



Summary of Significant Audit Findings for Local Mental Health Authorities for Fiscal Year 2022

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

**Texas Health and Human Services
December 2023**



TEXAS
Health and Human
Services

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Executive Summary

The Summary of Significant Audit Findings for Local Mental Health Authorities for Fiscal Year 2022 is submitted in compliance with Texas Health and Safety Code Section 534.068(f).

Pursuant to Texas Health and Safety Code Section 534.068(a), as a condition to receiving state funds, a local mental health authority must annually submit to HHSC a financial and compliance audit prepared by a certified public accountant or public accountant licensed by the Texas State Board of Public Accountancy. To ensure the highest degree of independence and quality, the local mental health authority shall use an invitation-for-proposal process as prescribed by the Health and Human Services' (HHSC) executive commissioner to select the auditor.

Local Mental Health Authorities (LMHAs) expending \$750,000 or more in federal and state awards must have a single audit conducted in accordance with 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements, Subpart F (Audits) and the Texas Comptroller's Uniform Grant Management Standards (UGMS).

Single Audits are submitted to HHSC Compliance and Quality Control Division Single Audit Unit (SAU). The SAU notifies the HHSC contracting areas of findings noted in each Single Audit Report. HHSC must review the fiscal audit activities and submit this report to the Governor, Legislative Budget Board, and Legislative Audit Committee pursuant to Texas Health and Safety Code, Section 534.068(f).

This report summarizes the independent auditors' findings of 39 LMHAs and their responses for fiscal year 2022.

Introduction

Texas Health and Safety Code, Section 534.068(f) requires HHSC to submit a report annually to the Governor and Legislative Audit Committee. The report must include a summary of the significant findings identified during a review of fiscal audit activities.

Audits are conducted and submitted to HHSC in compliance with Section 534.068(a), which states: "As a condition to receiving funds under this subtitle, a local mental health authority other than a state facility designated as an authority must annually submit to the department a financial and compliance audit prepared by a certified public accountant or public accountant licensed by the Texas State Board of Public Accountancy. To ensure the highest degree of independence and quality, the local mental health authority shall use an invitation-for-proposal as prescribed by the executive commissioner to select the auditor."

Background

The Summary of Significant Audit Findings for Local Mental Health Authorities for Fiscal Year 2022 report summarizes auditors' findings from their review of independent financial and compliance audits, in accordance with 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements Subpart F (Audits) and the Texas Comptroller's Uniform Grant Management Standards (UGMS).

Also noted are fiscal year 2022 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 actions are reproduced verbatim from the independent audit reports and are not modified by HHSC. HHSC reviewed the audits and determined all of the identified findings were significant for purposes of complying with Section 534.068(f).

Corrective action plans are only required when the independent auditor reports a finding in the single audit report. Significant risks are reported in a management letter prepared by the independent auditor and sent directly to the grantee's board of trustees. The management letter is separate from the single audit report and may include significant matters related to the audit that the independent auditor deems relevant to the oversight responsibilities of the board but do not constitute audit findings. No corrective action plan is required for significant risks.

Summary of Significant Findings

3.1 Abilene Regional MHMR dba Betty Hardwick Center

City: Abilene

Counties Served: Callahan, Jones, Shackelford, Stephens, and Taylor

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, significant risks were identified

Corrective Action Plan: No findings/comments requiring corrective action

3.2 Anderson-Cherokee Community Enrichment Services

City: Jacksonville

Counties Served: Anderson and Cherokee

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.3 Andrews Center

City: Tyler

Counties Served: Henderson, Rains, Smith, Van Zandt, and Wood

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs:

Finding 2022-001: Performance of account reconciliations on a timely basis. Significant deficiency in internal control over financial reporting.

Criteria: A properly designed system of internal control over financial reporting includes timely reconciliation of significant balance sheet accounts on a monthly or quarterly basis depending on the account.

Condition: The Center did not consistently reconcile certain balance sheet accounts throughout the year on a timely basis. All accounts were reconciled at August 31, 2022.

Cause: The Center experienced turnover in their CEO, CFO and controller position during the year, which caused the accounting department to fall behind on reconciliations.

Effect: Monthly financials that management and the board use to make decisions could be misstated without proper account reconciliations.

Recommendation: We recommend that management ensure all significant balance sheet accounts are reconciled on a timely basis as is appropriate for the account.

