



**Summary of Significant Audit Findings  
for Community Centers  
Fiscal Year 2013**

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



**Department of State Health Services  
February 2015**



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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), which states that as a condition to receiving funds under this subtitle, a Community Center other than a state facility designated as an authority must annually submit to the Department of State Health Services (DSHS) a financial and compliance audit prepared by a certified public accountant or public accountant licensed by the Texas State Board of Public Accountancy.

Each Community Center that expends \$500,000 or more in a year in federal/state awards shall have a single audit conducted in accordance with Office of Management and Budget Circular No. A- 133 or the Uniform Grants Management Standards. The single audits are submitted to the Health and Human Services Commission (HHSC) – Office of Inspector General (OIG) for review. OIG submits agency finding letters to DSHS when findings are noted in each single audit report. DSHS is responsible for resolution of these issues and submitting the enclosed report to the Governor, Legislative Budget Board, and Legislative Audit Committee.

This report summarizes the independent auditor’s findings of each community center and their responses.

DSHS is required to submit a report annually, summarizing significant findings identified during the review of independent financial and compliance audits conducted on Community Centers. The reports pertain to the thirty-seven centers' financial activity. This report 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 fiscal year 2013 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:** Unqualified<sup>1</sup>

**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<sup>1</sup>

**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

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<sup>1</sup> 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.

**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:** None

**Follow-up on Prior Year Findings:** None

**Independent Auditor's Management Letter:**

Accounts Receivable

While reviewing the detail accounts receivable, we noted there were several accounts with old balances. In addition, there were several credit balances listed in the accounts receivable. If these amounts are not timely followed up, the balances may not be fully collectible or there may be amounts which should be refunded. We recommend each of the old or credit balances be investigated and properly disposed of.

Adjusting Entries

During the audit process, we noted that some journal entries had been posted to the incorrect account. Additionally there were several small adjustments that needed to be made to the year-end balances. We recommend that individual accounts be assigned to a specific person. That person would be responsible for the accuracy of those accounts and for reconciling the balance(s) to the general ledger on a timely basis.

**Corrective Action Plan:** No findings/comments requiring corrective action

**Austin-Travis County MHMR dba Austin Travis County Integral Care**

**City:** Austin

**County:** Travis

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

**Type of Report on Compliance:** Unqualified

**Schedule of Findings and Questioned Costs:**

FINANCIAL STATEMENT FINDINGS

*Significant Deficiencies*

## 2013-1 Fixed Assets Physical Inventory and Disposals

*Criteria or Specific Requirement:* Per Austin Travis County Integral Care's (ATCIC) Board Policy and the Uniform Grants Management Standards (UGMS) issued by the Governor's Office of Budget and Planning, a physical inventory 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.

*Condition:* In February 2013, the Texas Department of Aging and Disability Services (DADS) conducted an on-site monitoring review of ATCIC. The financial monitoring review was to examine the Local Authority's compliance with laws, rules, regulations and the fiscal year 2011 and 2012 Performance Contracts, and conduct a verification of the accuracy of the data submitted to DADS during fiscal year 2011 and 2012. 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's recommendation also stated that the reconciliation should include removing missing, obsolete, and any items that were disposed of from the fixed asset list.

*Cause and Effect:* ATCIC agreed with DADS's recommendation and conducted a physical inventory count of all of its sites in 2013, including the sites inventoried in 2012. Upon completion of the physical inventory count, ATCIC staff began the process to reconcile the physical inventory count to the fixed asset detailed listing schedule. During the process, ATCIC staff prepared a fixed asset roll forward scheduled for the audit, which included the following: ending balance at August 31, 2012, plus current year additions, less current year disposals to equal ending balance at August 31, 2013. While performing testwork on the disposals, we noted that significant amounts 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. Upon inquiry of staff for further support on the disposals, staff was unable to provide sufficient documentation and support for the majority of the disposals.

