

**Travis County Healthcare District
d/b/a Central Health
Report on Agreed Upon Procedures
with respect to the Affiliation Agreement
between Central Health,
the University of Texas at Austin,
and the Community Care Collaborative**



Independent Accountants' Report

The Board of Managers and Mr. Jeff Knodel
 Travis County Healthcare District d/b/a Central Health
 1111 East Cesar Chavez St.
 Austin, Texas 78702

We have performed the procedures enumerated in Exhibit A, which were agreed to by you, solely to assist in the application of certain procedures related to certain records and transactions of the University of Texas at Austin (the University or UT) to determine compliance with the Affiliation Agreement, dated July 10, 2015, between Central Health, the University of Texas at Austin, and Community Collaborative Care. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose.

Procedure 1:

We obtained copies of and reviewed the external auditors reports as presented below.

	<u>Fiscal Year</u>	<u>Date of Report</u>
University of Texas System	August 31, 2014	December 18, 2014
University of Texas System	August 31, 2015	December 11, 2015
University of Texas at Austin	August 31, 2016	December 12, 2016

For each of the audited financial statements listed above, we ascertained that the external auditors issued unmodified opinions.

Procedure 2:

We met with representatives of the University's external audit firm and discussed the internal control environment regarding the University's financial reporting systems and processes. We ascertained that, in the course of their performance of the audit of the University's financial statements, there were no material reportable conditions or findings concerning internal controls or any other reportable conditions encountered which directly related to the amounts reported within the "Central Health funded expenditures."

Procedure 3:

We obtained copies of the audit committee letters issued by external audit firm of Deloitte & Touche in connection with the above audit engagements of the financial statements of the University. We noted no comments related to any reported issues or deficiencies related to the UT-Dell Medical School (DMS).

Procedure 4:

During our discussions with the University's external auditors discussed in Procedure 2, we inquired and received confirmation that they did not issue any deficiency letters for the period covered by this engagement.

Procedure 5:

We reconciled the "Central Health funded expenditures" reported in the University of Texas at Austin Dell Medical School's January 2017 Progress Report to the underlying financial records of the University. Amounts reported are presented below.

Category of Expenditure	Fiscal Year	
	2014-2015	2015-2016
Payroll & Related	\$ 5,693,653	\$ 23,075,693
Non-Payroll	20,701	31,228
	<u>\$ 5,714,354</u>	<u>\$ 23,106,921</u>

No discrepancies were noted.

Procedure 6:

We reviewed allocation formulas, including fringe benefits associated with salary costs, used by the University to allocate costs to "Central Health funded expenditures" to determine if the allocations appear reasonable. Allocations are based upon time spent on the project by the employee. Other expenses are direct charges to the project. The University's methods of expenditure allocations appear reasonable.

Procedure 7:

We selected a sample of 295 personnel transactions, which included salaries, wages, or other personnel related costs charged to Central Health funded expenditures, and reviewed payroll records and personnel files to determine if costs comply within the definition of "permitted investments" within the Affiliation Agreement. Our sample was designed to test a sufficient number of transactions to achieve a confidence level of ninety-five percent. Our test of the 295 transactions represented expenditures totaling \$6,001,218. No discrepancies were noted.

Procedure 8:

We selected a sample of 16 non-personnel transactions charged to Central Health funded expenditures and examined supporting documents to determine compliance of the expenditure with the "permitted investments" within the Affiliation Agreement. Our sample was designed to test a sufficient number of transactions to achieve a confidence level of ninety-five percent. Our test of the 16 transactions represented expenditures totaling \$30,933. No discrepancies were noted.

Procedure 9:

We determined that funds received by the University from Travis County Healthcare District are segregated within the University's accounting records.

Procedure 10:

We determined that the balance of unexpended funds have been appropriately reported in the University's audited financial statements for the period of time covered by this engagement.

Procedure 11:

We determined unexpended funds received from Travis County Healthcare District were appropriately invested by the University and the income from the investments was appropriately allocated back to "Central Health funded expenditures and was available to be expended for "permitted investments" as defined in the Affiliation Agreement.

Procedure 12:

We discussed with DMS and UTA representatives the identification of DMS or UTA expenditures which were eligible to be charged, within the parameters of "permitted Investments" within the Affiliation Agreement, but were not included and reported in the Central Health expended funds within the January 2017 progress report issued by the UT-Dell Medical School. DMS management has provided the following information regarding those unreported costs:

Capital equipment	\$	2,193,614
Contract services		3,484,983
Recruitment		275,046
Utilities		<u>427,268</u>
	\$	<u><u>6,380,911</u></u>

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified accounts and items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report relates only to the items specified in our arrangement letter to you and does not extend to any financial statements of Central Health taken as a whole.

This report is intended solely for the information and use of the specified parties listed above, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Atchley & Associates, LLP

Austin, Texas
August 18, 2017

Central Health
Exhibit A
Procedures to be Performed

1. Review UT-Austin system financial statements for period(s) covered in engagement and ascertain receipt of an Unmodified Opinion (known as a “clean opinion”) as reported by external audit firm.
2. Meet with the University’s external audit firm to discuss internal control environment regarding the University’s financial reporting systems and processes. Ascertain whether, in the course of their performance of the audit of the University’s financial statements, any material reportable conditions or findings concerning internal controls or any other reportable conditions were encountered that may directly relate to the amounts reported within the “Central Health funded expenditures.”
3. If applicable, obtain copies of and review the audit committee letters associated with the annual financial statement audit of the University related to DMS and performed by the external audit firm of Deloitte, for the period of time covered by and reported on by this engagement.
4. If applicable, obtain copies of and review the external auditors’ deficiency letters associated with their audits of the University for any deficiencies related to DMS, for the period of time covered by this engagement.
5. Reconcile the “Central Health funded expenditures” reported in the University of Texas at Austin Dell Medical School’s January 2017 Progress Report to the underlying financial records, journals, or general ledger of the University.
6. Review allocation formulas, including fringe benefits associated with salary costs, used by the University to allocate costs to “Central Health funded expenditures” to determine if the allocations appear reasonable.
7. Select a sample of personnel whose salaries, wages, or other personnel related costs, were charged to Central Health funded expenditures and review payroll records and personnel files to determine if costs comply within the definition of “permitted investments” within the Affiliation Agreement.
8. Select a sample of non-personnel costs charged to Central Health funded expenditures and examine supporting documents to determine compliance of the expenditure with the “permitted investments” within the Affiliation Agreement.
9. Determine that funds received by the University from Travis County Healthcare District are segregated within the University’s accounting records.

Central Health
Exhibit A
Procedures to be Performed

10. Determine that the balance of unexpended funds have been appropriately reported in the University's audited financial statements for the period of time covered by this engagement.
11. Determine if unexpended funds received from Travis County Healthcare District have been appropriately invested by the University and the income from the investments have been appropriately allocated back to "Central Health funded expenditures and available to be expended for "permitted investments" as defined in the Affiliation Agreement.
12. Discuss with DMS and UTA representatives the identification of DMS or UTA expenditures that may be eligible within the parameters of "permitted Investments" within the Affiliation Agreement and are not included and reported in the Central Health expended funds.