County Health District

Compliance

We have audited the compliance of the Galveston County Health District, (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 Single Audit Circular that are applicable to each of its major federal and state programs for the year ended September 30, 2009. The District's major federal and state programs are identified in the summary of auditors' 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 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 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, issued by the Governor of the State of Texas. Those standards and OMB Circular A-133 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 and state programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2009-01.

Internal Control Over Compliance

The District's management 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, 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.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-01 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities and each major fund of Galveston County Health District, as of and for the year ended September 30, 2009, and have issued our report thereon dated December 7, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the District Council, 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.



Sugar Land, Texas
December 7, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Galveston County Health District

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	CONTRACT TERM	FEDERAL EXPENDITURES
FEDERAL AWARDS:				
US Department of Health and Human Services				
<u>Direct Program</u>				
Public Health	93.224	5 H80CS00344-06-01	4/1/08-3/31/09	\$ 836,019
Public Health	93.224	6 H80CS00344-07-01	4/1/09-3/31/10	846,539
ARRA - Increased Demand for Services	93.703	6 H88CS12273-01-01	3/27/09-3/26/11	75,555
ARRA - Capital Improvement Program	93.703	6 C81CS14465-01-01	6/29/09-6/28/11	165,858
Total HHS Direct Program				1,923,971
FEMA Reimbursements	97.036		6/1/09-9/30/09	508,573
<u>Passed Through Texas Department of State Health Services</u>				
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	2008-027998-001	8/1/08-7/31/09	167,098
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	2009-031824-001	8/1/09-7/31/10	43,122
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	2008-028011-001	8/1/08-7/31/09	84,018
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	2009-031673-001	8/1/09-7/31/10	15,933
CPS/BT Discretionary Fund	93.283	2009-031301-001	6/1/09-11/30/09	146,807
CPS/PHER	93.069	2010-033346-001	9/15/09-7/31/10	5,380
T/B PC (120-111)	93.116	2008-025333-001	1/1/08-12/31/08	11,641
T/B PC (120-111)	93.116	2009-030587-001	1/1/09-12/31/09	35,216
IMM/LOCALS (120-130)	93.268	2009-028315-001	9/1/08-8/31/09	227,316
IMM/LOCALS (120-130)	93.268	2010-031992-001	9/1/09-8/31/10	27,423
Title V (120-180)	93.994	2009-029823-001	9/1/08-8/31/09	63,986
Title V (120-180)	93.994	2010-031634-001	9/1/09-8/31/10	8,737
Title V-COS (120-175)	93.994	2009-029784-001	9/1/08-8/31/09	48,174
BCCCP (120-160)	93.919	2008-028857-001	7/1/08-6/30/09	80,993
BCCCP (120-160)	93.919	2009-031578-001	7/1/09-6/30/10	30,634
STD/HIV (120-121)	93.940	2008-025437-001	1/1/08-12/31/08	47,486
STD/HIV (120-121)	93.940	2009-030620-001	1/1/09-12/31/09	144,148
Preventive Health and Human Services Block Grant	93.991	2009-029004-001	9/1/08-8/31/09	292,924
Preventive Health and Human Services Block Grant	93.991	2010-032664-001	9/1/09-8/31/10	36,091
Total Texas Department of State Health Services				1,517,127
Total US Department of Health and Human Services				3,949,671
US Department of Commerce, National Oceanic & Atmospheric Administration				
<u>Passed Through General Land Commission</u>				
Texas Beach Watch A-1 (205-525)	11.419	09-056-000	9/1/08-8/31/09	78,959
Texas Beach Watch A-1 (205-525)	11.419	10-078-000-3879	9/1/09-8/31/10	13,225
Total US Department of Commerce, National Oceanic & Atmospheric Administration				92,184
US Department of Agriculture				
<u>Passed Through Texas Department of Health</u>				
Women, Infants and Children (WIC 120-210)	10.557	2009-030086-0001	10/1/08-9/30/09	747,412
Women, Infants and Children (WIC 120-214)	10.557	2009-030086-0001	10/1/08-9/30/09	32,116
Women, Infants and Children (WIC 120-215)	10.557	2009-030086-0001	10/1/08-9/30/09	1,173
Women, Infants and Children (WIC 120-216)	10.557	2009-030086-0001	10/1/08-9/30/09	7,599
Women, Infants and Children (WIC 120-217)	10.557	2009-030086-0001	10/1/08-9/30/09	14,999
Women, Infants and Children (WIC 120-218)	10.557	2009-030086-0001	10/1/08-9/30/09	5,832
Women, Infants and Children (WIC IF 120-219)	10.557	2009-030086-0001	10/1/08-9/30/09	169,116
Total US Department of Agriculture				978,247

