



MINUTES

**Southern Nevada District Board of Health Meeting
FINANCE COMMITTEE MEETING
December 15, 2014 - 3:00 pm
Administrative Conference Room (2nd Floor)
330 S. Valley View Blvd., Las Vegas, Nevada 89107**

Bob Beers, Chair, called the Southern Nevada District Board of Health Finance Committee meeting to order at 2:02 p.m.

Annette Bradley, Attorney, noted a quorum was present at the start of the meeting with Members Beers, Crowley, Dobyne, Marz and Osgood seated.

BOARD: Bob Beers, Chair – Councilmember, City of Las Vegas
Susan Crowley – Alternate, At-Large Member, Environmental Specialist
(Present) Douglas Dobyne – At-Large Member, Regulated Business/Industry
John Marz - Councilmember, City of Henderson
Kenneth Osgood – At-Large Member, Physician
Rod Woodbury, Councilmember, Boulder City (via teleconference at 2:10 p.m.)

(Absent): None

ALSO PRESENT:
(In Audience) None

LEGAL COUNSEL: Annette Bradley, Esq.

**EXECUTIVE
SECRETARY:** Joseph Iser, MD, DrPH, MSc, Chief Health Officer

STAFF: Marcia Gershin, Andy Glass, Sharon Huber-McCoy, Ben Lehavi, Cassius Lockett, Kieawa Mason, Shirley Oakley, Mars Patricio, Jacqueline Reszetar, Bonnie Sorenson, Jacqueline Wells

I. CALL TO ORDER

- II. PUBLIC COMMENT:** A period devoted to comments by the general public about those items appearing on the agenda. Comments will be limited to five (5) minutes per speaker. Please step up to the speaker's podium, clearly state your name and address, and spell your last name for the record. If any member of the Board wishes to extend the length of a presentation, this may be done by the Chairman or the Board by majority vote.

Seeing no one, this portion of the meeting was closed.

III. ADOPTION OF THE OCTOBER 14, 2014 AGENDA (for possible action)

A motion was made by Member Osgood seconded by Member Crowley and unanimously carried to adopt the October 14, 2014 Agenda as presented.

IV. Report/Discussion/Action:

- 1. Approve Finance Committee Meeting Minutes – December 15, 2014 (for possible action)**

A motion was made by Member Dobyne seconded by Member Osgood and unanimously carried to adopt the minutes of the December 15, 2014 Finance Committee meeting as presented.

2. **Building Update:** Andy Glass, Director of Administration, advised that the District is on course to close on the property at 278 Decatur no later than December 22, 2014. The Construction Manager At-Risk contract will go out this week and should close within sixty days. Architectural drawings have started and construction should begin in March 2015 with expected occupancy by the end of 2015.

There was no action taken on this item.

3. **Receive, Review and Discuss Audit Report presented by Piercy Bowler Taylor & Kern on the FY14 Audit and Approve Recommendation to the Southern Nevada District Board of Health on January 22, 2015;** direct staff accordingly or take other action as deemed necessary.

Maria Gamboa, Engagement Principal, Piercy Bowler Taylor & Kern provided a synopsis of the FY14 audit findings. (Attachment 1)

Tom Donahue, Principal, Piercy Bowler Taylor & Kern stated in discussion with Sharon Huber-McCoy, Financial Services Manager, it was determined that future Required Communication Letters will contain upcoming county announcements that will affect the District. Currently, the most recent change effective FY15, is the obligation for post-employment benefits, other than pensions, will now include pensions and the unfunded liabilities will need to be estimated for all employees. Mr. Donahue envisions that next year there will be some difficulties getting the financial statements completed, as there is a "domino effect" regarding how that information will get to the District and fund balances will be negatively affected.

A motion was made by Member Osgood seconded by Member Dobyne and unanimously carried to accept the Audit Report presented by Piercy Bowler Taylor & Kern on the FY14 Audit with the intent that the summary of management's responses to audit findings be provided at the January 22, 2015 Board of Health meeting.

4. **Review/Discuss Cost Allocation Plan;** direct staff accordingly or take other action as deemed necessary **(for possible action)**

Dr. Iser stated it has been known for some time the indirect cost allocation would increase due to costs related to the Valley View building and the pending purchase of the new property.

