Summary of Audit Results
CMHMRC Single Audits
Fiscal Year 2009

<u>440</u> **Anderson-Cherokee Community Enrichment Services dba ACCESS**

City: Jacksonville **County:** Cherokee

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Follow-up on Prior Year Finding:

1 2008-01: Material Weakness Relating to Controls over Financial Reporting
Prior Year Recommendation: Management needs to develop procedures ensuring consistent evaluation of the effects of such material items as accounts receivable, accounts payable, and the self insurance liability for IBNR medical claims on financial statements have been completed. Financial statements must be adjusted to show any material changes.

Current Year Status: The recorded year-end balances for IBNR liability, accounts receivable and accounts payable are in accordance with GAAP (generally accepted accounting principles).

2 2008-02: Grant Reporting and Tracking Unallowable Costs

Prior Year Recommendation: The Center must reconcile the general ledger with the quarterly reports submitted to the state. The Center must identify and track unallowable costs during the fiscal year in accordance with State performance Contract guidelines.

Current Year Status: The CARE III report for fiscal year end 2009 reconciled to the general ledger as required by the State Performance Contracts. In accordance with performance contract guidelines the Center is recording their unallowable costs in a separate general ledger account.

3 2008-03: Physical Inventory of Capital Assets
Prior Year Recommendation: The Center should complete a physical inventory and reconcile the inventory to the fixed asset records maintained by the Center in compliance with UGMS.

Current Year Status: A physical inventory was completed by the Center on 12/31/2008. The Center is beginning to use Asset Tags. The Asset Tags will help the Center to facilitate their inventory reconciliation process.

Independent Auditor's Management Letter:

4 Fiscal Year 2010 reimbursement methodology

Summary of Audit Results
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Condition: All centers will undergo a significant change for Medicaid reimbursement in Fiscal Year 2010. The Centers for Medicare and Medicaid Services – federal DHHS (CMS) requires the centers to receive their state match for Medicaid, when the federal portion of the match is paid out for services rendered. Traditionally the centers would receive their state portion as part of the general revenue allocated to them under the performance contracts. In Fiscal Year 2010, all centers will still receive the same allocation amounts in the 1st and 2nd quarter of the year and 100% of Medicaid (both federal and state portion) for the entire year. General Revenue is funding the state portion of Medicaid payments. If, at the end of the year, the Center did not receive as much Medicaid payments as initially estimated, the Center will be refunded the withheld General Revenue allocations in the third and fourth quarter. If the Center received more Medicaid payments than anticipated, the Center will be required to pay back a portion of their general revenue payments to the state.

Recommendation: The Center should establish procedures to estimate the General Revenue to be recouped by the state at the end of Fiscal Year 2010 due to the new Medicaid reimbursement methodology. This will prevent significant year end adjustments to income.

5 Reconciliation of Accounts Payable to the General Ledger
Condition: During the review it was noted the accounts payable sub-ledger did not reconcile to the general ledger.

Recommendation: The accounts payable sub-ledger should be reconciled monthly to the general ledger.

6 Misappropriation of Client Trust Funds
Condition: An employee of the center, who worked with Mental Retardation client trust accounts, misappropriated approximately $50,000.00 from the personal checking accounts of two Clients. The employee has been terminated. The Center has paid back $25,000.00 to the clients. The state is currently running a forensic investigation concerning the other $25,000.00. Until the investigation is complete; the center will accrue a liability for the remaining $25,000.00.

Recommendation: The center needs to implement internal controls over client trust accounts to ensure there will be no future misappropriation of client trust funds by Center Employees.

Corrective Action Plan: No findings/comments requiring corrective action

Summary of Audit Results
CMHMRC Single Audits
Fiscal Year 2009

190 **Andrews Center**

City: Tyler **County:** Smith

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs:

1 2009-01: Compliance with the Public Funds Investment Act
Condition: The Chief Financial Officer (CFO) for the Center did not receive the required investment training as required under the Public Funds Investment Act, Texas Government Code Chapter 2256. The Center is not incompliance with the Public Funds Investment Act.

Recommendation: The Center's investment officer should ensure the minimum investment training is received as required under the Public Funds Investment Act.

Management Response: The CFO has already received fours hours of training and will receive the 10 hours required within two years.

2 2009-01: Compliance with Semi-Annual Certifications
Condition: The Department of Aging and Disability Services (DADS) conducted an on-site fiscal monitoring review on October 12-15, 2009. During the course of the review, DADS discovered the Center had not been acquiring and maintaining semi-annual certification as required by OMB A87 and Uniform Grant Management Standards (UGMS). The Center does not have adequate procedures to ensure compliance with OMB A87 and UGMS. The Center is not incompliance with OMB A87 and UGMS.

Recommendation: The Center should implement procedures to ensure compliance with UGMS and OMB A87 by acquiring and maintaining semi-annual certifications.

Management Response: On August 16, 2009 the Center, in order to be incompliance with UGMS, implemented a notification and certification of payroll cost allocation to the time approval process on a monthly basis when time is submitted to supervisors for approval.

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Summary of Audit Results
CMHMRC Single Audits
Fiscal Year 2009

030 **Austin-Travis County MHMR**

City: Austin **County:** Travis

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

010 **Abilene Regional MHMR dba Betty Hardwick Center**

City: Abilene **County:** Taylor

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

460 **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

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Summary of Audit Results
CMHMRC Single Audits
Fiscal Year 2009

485 **Border Region MHMRC**

City: Laredo **County:** Webb

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Independent Auditor's Management Letter:

1 Audit Issue No. 2009-1-Employee Compensation Leave Balances
Condition: Some Employees received more than the maximum 80 hours allowed under the Center's policies.

Recommendation: The Center should review its employee compensation leave policy to clarify the maximum balance, which can be carried year to year.

Management Response: The Current policy allows an extension for leave balances by the Executive Director. If the Executive Director does not allow an extension, those balances will be forfeit and adjusted properly to reflect the forfeiture.

2 Audit Issue No. 2009-2- Compensated Absences Leave Balances
Condition: Yearly the Center does a manual review process of employees' cumulative annual leave balances by ensuring the leave balances are comparable with last year's annual leave balance.

Recommendation: The Center should test a sample of employees to help validate the overall employee leave balances. The test would derive the amount of vacation time an employee has at the end of the year by reflecting the beginning year's balance, plus vacation time earned, minus vacation time taken, which should equal vacation time at the end of the year. These balances can be compared with the software balances reported.

Management Response: The Center agrees with the recommendation and will implement it.

3 Audit Issue No. 2009-3-Consumer Insurance Card Usage
Condition: It has been discovered, after the fact, that consumers were providing expired insurance cards to the Center. The Center may not be able to collect for services rendered to consumers, because consumers have no other form of payment for the Center.

