



CITY AUDITOR'S OFFICE

To: Honorable Mayor and Council Members

Cc: Margie C. Rose, City Manager
Sylvia C. Treviño, Assistant City Manager
Annette Rodriguez, Health District Director
Constance P. Sanchez, Director of Financial Services
Rebecca Huerta, City Secretary
Kim Womack, Director of Communications, Media, E-Government

From: Kimberly L. Houston, Interim City Auditor *KLH*

Date: October 20, 2017

Subject: AU16-F02 Health District Grant Accounting Follow-Up Report

As part of the annual audit plan approved by City Council, we conducted a follow-up of AU14-011 Corpus Christi - Nueces County Public Health District and Department of Financial Services, Grant Accounting audit dated May 22, 2015.

The focus of the original audit was to determine if Health District clinic supervisors are provided with financial information to manage their programs and to determine if grant program revenue and expenditures are properly accounted for and reported. The original audit contained 15 issues and 43 recommendations made to the Health District, Financial Services, City Executive management, all of which were accepted by respective management in May 2015.

On May 01, 2017, the City Auditor's Office asked City Executive management, Health District, and Financial Services management to provide a status update on the implementation of prior recommendations.

We reviewed areas of highest risk and found that the Health District implemented 13 of 13 recommendations reviewed and Financial Services implemented 7 of 7 recommendations reviewed. A complete list of recommendations and current statuses can be seen starting on page 2.

Management agrees with the conclusions of this report, and we would like to commend the management at Health District and Financial Services for their assistance during this process.

AU16-F02 HEALTH DISTRICT GRANT ACCOUNTING FOLLOW-UP REPORT

Issue No.	Recommendation/Corrective Action Plan	Management Assertion	Status
A. Grants Not Included in Annual Budget Process			
1	Did Health District administration comply with City Charter budget directive by preparing a structurally balanced budget for each grant that contains the agency award amount, the City's required match, program income, and expenditures during the annual budget process?	<i>Implemented</i>	<i>Implemented</i>
2	Did Health District administration comply with City Charter budget directive by inputting budget data into the budget module?	<i>Implemented</i>	<i>Implemented</i>
3	Did Health District administration comply with City Charter budget directive by preparing employee change forms (Form 12) for all grant employees during the annual budget process?	<i>Implemented</i>	<i>Implemented</i>
4	Did City Executive management require the Budget Office to develop written policy and procedures for annual budgeting that would bring all City departments with grant funding into compliance with City Charter, Article IV, Section 2 and GFOA guidelines?	<i>Implemented</i>	<i>Did Not Review</i>
5	Did City Executive management require a more robust review on the part of the Budget Office and Finance related to grant appropriations in Legistar?	<i>In Progress</i>	<i>Did Not Review</i>
6	Does Finance close and inactivate grant projects in the accounting system within 30 days of the grant ending date to prevent current expenses from posting into old grant projects?	<i>Not Implemented</i>	<i>Did Not Review</i>

Issue No.	Recommendation/Corrective Action Plan	Management Assertion	Status
B. County Grant Appropriated in City Budget			
1	Did the Health District make necessary arrangements with the County to appropriate estimated revenue and expenses for the STD/HIV grant for the remainder of FY2015 within the confines of the interlocal agreement between the City and the County?	<i>Implemented</i>	<i>Did Not Review</i>
2	Did the Health District instruct staff to remit revenue to the County for STD/HIV grant program income?	<i>Implemented</i>	<i>Did Not Review</i>
3	Did the Health District work with Finance to determine the amount of surplus revenue payable to the county, if any?	<i>Implemented</i>	<i>Did Not Review</i>
4	Did Finance close and inactivate grant fund project numbers in the financial system related to the County's STD/HIV grant and no longer pay expenses for this grant (within the confines of the interlocal agreement)?	<i>In Progress</i>	<i>Did Not Review</i>
C. Incomplete Grant Record Keeping			
1	Does Health District administration maintain all grant documentation in a centralized location by creating a checklist of required documents for each grant project to include the disposition date?	<i>Implemented</i>	<i>Implemented</i>
2	Did Health District administration update its portion of the City's Local Government Records Control Schedule to include grant contracts?	<i>Implemented</i>	<i>Implemented</i>
D. Non-Compliance with Contractor's Financial Procedures Manual			
1	Did Health District administration develop and implement procedures for grant administration as required by the <i>Contractor's Financial Procedures Manual</i> ?	<i>Implemented</i>	<i>Implemented</i>
2	Did Health District administration provide adequate training for its accounting staff to familiarize them with the department's new procedures and the <i>Contractor's Financial Procedures Manual</i> ?	<i>Implemented</i>	<i>Partially Implemented</i>
3	Did Finance develop and implement a grants policy for department use?	<i>Implemented</i>	<i>Implemented</i>

