



**Summary of Significant Audit Findings
for Mental Health and Mental
Retardation Community Centers for
Fiscal Year 2014**

**As Required By
Texas Health and Safety Code Section 534.068(f)
(Community Services Audits)**



**Department of State Health Services
Contract Oversight and Support Section
December 2015**



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Table of Contents

Executive Summary	1
Abilene Regional MHMR dba Betty Hardwick Center.....	2
Anderson-Cherokee Community Enrichment Services dba ACCESS.....	2
Andrews Center.....	2
Austin-Travis County MHMR dba Austin Travis County Integral Care (ATCIC)	4
Bluebonnet Trails CMHMRC.....	7
Border Region MHMR Community Center	7
Burke Center	7
Camino Real Community MHMRC	8
Center for Health Care Services.....	8
Central Texas MHMR Center dba Center for Life Resources	12
Central Counties Center for MHMR Services	12
Central Plains Center.....	13
Coastal Plains Community MHMR Center	13
Dallas Metrocare Services	14
Denton County MHMR	14
El Paso Community MHMR Center dba Emergence Health Network	15
Gulf Bend Center	15
Gulf Coast Center.....	16
Heart of Texas Region MHMR.....	16
Helen Farabee Regional Center	17
Hill Country Community MHMR Center dba Hill Country Mental Health and Developmental Disabilities Center	17

Lakes Regional MHMR Center	18
MHMR Authority of Brazos Valley	18
MHMR Authority of Harris County	19
MHMR of Nueces County dba Behavioral Health Center of Nueces County.....	19
MHMR Services for the Concho Valley.....	20
MHMR Services of Texoma dba Texoma Community Center	22
MHMR of Tarrant County	22
Pecan Valley MHMR Region	23
Permian Basin MHMR.....	23
Sabine Valley Regional MHMR dba Community Healthcore	23
Spindletop MHMR Center	24
Starcare Specialty Health System dba Lubbock Regional MHMR Center.....	24
Texana MHMR Center.....	25
Texas Panhandle MHA	25
Tri-County MHMR	25
Tropical Texas Behavioral Health	26
West Texas Centers for MHMR	27

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Executive Summary

This report is submitted pursuant to the Texas Health and Safety Code Section 534.068 (f) (Community Services Audits). This Section states, in part, “As a condition to receiving funds under this subtitle, a local mental health and mental retardation authority other than a state facility designated as an authority must annually submit to the department a financial and compliance audit prepared by a certified public accountant or public accountant licensed by the Texas State Board of Public Accountancy. To ensure the highest degree of independence and quality, the local mental health or mental retardation authority shall use an invitation-for-proposal as prescribed by the department to select the auditor.”

Each Community Center that expends \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in a year in federal/state awards is required to have a single audit conducted in accordance with Office of Management and Budget (OMB) Circular No. A-133 or the Uniform Grants Management Standards. The single audits are submitted to the Health and Human Services Commission Office of Inspector General (OIG) for review. OIG submits agency letters to the Department of State Health Services (DSHS) when findings are noted in each single audit report. DSHS is responsible for resolution of these issues and for submitting this annual summary report to the Governor, Legislative Budget Board, and Legislative Audit Committee.

The required report summarizes significant findings identified during the review of independent financial and compliance audits conducted on Community Centers. This fiscal year (FY) 2014 report pertains to the financial activity of 38 Centers and summarizes auditor’s findings, and both financial statements and compliance requirements, as described within the OMB Circular A-133 and the State of Texas Single Audit Circular. Also noted are FY 2014 findings, questioned costs, and corrective plans. In addition, follow-up on prior year findings and any relevant comments, as outlined in the auditor’s management letter, are included. All findings, comments and corrective action are reproduced verbatim from the independent audit reports and are not modified by DSHS.