Recommendation: Intake personnel should review insurance cards to ensure the cards have not expired.

Management Response: Training will be implemented immediately for third party insurance intake processes to ensure copies are made of the front and back of insurance cards, coverage is verified for new & existing patients, data entry has been entered into the billing system and co-pays have been collected.

4 Audit Issue No. 2009-4- Sales Tax
Condition: Instances were noted in which Center staff had been reimbursed for Sales tax.

Recommendation: The Center should make use of its tax exempt status to minimize costs.

Management Response: The Center will educate employees of the tax exempt form for their use. The Center will no longer reimburse employees for sales tax paid.

Corrective Action Plan: No findings/comments requiring corrective action

<u>260</u> 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:

1 Finding 2009-1
Condition: Pharmacy inventory had to be recounted numerous times due to errors in the counting process. Inventory Counts are an internal control used to ensure assets are safeguarded. If inventory is not counted properly, it could result in a misstatement of inventory.

Recommendation: Formal procedures should be established for the count of pharmaceutical inventory. Pharmacy staff should be trained to ensure future inventory counts are accurate.

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Summary of Audit Results
CMHMRC Single Audits
Fiscal Year 2009

490 **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

Independent Auditor's Management Letter:

Prior Year's Comment:

1 Medicaid Funding for ECI
Condition: Medicaid funding for ECI is going to be cut. ECI will need to gather local funding sources other than Medicaid. The center will need to monitor the funding streams in 2009.

Current Year Status: We consider this finding to be resolved.

Current year's Comments:

2 Fiscal Year 2010 reimbursement methodology
Condition: All centers will undergo a significant change for Medicaid reimbursement in Fiscal Year 2010. CMS require the centers to receive their state match for Medicaid, when the federal portion of the match is paid out for services rendered. Traditionally the Centers would receive their state portion as part of the general revenue allocated to them under the performance contracts. In Fiscal Year 2010, all centers will still receive the same allocation amounts in the 1st and 2nd quarter of the year and 100% of Medicaid (both federal and state portion) for the entire year. General Revenue is funding the state portion of Medicaid payments. If, at the end of the year, the Center did not receive as much Medicaid payments as initially estimated, the Center will be refunded the withheld General Revenue allocations in the third and fourth quarter. If the Center received more Medicaid payments than anticipated, the Center will be required to pay back a portion of their general revenue payments to the state.

Recommendation: The Center should establish procedures to estimate the General Revenue to be recouped by the state at the end of Fiscal Year 2010 due to the new Medicaid reimbursement methodology. This will prevent significant year end adjustments to income.

3 End of Year Payments for Accrued Vacation Hours
Condition: The Center buys back vacation time from employees at the end of the year. The Center paid out $8,456 to two employees for vacation hours. The hours

were not reduced quickly enough to avoid the hours being used for vacation as well. This process requires more internal controls to prevent the Center from erroneously paying out more vacation time to an employee than is available. Employees' vacation time should be updated promptly after the Center buys back the time.

Recommendation: A segregation of duties is required for payroll processing. Payroll is handled entirely by the human resources department to include: adding employees, changing rates of pay, preparing & issuing payroll checks. Duties should be segregated to improve the internal controls for payroll processing.

Corrective Action Plan: No findings/comments requiring corrective action

050 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: None

Independent Auditor's Management Letter:

1 Bank Account Reconciliations
Condition: The center has not been completing bank account reconciliations within 30 days of receiving the bank statement.

Recommendation: Within thirty days of the receipt of the bank statement the bank account should be reconciled. Management should review the bank statements to be aware of the cash position of the center.

Current Year Status: This issue has been resolved.

2 Safeguarding Fixed Assets
Condition: The center does not have appropriate policies and procedures in place to safeguard fixed assets. Two new laptops have been stolen and one is with an employee on maternity leave.

Recommendation: The center needs to review its internal controls to ensure adequate safeguarding of assets purchased with federal or state funds.

Current Year Status: This issue has been resolved.

3 Procurement - Notification to Unsuccessful Bidders
Condition: Four procurement files did not have a notification to unsuccessful bidders. The center does not keep complete procurement files by including post award notices to unsuccessful bidders.

Recommendation: The center needs to ensure all procurement files are complete by including post award notices to unsuccessful bidders.

Current Year Status: This issue has been resolved.

4 Procurement - Competitive Procurement
Condition: The center competitive procurement policy, No 3.3 Sect. V.A. 18, does not provide adequate guidance for acquiring a lease agreement for property.

Recommendation: Procurement polices should be amended to include procedures for property acquisition through lease agreements.

Current Year Status: This issue has been resolved.

5 Procurement - Minimum Bid
Condition: The center did not follow its procurement policy which requires at least two bids for purchases over $25,000. There were two purchases made in the amounts of $192,720 and $100,000 which were accepted with only one bid.

Recommendation: Follow competitive procurement policy to ensure compliance with funding regulations.

Current Year Status: This issue has been resolved.

6 Pension Plan - Participant Distribution Forms
(Prior Year's Finding)
Condition: The center does not have a system in place to ensure the pension plan distribution forms have all the required authorization before distribution.

Recommendation: Before pension disbursements are made the center will need to ensure the pension distribution forms have all required authorizations.

Current Year Status: This issue has been resolved.

7 Pension Balance held for terminated employees
Condition: The center has not escheated any of its unclaimed pension balances to the state.

Recommendation: The center will need to research if these balances need to be escheated to the state as unclaimed funds.

Current Year Status: Management is currently notifying former participants with a balance of less than $1,000.00 before escheating the balances to the state. Former Participants with balances of greater than $1,000 are unable to withdraw their balances until retirement age.

Corrective Action Plan: No findings/comments requiring corrective action

040 Central Counties Centers 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

Independent Auditor's Management Letter:

1 *Condition:* The American Institute of Public Accountants SAS 112, requires standardized and written procedures for most bookkeeping and accounting tasks. The center is unable to evaluate and monitor internal business practices without these written procedures. Job descriptions need to be updated to include these tasks.

Recommendation: Employees should be instructed to do completeness and accuracy checks, approval and review daily. Timely intervention should occur with any identified error from the daily processes. The policies should include narratives, flowcharts and checklists.

Management Response: Management will standardize written procedures for the bookkeeping and accounting tasks throughout the center. The job descriptions will be updated to include the new procedures. As procedures are put into place, internal monitoring will begin.