*Recommendation:* We recommended to staff to reinstate the majority of the disposal being removed from the fixed asset listing in fiscal year 2013 and to perform another physical inventory count in fiscal year 2014, with emphasis on procedures for disposals. We also recommend that physical inventories of the fixed assets be performed regularly and related records be timely and appropriately updated, to prevent large and abnormal write-offs in the future.

*Views of Responsible Officials and Planned Corrective Actions:* Management pledges to revisit the entire fixed asset accounting process to ensure documentation of additions, disposals, and annual fixed asset inventories meet best practice in the industry. Staff will be retrained in proper techniques for completing their duties and outside accounting resources may be

engaged to establish accurate baselines to build on ATCIC's future actions. These tasks will be completed by August 31, 2014.

*Responsible Individual:* Charles Harrison, Chief Operating Officer (COO)/Chief Financial Officer (CFO).

#### 2013-2: Reconciliation of Payroll Related Liability Accounts

##### *Significant Deficiency*

*Criteria or Specific Requirement:* Either monthly or quarterly, the human resources and/or the payroll accounting department is responsible for reconciling certain general ledger accounts to supporting documentation.

*Condition:* When comparing the payroll related liability accounts to prior year end balances, we noted that several of the fiscal year 2012 balances had zero balances, compared to debit balances in these accounts at August 31, 2013.

*Cause and Effect:* Personnel in either the human resources and/or the payroll accounting department was not reconciling the balances in the various payroll related general ledger accounts to supporting documentation.

*Recommendation:* We recommend responsible ATCIC staff in the human resources and/or payroll accounting departments, as applicable, be required to reconcile each of the payroll related general ledger accounts to supporting documentation monthly and immediately follow up on all the balances for which documentation to support the payroll related general ledger balances is not readily available. Reconciling of these accounts will ensure that any necessary adjusting entries will be recorded timely.

*Views of Responsible Officials and Planned Corrective Actions:* ATCIC management appreciates our auditors bringing this matter to our attention. A joint quality improvement task group will be appointed to examine, perform, and resolve any reconciliation differences between our human resources vendor partners and our anticipated liability. Should business processes need refining or realigning, management is committed to accomplishing same. All accounts will be reconciled and such items resolved by May 31, 2014.

*Responsible individual:* Charles Harrison – COO/CFO.

#### FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

##### Finding 2013-3

*Program Name:* Early Childhood Intervention: Grants for Infants and Families with Disabilities (IDEA, Part C)

*State and/or Federal Award Numbers:* 5382001546-03; CFDA 84.181

*Grant Period:* September 1, 2012 – August 31, 2013

*Type of Finding:* Non-compliance

*Name of Compliance Requirement:* Special Tests and Provisions

*Criteria or Specific Requirement:* In accordance with the contract between the Department of Assistive and Rehabilitation Services (DARS) Division for Early Childhood Intervention Services (DARS ECI) and ATCIC, Attachment No. 01, Section I – Early Childhood Intervention Services – Scope of Work, the contractor must provide and document supervision to all staff at the following minimum levels:

One hour per week for:

- Staff who are completing ECI Orientation,
- Staff who are completing their individual professional development plan, and
- Early intervention specialists employed as of August 31, 2011 who are still working to complete their competencies

Three hours per quarter for:

- All staff employed as of August 31, 2011 (except for Early Intervention Specialist employed as of August 31, 2011 who are still working to complete their competencies), and
- All staff who have completed a Person Directed Plan (PDP)

*Condition:* We obtained a listing of the staff employed during fiscal year 2013. Four employees from the listing were selected and documentation of the supervision was requested. Documentation of the supervision was available for only one of the four employees selected on site and the other three employees information was prepared and subsequently remitted.

*Questioned Costs:* None

*Possible Asserted Cause and Effect:* Program management failed to document all provided supervision for all staff as required above, until requested for audit.

*Recommendation:* We recommend that program management develop a uniform/standardized form that includes all the required information for the supervision of all staff, that it be signed by a supervisor and prepared timely as required by the contract.