Mars Patricio, Financial Advisor, reported the FY2014 Cost Allocation Plan is being developed by Mahoney and Associates and does not occur until the audited financial statements have been done. Mr. Patricio presented a summary of the Cost Allocation Plan Overhead Multiplier comparing FY2013 to FY2012 (Attachment 2). When questioned by Chair Beers as to why the "Total-ALL" line does not equal 100%, Mr. Patricio explained the calculation is based on total amount of costs to be allocated divided by the total expenses.

Discussion occurred regarding the calculation methodology. Ms. Huber-McCoy explained the unallocated funds in the Reserve Fund were related to disaster relief in 2013, primarily tuberculosis and Norovirus. Dr. Iser added the new Emergency Services Fund will account for emergencies outside the budget beginning FY2016.

Ms. Huber-McCoy recommended using the average multiplier of 28.94% district-wide for indirect costs. She has also proposed to leadership that all grants be moved from the General Fund into special revenue funds and charged overhead as each grant contractually defines the percentage of reimbursement of overhead. In this manner, the District will be able to determine exactly how much tax dollars are subsidizing each grant, allowing for informed decisions.

Chair Beers emphasized currently there is no mechanism in the accounting system to segregate the reimbursed overhead from the allocated overhead. A system using special revenue funds would provide the ability to determine the amount of 8010 dollars used to supplement grants; whereas Ms. Huber-McCoy's proposal is a step that builds the system to quantify that difference with simplification that the overall District overhead will cost the same, with perhaps a requirement in 2017, to segregate the overhead rate of consumption by individual program.

Andy Glass, Director of Administration, reminded the allocated costs are two years behind and not actually applied to the real numbers against actual spending in the grant year.

Discussion occurred regarding potential Medicaid reimbursement considerations.

Ms. Huber-McCoy added it is important to ensure that overhead is calculated annually in order to accurately cost fees for services.

Discussion occurred regarding future options for methodology to be decided at a later date.

A motion was made by Member Marz seconded by Member Crowley and unanimously carried to accept the Cost Allocation Plan developed by Mahoney & Associates and direct staff, at their discretion, to simplify internal accounting with the understanding that the appropriate methods for the cost of delivery of services and hence, setting fees, has not been determined.

- V. **PUBLIC COMMENT:** A period devoted to comments by the general public, if any, and discussion of those comments, about matters relevant to the Board's jurisdiction will be held. No action may be taken upon a matter raised under this item of this Agenda until the matter itself has been specifically included on an agenda as an item upon which action may be taken pursuant to NRS 241.020. Comments will be limited to five (5) minutes per speaker. Please step up to the speaker's podium, clearly state your name and address, and spell your last name for the record. If any member of the Board wishes to extend the length of a presentation, this may be done by the Chairman or the Board by majority vote.

Seeing no one, the Chair closed this portion of the meeting.

XI. **ADJOURNMENT**

A motion was made by Member Osgood seconded by Member Crowley and unanimously carried to adjourn. The Chair adjourned the meeting at 3:57 p.m.

Joseph P. Iser, MD, DrPH, MSc
Chief Health Officer/Executive Secretary

/jw

PIERCY BOWLER TAYLOR & KERN

Certified Public Accountants
Business Advisors

Confidential: accountant-client privileged communication; attorney-client privileged communication; attorney work-product privileged communication.

Date:	November 12, 2014
To:	Southern Nevada Health District Audit Committee
From:	Maria Gamboa, Engagement Principal
CC:	Southern Nevada Health District FY14 audit files
Subject:	Report to the audit committee regarding the FY14 annual audit

Major funds tested:

- General Fund (Governmental)
- Capital Projects Fund (Governmental)
- Bond Reserve Fund (Governmental)
- Public Health Laboratory Fund (Enterprise)

Major federal grant programs tested (A-133 single audit):

- CFDA #93.069 - Public Health Emergency Preparedness
- CFDA #93.520 - Centers for Disease Control and Prevention–Affordable Care Act (ACA) – Communities Putting Prevention to Work
- CFDA #93.737 – PPHF Community Transformation Grants – Small Communities Program financed solely by Public Prevention and Health Funds
- CFDA #93.889 – National Bioterrorism Hospital Preparedness Program
- CFDA #93.940 - HIV Prevention Activities - Health Department Based
- CFDA #93.959 – Block Grants for Prevention and Treatment of Substance Abuse
- CFDA #93.977 – Preventive Health Services – Sexually Transmitted Disease Control Grants

This memorandum contains confidential information, which may be privileged. Unless you are the addressee (or authorized to receive for the addressee), you may not copy, use, or distribute it. If you have received it in error, please advise Piercy, Bowler, Taylor & Kern immediately by telephone or facsimile and return it promptly by mail.