Abilene Regional MHMR dba Betty Hardwick Center

City: Abilene

County: Taylor

Type of Report on Financial Statement: Unqualified¹

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Anderson-Cherokee Community Enrichment Services dba ACCESS

City: Jacksonville

County: Cherokee

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Andrews Center

City: Tyler

County: Smith

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

¹ A "Clean" or unqualified opinion states that the financial statements present a fair and accurate picture of the company and comply with generally accepted accounting principles.

Schedule of Findings and Questioned Costs:

Finding 2014-001 Reconciliations of Account Balance

Criteria: The Center is responsible for maintaining records for the preparation of financial statements that are fairly presented in accordance with generally accepted accounting principles.

Condition: Several detail account records were not reconciled to the general ledger at year end. Receivables, Fixed Assets, Deferred Revenue, Revenues, General Fund Balance, and Self Insurance Fund accounts were not reconciled at year end.

Cause of Condition: The Center failed to follow their internal control procedures in reconciling and reviewing the 14 general ledger detail and related accounts.

Effect: Adjusting entries were made to several accounts to correct the balance.

Recommendation: We recommend that management follow their policy of reconciling and reviewing detailed accounts to the general ledger in a timely manner and to record adjustments as necessary to reflect the accounts at their correct amounts.

Management's Response: Andrews Center has implemented a monthly reconciliation process of all accounts and will ensure they are complete as of year-end. We are currently reviewing the monthly reports that are generated by our accounting system and have established a protocol for retaining these documents for a period of two years. This will help us maintain accuracy and integrity of data as we reconcile financial accounts on a monthly basis.

Finding 2014-002 Credit Balances in Accounts Receivable

Criteria: Accounts Receivable balances should represent current collectible accounts receivable.

Condition: Client accounts receivable balances included old credit balances on the general ledger.

Cause of Condition: Charges and payments are not being properly applied and or refunded to individual client accounts receivable accounts.

Effect: Potential understatement on the financial statements of accounts receivable and accounts payable.

Recommendation: The Center should research and determine the appropriate disposition of old client credit balances.

Managements Response: Andrews Center will look at the policy regarding client balances and will revise if necessary to include refunds to clients that have credit balances. Monthly monitoring of client balances will be conducted by the Business Office as well as ongoing reconciliation of Client Accounts Receivable.

Finding 2014-003 Deficit in Benefit Fund Balance

Criteria: The fund balance for each fund should have a positive balance.

Condition: The Benefit Fund balance had deficit fund balance at year end.

Cause of Condition: The prior year had a deficit and the current year income was not sufficient to restore the balance.

Effect: The Benefit Fund should be funded by the General Fund to reduce deficit in fund so that it is no longer in a deficit position.

Recommendation: We recommend the Center reconcile and review Benefit Fund prior to any year-end adjustments to ensure it does not incur a deficit fund balance.

Managements Response: Andrews Center will reconcile all accounts relating to the Benefit Fund prior to year-end and will ensure there is not a deficit balance at year end.

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Austin-Travis County MHMR dba Austin Travis County Integral Care (ATCIC)

City: Austin

County: Travis

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs:

Finding 2014-1

Program Name: Medicaid and ECI Medicaid Administrative Claiming

State and/or Federal Award Numbers: 529-09-0032-0050 and 529-09-0032-0034; CFDA #93.778

Grant Period: July 1, 2013 to June 30, 2014

Type of Finding: Non-compliance

Name of Compliance Requirement: Allowable/Unallowable Activities and Reporting

Criteria of Specific Requirement: The Medicaid and ECI Medicaid Administrative Claiming (MAC) program provides public entities such as Mental Health and Mental Retardation (MHMR) Centers in Texas the opportunity to submit reimbursement claims for administrative activities that support the Medicaid program. In order for the cost to be allowable and reimbursable under Medicaid, the activities must be found to be necessary for the proper and efficient administration under the Texas Medicaid State Plan, and must adhere to applicable requirements as defined in state and federal law.

The claim submitted to the state has five elements: allowable Medicaid administrative time, the cost pool construction, Medicaid percentage, federal financial participating (FFP) rate and revenue offset. Depreciation expense is one of the expenses in General & Administrative (G&A) that may be used for administrative activities that support the Medicaid program. Depreciation records indicating the amount of depreciation taken each period must be maintained to support the claim.