*Views of Responsible Officials and Planned Corrective Actions:* ATCIC concurs with the audit finding. Supervision was documented but not summarized in a single document. The Infant Parent Program-ECI Program Director will ensure that documentation of supervision will be documented according to DARS ECI documentation requirements and will be accessible for audits. This will be completed by May 31, 2014.

*Responsible individual:* Dawn Handley, Chief Program Operations Officer.

Finding 2013-4

*Program Name:* General Revenue – MR

*State and/or Federal Award Numbers:* 030

*Grant Period:* September 1, 2012 – August 31, 2013

*Type of Finding:* Non-compliance

*Name of Compliance Requirement:* Allowable Costs

*Criteria or Specific Requirement:* Per the UGMS issued by the Governor’s Office of Budget and Planning, when employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation, which meets the standards in subsection (5) unless a statistical sampling system or other substitute system has been approved by the cognizant federal agency or state awarding agency. Such documentary support will be required where employees work on:

- (a) More than one federal or state award;
- (b) A federal award and a non-federal award, including a state award;
- (c) An indirect cost activity and a direct cost activity;
- (d) Two or more indirect activities which are allocated using different allocation bases; or
- (e) An unallowable activity and a direct or indirect cost activity.

*Condition:* As stated in finding 2013-1, (DADS) conducted an on-site monitoring review of ATCIC and issued an on-site review report on March 1, 2013 with a finding that they had reviewed payroll expenditures and procedures to ensure that expenditures are properly accounted for in accordance with federal laws, regulations, DADS Performance Contract, and State of Texas UGMS. The finding noted that timesheets of employees working in multiple cost centers identified one home cost center and did not identify other cost centers where the employee had actually been working and reporting their hours.

*Questioned Costs:* Unknown

*Possible Asserted Cause and Effect:* ATCIC’s payroll software system, Anasazi, does not have the ability to include multiple units an employee works on the timesheets that are certified by employees and their supervisors. The acquisition of Anasazi has impacted the ability to implement the requested changes required.

*Recommendation:* DADS recommended that ATCIC revise its timekeeping system so that timesheets reflect all the cost centers where the employees have worked. The employee’s and supervisor’s signature would then reflect their certification that hours were worked in the properly identified program area. In order to be in compliance with UGMS, we recommend that ATCIC continue to work with Anasazi to implement DADS’s recommendation.

*Views of Responsible Officials and Planned Corrective Actions:* ATCIC concurs with finding. Cerner, owner of the payroll software system, has not completed the request to accommodate adding multiple cost units to the timesheet. The problem mainly exists with positions in multiple cost units that are designated as program indirect. These units can be specific to a division (i.e. division director) or supports units across several divisions (i.e. medical records and facility maintenance). The budget director will identify all positions in multiple cost units that are currently not included in the payroll reallocation process. These positions' costs will be recorded in a single cost unit based on their single or multiple cost activity. ATCIC's cost allocation plan will be revised to identify these types of cost allocation. This will be completed by May 31, 2014.

*Responsible individual:* Della Thompson, Budget & Financial Analysis Director.

**Follow-up on Prior Year Findings:** None

**Independent Auditor's Management Letter:**

Fixed Assets Physical Inventory and Disposals

In February 2013, DADS conducted an on-site monitoring review of ATCIC. The financial monitoring review was to examine the Local Authority's compliance with laws, rules, regulations and the fiscal year 2011 and 2012 performance contracts, and conduct a verification of the accuracy of the data submitted to DADS during fiscal year 2011 and 2012. 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's recommendation also stated that the reconciliation should include removing missing, obsolete, and any items that were disposed of from the fixed asset list.