Corrective Action Plan: No findings/comments requiring corrective action

070 Central Plains Center

City: Plainview **County:** Hale

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Summary of Audit Results
CMHMRC Single Audits
Fiscal Year 2009

Schedule of Findings and Questioned Costs: None

Independent Auditor's Management Letter:

1 Fiscal Year 2010 reimbursement methodology
Condition: All centers will undergo a significant change for Medicaid reimbursement in Fiscal Year 2010. CMS require the centers to receive their state match for Medicaid, when the federal portion of the match is paid out for services rendered. Traditionally the Centers would receive their state portion as part of the general revenue allocated to them under the performance contracts. In Fiscal Year 2010, all centers will still receive the same allocation amounts in the 1st and 2nd quarter of the year and 100% of Medicaid (both federal and state portion) for the entire year. General Revenue is funding the state portion of Medicaid payments. If at the end of the year, the Center did not receive as much Medicaid payments as initial estimated, the Center will be refunded the withheld General Revenue allocations in the third and fourth quarter. If the Center received more Medicaid payments than anticipated, the Center will be required to pay back a portion of their general revenue payments to the state.

Recommendation: The Center should establish procedures to estimate the General Revenue to be recouped by the state at the end of Fiscal Year 2010 due to the new Medicaid reimbursement methodology. This will prevent significant year end adjustments to income.

2 Payroll Processing
Condition: The employees responsible for payroll processing may access and change the payroll master data to include: add new employees, modify rates of pay and adjusting employee payroll deductions.

Recommendation: Management should monitor employees' progress while executing payroll or segregating(?) duties.

3 Fund Equity
Condition: The Department of Aging and Disability Services (DADS) recommends the Center maintain a fund equity balance with at least 60 days of operating funds.

Recommendation: The Center should consider methods that will allow it to comply with all of DADS recommendations.

Corrective Action Plan: No findings/comments requiring corrective action

Summary of Audit Results
CMHMRC Single Audits
Fiscal Year 2009

060 **Central Texas MHMR, 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

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

475 **Coastal Plains CMHMRC**

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

Independent Auditor's Management Letter:

1 Fiscal Year 2010 reimbursement methodology

Condition: All centers will undergo a significant change for Medicaid reimbursement in Fiscal Year 2010. CMS requires the centers to receive their state match for Medicaid, when the federal portion of the match is paid out for services rendered. Traditionally the Centers would receive their state portion as part of the general revenue allocated to them under the performance contracts. In Fiscal Year 2010, all centers will still receive the same allocation amounts in the 1st and 2nd quarter of the year and 100% of Medicaid (both federal and state portion) for the entire year. General Revenue is funding the state portion of Medicaid payments. If at the end of the year, the Center did not receive as much Medicaid payments as initially estimated; the Center will be refunded the withheld General Revenue allocations in the third and fourth quarter. If the Center received more Medicaid payments than anticipated, the Center will be required to pay back a portion of their general revenue payments to the state.

Recommendation: The Center should establish procedures to estimate the General Revenue to be recouped by the state at the end of Fiscal Year 2010 due to the new Medicaid reimbursement methodology. This will prevent significant year end adjustments to income.

Follow-up on Prior Year's Comments

2 Medicaid Billing

Condition: Employees were fraudulently over billing Medicaid. An internal audit was conducted, which concluded there was an over billing of Medicaid in the amount of $39,562.00. These employees were terminated. Other services, which these employees participated in, were not billed to Medicaid. It was too difficult to identify the validity of these services due to questionable documentation. The review of this situation showed management took appropriate action by doing adequate chart audits to determine improper billing and allowing employees to have lines of communications to report issues of this nature without fear of retaliation.

Current Year Status: This finding has been resolved.

Corrective Action Plan: No findings/comments requiring corrective action

<u>160</u> MHMR of Concho Valley

City: San Angelo, TX **County:** Tom Green

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

<u>400</u> 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

Independent Auditor's Management Letter:

1 Financial Stability

Condition: The general fund equity balance increased by $175,796. The unreserved amount increased by $186,349 since August 31, 2008. The number of days of operation maintained in fund equity is 12 days as of August 31, 2009. It was previously 9 days as of August 31, 2008.

Recommendation: The center needs to budget and plan to achieve annual surpluses in order to build cash reserves and improve financial stability. The center needs to continue to maintain an operating line of credit to prevent disruptions in cash flows.

Corrective Action Plan: No findings/comments requiring corrective action

<u>090</u> El Paso Community MHMRC, dba Life Management Center

City: El Paso **County:** El Paso

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Qualified

Schedule of Findings and Questioned Costs:

1 2007-01: Material Weakness Relating to Controls over Financial Reporting (Prior Year's Finding)
Condition: The Center required financial adjustments, which included but were not limited to: the Center backdated checks from September 2009 to August 2009 resulting in $911,000 of bank overdrafts being recorded. This resulted in an understatement of accounts payable. Accounts Payable had to be adjusted up $1,100,000 due to the backdating of checks. Internally generated financial information could not reflect the financial position of the Center to help facilitate Management Decision making processes due to weak financial reporting controls.

Recommendation: Management should implement financial reporting controls that provide assurance that internally generated financial information is accurate. The Center should ensure that no checks are processed the following month until the proceeding month has been closed.

Management Response: The Center's Financial Management Team will ensure the general ledger reconciles to the audited financial statements. The aforementioned Balance Sheet Analysis package will ensure accuracy on a monthly basis. New Management has been hired in the reimbursement department. The Reimbursement Officer, as part of the monthly close process runs reports to ensure there are no unposted batches before the Accounts Receivable System is closed for the month.

2 2007-5: Allocation of Administrative Staff Personnel Costs (Prior Year's Finding)

Condition: Salaries and benefits of the Chief Executive Officer are recorded as expenses in the general fund. The CEO monthly receives a stipend from Sun City. General Revenue grant funds cover the salaries recorded in the general fund. Sun City provides services which are not covered by grant objectives. The CEO is not reporting an after the fact distribution of time. This is not in accordance with grant requirements under A-87 and UGMS.

Recommendation: The Center management should implement payroll time keeping controls that meet the requirements set forth in UGMS and A-87.

Management Response: EPMHMR's management has a system to track all time worked by employees for each cost center. The system is being implemented in phases and will be completed by April 2009. ADP will also do the Center's payroll. This contract will ensure the time tracked through the time and attendance system is expensed out to the appropriate cost center in accordance with requirements set forth in UGMS and A-87. In addition, no stipends are being paid by Sun City to any EPMHMR employee.

Current Year Status: The Single Auditor has found this issue to be resolved.

State Notes: During the January 26-29, 2010 fiscal monitoring review, the Department of Aging and Disability Services noted the Center for the time sheets not showing an after the fact distribution of costs between federal and/or state awards. There was no documentation presented to indicate that time and salaries of administrative staff, which spend time on Sun City activities (non-GR funded), were being allocated and charged to Sun City.