Condition: We obtained a list of the MAC claims submitted during the fiscal year ended August 31, 2014. We selected the 4th quarter (July 2013 – September 2013) submission for ECI Medicaid Administrative Claiming and the 3rd quarter (April 2014 – June 2014) submission for Medicaid Administrative Claiming. We traced the expenses claimed on the reports to supporting documentation and recalculated the claims.

Questioned Costs: \$15,998

Possible Asserted Cause and Effect: The expense amount included for depreciation expense for the 3rd quarter claim was overstated by \$362,863 in the General and Administrative (G&A) Allocation expense. The G&A allocation is used in calculating the claim reimbursement and is allocated among Time Study Participants, Director Support Staff and Unstudied Staff. A recalculation of the claim with the corrected depreciation expense resulted in the 3rd quarter claim being overstated by \$15,998.

Recommendation: We recommend that ATCIC staff review and reconcile all reports before they are submitted to ensure that the expenses claimed on the financial report agree to the financial records used to prepare the claim.

Views of Responsible Official and Planned Corrective Actions: ATCIC concurs with the audit finding and will ensure reconciliation processes are adhered to and reviewed for accurate reconciliation to the financial record for each prepared claim. This process will be implemented immediately.

Follow-up on Prior Year Findings:

2013-1: Fixed Assets Physical Inventory and Disposals

Per ATCIC's Board Policy and the Uniform Grants Management Standards (UGMS) issued by the Governor's Office of Budget and Planning, a physical inventory of fixed assets/property must

be performed and the results of the inventory count reconciled with the fixed asset/property records at least once every two years. In February 2013, the Texas Department of Aging and Disability Services (DADS) conducted an on-site monitoring review of ATCIC. On March 1, 2013, DADS issued an on-site review report with a finding on internal controls over fixed assets. The finding noted that ATCIC had not conducted a complete physical inventory of fixed assets within the required two years as stated in the UGMS and ATCIC's Board Policy. The finding stated that the last physical inventory performed was only for its four main sites. DADS recommended that ATCIC conduct a physical inventory count of all its other sites in fiscal year 2013 and that the results of the inventory be reconciled to its fixed asset listing. DADS' recommendation also stated that the reconciliation should include removing missing, obsolete, and any items that were disposed of from the fixed asset list.

ATCIC conducted a physical inventory count of all of its sites in 2013 and significant amount of fixed assets were written off because numerous assets had either been disposed of, taken out of operation in a prior year or the asset listed on the fixed asset listing could not be located. Staff was unable to provide sufficient documentation and support for the majority of the disposals. We recommended to staff to reinstate the majority of the disposals being removed from the fixed asset listing in fiscal year 2013 and to perform another physical inventory count in fiscal year 2014, with emphasis of procedures for disposals. We also recommend that physical inventories of the fixed assets be performed regularly and related record be timely and appropriately updated, to prevent large and abnormal write-offs in the future.

Corrective Action Plan: Corrective action was taken.

2013-2: Reconciliation of Payroll Related Liability Accounts

Either monthly or quarterly, the human resources and/or the payroll accounting department is responsible for reconciling certain general ledger accounts to supporting documentation. We noted that personnel in either the human resources and/or the payroll accounting department were not reconciling the balances in the various payroll related general ledger accounts to supporting documentation.

Corrective Action Plan: Corrective action was taken.

Independent Auditor's Management Letter:

Other Matters: The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular and which is described in the accompanying schedule of findings and questioned costs as Item 2014-1. Our opinion on each major state and federal program is not modified with respect to this matter.

ATCIC's Response to Findings: ATCIC's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. ATCIC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Corrective Action Plan: See findings above.