Views of Responsible Officials: Management now has an experienced CFO and controller that have now prepared all reconciliation for the year ended August 31, 2022 and are preparing reconciliations on a timely basis going forward.

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, significant risks were identified

Corrective Action Plan:

Finding 2022-001

Finding Summary: The Center did not consistently reconcile certain balance sheet accounts throughout the year on a timely basis.

Responsible Individuals: Becki Mangum, Chief Financial Officer

Corrective Action Plan: Management will ensure all significant balance sheet accounts are reconciled on a timely basis and reviewed by a Controller or CFO.

Anticipated Completion Date: Ongoing

Corrective Action Plan has been implemented.

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

City: Austin

Counties Served: Travis

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, significant risks were identified

Corrective Action Plan: No findings/comments requiring corrective action

3.5 Bluebonnet Trails Community MHMR Center dba Bluebonnet Trails Community Services

City: Round Rock

Counties Served: Bastrop, Burnet, Caldwell, Fayette, Gonzales, Guadalupe, Lee, and Williamson

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, with no significant deficiencies

Corrective Action Plan: No findings/comments requiring corrective action

3.6 Border Region Behavioral Health Center

City: Laredo

Counties Served: Jim Hogg, Starr, Webb, and Zapata

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings:

2021-1 Financial Reporting: Staff in the Finance Department implemented internal controls to improve the process of preparing accurate and timely reporting. Management employed an external financial consultant to assist in this process.

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan: No findings/comments requiring corrective action

3.7 Burke Center

City: Lufkin

Counties Served: Angelina, Houston, Jasper, Nacogdoches, Newton, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, and Tyler

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, with no significant deficiencies

Corrective Action Plan: No findings/comments requiring corrective action

3.8 Camino Real Community MHMR Center dba Camino Real Community Services

City: Lytle

Counties Served: Atascosa, Dimmit, Frio, La Salle, Karnes, Maverick, McMullen, Wilson, and Zavala

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.9 The Center for Health Care Services, Bexar County MHMR Center

City: San Antonio

Counties Served: Bexar

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.10 Central Texas MHMR dba Center for Life Resources

City: Brownwood

Counties Served: Brown, Coleman, Comanche, Eastland, McCulloch, Mills, and San Saba

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.11 Central Counties Center for MHMR Services

City: Temple

Counties Served: Bell, Coryell, Hamilton, Lampasas, and Milam

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs:

Section II – Financial Statement Findings

Item 2022-001: Material Weakness Related to Controls Over Financial Reporting – Year-end adjustments

Criteria: Central Counties Center for MHMR Services (Center) is responsible for maintaining proper internal controls over financial reporting.

Condition: Significant adjusting entries were posted to the Center's financial statements in March 2023 for the year ending August 31, 2022. Adjustments included but were not limited to reducing amounts in deferred contract revenue and due from other governments to their estimated net realizable value and increasing grant contract revenues. Significant adjusting entries were also required to increase accrued expenses.

Context: During the course of the audit, the following adjustments were required: 1) deferred contract revenue was decreased by approximately \$1,900,000; 2) due from other governments was decreased by approximately \$1,200,000; 3) grant contract revenues were increased by approximately \$550,000; and, 4) accrued expenses were increased by approximately \$850,000.

Questioned Costs: None

Cause: The Center does not have an effective method of reconciling balance sheet accounts on a periodic basis. In addition, the Center does not have an effective method of reconciling grant contract revenues and deferred revenues on a periodic basis.

Effect: The Center's financial statements required significant adjustments in these financial statement areas.

Recommendation: The Center should develop procedures to reconcile balance sheet accounts monthly. Receivables due from other governments (primarily from state contracts) should be reconciled to the individual grant records on a monthly basis. The Center should also develop procedures to recognize contract revenues received in advance as expended. Deferred revenues from grant contracts should be reconciled to the general ledger on a monthly basis. These procedures will assist with more accurate and timely financial reporting.

Views of Responsible Officials: See corrective action plan.

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan:

Item 2022-001: Material Weakness Related to Controls Over Financial Reporting – Year-end adjustments

Corrective Action Plan:

1. The Center will develop a procedure that outlines the requirements for reconciliation of balance sheet accounts. Balance sheet accounts will be subject to monthly review and reconciliation by the CFO and Business Office fiscal team.
2. Reconciliations will contain specific details, supporting documentation, analysis and planned corrective action. Designated staff in the Business Office team will be receiving and reviewing ALL balance sheet reconciliations to ensure that reconciliation procedures are being applied consistently, and that errors are being corrected in a timely manner.
3. The Internal Audit committee will review completed reconciliations on a quarterly basis ensuring compliance and process improvement.