ATCIC agreed with DADS's recommendation and conducted a physical inventory count of all of its sites in 2013, including the sites inventoried in 2012. Upon completion of the physical inventory count, ATCIC staff began the process to reconcile the physical inventory count to the fixed asset detailed listing schedule. During this process, ATCIC staff prepared a fixed asset roll forward schedule for the audit, which included the following: ending balance at August 31, 2013. While performing test work on the disposals, we noted that significant amounts of operation in a prior year or the asset listed on the fixed asset listing could not be located. Upon inquiry of staff for further support on the disposals, 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. All disposals should have support when located and must be removed from the inventory listing. We also recommend that physical

inventories of the fixed assets be performed regularly and related records be timely and appropriately updated, to prevent large and abnormal write-offs in the future. Also, a complete and accurate inventory of fixed assets will provide for much stronger control to detect any future fixed asset removal or disposition without proper approval.

*Management Response:* Management pledges to revisit the entire fixed asset accounting process to ensure documentation of additions, disposals, and annual fixed asset inventories meet best practice in the industry. Staff will be retrained in proper techniques for completing their duties and outside accounting resources may be engaged to establish accurate baselines to build on ATCIC's future actions. These tasks will be completed by August 31, 2014.

*Responsible Staff:* Charles Harrison, COO/CFO.

#### Reconciliation of Payroll Related Liability Accounts

As part of our audit of the various general ledger payroll related liability account balances, we encountered that several of these accounts had not been reconciled. When comparing the payroll related liability accounts to prior year end balance, we noted that several of the fiscal year 2012 balanced had zero balances, compared to debit balances in these accounts at August 31, 2013. Although the majority of the account balances were immaterial balances, one particular payroll related liability account had a \$90,000 debit balance that had not been reconciled the entire year. In addition, any credits that would have reduced this balance were recorded to another account.

The deficiency resulted from personnel in either the human resources and/or the payroll accounting department not reconciling the balances in the various payroll related general ledger accounts to supporting documentation.

We recommend responsible ATCIC staff in the human resources and/or the payroll accounting departments, as applicable, be required to reconcile each of the payroll related general ledger accounts to supporting documentation monthly and immediately follow up on all the balances for which documentation to support the payroll related general ledger balances is not readily available. Reconciling of these accounts will ensure that any necessary adjusting entries will be recorded timely.

*Management Response:* ATCIC management appreciates our auditors bringing this to our attention. A joint quality improvement task group will be appointed to examine, perform, and resolve any reconciliation differences between our human resources vendor partners and our anticipated liability. Should business processes need refining or realigning, management is committed to accomplishing same. All accounts will be reconciled and such items resolved by May 31, 2014.

*Responsible Staff:* Charles Harrison, COO/CFO

**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:** 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

**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:**

**Fund Equity**

During fiscal year 2013, the Center decreased fund balance by \$12,486. Overall fund balance at year-end is \$936,818, which represents 10.9 percent of fiscal year 2013 expenditures. This is the equivalent of 42 days of the Center's total expenditures, excluding capital outlay from capital leases. DADS recommends that Community Centers maintain 60 "days of operation without

additional funding.” The Center remains short of this recommended amount. We recommend that Center management continue their efforts to bring fund balance up to the DADS recommended amount of 60 days.

Follow-up on prior year recommendations

The prior year comment on fund equity has been addressed in the current year comment above.

**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:**

Finding 2012-1

*Federal Program:* CFDA #93.958 Mental Health Block Grant (MHBG)

*State Program:* General Revenue Mental Health Adult (MHA)

*State Program:* General Revenue Mental Health Child and Adolescent (MHC)

*State Program:* General Revenue Intellectual and Developmental Disabilities (IDD)

*Condition and Context:* Our payroll sample consisted of 40 employees paid with funds from the MHBG, General Revenue MHA, MHC and IDD grants. For the payroll period sampled, it was determined that none of the employees included in the sample had appropriate documentation of the time and effort requirements, either a signed semi-annual certification or appropriate time and effort documentation.

*Recommendation:* The Center should modify its procedures for monitoring of the documentation of time and effort requirements of the MHBG, General Revenue MHA, MHC, and IDD grants. Employees should be trained on proper time and effort documentation to be maintained.