Bluebonnet Trails CMHMRC

City: Round Rock

County: Williamson

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Border Region MHMR Community Center

City: Laredo

County: Webb

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Burke Center

City: Lufkin

County: Angelina

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Camino Real Community MHMRC

City: Lytle

County: Atascosa

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No management letter included

Corrective Action Plan: No findings/comments requiring corrective action

Center for Health Care Services

City: San Antonio

County: Bexar

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs:

Finding No. 2014-001 – Federal and State Programs – Schedule of Expenditures of Federal and State Awards

Program: Various

CFDA No: Various State/Federal

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: In accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, the Center is responsible for identifying in the Schedule of Expenditures of Federal and State Awards (SEFSA) all awards provided by federal and state agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations.

Condition: The initial SEFSA provided by the Center differed significantly from the final version provided due to various modification made: such as, adding and removing programs; and, reclassifying programs between state and federal awards.

Questioned Costs: None

Effect: Since the SEFSA is an integral part of our compliance audit, receiving significantly different versions caused difficulties in the determination of major federal and state programs and resulted in auditing program(s) unnecessarily and determining the need to audit other programs late in the audit process.

Cause: Unknown.

Recommendation: We recommend the Center carefully review all grant agreements/contracts to ensure they are properly classified and reported as federal and/or state awards in the SEFSA. The proper classification and inclusion of programs in the SEFSA will provide for a more efficient compliance audit and reduce the possibility of being noncompliant with federal and/or state requirements.

Views of responsible officials and planned corrective actions: Center staff and the Texas Council of CFO Consortia is working with state officials to determine the appropriate classifications of funding sources between State and Federal funds, as funding from the State is identified vaguely in the general performance contract currently.

Finding No. 2014-002 – Federal and State Programs – Semi-Annual Certifications

Program: Various State/Federal

CFDA No: Various State/Federal

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: In accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, employees who work solely on a single federal or state award; or, cost objective, are required to support their salaries and wages by preparing periodic certifications that demonstrate the employee worked solely on the respective single federal or state award: or, cost objective, for the period covered by the certification. These certifications should be

prepared at least semi-annually and signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Condition: Semi-annual certifications were not prepared for personnel who worked on a single federal or state program; or, cost objective.

Questioned Costs: None

Effect: Noncompliance with federal and state requirements.

Cause: Staff responsible for overseeing various programs operated by the Center may not be aware of the periodic certification compliance requirements.

Recommendation: We recommend that staff responsible for overseeing programs operated by the Center receive training on compliance requirements applicable to the respective program(s) to ensure the Center is compliant with all federal and state requirements.

Views of responsible officials and planned corrective actions: CHCS program directors will coordinate with Fiscal to ensure program requiring semi-annual certifications are identified and being conducted

Finding No. 2014-003 – Medicaid Assistance Program

Program: Medicaid Administrative Claiming (MAC)

CFDA No: 93.778 United States Department of Health and Human Services

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: The federal government permits Medicaid agencies to claim reimbursement for the activities performed that are necessary for the “proper and efficient administration” of the Medicaid program. MAC uses a reimbursement methodology to draw down federal matching funds based on time studies, expenses incurred, and revenues earned by agencies. Reimbursements are received from the Health and Human Services Commission (HHSC) by entering data into an online system, and are required to be used for health related services provided to clients.

Condition: Our testing of MAC indicated that \$97,578 in MAC revenues were allocated to the fiscal department, which does not provide health related services to clients; and, therefore, an unallowable cost.

In addition, our testing of the 2014 second quarter Mental Health MAC claim identified inconsistencies in the methodology used by the Center to prepare the claim and HHSC requirements, as follows:

- Depreciations expense for buildings/equipment is included but equipment outlay is

not; and, in accordance with HHSC requirements, equipment outlay should be reported and depreciation expense should not be reported. As a result, we estimate that the Center under claimed MAC revenues by \$8,600 for the fiscal year ending August 31, 2014.

- State revenue of \$80,803 was incorrectly included in the MAC claims were not prepared accurately in their entirety, amounts were also under claimed.

Questioned Costs: \$97,578

Effect: Unallowable costs were incurred and since MAC claims were not prepared accurately in their entirety, amounts were also under claimed.