Focus of audit and/or significant events or transactions:

- Cash and equivalents (primarily in the custody of Clark County's Investment Pool)
- Grant revenues, expenditures and related receivables (including grant compliance)
- Inventory (vaccine)
- Capital assets
- Liabilities for compensated absences and other post-employment benefits (OPEB)
- Fund balance classifications
- Revenue, expenditure/expense (primarily payroll and related) and journal entry control testing

Summary of audit results

- Difficulties in performing the audit.
 - We believe that management cooperated fully during the audit.
- Significant audit adjustments
 - **Recognition of grant revenue.** To defer the recognition of \$452,949 of grant revenue at the fund level, this was not received by the District within the 60 day period to be considered available. Although the entry had no impact at the District-wide (i.e., full accrual) level, it increased deferred inflow of resources (unavailable revenue) and reduced fund balance in the District's general fund by \$452,949.
 - **Expenditure Cut-off.** To properly accrue for approximately \$133,000 of expenses that were incurred for goods and services rendered and received prior to June 30, 2014. This entry increased liabilities and decreased fund balance as follows:
 - General fund- \$79,810 (governmental activities)
 - Capital projects fund- \$51,000 (governmental activities)
 - Public Health Lab- \$2,389 (business-type activities)
- Waived audit adjustments
 - No waived adjustments during the current year were noted.
- Weaknesses in internal controls over financial reporting and compliance.

Financial reporting:

1. **Revenue / receivable cut-off (repeat finding – significant finding).** The District's controls designed to ensure appropriate receivable and revenue cut-off did not function as intended, due to ineffective monitoring for compliance therewith. As a result, the District's receivables and revenues were understated by \$87,943 as of and for the year ended June 30, 2014. In addition, approximately \$453,000 of grant revenue that was not received by the District within 60 days after year end was improperly recognized as revenue at the fund level.

We recommend that the month-end and year-end financial reporting processes be modified to require an analysis of payments received subsequent to the end of an accounting period so that revenues for services rendered are recorded in the proper period.

2. **Expenditures / payable cut-off (significant deficiency).** The District's controls designed to ensure appropriate payable and expenditure/expense cut-off did not function as intended, due to ineffective monitoring to evaluate the degree of compliance therewith. Specifically, the review of invoices received and paid subsequent to the end of the fiscal year did not result in the accrual of invoices for approximately \$133,000 of goods and services received by the District during fiscal 2014.

We recommend that the month-end and year-end financial reporting processes be modified to require an analysis of invoices received and paid subsequent to the end of an accounting period so that expenditures for goods and services received are recorded in the proper period.

3. **Internally developed software (significant deficiency).** The District's internal controls over financial reporting do not include policies and procedures regarding the proper accounting for internally-developed intangible assets, as required by GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets (GASB 51). As a result, expenditures incurred during fiscal 2014 for the development of a new timekeeping software system were not tracked and evaluated for capitalization in accordance with the guidance included in GASB 51, and were therefore expensed as incurred.

We recommend that the District's internal controls over financial reporting be updated to include policies and procedures regarding the proper accounting for internally-developed intangible assets. Specifically, costs for internally-developed intangible assets should be tracked and evaluated to determine whether they are required to be capitalized in accordance with the guidance included in GASB 51.

4. **Timeliness of remediation of internal control deficiencies (material weakness).** The District has not addressed internal control deficiencies related to grant compliance in a timely manner. Certain findings regarding time and effort reporting and subrecipient monitoring were first reported as part of the fiscal 2012 audit. However, formal policies and procedures related to time and effort reporting were not fully implemented until March 2014, and formal policies and procedures related to subrecipient monitoring were not fully implemented until August 2014 (i.e., fiscal 2015).

Grant compliance:

1. **Time and effort reporting policy (significant deficiencies).** The formal time and effort reporting policy developed and implemented in March 2014 was not effectively communicated to the various divisions within the District. As such, inconsistencies were noted across the various divisions in terms of how grant-related activities were being tracked and reported. In addition, the quarterly review specified in the policy was not completed during fiscal 2014.
2. **Subrecipient monitoring (repeat finding -material weakness).** There is no formal subrecipient monitoring policy in place to guide those charged with the monitoring and oversight function. Accordingly, compliance findings were noted that relate to ineffective subrecipient monitoring.
3. **Subrecipient contracts (significant deficiencies, repeat finding).** The District is not in compliance with the federal grant requirements pertaining to the issuance of subawards and subaward disclosures.
4. **Monitoring of program income (significant deficiency, repeat finding).** There are no policies and procedures in place requiring that analyses be performed to verify that program income is being used to finance the non-federal share of the scope of the project or to further program objectives.