The payroll services implementation went live in May 2009. This system uses the time and attendance data and records costs to the various programs based on actual time spent in each program. The Corrective Action Plan is accepted. DADS will perform a follow-up inquiry at a later date. The Center is currently being reviewed for compliance by DADS and Department of State Health Services (DSHS).

On February 18, 2010 an external CPA firm submitted a report on "Agreed Upon Procedures Review of Accounting Processes" to the Center's Board of Directors. (This was not an audit, but a review of internal controls.) The Report revealed there is no review or check that the ADP setup is complete, accurate or in compliance with OMB Circular 87 requirements.

3 2008-1: Prior Period Adjustments
Condition: During the year it was discovered there was a misstatement of previously reported items. Adjustments were made to correct several balances at the beginning of the year. Financial statements were not reported accurately or in a timely fashion. Financial statements and beginning 2009 balances had been

misstated. This is due to the Center not reconciling its 2008 financial statements to general ledger and supporting documents.

Recommendation: The center needs to reconcile its audited financial statements with its general ledger and supporting documentation.

Management Response: The Center's financial management team will ensure the general ledger reconciles to the Audited Financial Statements.

4 2008-2: Bank Reconciliations
Condition: During 2008, the bank reconciliations were not completed in a prompt manner. This resulted in over $150,000 of incorrect journal entries. In addition, the financial statements were not accurate due to the inaccurate recording of cash.

Recommendation: All bank reconciliations should be completed prior to the development of monthly financial statements. All outstanding checks older than one year should be investigated and written off.

Management Response: A staff accountant monthly reconciles the bank account. The reconciliation is than reviewed by the Controller. Variances are researched and then any necessary journal entries are entered into the general ledger. Staff completing the bank reconciliations has the proper training needed in order to analyze the general ledger to the bank statements.

Current Year Status: The Single Auditor has found this issue to be resolved.

State Note: On February 18, 2010 an external CPA firm submitted a report on "Agreed Upon Procedures Review of Accounting Processes" to the Center's Board of Directors. (This was not an audit, but a review of internal controls.) The Report revealed that the Bank reconciliations are not reconciled on a timely basis.

5 2008-3: Public Funds Investment Act Compliance
Condition: The center acquired a Certificate of Deposit which is 36 months to maturity. The Texas Public Funds Investment Act and the Center's investment policy require all Certificates of Deposit to be under 24 months to maturity.

Recommendation: All purchases of investments must be reviewed for compliance with the Texas Public Funds Investment Act. The center needs to shorten the terms of the existing CD to be in compliance with the act.

Management Response: The CFO is the Center's new investment officer. The CFO will review all investments of the Center, to ensure compliance with the

Texas Public Funds Investment Act. The Board will receive a presentation on investments quarterly.

Current Year Status: The Single Auditor has found this issue to be resolved.

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

110 **Gulf Bend MHMR**

City: Victoria **County:** Victoria

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

100 **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

Independent Auditor's Management Letter:

1 Controls Over Inventory
Condition: The Center did not record entries to reflect changes in inventory and the corresponding accounts payable entry. This resulted in an understatement in inventory and accounts payable.

Recommendation: The current controls in place to monitor inventory purchases are not being enforced. The Center should develop new controls to ensure all inventory purchases are booked. The Financial department should conduct a periodic inventory (such as quarterly) to reconcile the inventory on hand with the inventory recorded in the general ledger.

Management Response: The Center acknowledges the issue cited and is ensuring proper guidelines and controls are in place and are currently being reviewed for completeness. An ongoing process for monitoring inventory is in place. Warehouse inventory will be reconciled quarterly with the general ledger to ensure accurate financial reporting.

2 Cash Held at Moody National Bank
Condition: On August 31, 2009, the Center had a bank balance of $412,731 at one of its two accounts held with Moody National Bank. The FDIC only ensures deposits of $250,000 or less. The Center has under collateralized the cash held in its Moody National Bank Account.

Recommendation: The Center should monitor the bank balance on a regular basis, such as monthly.

Management Response: The Center acknowledges the issue cited and will be monitoring all its bank balances to ensure proper and complete FDIC coverage. Additional measures have been taken to ensure bank balances are monitored before transfer to ensure the balance will be within the FDIC coverage range.

Corrective Action Plan: No findings/comments requiring corrective action

<u>220</u> 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:
1 Item 2009-1: Early Childhood Intervention (ECI) Monitoring Report
Condition: A program monitoring review conducted by the Department of Adult and Rehabilitative Services (DARS) revealed the following concerns: 1) the Center's cost allocation plan was not updated to show a location change for the ECI program; 2) the Financial Status Reports (FSRs) for the maintenance of effort had been completed incorrectly resulting in uncollected claims; 3) Not all direct service contracts were renegotiated before exceeding contract limits on reimbursement; 4) there were no written procedures for third party billing practices; 5) services were delivered to clients later than prescribed by ECI guidelines. The procedures developed by the Center were inadequate in preventing non-compliance with ECI contract guidelines.

Questioned Cost: None

Recommendation: The Center should review and strengthen compliance procedures for the ECI contract provisions.

Management Response: All fiscal items have been resolved in accordance with the approved corrective action plan. The requirement to have a physician evaluation before implementing services slowed down delivery time. This requirement has been eliminated. No future delays are foreseen.

Independent Auditor's Management Letter:

1 Fiscal Year 2010 reimbursement methodology

Condition: All centers will undergo a significant change for Medicaid reimbursement in Fiscal Year 2010. CMS require the centers to receive their state match for Medicaid, when the federal portion of the match is paid out for services rendered. Traditionally the Centers would receive their state portion as part of the general revenue allocated to them under the performance contracts. In Fiscal Year 2010, all centers will still receive the same allocation amounts in the 1st and 2nd quarter of the year and 100% of Medicaid (both federal and state portion) for the entire year. General Revenue is funding the state portion of Medicaid payments. If at the end of the year, the Center did not receive as much Medicaid payments as initially estimated, the Center will be refunded the withheld General Revenue allocations in the third and fourth quarter. If the Center received more Medicaid payments than anticipated, the Center will be required to pay back a portion of their general revenue payments to the state.

Recommendation: The Center should establish procedures to estimate the General Revenue to be recouped by the state at the end of Fiscal Year 2010 due to the new Medicaid reimbursement methodology. This will prevent significant year end adjustments to income.

2 Internal Service Fund

Condition: During 2009, the Center developed an Internal Service Fund to accumulate resources for the acquisition of capital assets. Year end adjusting entries were required to reconcile the general fund to the internal service fund.

Recommendation: The Center should review and document the procedures for recording the entries between the two funds.