Issue No.	Recommendation/Corrective Action Plan	Management Assertion	Status
4	Did Finance provide adequate training for its grant accounting staff to familiarize them with the department's new grants policy and the Contractor's Financial Procedures Manual?	<i>Implemented</i>	<i>Implemented</i>
E. Grant Funding Not Maximized Through Indirect Costs			
1	Has the Health District reported indirect costs to the grants that allow it?	<i>Implemented</i>	<i>Implemented</i>
F. Periodic Financial Reports Not Provided to Grant Managers			
1	Has Health District administration ensure financial transparency by providing access to periodic financial reports to grant and program managers?	<i>Implemented</i>	<i>Did Not Review</i>
2	Has Health District administration provided training for interpreting the financial reports, detecting transaction errors, and determining if current transactions have been posted?	<i>Implemented</i>	<i>Did Not Review</i>
3	Has Health District administration required periodic monitoring of financial reports?	<i>Implemented</i>	<i>Implemented</i>
G. Unreported Program Income			
1	Did Health District administration consult with DSHS to evaluate the current circumstances of the TB grant program to determine if revenue from TB grant patients is reportable in grant year 2014-2015?	<i>Implemented</i>	<i>Did Not Review</i>
2	Did Health District administration consult with DSHS to determine if revenue from other (non-exposed) TB patients is reportable as program income and maintain documentation of their decision?	<i>Implemented</i>	<i>Did Not Review</i>
H. Project Codes Not Used for Grant Transactions			
1	Did Health District administration include project codes on all grant transactions including the daily cash balancing sheet and journal entries?	<i>Implemented</i>	<i>Implemented</i>
2	Did Finance include project codes on all grant transaction in the grant fund?	<i>Implemented</i>	<i>Did Not Review</i>

Issue No.	Recommendation/Corrective Action Plan	Management Assertion	Status
I. Grant Fund Contains Non-Grant Projects			
1	Did Finance establish criteria for what activities will be recorded in grant funds when it develops its grant policy?	<i>Implemented</i>	<i>Did Not Review</i>
2	Has Finance reviewed grant fund activity to ensure that only grant activities are being reported in the grant fund and transfer non-grant funds to the general fund as needed?	<i>Implemented</i>	<i>Did Not Review</i>
J. Accumulated Funding in Deferred Revenue Account			
1	Did Finance identify the accumulated funding in the grant fund with unrestricted use, and transfer those funds to the general ledger?	<i>Implemented</i>	<i>Implemented</i>
2	Has Finance discontinued the use of spreadsheets to track the accumulated funding after the funds have been transferred?	<i>Implemented</i>	<i>Implemented</i>
3	Did Finance close and inactivate all expired grant projects in the financial system to prevent the posting of current expenses into prior grant projects?	<i>In Progress</i>	<i>Did Not Review</i>
4	Did Finance work with the external auditor to disclose the adjustment in the 2014 CAFR?	<i>Implemented</i>	<i>Did Not Review</i>
5	Did Finance investigate all other grant funds to determine if they have residual funds in deferred revenue accounts that belong to the general fund?	<i>Implemented</i>	<i>Did Not Review</i>
K. Accrued Revenue is Not Recognized			
1	Does Finance recognized accrued revenue by recording journal entries based on the actual amount of reimbursement due from the State at the end of each period?	<i>Implemented</i>	<i>Implemented</i>
2	Does Finance record the cash received and reduce the receivable when reimbursement is received from the State?	<i>Implemented</i>	<i>Implemented</i>
3	Did Finance inform affected personnel of the changes in procedure?	<i>Implemented</i>	<i>Did Not Review</i>