Cause: Unknown.

Recommendation: We recommend the Center allocate MAC revenues earned only to those units that provide health services to clients, and revise its methodology for preparing the MAC claims to ensure compliance with HHSC requirements. In addition, the Center may consider consulting with HHSC to ensure that any changes implemented, either in the allocation of revenues or in the methodology for preparing MAC claims, will be in compliance with established requirements.

Views of responsible officials and planned corrective actions: This finding is related to finding 2014-001 as noted, Center staff and the Texas Council CFO Consortia is working with state officials to determine the appropriate classifications of funding sources between State and Federal funds, as funding from the State is identified vaguely in the general performance contract currently. In addition, the Center is required to report where all sources of funds are being used on a quarterly basis to the State.

Finding No. 2014-004 – Capital Asset Inventory

Program: Various State Programs

Type of Finding: Significant Deficiency in Internal Control over Compliance / Significant Deficiency in Internal Control over Financial Reporting.

Criteria: It is a federal and state requirement, and sound internal control over financial reporting, for a physical inventory of capital assets be taken and the results reconciled with the property records at least once every two years.

Condition: The last physical inventory conducted by the Center occurred in fiscal year 2010.

Questioned Costs: None

Effect: Noncompliance with federal and state requirements, and possibility that capital assets recorded in the financial statements could be misstated.

Cause: Unknown.

Recommendation: We recommend that the Center conduct a physical inventory of capital assets at least once every two years and that it be reconciled to property records to support the amount reported in the financial statements.

Views of responsible officials and planned corrective actions: The Center's Safety, Maintenance, and Transportation Department will conduct an inventory of Center assets within the next 6 months. The reconciliation of property records will be conducted after the inventory is completed.

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No management letter included

Corrective Action Plan: See findings above.

Central Texas MHMR Center dba Center for Life Resources

City: Brownwood

County: Brown

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Central Counties Center for MHMR Services

City: Temple

County: Bell

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Central Plains Center

City: Plainview

County: Hale

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Coastal Plains Community MHMR Center

City: Portland

County: San Patricio

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Dallas Metrocare Services

City: Dallas

County: Dallas

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Denton County MHMR

City: Denton

County: Denton

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter:

Current year comments

Financial Stability

During 2014, overall fund equity in the general fund increased by \$1,022,040. At the end of the year, overall fund balance was \$3,133,391 and unassigned fund balance was \$2,856,885. These two amounts represent 13.7% and 12.5%, respectively of the 2014 total expenditures in the general fund. These percentages translated into 50 and 45 “days of operation” available in fund balance at the end of the year.

The Department of Aging and Disability Services (DADS) recommends that community centers maintain 60 “days of operation” in fund balance. In addition, fund balance will be an important tool for community centers as they begin to operate in more of a managed care environment. The Center has been improving fund balance over the past few years but presently is short of

the DADS recommended amount.

Recommendation: We recommend that the Center continue its efforts to budget and plan to achieve an annual surplus in order to build cash reserves and improve financial stability.

Follow-up on prior year comments: Information updating the prior year comment is included above.

Corrective Action Plan: No findings/comments requiring corrective action

El Paso Community MHMR Center dba Emergence Health Network

City: El Paso

County: El Paso

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No management letter included

Corrective Action Plan: No findings/comments requiring corrective action

Gulf Bend Center

City: Victoria

County: Victoria

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter:

Other Audit Findings or Issues

A possible issue arose during our report preparation when the Office of the Inspector General (OIG) issued a December 9, 2014 memorandum that Medicaid Administrative Claiming (MAC) funds should be included on the Schedule of Expenditures for Federal Funds (SEFA). The uncertainty surrounding this directive has caused the Texas Council of Community Centers to issue a letter to the Texas Health and Human Services Commission (HHSC) requesting clarification on this issue. The Texas Council of needed discussion can be held regarding the inclusion of MAC funds on the SEFA. The audit requirements set forth in the *HHSC Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers (21st Revision)*, which Community Centers were subject to for the FY2014 audits, did not stipulate that MAC funds were subject to inclusion in the SEFA. Due to the fact that HHSC was unable to provide guidance for field testing on this directive in a timely manner, we did not include MAC funds in the SEFA. We did include the MAC funds as a reconciling item of federal funds from the SEFA to the financial statements in our Notes to the SEFA. The SEFA may have to be amended if HHSC does not grant a waiver for the FY2014 audits.