Corrective Action Plan: No findings/comments requiring corrective action

<u>230</u> 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

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

470 **Hill Country Community MHMR 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

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Hunt County Family Services (Closed)

City: Greenville **County:** Hunt

Type of Report on Financial Statement: N/A
Type of Report on Compliance: N/A

Schedule of Findings and Questioned Costs: N/A

Independent Auditor's Management Letter: N/A

Corrective Action Plan: N/A

390 **Johnson-Ellis-Navarro County MHMR (Closed)**

City: Cleburne **County:** Johnson

Type of Report on Financial Statement: N/A
Type of Report on Compliance: N/A

Schedule of Findings and Questioned Costs: N/A

Independent Auditor's Management Letter: N/A

Corrective Action Plan: JEN Board decided to shut down the Center.

<u>480</u> Lakes Regional MHMR Center

City: Terrell **County:** Kaufman

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

150 Lubbock Regional MHMR

City: Lubbock **County:** Lubbock

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Independent Auditor's Management Letter:

1 Medicare Receivables
Condition: Following Management's review of Medicare Part A and Part B accounts receivable and revenue had been adjusted down by $365,000.

Recommendation: Medicare Receivables need to be adjusted throughout the year and not at year's end, so the impact to the financial statements is not so large.

Current Year Status: The finding has been resolved.

Corrective Action Plan: No findings/comments requiring corrective action

<u>250</u> MHMRA of Brazos Valley

Summary of Audit Results
CMHMRC Single Audits
Fiscal Year 2009

City: Bryan **County:** Brazos

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Independent Auditor's Management Letter:

1 Accounting Department
Condition: The accounting department has more responsibilities than it is able to handle due to reporting requirements and being understaffed. This resulted in the following issues:

- Working Trail Balance- The working Trail Balance as of August 31, 2009 was not available for review by the audit team until December 3, 2009. The Trail Balance was titled preliminary with some accounts needing adjustment.
- Receivables- Not all receivables are reconciled every month. Some accounts receivable are not reconciled until the end of the year. This resulted in the adjustments to the Trail Balance as noted in the first bullet.
- Fixed Assets- Fixed Assets are still being recorded on an Excel spreadsheet.

Recommendation: Management should reconcile all accounts receivable throughout the year. Management should consider purchasing fixed asset software. These actions will increase the accuracy of financial statements through out the year and lower year end adjustments.

2 IN-KIND DONATIONS
Condition: The in-kind contributions of drugs displayed under the CARE report, but not on the financial statements.

Recommendation: The in-kind contributions of drugs displayed under the CARE report on the financial statements as well. The in-kind drugs are a substantiate contribution to the Center's operations. This will also eliminate any reconciling adjustments, which are required at year end.

3 FORM 990
Condition: The Center continues to file the form 990 with the IRS every year, while other centers are abandoning filing the form.

Recommendation: Management will need to decide the cost benefit of filing the form 990 before deciding to discontinue filing the form with the IRS.

Corrective Action Plan: No findings/comments requiring corrective action

280 MHMR 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

Independent Auditor's Management Letter:

1 Finding #08-01 Segregation of Duties between Payroll and Human Resources and Supporting Documentation.
Condition: The payroll supervisor can set up new employees in the Human Resource Module. Supporting documentation for essential human resources operations were incomplete or missing.

Recommendation: The Agency should ensure that the payroll supervisor's ability to add employees or make changes to pay is eliminated. The Agency should ensure that the employees are properly trained in the importance of signing timesheets. Supporting documentation needs to be on hand for employees receiving stipends. Per the Agency's policies and procedures direct deposit authorization forms should be maintained for all employees.

Current Year Status: This finding has been resolved.

2 Finding #08-02 Investment Policy and Portfolio Mix
Condition: As of August 31, 2008, the center invested 100% of its funds in TexPool. This is $26,342.617.00. The Agency is out of compliance with its own investment policy. The policy was not revised to allow for 100% investment in TexPool.

Recommendation: The Agency needs to revise its policies and procedures to reflect its current investment strategy.

Current Year Status: This finding has been resolved.

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

Summary of Audit Results
CMHMRC Single Audits
Fiscal Year 2009

290 MHMR Services of Texoma

City: Denison **County:** Grayson

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Independent Auditor's Management Letter:

1 Fiscal Year 2010 reimbursement methodology
Condition: All centers will undergo a significant change for Medicaid reimbursement in Fiscal Year 2010. CMS requires the centers to receive their state match for Medicaid, when the federal portion of the match is paid out for services rendered. Traditionally the Centers would receive their state portion as part of the general revenue allocated to them under the performance contracts. In Fiscal Year 2010, all centers will still receive the same allocation amounts in the 1st and 2nd quarter of the year and 100% of Medicaid (both federal and state portion) for the entire year. General Revenue is funding the state portion of Medicaid payments. If at the end of the year, the Center did not receive as much Medicaid payments as initially estimated, the Center will be refunded the withheld General Revenue allocations in the third and fourth quarter. If the Center received more Medicaid payments than anticipated, the Center will be required to pay back a portion of their general revenue payments to the state.

Recommendation: The Center should establish procedures to estimate the General Revenue to be recouped by the state at the end of Fiscal Year 2010 due to the new Medicaid reimbursement methodology. This will prevent significant year end adjustments to income.

2 Financial Stability
(Repeat Prior Year's Finding)
Condition: The center has an excess of revenues over expenditures in the amount of $88,502. This is a big improvement from the last two years. By year end 2008, the center paid off short term debt, which was previously used to stabilize the cash flow. The overall fund balance was increased to $604,247. This is equivalent to 25 days of operation. The unreserved amount in the general fund is $429,608 or 18 days of operation. The internal service fund's equity is negative by $65,176.

Recommendation: The improvement seen in 2009 is directly correlated with higher productivity and better methods of controlling assets. Management is encouraged to continue this progress. Texoma still needs to increase the number of days of operation from the fund balance. Texoma needs to continue to work towards higher fund equity.

Corrective Action Plan: No findings/comments requiring corrective action

<u>**200**</u> **MHMRA 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

Independent Auditor's Management Letter:

1 Fiscal Year 2010 reimbursement methodology
Condition: All centers will undergo a significant change for Medicaid reimbursement in Fiscal Year 2010. CMS requires the centers to receive their state match for Medicaid, when the federal portion of the match is paid out for services rendered. Traditionally the Centers would receive their state portion as part of the general revenue allocated to them under the performance contracts. In Fiscal Year 2010, all centers will still receive the same allocation amounts in the 1st and 2nd quarter of the year and 100% of Medicaid (both federal and state portion) for the entire year. General Revenue is funding the state portion of Medicaid payments. If at the end of the year, the Center did not receive as much Medicaid payments as initially estimated, the Center will be refunded the withheld General Revenue allocations in the third and fourth quarter. If the Center received more Medicaid payments than anticipated, the Center will be required to pay back a portion of their general revenue payments to the state.