5. **Period of Availability (other matter).** The District was not in compliance with the period of availability grant requirements resulting in questioned costs of \$3,466.
 6. **Statistical Reports (other matter).** The grant program manager filed the required statistical reports on a semi-annual basis. The granting agency was contacted during the audit and informed us that the semi-annual reports were not considered acceptable for purposes of compliance with the grant reporting requirements, and should be submitted quarterly.
 7. **Property records (other matter).** The policies and procedures requiring property records to include all information required by the grant agreement did not function as intended, due to ineffective monitoring for compliance therewith. The condition of the equipment was not indicated in the asset modules.
- Management override of internal controls. **None noted**
 - Changes in significant accounting policies / practices / estimates during the year. **None**
 - Scope limitations. **None**
 - Illegal acts or fraudulent activity. **None noted**
 - Disagreements with management regarding:
 - Application of significant accounting principles. **None**
 - Significant estimates. **None**
 - Financial statement disclosures. **None**

Significant accounting policies:

- The significant accounting policies are disclosed in the notes to the basic financial statements and are essentially as prescribed, recommended or permitted under applicable authoritative literature for and consistent with other governmental entities. The accounting policies have been consistently applied and are not controversial. During the current fiscal year, there were no significant changes to the District's accounting policies.

Reaffirmation of independence:

- Independence threats:
 - Preparation of the District's financial statements – Although PBTK compiles the CAFR, this threat is mitigated by the oversight provided by management personnel that possess the necessary knowledge and ability to properly oversee the CAFR preparation process.

Questions from the Audit Committee / Management:

SOUTHERN NEVADA HEALTH DISTRICT
Overhead Multiplier
For the Fiscal Years Ending June 30, 2013 & 2012
September 16, 2014
FINAL

Division	Final Overhead Multiplier		
	FY 2013	FY 2012	Difference
Clinics & Nursing Services	28.60%	24.02%	4.58%
Environmental Health Services	30.07%	22.50%	7.57%
Community Health Services	39.55%	20.73%	18.82%
Administration	19.12%	20.73%	-1.61%
Reserve (913)	11.10%	8.51%	2.59%
FD70 SN Health Lab Fund	17.11%	26.72%	-9.62%
Total - ALL	28.90%	22.28%	6.62%

SOUTHERN NEVADA HEALTH DISTRICT
Overhead Multiplier by Department
For the Fiscal Years Ending June 30, 2013 & 2012
September 16, 2014
FINAL

Division	Grantee Departments	Final		
		Overhead Multiplier		
		FY 2013	FY 2012	Difference
Nursing	General Nursing	33.64%	24.13%	9.51%
	Ryan White Part A	20.70%	21.33%	-0.62%
	Maternal Child Health	35.23%	26.16%	9.08%
	Immunizations	38.03%	23.24%	14.80%
	TB Elimination	24.26%	19.02%	5.23%
	Ryan White Part B	13.40%	0.00%	13.40%
	Family Planning	21.29%	24.44%	-3.15%
	STD	19.57%	28.38%	-8.81%
	AIDS Core Surveillance	22.07%	24.46%	-2.39%
	AIDS TB HIV BADA	19.61%	22.97%	-3.35%
Environmental Health	Environmental Health	30.90%	23.95%	6.95%
	Underground Storage	20.38%	17.89%	2.49%
	Solid Waste Management	27.54%	16.34%	11.20%
	Safe Drinking Water	22.61%	20.45%	2.16%
Community Health Services	Community Health Services	59.59%	25.48%	34.11%
	Health Education	24.50%	13.90%	10.60%
	EPI	41.03%	23.89%	17.15%
	CDC Bioterrorism	46.24%	37.08%	9.16%
	Emergency Medical Services	20.10%	19.82%	0.28%
Admin	Health Cards	16.47%	22.54%	-6.07%
	Vital Records	25.69%	14.06%	11.63%
	Reserve (913)	11.10%	8.51%	2.59%
	FD70 SN Health Lab Fund	17.11%	26.72%	-9.62%
Total - ALL		28.86%	22.28%	6.58%
SNHD		29.53%	22.26%	7.27%
SNPHL		17.11%	26.72%	-9.61%