Issue No.	Recommendation/Corrective Action Plan	Management Assertion	Status
L. Insufficient Grant Local Match Funded by Program Income			
1	Did the Health District develop its accounting staff to be able to perform the financial aspect of grants management such as calculating and reporting the cash match?	<i>Implemented</i>	<i>Implemented</i>
2	Did Finance correct the cash match for the FY 2014 state and federal TB grants?	<i>Implemented</i>	<i>Did Not Review</i>
3	Did Finance develop its accounting staff to be able to calculate a grant's local match, and to prepare the required grant reports in the event that it is required to continue these functions on behalf of the Health District?	<i>Implemented</i>	<i>Implemented</i>
M. Untimely Journal Entries			
1	Did Finance define parameters for "timely" posting of journal entries?	<i>Implemented</i>	<i>Implemented</i>
2	Did Finance determine the reason for untimely journal entries and correct the issue?	<i>Implemented</i>	<i>Did Not Review</i>
N. Misclassified Revenue in the CAFR			
1	Did Finance establish a more robust review of CAFR worksheets?	<i>Implemented</i>	<i>Did Not Review</i>
2	Did Finance work with external auditors to create an adjustment in the FY 2014 CAFR for each of the misclassified accounts, if needed?	<i>Implemented</i>	<i>Did Not Review</i>
O. Inaccurate and Incomplete Single Audit Reporting			
1	Did Finance work with the external auditors to ensure grants tie to the financial system and are properly reported in the Single Audit?	<i>Implemented</i>	<i>Did Not Review</i>
2	Did Finance work with the external auditors to determine if restatement or adjustment is needed for the prior Single Audit?	<i>In Progress</i>	<i>Did Not Review</i>

Legend:	
<i>[Issue No.]</i>	City Executive management recommendation/corrective action plan.
<i>Not implemented</i>	Testwork was conducted. Corrective action plan was not implemented.
<i>Did not review</i>	Testwork was not conducted.

Staff Acknowledgement

Lauren Campos, Auditor
Sarah Arroyo, Assistant Auditor

Corpus Christi – Nueces County Public Health District



Public Health
Prevent. Promote. Protect.

MEMORANDUM

October 10, 2017

Kimberly L. Houston
Interim City Auditor
Corpus Christi, Texas

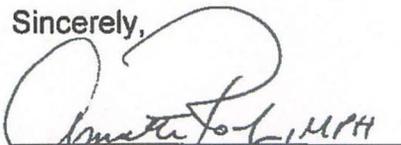
Re: AU16-F02 Health District Grant Accounting Follow-Up Report

Corpus Christi - Nueces County Public Health District has reviewed the follow-up report and since there are no recommendations for management, we fully agree with the review.

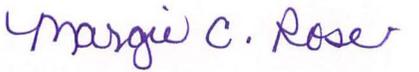
Fully Agree

Do Not Agree

Sincerely,


Annette Rodriguez, MPH
Director, Health District

10-10-17
Date


Margie C. Rose
City Manager

10/10/17
Date



October 6, 2017

Kimberly L. Houston
Interim City Auditor
Corpus Christi, Texas

FINANCIAL SERVICES

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www.cctexas.com

Re: AU16-F02 Health District Grant Accounting Follow-Up Report

Department of Financial Services has reviewed the follow-up report and provided its comments below. As there are no recommendations for management, no responses are required.

Fully Agree

Do Not Agree

Sincerely,

Constance P. Sanchez *10-6-17*
Constance P. Sanchez Date
Director of Financial Services

Sylvia C. Treviño *10/12/17*
Sylvia C. Treviño Date
Assistant City Manager

Margie C. Rose *10.18.17*
Margie C. Rose Date
City Manager