Recommendation: The Center should establish procedures to estimate the General Revenue to be recouped by the state at the end of Fiscal Year 2010 due to the new Medicaid reimbursement methodology. This will prevent significant year end adjustments to income.

2 Governmental Accounting Standards Board Statements Number 45 & 51
Condition: Statement 51, "Accounting Financial Reporting for Intangible Assets" was recently issued by GASB and will be enforceable by June 15, 2009. This statement established accounting and reporting requirements for intangible assets. Statement 45, "Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions," was also recently issued by GASB and will go into effect during the Fiscal Year of 2009. The statement gives guidance on the reporting of post employment benefits.

Recommendation: The center needs to review the statements and consider the effects of the statements on the Center's accounting.

Current Year Status: This finding has been resolved.

3 Internal Service Fund for Health Benefits
Condition: The center instituted an internal service fund for self-insured programs to provide employee health benefits. The center did not accrue the cost of the benefits per GAAP, but instead posted only the claims received. This resulted in a deficit in reported fund equity of $396,135.

Recommendation: The center needs to report the health benefits in the fund in accordance with GAAP by using the accrual method.

Current Year Status: This finding has been resolved.

4 Outstanding Checks
Condition: A review of the bank reconciliations of the client stipend and center payroll accounts disclosed a number of outstanding checks over a year old. The center staff indicated these checks are being reviewed during fiscal year 2009. There is an anticipation the old outstanding checks will be resolved during fiscal year 2009.

Recommendation: We are in agreement with the center's plans to reconcile the old outstanding checks during FY 2009.

Current Year Status: This finding has been resolved.

5 Reconciliation of Capital Asset Internal Service Fund Activity to the General Fund
(Prior Year's Finding)
Condition: The revenue from the use of Capital assets was not offset by the corresponding expenditures. During the Audit, adjusting entries were made to reconcile the revenue to the expenditures giving a more accurate financial picture then previously stated.

Recommendation: MHMRTC needs to establish procedures that provide for a periodic reconciliation of the activity in these two funds.

Current Year Status: This finding has been resolved.

Corrective Action Plan: No findings/comments requiring corrective action

210 **Northeast Texas MHMR Center (merged 12/01/2006 with # 240 Sabine Valley Center)**

City: Texarkana **County:** Bowie

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

180 **Nueces County MHMR**

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

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

350 **Pecan Valley MHMR Region**

City: Stephenville **County:** Erath

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs:

1 Prior Year's Finding
Item 2008-1 Compliance with the Public Funds Investment Act

Condition: For the last two consecutive years from August 31, 2008, the CFO did not get the required amount of investment training.

Recommendation: The center needs to ensure the required amount of training is received by the CFO over the two year period.

Current Year Status: This finding has been resolved.

2 Item 2009-1: Compliance with Tracking Unallowable Costs
Condition: On August 10-13, 2009 the Department of Aging and Disability Services (DADS) completed an on-site fiscal monitoring review of the Center. During the course of the on-site fiscal monitoring review, it was discovered that the unallowable cost of Texas Council of Community Centers membership dues had not been placed in the unallowable cost center. This allowed the unallowable costs to be charged both to the Department of State Health Services (DSHS) and DADS.

Questioned Costs: None. The membership dues were reclassified after the fiscal monitoring review to the unallowable cost center for Fiscal Year 2009.

Recommendation: The Center should implement a procedure to identify and track unallowable costs to be in compliance with Performance Contract guidelines.

Management Response: Management has implemented procedures to ensure all future membership dues will be classified to the unallowable cost center.

3 Item 2009-2: Compliance with Fixed Asset Records and related Polices and Procedures
Condition: On August 10-13, 2009 the Department of Aging and Disability Services (DADS) completed an on-site fiscal monitoring review of the Center. The fiscal monitoring review revealed fixed assets did not have the proper identification information or tag numbers for proper tracking of property records as required by the Uniform Grant Management Standards (UGMS). In addition, equipment classified as "controlled assets", items over $500, were not maintained in the Center's inventory system. Lastly the Center is not following their policies and procedures in relation to fixed assets. At the time of DADS on-site review, the Center was not in compliance with UGMS.

Recommendation: The Center should review and update written policies and procedures to reflect the Center's actual practices with fixed assets, the determination of what items should be considered "controlled assets", and procedures should be implemented to ensure the Center's property record is in compliance with UGMS.

Management Response: Center Staff at the time of the Single Audit were in the process of *identifying* items which were not properly identified, adding "controlled assets" to the property records, and implementing policies and procedures which follow the Center's current practices.

4 Item 2009-3: Compliance with allocation Personnel Costs and Semi-Annual Certification

Condition: On August 10-13, 2009 the Department of Aging and Disability Services (DADS) completed an on-site fiscal monitoring review of the Center. The salaried program staff who worked on multiple cost objectives was not supported by personnel activity reports or equivalent documentation as required by UGMS. The Center is also not acquiring and maintaining Semi-Annual Certification as required by UGMS for employees working a single cost objective. At the time of the fiscal monitoring review, the Center was not in compliance with UGMS.

Recommendation: The Center should implement policies and procedures to ensure the acquiring and maintaining Semi-Annual Certification and personnel activity reports will be in compliance with UGMS and OMB A87.

Management Response: The Center has revised procedures to assure payroll time distribution and semi-annual certifications are acquired and maintained in accordance with UGMS and OMB A87.

Independent Auditor's Management Letter:

5 Fiscal Year 2010 reimbursement methodology

Condition: All centers will undergo a significant change for Medicaid reimbursement in Fiscal Year 2010. CMS requires the centers to receive their state match for Medicaid, when the federal portion of the match is paid out for services rendered. Traditionally, the Centers would receive their state portion as part of the general revenue allocated to them under the performance contracts. In Fiscal Year 2010, all centers will still receive the same allocation amounts in the 1st and 2nd quarter of the year and 100% of Medicaid (both federal and state portion) for the entire year. General Revenue is funding the state portion of Medicaid payments. If at the end of the year, the Center did not receive as much Medicaid payments as initially estimated, the Center will be refunded the withheld General Revenue allocations in the third and fourth quarter. If the Center received more Medicaid payments than anticipated, the Center will be required to pay back a portion of their general revenue payments to the state.

Recommendation: The Center should establish procedures to estimate the General Revenue to be recouped by the state at the end of Fiscal Year 2010 due to the new Medicaid reimbursement methodology. This will prevent significant year end adjustments to income.

6 Payroll Processing

Condition: The employees responsible for payroll processing may access and change the payroll master data to include: add new employees, modify rates of pay and adjusting employee payroll deductions.

Recommendation: Management should monitor employees' progress while executing payroll or segregate duties.