*Current Status:* Subsequent to the payroll period sampled, the Center instituted procedures to ensure proper time and effort documentation was maintained for all grant-funded employees.

*Completion Date:* December 17, 2012

**Independent Auditor's Management Letter:** No findings/comments

**Corrective Action Plan:** No findings/comments requiring corrective action

**Collin County MHMR dba Lifepath Systems**

**City:** McKinney

**County:** Collin

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

**Type of Report on Compliance:** Unqualified

**Schedule of Findings and Questioned Costs:**

Item 2013-1:

Significant Deficiency Relating to Controls over Early Childhood Intervention (ECI) Reporting

Federal/State Program Early Childhood Intervention Program originating with the U.S. Department of Education and the U.S. Department of Health and Human Services - CFDA 84.027, CFDA 84.181, CFDA 93.558, and state general revenue passed through the Texas Department of Assistive and Rehabilitative Services Division for Early Childhood Intervention (DARS - ECI)

Criteria: The Department of Assistive and Rehabilitative Services Early Childhood Intervention (DARS - ECI) contract requires that to be eligible for reimbursement a cost must have been incurred within the contract term prior to requesting reimbursement from DARS.

Condition: LifePath's final DARS - ECI form 269(a) report filed for fiscal year 2013 overstated ECI benefits expenditures by \$27,239. This in turn overstated indirect costs charged to the program in the amount of \$3,394.

Questioned Costs: None - The Center recorded a journal entry to reduce ECI salaries and benefits in the amount of \$27,239.

Effect: LifePath was required to file a revised DARS - ECI form 269(a) report in order to reduce ECI benefits and indirect costs charged to the program.

Cause: The overstatement of ECI benefits was due to an error in the unemployment and retirement accrual calculation which caused ECI salaries and benefits to be overstated.

Recommendation: LifePath should implement procedures to review and reconcile year-end benefit accruals to assure they are accurate.

**Follow-up on Prior Year Findings:**

Item 2012-1: Significant Deficiency Relating to Controls over Early Childhood Intervention (ECI) Reporting

*Status of prior year finding:* This item is addressed in the current year findings section at Item 2013-1.

**Independent Auditor's Management Letter:**

Follow-up on prior year comment.

Financial Stability

Government-Wide Net Position

During 2013, center-wide net position increased by \$1,075,630. Behavioral Health programs increased by \$559,097; while intellectual and developmental disabilities; ECI programs and general revenues combined increased by \$516,533. Following the 2013 results, center-wide net position increased to \$6,292,826. After giving consideration to restricted amounts the unrestricted portion of net position was \$4,046,277 or 103 days of operation.

Fund Balances

During 2013, the Center's general fund reported an excess of revenues over expenditures in the amount of \$797,788. Following the 2013 results, overall fund balance in the General Fund increased to \$3,082,297. After giving consideration to nonspendable and restricted amounts, unassigned fund balance in the General Fund is \$2,049,529 or 51 days of operation.

During 2013, the Center's internal service fund reported an excess of revenues over expenditures in the amount of \$97,500. Following the 2013 results, unrestricted fund balance in the Internal Service Fund is \$945,750 or 24 days of operation. Combined unassigned and unrestricted fund balance for both funds is \$2,995,279 or the equivalent of 75 days of operation.

Over time, this number has been increasing and currently meets the recommended 60 day requirement of the Department of Aging and Disabilities Services, and therefore we consider this prior year comment to be resolved. We encourage the Center continue to budget and plan to achieve annual surpluses in order to build cash reserves and improve financial viability.

**Corrective Action Plan:**

LifePath agrees with the recommendation to implement procedures to review and reconcile year-end benefit accruals and ensure they are accurate.

The Corrective Action Plan will be to review benefit accruals quarterly effective February 1, 2014 in order to correctly identify and record current employee benefit costs which also affect overhead charges to the ECI program.

