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May 31, 2024

Mr. Tom Stallings, Interim Director of Public Health
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – Public Health Department, Controls over Federal and State Grants


The Auditor's Office continues to observe *significant* issues regarding the Public Health Department's (Public Health) administration of Federal and State grant awards, which requires management's immediate attention. Specifically:

1. Performance reports were not submitted on time or, in some cases, not at all.
2. Controls over equipment purchased with grant funds were not adequate.
3. Grant budgets were not adequately monitored.

The issues and management's corrective action plans are described in further detail on the following pages. The Auditor's Office will continue to work collaboratively with the County Administrator's Office and Public Health Business Office staff to ensure adequate controls are in place over the administration of grants.

If you have any questions, please do not hesitate to contact me.

Sincerely,


Kimberly M. Buchanan, CPA
Tarrant County Auditor

Attachment: Management's Response

Distribution: Chandler Merritt, County Administrator

INTERNAL AUDIT REPORT
REVIEW OF PUBLIC HEALTH GRANTS
May 31, 2024

ISSUE #1 PERFORMANCE REPORTS WERE NOT SUBMITTED ON TIME OR, IN SOME CASES, NOT AT ALL.

Background: On August 11, 2020, the Commissioners Court approved the original grant contract with the Department of State Health Services (DSHS) to support Epidemiology and Laboratory response activities, including salaries and expenses. Per the grant contract, *quarterly* programmatic reports are due to DSHS on or before the 15th of the month following the end of the quarter being reported.

On June 6, 2023, the Commissioners Court approved the reoccurring annual contract between Tarrant County and DSHS for the control and prevention of Sexually Transmitted Infections. Per the grant contract, *monthly* programmatic reports are due 30 calendar days after the period being reported.

Public Health is responsible for the submission of the monthly and quarterly programmatic reports.

What is the issue: Performance reports are not always submitted to DSHS within the timelines specified by contracts. Specifically:

1. Deloitte & Touche LLP identified that quarterly reports related to the COVID grant have been consistently missing or late since 2020. This issue will be reported in the County's Single Audit report.
2. The monthly Congenital Syphilis Case Investigation and Infant Syphilis Controls Records reports are also consistently late. Deloitte & Touche LLP identified 134 potential Congenital Syphilis Cases. Only 4 of the cases were reported to DSHS on time. The remaining 130 cases were reported to DSHS an average of 189 days late.

Why it matters: Failure to comply with requirements and contractual conditions may result in the immediate loss of grant funds at the discretion of DSHS.

Recommended actions: The Public Health Business Office (Business Office) should develop a system to track deadlines to ensure that reports are remitted to DSHS within the timelines specified in the grant contracts. For example, a checklist could be designed for each program manager listing their grants, along with the budget amounts, and due dates for reports. The Business Office should also perform a quarterly review to verify that program managers are complying with grant requirements, including the submittal of required reports.

ISSUE #2 CONTROLS OVER EQUIPMENT PURCHASED WITH GRANT FUNDS WERE NOT ADEQUATE.

Background: 45 CFR §75.320 defines the requirements for managing acquired equipment, including replacement equipment, using Federal awards. In summary, requirements include:

1. Records must include a description of the property, including the serial number or other identification number, the source of funding, the acquisition date, the location, use and condition of the property, the cost of the property, and any disposition data including the date of disposal and the sale price of the property.

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2. A physical inventory must be taken at least once every two years, and the results reconciled with the property records.
3. Controls must exist to safeguard the assets from loss, damage, and theft.

Public Health is responsible for the inventory and safeguarding of assets acquired for their department. Annually, the Auditor's Office submits a Contractor's Property Inventory Report (GC-11) to the DSHS listing the equipment purchased using grant funds.

What is the issue: Public Health has not implemented, the Corrective Action Plan approved by DSHS in 2023. On Thursday, April 11, 2024, DSHS provided the Auditor's Office with a list of the 53 items to be reviewed on Tuesday, April 16. The list was immediately provided to the Business Office with instructions to ensure items could be located and that SAP had the correct location of the items. The Auditor's Office collaborated with Business Office staff to locate the assets and then made the corrections within SAP for approximately 15 of the 53 items to be reviewed by DSHS. These corrections should have been made by the Business Office throughout the year.

Why it matters: Texas Grant Management Standards, issued by the Texas Comptroller, describe Remedies for Noncompliance when a local government fails to comply with statutes, rules, or the terms and conditions of a state award, up to and including terminating the award in whole or in part.

Recommended actions: The Business Office should be responsible for all physical inventory audits conducted by granting agencies. When the location of an asset changes, the Business Office should immediately submit an *Asset Transfer Sheet* to the Auditor's Office so that the County's Asset Management System can be updated accordingly.

The Business Office should also collaborate with the Information Technology Department and the Purchasing Department to activate the *Electronic Transfer Sheet* to streamline the process of updating the asset location in SAP in real time.

Last, policies and procedures should be documented and distributed to the appropriate staff to effectively manage, track, and dispose of grant funded assets in accordance with the 2023 Corrective Action Plan approved by DSHS.

ISSUE #3 GRANT BUDGETS WERE NOT ADEQUATELY MONITORED.