Corrective Action Plan: No findings/comments requiring corrective action

170 **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

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

240 **Sabine Valley Center**

City: Longview **County:** Gregg

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs:

1 Item 2008-1 Collateral for Public Funds
Condition: The center's funds were not fully secured by eligible securities. The center is out of compliance with the requirements for collateral under the Collateral for Public Funds Act. The center transferred funds to a new bank, which did not properly assign securities to the center's deposits.

Recommendation: The center should request monthly reports from the bank to monitor pledged securities.

Management Response: This was an administrative error on the part of the bank. This error has subsequently been fixed. The center will monitor the pledged securities more closely in the future.

Current Year Status: This finding has been resolved.

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

<u>140</u> **Spindletop MHMR Services, dba Life Resource**

City: Beaumont **County:** Jefferson

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs:

1 Finding 2008-1
Condition: The center lacked a procedure to allow for accumulated depreciation to be reconciled periodically for capital assets recorded in the financial statements to the detailed listing of capital assets. This led to a misstatement of capital assets on the financial statement. Adjusting entries had to be made to correct the misstatement.

Recommendation: The center should implement a procedure to reconcile periodically accumulated depreciation from the center's financial statements and the detailed listing of capital assets.

Management Response: Accumulated depreciation recorded on the Center's financial statements will be reconciled to the detailed capital assets listing at least annually.

Current Year Status: The detailed listing of capital assets has been reconciled to the Center's working Trail Balance at Year end. This finding has been resolved.

2 Finding 2008-1
(Prior Year's Finding)
Condition: The Center charges federal and state grants for contributions to a reserve for its workers' compensation self-insurance program. OMB Circular A-87 requires the investment income on these reserves to be credited back to these reserves. The Center has not compiled with the requirements due to lack of internal controls. Turn over in key positions in the center resulted in the newly established key personal to be unaware of the requirement.

Recommendation: The center needs to issue controls to ensure all revenue from credit investment income is posted to the reserve for its workers' compensation self-insurance program. The center should also implement controls to ensure the posting of additional assessment charges from workers compensation to the reserve and not current grant funding.

Management Response: An accounting procedure has been established to allocate interest income to the workers' compensation reserve. Future assessments against the reserve will not be charged to grants.

Current Year Status: A procedure was implemented to charge interest to the worker's compensation reserve. No future assessment of the reserve has been charged against any of the Center's grants. This finding has been resolved.

3 Finding 2009-1
Criteria: OMB Circular A87 and the State of Texas Uniform Grants Management Standards (UGMS), Section II, Subpart B.11.h state that where employees are expected to work solely on a single federal or state award or cost objective, charges for salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where the employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which meets the standard in UGMS subsection (5).

Condition: The Department of Aging and Disability Services (DADS) conducted an on-site review fiscal monitoring review on June 1-4, 2009. The DADS report sited the Center's salaried staff are not allocating their time between multiple program attachments on their timesheets (personnel activity report). The Center is not acquiring and maintaining semi-annual certifications for individuals working on a single federal and/or state award. The payroll documentation the Center maintains is not in compliance with OMB A87 and UGMS standards for reporting personnel costs.

Recommendation: The Center should implement procedures to ensure payroll documentation is in compliance with OMB A87 and UGMS.

Management Response: After the DADS review in Fiscal Year 2009, the Center changed their exempt salaried timesheets to allow the staff to certify and distribute their time properly between grants.

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

430 **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

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

020 **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:

1 Item 2009-1
Criteria: Uniform Grant Management Standards (UGMS) Attachment A - Section C, states that in order for costs to be allowable under federal or state awards, costs must meet certain general criteria. Item 1(i) in this section state that costs must "be net of all applicable credits." Section C, Item 4 provides samples of applicable credits that include purchase discounts, rebates, and allowances.

Condition: During Fiscal Year 2009 the Center records rebates from pharmaceutical companies in the amount of $4,654 and refunds from worker's compensation in the amount of $2,091 as miscellaneous income on the Center's books. No adjustments were made to grant accounts to net rebates with costs incurred. Reports filed with grants were not net of all applicable credits.

Recommendation: All future reports submitted to grants will be net of applicable credits to ensure compliance with UGMS.

Management Response: The Center is in agreement with the audit finding in relation to pharmacy rebates. The rebates were incorrectly posted to the miscellaneous income account for FY 2009. A review of the FY 2010 miscellaneous income account will be done to ensure all pharmacy rebates will be reported as a reduction in the line item cost. Worker's compensation was incorrectly posted to miscellaneous income in the month of September 2009 only.

Independent Auditor's Management Letter:

2 (Prior Year's Comment)
Proceeds from self-insured stop loss policy
Condition: A check for $70,727 for reinsurance proceeds had been received in October of 2008, but was not deposited until a review of the trial balance found the reinsurance proceeds missing. The file was inspected and the check found. The check was deposited in December of 2008.

Recommendation: The center needs to identify and deposit reinsurance proceeds in a timely manner.

Current Year Status: This finding has been resolved.

3 Detailed listing of capital assets
Condition: On the center's detailed listing of capital assets there was an additional $75,907 which was not carried to the government-wide financial statements. When the final Care report was filed with the state the omission was discovered by staff. The schedule was updated to include the value of these assets.

Recommendation: The center needs to establish a control procedure to ensure there is a reconciliation of all additions, disposals and the ending capital asset values with the detailed schedule to the amounts presented in the government-wide financial statements.

4 Preliminary estimates in financial statements
Condition: The center financial staff made an estimate that the center would have a loss of $250k, but the center actually ended up with an increase in fund balance of $75,027.

Recommendation: The center should still try to be conservative while making accounting estimates but the methodology for estimating revenues needs to be reviewed and revised to give management the most accurate and up to date financial information.

Current Year Status: This finding has been resolved.

Current Year's Findings
5 Fiscal Year 2010 reimbursement methodology

Summary of Audit Results
CMHMRC Single Audits
Fiscal Year 2009

Condition: All centers will undergo a significant change for Medicaid reimbursement in Fiscal Year 2010. CMS requires the centers to receive their state match for Medicaid, when the federal portion of the match is paid out for services rendered. Traditionally the Centers would receive their state portion as part of the general revenue allocated to them under the performance contracts. In Fiscal Year 2010, all centers will still receive the same allocation amounts in the 1st and 2nd quarter of the year and 100% of Medicaid (both federal and state portion) for the entire year. General Revenue is funding the state portion of Medicaid payments. If at the end of the year, the Center did not receive as much Medicaid payments as initially estimated, the Center will be refunded the withheld General Revenue allocations in the third and fourth quarter. If the Center received more Medicaid payments than anticipated, the Center will be required to pay back a portion of their general revenue payments to the state.