Galveston County Health District

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	CONTRACT TERM	FEDERAL EXPENDITURES
FEDERAL AWARDS (continued):				
US Environmental Protection Agency				
<u>Passed Through Texas Commission on Environmental Quality (TCEQ)</u>				
TCEQ - Sec 105 (P204-520)	66.001	582-8-72686	9/1/07-8/31/09	92,867
TCEQ - PM 2.5 Air Quality Monitoring (204-526)	66.001	582-7-72675	9/1/08-8/31/09	44,480
TCEQ - PM 2.5 Air Quality Monitoring (204-526)	66.001	582-10-86406	9/1/09-8/31/10	6,407
Total US Environmental Protection Agency				<u>143,754</u>
Total Federal Awards				<u>\$ 5,163,856</u>
 STATE AWARDS:				
Department of State Health Services				
<u>Direct Program</u>				
TB/PC (Elim 120-110)		2009-028366-001	9/1/08-8/31/09	\$ 65,807
TB/PC (Elim 120-110)		2010-032853-001	9/1/09-8/31/10	8,806
HIV/SURV (120-124)		2009-028587-001	9/1/08-8/31/09	36,200
HIV/SURV (120-124)		2010-031768-001	9/1/09-8/31/10	6,220
EMS - Extraordinary Emergencies (A03-60-xx)		2009-030984	2/1/09-7/31/09	230,769
Total Department of State Health Services				<u>347,802</u>
 Texas Commission on Environmental Quality (TCEQ)				
<u>Direct Program</u>				
TCEQ - State (204-521)		582-6-74393	9/1/08-8/31/09	160,504
Total Texas Commission on Environmental Quality (TCEQ)				<u>160,504</u>
Total State Awards				<u>508,306</u>
Total Federal and State Awards				<u>\$ 5,672,162</u>

Galveston County Health District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2009

NOTE 1 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Galveston County Health District, Texas, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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 basic financial statements.

The expenditures of federal and state awards are reported in Galveston County Health District's Annual Financial Report, within the statement of activities. Expenditures are recorded when the liability is incurred.

Federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned. Generally, unused balances are returned to the grantor at the close of specified projects.

NOTE 2 – RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of federal and state awards per the Schedule of Expenditures of Federal and State Awards (Schedule of FFA) to Exhibit A-4 of the Annual Financial Report:

Expenditures of federal awards per Schedule of FFA	\$	5,163,856
Expenditures of state awards per Schedule of FFA		508,306
Total Federal and State Awards per Schedule of FFA	\$	5,672,162
Related Expenditures per Exhibit A-4 of Annual Financial Report		5,672,162

Galveston County Health District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2009

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 weaknesses?	No
• Noncompliance material to financial statements noted?	No

Federal Awards Section:

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

Identification of Major Programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Public Health	93.224
Women, Infants & Children (WIC)	10.557
FEMA	97.036
Centers for Disease Control and Prevention – Investigation and Technical Assistance	93.283
Preventive Health and Health Services Block Grant	93.991

Name of State Program

EMS – Extraordinary Emergencies

Dollar threshold for distinguishing Type A and B programs:	\$300,000
Auditee qualified as a low-risk auditee?	Yes

Galveston County Health District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2009

PART II - FINANCIAL STATEMENT FINDINGS

No significant financial statement findings were noted.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

Department of Health and Human Services

Public Health - CFDA 93.224

2009-01 Grants No. 5 H80CS00344-05-0 and H80CS00344-06-01

Condition: Documentation (i.e. applications) required to be submitted by clients to support the patient's ability to pay program income requirement was missing from various sampled files.

Criteria: Internal controls should be in place to provide reasonable assurance that clients requesting discounted medical assistance have all necessary documentation in their files.

Cause: High staff turnover in this department existed during the current fiscal year and filing procedures were not consistent. Documents could not be located or retrieved in all cases from files to verify proper application of procedures in place regarding the patient's ability to pay program income requirement (i.e. income verification) and the related assignment of discount in the case of various clients who requested and received discounts.

Effect: Because procedures for determining the patient's ability to pay did not allow complete retrieval of documentation, it is possible that clients who did not provide income verification received discounted health services even though they were not eligible to do so, or for clients to have too low or high a discount applied in the process, and for those potential scenarios to go undetected in the normal course of business.

Recommendation: Procedures for best practices in filing and document retrieval should be implemented to address those clients requesting discounted health services in order to verify and review the documentation considered in establishing their individual eligibility to receive such benefits as well as to support the appropriate discount assigned during this process.

Response: Galveston County Health District agrees with the finding and the recommended procedures will be implemented.

Galveston County Health District

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2009

No prior year federal award findings were noted.