Corrective Action Plan: No findings/comments requiring corrective action

Gulf Coast Center

City: Galveston

County: Chambers

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings requiring corrective action

Heart of Texas Region MHMR

City: Waco

County: McLennan

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Helen Farabee Regional Center

City: Wichita Falls

County: Wichita

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Hill Country Community MHMR Center dba Hill Country Mental Health and Developmental Disabilities Center

City: Kerrville

County: Kerr

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter:

Current year comment: The Center has no current year comments.

Follow-up on prior year comment:

reporting unit. The employees that spent actual time under an additional reporting unit, per the employees' timesheets, should have the percentage of actual time spent allocated to the additional reporting unit. However the employee actual pay was not allocated accordingly. This was caused by human error.

Also, direct service providers' pay was incorrectly allocated. These specific providers' pay should have been based on the personal action form payroll allocation. The Center established a guideline, if the direct service provider works less than 480 minutes, which is 10 percent of the total possible minutes available to work in a pay period (4,800), per pay period; the employee's pay is allocated based on the approved personal action form. If the provider works greater than 480 minutes, the provider's pay should be allocated based on the actual time spent. The direct service providers worked less than 480 minutes, yet their pay was allocated based on actual time reported. If this is currently not an option, it is recommended to have an individual review the allocation of time for each pay period for each employee.

This letter does not affect our report dated January 23, 2015, on the basic financial statements of the Center.

Corrective Action Plan: No findings/comments requiring corrective action

MHMR Authority of Harris County

City: Houston

County: Harris

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No management letter included

Corrective Action Plan: No findings/comments requiring corrective action

MHMR of Nueces County dba Behavioral Health Center of Nueces County

City: Corpus Christi

County: Nueces

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

MHMR Services for the Concho Valley

City: San Angelo

County: Tom Green

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter:

Reconciliation of Medicaid Accounts Receivable and Journals

In testing accounts receivable for Medicaid, we reviewed the reconciliation of the accounts receivable trial balance to the general ledger. Some of the significant reconciling items were due to unexplained variances between the accounts receivable journal, the revenue journal and the cash receipts journal. Reconciliations had not been performed. As a result, the accounts receivable journal and underlying sub-ledgers were deemed unreliable.

Recommendation: We recommend that management review the cash receipts journal, revenue journal and accounts receivable journals to ensure that all relevant transactions have been posted, and that the information reconciles to the general ledger.

Management Response: Management will review and update its journals to ensure that records are accurate and reliable.

Payroll Approval and Allocations

A test of payroll revealed one IDD employee who was paid more than her approved salary in the pay period tested. Another IDD employee was paid for October 2013 based on September 2013 reporting unit allocations because she had not submitted an October timesheet. One MHA

employee's pay was not appropriately allocated because his time on his reporting unit allocation sheet did not match the time on his timesheet; two days were omitted from the reporting unit allocation sheet.

Recommendation: We recommend that management perform a thorough review of payroll transactions. Supervisors should ensure that employees submit timesheets in a timely manner, and management should review that pay is in accordance with timesheet hours and the approved salary.

Management Response: Management will perform more thorough reviews of payroll.

Consumer Files – Financial Assessments, Billing and Diagnosis

In testing consumer files for Adult Mental Health (MH), Intellectual and Developmental Disabilities (IDD), and Child and Adolescent Mental Health (CMH), we encountered the following.