Contact: Robert Murphy, Chief Financial Officer

**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 2013, overall fund equity in the general fund increased by \$506,300. At the end of the year, *overall* fund balance was \$2,111,351 and *unassigned* fund balance was \$1,879,175. These two amounts represent 10.6 percent and 9.4 percent, respectively of the 2013 total expenditures in the general fund. These percentages translated into 39 and 34 “days of operation” available in fund balance at the end of the year.

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:*

Policy Regarding Sub-recipients

During 2013, the Center adopted a policy for monitoring sub-recipients of grant awards in accordance with our prior year recommendation. We also noted that the Center did not have any grant sub-recipients in 2013. We consider this item resolved.

**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:**

*Prior Year Financial Statement Findings and Questioned Costs:*

2012-1 Significant Deficiencies Relating to Controls over Financial Reporting – Sun City Receivables – Resolved

2012-2 Significant Deficiencies Relating to Controls over Financial Reporting – Sun City Expenses – Resolved

2012-3 Failure to Fully Secure and Collateralize Cash Balances – Resolved

*Prior Year Federal Awards Findings and Questioned Costs:*

2011-2 Procurement Suspension and Debarment – Resolved

2012-4 Reporting Texas Department of Aging and Disability Services; Grant period – Year ended August 31, 2012 – Resolved

**Independent Auditor's Management Letter:** No management letter included

**Corrective Action Plan:** No findings/comments requiring corrective action

**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

**Follow-up on Prior Year Findings:** None

**Independent Auditor's Management Letter:** No findings/comments

**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:** No findings/comments

**Corrective Action Plan:** No findings/comments requiring corrective action

**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

**Follow-up on Prior Year Findings:** None

**Independent Auditor's Management Letter:**

*Current year comment:*

Safekeeping of Deposits and Collateral

During our audit procedures we noted at September 30, 2012, the Center maintained accounts at American National Bank in the total amount of \$4,630,329. Of this amount, approximately \$671,931 was not covered by Federal Deposit Insurance Corporation (FDIC) insurance or collateralized. At December 31, 2012, the Center maintained accounts at American National Bank in the total amount of \$4,222,523. Of this amount, approximately \$312,401 was not covered by FDIC insurance or collateralized. In addition, we noted at June 30, 2013, the Center maintained accounts at American National Bank in the total amount of \$4,815,452. Of this amount, approximately \$937,432 was not covered by FDIC insurance or collateralized. Lakes investment policy requires deposits to be fully secured by collateral less the amount of FDIC insurance. We recommend that management assure that all deposits are fully insured or collateralized in accordance with the Center's policy.

**Corrective Action Plan:** No findings/comments requiring corrective action

MHMR Authority of Brazos Valley

**City:** Bryan

**County:** Brazos

**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:**

*Follow-up on prior year recommendations*

Last year's communication with management and those charged with governance included

recommendations to implement a reconciliation of the general ledger account for significant accounts receivable to subsidiary ledgers and for management to establish policies and procedures to ensure all non-routine transactions are properly recorded, reviewed, and reported in the financial statements. We reviewed the status of these comments during our audit engagement for the year ending August 31, 2013. Management was able to provide us with reconciliations and support for non-routine journal entries for a sample of items requested.

**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**

**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. Discussions with management indicate a failure to post cash receipts properly to the accounts receivable journal. 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.

#### **Substantiating Documentation for Manual Journal Entries**

In testing journal entries, there were several entries for which physical documentation was inadequate. An understanding of the purpose of the journal entry could not be obtained solely by examining the documentation provided without further inquiry of the account staff. Furthermore, there was no documentation that journal entries were appropriately approved.

*Management Response:* Management will ensure adequate documentation and approval are provided to support manual journal entries.

#### **Current Financial Assessments**

In testing consumer files for Adult Mental Health (MH) and Intellectual and Developmental Disabilities (IDD), two MH consumer files lacked current financial assessments, four MH consumer files did not have consumer signatures on the financial assessments. These indicate a lapse in internal controls.

*Recommendation:* We recommend that the Center ensures that existing controls over consumer records are consistently applied.