Responsible Parties with contact information: DeWayne HaGans, Chief Financial Officer, DeWayne.HaGans@CCS1967.org

Estimated Completion Date: June 30, 2023

Scheduled a follow-up on December 20, 2023.

3.12 Central Plains Center

City: Plainview

Counties Served: Bailey, Briscoe, Castro, Floyd, Hale, Lamb, Motley, Parmer, and Swisher

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs:

Section II – Financial Statement Findings

Finding 2022-001: Financial Reporting

Type of Finding: Material Weakness

Criteria: Management of the Center is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and

maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Condition: The Center does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Additionally, we proposed an audit adjustment to the Center's recorded account balances, which if not detected by our auditing procedures, could have resulted in a material misstatement of the Center's financial statements.

Cause: The Center does not prepare, and has not developed an internal control system to provide for the preparation of, the financial statements and related disclosures in accordance with generally accepted accounting principles.

Effect: Although this circumstance is not unusual for an organization of your size, the preparation of financial statements and adjusting journal entries as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by Center personnel. The need for the audit adjustments indicates that the Center's interim financial information may not be materially correct, which may affect management decisions made during the course of the year.

Recommendation: The Center should evaluate and improve the controls over financial reporting and implement changes as necessary to ensure accurate and timely financial reports can be completed.

View of Responsible Officials: Management agrees with the noted finding.

Finding 2022-002: Account Reconciliations

Type of Finding: Material Weakness

Criteria: Prepaid/other assets (IGT deposit), accounts receivable, accounts payable and other liabilities should be reconciled at the end of each reporting period. In addition, someone other than the preparer of the reconciliation should review the reconciliation and document their approval.

Condition: The Center does not have a process for the preparation of prepaid/other assets, certain accounts receivable, accounts payable and other liabilities and/or does not have a process in place for review and approval of these reconciliations by

someone other than the preparer. If certain accounts are not reconciled, the financial statements could result in a material misstatement.

Cause: Prepaid/other assets, certain accounts receivable, accounts payable and other liabilities are not reconciled at year end.

Effect: The lack of account reconciliations increases the risk of material misstatement in the financial statements, either due to error or fraud.

Recommendation: The Center should design and implement a reconciliation process for account reconciliations, including review of these reconciliations by someone other than the preparer.

View of Responsible Officials: Management agrees with the noted finding.

Follow-up on Prior Year Findings:

Finding 2021-001

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. They also proposed material audit adjustments that would not have been identified because of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Responsible Individual: Sherri Bohr, Chief Executive Officer

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the draft financial statements and accompanying notes, and we have reviewed and agree with the material adjustments proposed during the audit.

We are the second smallest center in the state and have an extremely small administrative department.

Eide Bailly will assist in preparing our financial statements again. This has been how we have operated for decades due to our extremely small size.

Status: Ongoing.

Finding 2021-002

Finding Summary: The Center does not have a process for the preparation of account reconciliations and/or does not have a process in place for review and approval of these reconciliations by someone other than the preparer.

Responsible Individual: Sherri Bohr, Chief Executive Officer

Status: Partially resolved.

Finding 2021-003

U.S. Department of Education CFDA: 93.959

Federal Award Number: HHS000130500008

Award Year: 2021

Program Name: Block Grants for Prevention/Treatment of Substance Abuse (RSS)

Finding Summary: The Center does not have an internal control system designed to provide sufficient review and approval of cash draws prior to submission to grantor agency.

Responsible Individual: Sherri Bohr, Chief Executive Officer

Status: Resolved.

Independent Auditor's Management Letter: Yes, significant risks were identified

Corrective Action Plan:

Finding 2022-001

Finding Summary: The Center does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Additionally we proposed an audit adjustment to the Center's recorded account balances, which if not detected by our auditing procedures, could have resulted in material misstatement of Center's financial statements.

Responsible Individual: Sherri Bohr, Chief Executive Officer

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the draft financial statements and accompanying notes, and we have reviewed and agree with the material adjustments proposed during the audit.