Eleven AMH, two IDD and five CMH financial assessments were not signed by a consumer or guardian and caseworker. Two AMH financial assessments had not been updated within the last year. One IDD consumer did not have a financial assessment on file, although services were provided in the fiscal year. One AMH and three IDD consumers were billed incorrectly because an incorrect MAP scale was used in the billing software. The software was subsequently corrected after the auditor brought it to management's attention. Two CMH consumers' financial assessments showed an incorrect family size which, in these instances, did not affect the MAP or billing. These indicate a lapse in internal controls. One IDD consumer did not have documentation for diagnosis on Axis II; there was only documentation of a diagnosis on Axis I.

Recommendation: We recommend that the Center ensures that existing controls over consumer records are consistently applied. All financial assessments and diagnosis forms should be reviewed for completeness.

Management Response: Management will ensure that consumer files contain current financial assessments, and that consumer signatures are consistently obtained where required. Management will also ensure that all required information is provided on the financial assessments and diagnosis forms.

Recording Expenses in the Correct Period

In testing disbursements made in FY015, we discovered a \$21,000 disbursement incurred in August 2014 that was incorrectly recorded to the general ledger as a FY2015 expense.

Recommendation: We recommend that management perform a review of disbursements and the general ledger to ensure coding in the proper period.

Management Response: Management will review disbursement to ensure they are coded to the correct period in the general ledger.

Corrective Action Plan: Refer to Independent Auditor's Management Letter Section Heading on Page 25

MHMR Services of Texoma dba Texoma Community Center

City: Denison

County: Grayson

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings:

Item 2013-1: Department of State Health Services (DSHS) Fiscal Monitoring

Major Programs: State General Revenue – Mental Health
State General Revenue – Children’s Mental Health

Status of prior year finding: During our audit procedures we noted the Center used after the fact time sheets to allocate costs charged to its programs. Therefore, we consider this prior year comment to be resolved.

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

MHMR of Tarrant County

City: Fort Worth

County: Tarrant

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No management letter included

Corrective Action Plan: No findings/comments requiring corrective action

Pecan Valley MHMR Region

City: Granbury

County: Hood

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Permian Basin MHMR

City: Midland

County: Midland

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Sabine Valley Regional MHMR dba Community Healthcare

City: Longview

County: Gregg

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No management letter included

Corrective Action Plan: No findings/comments requiring corrective action

Spindletop MHMR Center

City: Beaumont

County: Jefferson

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No management letter included

Corrective Action Plan: No findings/comments requiring corrective action

Starcare Specialty Health System dba Lubbock Regional MHMR Center

City: Lubbock

County: Lubbock

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Texana MHMR Center

City: Rosenberg **County:** Fort Bend

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Texas Panhandle MHA

City: Amarillo **County:** Potter

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Tri-County MHMR

City: Conroe **County:** Montgomery

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter:

Current year comments

Custodial Credit Risk – Bank Deposits

At August 31, 2014, Center bank deposits in the amount of \$14,322 were not covered by federal deposit insurance or by a collateral pledge agreement. These circumstances are much improved over the prior year, but we recommend that management assure that all Center deposits are fully insured or collateralized.

Follow-up on prior year comments:

Center Policy on Bid Proposals

We noted that the Board and management have reviewed their bid policies and raised the threshold in order to alleviate the administrative burden for bidding yet still comply with state requirements. We consider this issue to be resolved.

Center Policy on Retention of Fund Balance – GASB Statement 54

We noted that the Center has reviewed its policies and procedures associated with fund balance reporting and updated this information to be consistent with the requirements of Governmental Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We consider this issue to be resolved.

W-2 Reporting

Our review of W-2's issued for calendar year 2013 disclosed that these forms were prepared in compliance with reporting requirements.

Functional Allocation of Depreciation

We noted that the Center procedures for the functional allocation of depreciation had been improved in 2014. We consider this issue to be resolved.

Corrective Action Plan: No findings/comments requiring corrective action

Tropical Texas Behavioral Health

City: Edinburg

County: Hidalgo

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

West Texas Centers for MHMR

City: Big Spring **County:** Howard

Type of Report on Financial Statement: Unqualified

Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action