*Management Response:* Management will ensure that consumer files contain current financial assessments, and that consumer signatures are consistently obtained where required.

**Corrective Action Plan:**

Reconciliation of Medicaid Accounts Receivable and Journals

*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:* We acknowledge that the reconciliations of these accounts have only been performed annually or as needed in the past. Normally, the balance stays fairly constant on a monthly basis so unless we noticed a significant change we did not try to reconcile the balance.

*Corrective Action Plan:* We will reconcile these accounts on a monthly basis as we agree that this will strengthen internal controls.

*Anticipated Completion Date:* This procedure was put in place October 1, 2013.

Substantiating Documentation for Manual Journal Entries

*Recommendation:* We recommend that support for manual, non-recurring journal entries be substantial enough to explain the reason for the entry on its own merits. We also recommend that the journal entries be signed by authorized personnel to indicate approval.

*Management Response:* We acknowledge that all journal entries were not filed with the appropriate supporting documentation.

*Corrective Action Plan:* We will attach all supporting documents and calculations to all monthly journal entries.

*Anticipated Completion Date:* By the end of the reporting period for February 2014.

Current Financial Assessments

*Recommendation:* We recommend that the Center ensures that existing controls over consumer records are consistently applied.

*Management Response:* We acknowledge that some financial assessments in consumer files lacked adequate documentation and signatures.

*Corrective Action Plan:* We will periodically review consumer files to ensure that documentation is present and up-to-date.

*Anticipated Completion Date:* Will begin immediately.

**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:**

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

*Criteria:* Center management is responsible for maintaining compliance with state general revenue mental health programs. These programs are subject to monitoring by DSHS.

*Condition:* Our review of the monitoring report conducted by DSHS indicated areas of non-compliance with the contract agreement. It was noted that the Center was using predetermined budgeted salaries to charge cost to individual cost centers instead of using after-the-fact time sheets to allocate costs.

*Questioned Costs:* None

*Effect:* The Center was not in full compliance with DSHS contract provisions.

*Cause:* Procedures established by the Center to allocate payroll costs are based on predetermined budgets instead of after-the-fact direct time worked in the program(s).

*Recommendation:* Center procedures for compliance with DSHS contract provisions should be reviewed and revised to ensure payroll costs are accurately allocated based on actual direct time worked in the program(s).

*Management Response and Corrective Action Plan:* Salary and benefit costs will be direct-charged to the benefiting program, immediately after the work has been completed on direct time sheets. The direct time sheets will also carve out any work performed on the 1115 waiver programs. Records will be kept for each payroll, and time worked will be verified by signature by both the working staff member and his/her supervisor. The Center anticipates full implementation by January 31, 2014.

Contact: Don Riddle, CFO

**Follow-up on Prior Year Findings:** None

**Independent Auditor's Management Letter:**

Financial Stability (Repeat from prior year):

During 2013, the Center's general fund reported an excess of revenues over expenditures in the amount of \$220,170. Following the 2013 results, overall fund balance in the general fund has increased to \$1,336,950 or the equivalent of 57 days of operation. After giving consideration to non-spendable amounts, unassigned fund balance in the general fund is \$1,198,291 or 51 days of operation.

The internal service fund used by the Center to account for the partially self-insured medical benefits plan reported an increase in net position in the amount of \$89,265. Following these results, net position in the internal service fund is negative in the amount of \$141,999.

The number of days of operation in the Center's fund balance is below the 60 day amount recommended by DADS. We recommend that the Center continue to budget and plan to achieve surpluses in order to build cash reserves and improve financial stability.

*Follow-up on prior year comments:*

Retirement Benefits

During our audit procedures we noted the Center budgeted and planned in order to meet the cash flow requirements of retirement plan benefits in accordance with our prior year recommendation. Therefore, we consider this prior year comment to be resolved.