Recommendation: The Center should establish procedures to estimate the General Revenue to be recouped by the state at the end of Fiscal Year 2010 due to the new Medicaid reimbursement methodology. This will prevent significant year end adjustments to income.

6 Auction Proceeds
Condition: The Center did not ensure the proceeds of $10,737 were received and deposited in a timely manner.

Recommendation: The Center needs to establish an internal control procedure to ensure all sales of capital assets are received and deposited in a timely manner.

7 Building Maintenance Reserve Fund
Condition: The Center transfers $12,000 a year to the building maintenance account. By August 31, 2009, the Center has put aside $113,582 in a building maintenance account. The account was developed to meet grant requirements for a grant received from the City of Amarillo to renovate the kitchen and training center at South Polk.

Recommendation: The Center should determine if it is still a contractual requirement.

Corrective Action Plan:

3 Detailed listing of capital assets
By September 1, 2009, the Center will maintain all information relating to capital assets and depreciation in the Incode system.

5 Fiscal Year 2010 reimbursement methodology
A calculation has been derived to record a reduction in general revenue and the incurrence of a liability to the state.

6 Auction Proceeds
The Center established a process to ensure timely receipt and deposit of auction proceeds.

7 Building Maintenance Reserve Fund
In September of 1994 the Center received a grant of $52,506 to renovate the kitchen and training center on South Polk. The Center was required to maintain an amount equal to the total expenditure amortized over ten (10) years which was to be set aside in a restrictive fund (Building Maintenance Account) to ensure the project has been maintained.

380 **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:

1 Finding 2009-1: Performance Contract's Maintenance of Effort
Criteria: The Maintenance of Effort set for the performance contract, Child Wait List, was higher than the actual demand for services in the area.

Condition: A review of program compliance revealed, the Maintenance of Effort for the Child Wait List was not meet.

Questioned Cost: $21, 113.00

Effect: The Center has to remit the above listed questioned costs to the Department of State Health Services for failing to meet the Child Wait List's Maintenance of Effort.

Recommendation: A liability should be set up immediately for the money owed to the Department of State Health Services. Maintenance of Effort for each program should be reconciled against actual encounter data on a monthly basis to ensure the program managers are able to evaluate the program properly. If the Maintenance of Effort is too high, than the Center must contact the department and advise them of the situation.
Note: DSHS received the funds from the Center on March 29, 2010.

Independent Auditor's Management Letter:

2 Anasazi Related Payments

Condition: The Center has been making payments to Chase Equipment Leasing for its Anasazi software and to Anasazi directly for their monthly maintenance and support services. This was mentioned in last year's management letter.

Recommendation: Management should consider posting these items to different accounts, such as Debt service-Chase for the software and support services for the monthly maintenance and support services. This will help the interim financial statements to seem similar to the statement of revenues and expenditures for the governmental funds.

3 Component Units

Condition: The Center has a receivable of $85,000 for payments made on behalf of the component unit (CU).

Recommendation: Management should evaluate the cash flow to the CU and rules relating to the repayment to HUD. If the probability of repaying the receivables in the near future is unlikely, then Tri-County might want to consider forgiving a portion of the amount due. Since the CU is a non-profit organization, the amount of the receivable due to HUD would be considered a housing program cost in Tri-County's books.

State Note: The nature of the reasoning for repayment to HUD is unknown. If HUD was repaid due to unallowable costs under OMB circular A87, then these costs can not be passed down to the DSHS Performance Contract Notebook (PCN) as part of the community service supportive housing. Also the costs are not allowable under supportive housing if more than 50 percent of the units are occupied by clients with serious mental illness. Please reference Information Item G of the PCN contract.

4 IN-KIND DONATIONS

Condition: The in-kind contributions of drugs are displayed under the CARE report but not on the financial statements.

Recommendation: The in-kind contributions of drugs should be displayed under the CARE report and on the financial statements as well. The in-kind drugs are a substantial contribution to the Center's operations. This will also eliminate any reconciling adjustments, which are required at year end.

5 FORM 990

Condition: The Center continues to file the form 990 with the IRS every year, while other centers are abandoning filing the form.

Recommendation: Management will need to decide the cost benefit of filing the form 990, before deciding to discontinue filing the form with the IRS.

Corrective Action Plan:

1 The Center has made an accrual for the money owed due to not meeting the maintenance of effort for the Child Wait List Performance Contract. After year end, the Center appealed the claim and had it reduced to $19,842. Procedures have been updated to monitor the number of clients served and to recognize the revenue only after the client has been served.

<u>130</u> Tropical Texas Center

City: Edinburg **County:** Hidalgo

Type of Report on Financial Statement: Unqualified
Type of Report on Compliance: Unqualified

Schedule of Findings and Questioned Costs:

1 Item 2008-1
Condition: During an audit by DADS it was discovered that the quarterly reports do not reconcile to the general ledger for DADS or DSHS. The center does not have a procedure in place to ensure the quarterly reports to DADS and DSHS reconcile to the general ledger.

Recommendation: The Center needs to implement procedures to ensure the general ledger and the quarterly report is reconciled. Unallowable costs should be identified and tracked in accordance with State Performance Contract guidelines.

Current Year Status: The finding has been resolved.

2 Item 2008-2
Condition: Per the Center's control procedures each time sheet should have a supervisor's signature. 40 employee timesheets were tested. Of the 40 timesheets tested, three were found to be without a supervisor's signature.

Recommendation: The center should develop a procedure which requires payroll documentation to be reviewed for completeness prior to processing payroll.

Current Year Status: The finding has been resolved.

Independent Auditor's Management Letter:

3 Fiscal Year 2010 reimbursement methodology
Condition: All centers will undergo a significant change for Medicaid reimbursement in Fiscal Year 2010. CMS requires the centers to receive their state match for Medicaid, when the federal portion of the match is paid out for

services rendered. Traditionally the Centers would receive their state portion as part of the general revenue allocated to them under the performance contracts. In Fiscal Year 2010, all centers will still receive the same allocation amounts in the 1st and 2nd quarter of the year and 100% of Medicaid (both federal and state portion) for the entire year. General Revenue is funding the state portion of Medicaid payments. If at the end of the year, the Center did not receive as much Medicaid payments as initially estimated, the Center will be refunded the withheld General Revenue allocations in the third and fourth quarter. If the Center received more Medicaid payments than anticipated, the Center will be required to pay back a portion of their general revenue payments to the state.

Recommendation: The Center should establish procedures to estimate the General Revenue to be recouped by the state at the end of Fiscal Year 2010 due to the new Medicaid reimbursement methodology. This will prevent significant year end adjustments to income.

Corrective Action Plan: No findings/comments requiring corrective action

450 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

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action