Background: The Federal Department of Health and Human Services (HHS) provides a range of funding sources, i.e., grants, to local governments as aide to the public health system. Public Health has over 30 active grant agreements funding over 300 positions.

What is the issue: Procedures related to monitoring of budgets for grant funded positions and expenses are not adequate. Specifically:

1. *Position Change Forms* are not prepared and remitted to the Budget Office and the Auditor's Office in a timely manner. It is not uncommon for the funding source of positions to change throughout the grant period, especially when a grant budget is depleted. When this occurs, a *Position Change Form* is remitted to the Budget Office and the Auditor's Office to update position funding in SAP. *Position*

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Change Forms revising the funding source are frequently submitted *retroactively* instead of proactively. During FY2023, of the 101 forms submitted 56 or 55% were after the effective date. During FY2024 to date, of the 46 forms submitted 6 or 13% were after the effective date.

Recently, a *Position Change Form* with an effective date of October 1, 2023, was submitted, which would retroactively impact two grants. By the time the form was submitted, one of the grants was already closed out, which would have required the expenses to be paid from the County's Operating Subsidy. Regarding the second grant, the monthly reports required by the agreement had already been remitted, and the County would have been required to reimburse the granting agency. The Auditor's Office worked with the Business Office and Budget Office to develop an alternative solution for funding the positions.

2. Expenses for rent, utilities, and telephone are not always allocated to grants accurately and timely. Furthermore, Public Health is not using the allocation method provided by the Auditor's Office. Expenses totaling approximately \$165,000 dating back to October 2023 remain pending for allocation. We also observed that the change in the allocation of rent and utilities did not occur when the occupied square footage of a space changed, and utilities were not disconnected when a space was vacated.

Why it matters: Without adequate monitoring, and subsequent planning, funds may not be available for payment for grant-funded employees and expenses. Additionally, non-payroll related expenses are oftentimes allocated based on the number of positions assigned to a specific grant. If a position changes to another grant, the allocation of other non-payroll related expenses or timesheets previously certified could be incorrect.

The Texas Comptroller could enforce Remedies for Noncompliance when a local government fails to comply with statutes, rules, or the terms and conditions of an award. For the County's monthly financial statements, grant expenses must be accurately allocated to grants in a timely manner to monitor the respective budgets.

Recommended actions: In order to comply with grant agreements and provide accurate financial information, the Business Office should implement procedures to ensure accurate and timely allocation of expenses to the appropriate grants. Specifically:

1. Generate budget reports and conduct monthly meetings with the divisions to review budgets, forecast, and remediate any issues.
2. Implement procedures where *Position Change Forms* are *proactively* prepared and remitted to the appropriate division manager and program manager for review and signature prior to providing to the Auditor's Office and the Budget Office. Furthermore, the appropriate employee should be notified of the change so that they can complete their timesheets accurately.
3. Implement procedures where other expenses, such as rent, utilities, and telephone costs, are allocated to the appropriate grant no later than the 10th day of the following month after payment of the expense. The allocation should be independently reviewed for accuracy prior to submitting to the Auditor's Office.

TOM R. STALLINGS
INTERIM PUBLIC HEALTH DIRECTOR



CATHERINE A. COLQUITT, M.D.
LOCAL HEALTH AUTHORITY & MEDICAL DIRECTOR

Public Health

June 18, 2024

Dear Auditor Buchanan,

Thank you for conducting an audit on our Public Health Grant Management system. We appreciate the oversight and professionalism of the Auditor's Office as we both strive to safeguard Tarrant County taxpayer dollars.

Tarrant County Public Health plans to and has begun to improve its internal controls over Public Health Grant Management throughout its programs. Tarrant County Public Health recognizes the findings and the need to improve the line of sight and reconciliation of the grant monitoring requirements which we are contractually required to perform.

As a result of analysis and a deliberate approach, Tarrant County Public Health is implementing the following efforts:

Monthly meetings with all Public Health department stakeholders and relevant county partners, for the monitoring of awarded grants. This includes, but is not limited to, Auditing, Budgeting, Facilities Management, and Information Technology. These regular monthly meetings will include budget reviews to ensure a proactive approach is taken with the monitoring of Tarrant County Public Health grants, the monthly certifications of grant timesheet submission, adherence to the grant time allocations, quarterly certifications of rent and utility cost, the monitoring of report submission due dates as well as ensuring they are submitted on time as a grant management team.

The Tarrant County Public Health team, in partnership and consultation with Tarrant County Budget as well as your department will create a comprehensive Corrective Action Plan that encompasses all aspects of grant and asset monitoring to ensure compliance to all the grant contractual obligations.

Additionally, Tarrant County Public Health has begun an asset tracking system that ensures the proper and timely management of County and grant assets. The team from Tarrant County Public Health will continue the implementation of the current plan and will also develop appropriate Standard Operating Procedures to ensure the continued adherence to the newly developed asset tracking process.

Tarrant County Public Health is in receipt of the Audit Report your office conducted in May of 2024 and we concur with your finding. We look forward to implementing the recommended procedures along with additional procedures to reconcile and increase oversight of Grant management system. Please let me know if you have any questions or additional information.

Thank you for your commitment to Tarrant County.



Tom R. Stallings
Interim Public Health Director



Tarrant County Public Health