**Corrective Action Plan:** See Schedule of Findings and Questioned Costs above

**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:**

2012-A Out-of-Catchment Travel Costs

Planned corrective action completed this year

**Independent Auditor's Management Letter:** No management letter included

**Corrective Action Plan:** No findings/comments requiring corrective action

**Spindletop**

**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:**

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements were detected as a result of audit procedures and were corrected by management.

A prior period adjustment of \$135,718 increased beginning fund balance and net position to recognize New Generation Medication lapsed funds for a prior year that DSHS allowed the Center to keep. An additional prior period adjustment of \$207,721 was recorded to increase beginning net position to recognize additional Medicaid Administrative Claiming revenue that did not meet the available criteria for the fund financial statements, but should have been recorded in the government-wide statement of activities.

**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, 2013, Center bank deposits in the amount of \$1,873,768 were not covered by federal deposit insurance or by a collateral pledge agreement. The Center has pledged \$1,177,062 of this amount to an outstanding loan in the amount of \$1,173,391 at the same bank. Management's understanding is that these amounts would be offset in the event of bank failure. In that event, the amount of Center deposits exposed to custodial credit risk would be reduced to \$700,377.

Management has indicated that the condition was corrected subsequent to the end of our audit procedures. We recommend that management assure that all Center deposits are fully insured or collateralized in accordance with Center policy.

**Center Policy on Bid Proposals**

We noted that the Center policy for procuring contract services for the construction, repair, renovation, or improvements to facilities or real property requires a bid process for all contracts in the amount of \$10,000 or more. The Center policy has not been revised in some time and state law relating to bidding thresholds has been increased over the years. Maintaining the bid threshold at this amount creates additional administrative burden that could be alleviated by increasing the bid threshold. In connection with this policy, we also noted that the threshold for capitalizing and depreciating assets has not been revised in some time. Existing policy requires capitalization of personal property and real property with an initial cost of \$2,000 and \$1,500, respectively. Many community Centers have increased these thresholds in recent years. We recommend a review of these policies to consider raising the thresholds set forth above.

## Center Policy on Retention of Fund Balance – GASB Statement 54

The Center policy on retention of fund balance states that fund balance categories will be classified in accordance with Governmental Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund type Definitions*. We noted that the policy contains items that are not consistent with the requirements of GASB 54.

Center policy states the Board designates funds as *restricted for debt service* and *restricted for debt service retirement*. The GASB 54 definition of *restricted fund balance* requires that constraints placed on these resources are externally imposed by creditors, grantors, contributors, law or regulation. Accordingly, board action will not create *restricted fund balance*.

Center policy states the Board designates committed funds for items such as “operations and programs” or “board policy requirements.” GASB 54 states that *committed fund balance* represents amount that can only be used for *specific purposes* pursuant to constraints imposed by formal action of the Board.

We recommend a review of this policy to assure consistency with GASB 54. We also recommend that Board commitments of fund balance be specific in accordance with GASB 54.

### W-2 reporting

We noted that W-2 forms issued to employees for 2012 did not have the box checked indicating that employees participate in a retirement plan. The Center contributes amounts to the Center retirement plan on behalf of employees. We recommend that future W-2 forms issued by the Center have this box checked in accordance with IRS reporting instructions.

### *Functional allocation of depreciation*

The Center presently allocates depreciation to functional categories in the government-wide statement of activities using percentages based on total expenditures by program. In recent years, the Center has updated the detailed depreciation schedule so that it is now included as a part of the general ledger software package. This software permits each of the assets to be coded by functional activity. This would allow depreciation expense to be summarized by function based on the use of the asset. We recommend that the depreciation schedule be updated to capture depreciation expense by functional activity based on the use of the asset.

### *Follow-up on prior year comments:*

### General Ledger and Financial Reporting

We reviewed the Center’s method of preparing financial information for internal management purposes and found it appropriate.

### Long-term Commitments

We reviewed the Center's method of accounting for long-term commitments and found it to be appropriate.

### Fund Balance Reporting

We have discussed the Center policies on fund balance reporting in the current year comment section.

**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