The Center has recently hired a staff accountant to try and assist with the day-to-day responsibilities that our Controller currently must do. We are the second smallest center in the state and have an extremely small administrative department.

Eide Bailly will assist in preparing our financial statements again. This has been how we have operated for decades due to our extremely small size.

Anticipated Completion Date: Ongoing

Finding 2022-002

Finding Summary: The Center does not have a process for the preparation of reconciliations of prepaid/other assets, certain accounts receivable, accounts payable and other liabilities and/or does not have a process in place for review and approval of these reconciliations by someone other than the preparer. If certain accounts are not reconciled, the financial statements could result in a material misstatement.

Responsible Individual: Sherri Bohr, Chief Executive Officer

Corrective Action Plan: The Center's reconciliations are being done by our staff accountant and approved by our Controller, but the process is not currently being documented appropriately. This will be remedied so that it meets audit standards next year.

Investment reports are reviewed monthly and quarterly investment reports are approved by Associate CEO and Controller. Investment entries, prepaid expenses, AR, and AP are all worked in Financial Edge (the Center's financial software) and approved by a second person other than preparer.

Anticipated Completion Date: March 2023

Corrective Action Plans were implemented.

3.13 Coastal Plains Community MHMR Center

City: Portland

Counties Served: Aransas, Bee, Brooks, Duval, Jim Wells, Kenedy, Kleberg, Live Oak, and San Patricio

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.14 Collin County MHMR Center dba LifePath Systems

City: McKinney

Counties Served: Collin

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, with no significant deficiencies

Corrective Action Plan: No findings/comments requiring corrective action

3.15 Denton County MHMR Center

City: Denton

Counties Served: Denton

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs:

Section IV – State Award Findings and Questioned Costs

Item 2022-001: Eligibility requirements for Mental Health Performance Contract

Criteria: The Center is required to have a current treatment/recovery plans for each Mental Health consumer. Per the HHSC Texas Resilience and Recovery Utilization Management Guidelines for Adult Mental Health Services, the Center is required to update Adult Mental Health consumers' treatment/recovery plans every 180-365 days (depending on the consumer's level of care).

Condition: One Adult Mental Health consumer's treatment/recovery plans was not current at the time services were provided.

Context: One of 25 consumers tested had a treatment/recovery plan that was 540 days old at the date services were provided.

Questioned Costs: None

Cause: The Center's procedures for ensuring consumers have current treatment/recovery plan in accordance with HHSC guidelines have not been effectively implemented.

Effect: Consumers continue to receive services under treatment/recovery plans that are not current.

Recommendation: The Center should implement procedures that ensure the consumers' treatment/recovery plans are updated in accordance with HHSC guidelines.

Views of Responsible Officials: Management believes Denton County MHMR staff can ensure recovery plans are current and services are provided per in accordance with HHSC Texas Resilience and Recovery Management Guidelines for Mental Health Services.

The Administrator of Behavioral Health will implement procedures to track that Recovery Plans for Adult Mental Health are updated in accordance with HHS guidelines. By utilizing the Case Manager Case Load report in the Electronic Health

Record system, staff and management will be held responsible for ensuring follow up on all upcoming Recovery Plans is completed. This report will be reviewed by each staff member twice monthly (beginning and middle of month) and by management one time per month. Staff will make every effort and document such effort to update Recovery Plans prior to the due date.

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, with no significant deficiencies

Corrective Action Plan:

Item 2022-001: Eligibility requirements for Mental Health Performance Contract

Corrective Action Plan: The Center will implement procedures to track that Recovery Plans for Adult Mental Health are updated in accordance with HHS guidelines. By utilizing the Case Manager Case Load report in the Electronic Health Record system, staff and management will be held responsible for ensuring follow up on all upcoming Recovery Plans is completed. This report will be reviewed by each staff member twice monthly (beginning and middle of month) and by management one time per month. Staff will make every effort and document such effort to update Recovery Plans prior to the due date.

Responsible Parties: Dallas Hamilton, Administrator of Behavioral Health, 940-594-1019

Estimated Completion Date: January 20, 2023

Corrective Action Plan has been implemented.

3.16 El Paso MHMR dba Emergence Health Network

City: El Paso

Counties Served: El Paso

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.17 Gulf Bend MHMR Center

City: Victoria

Counties Served: Calhoun, DeWitt, Goliad, Jackson, Lavaca, Refugio, and Victoria

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, significant risks were identified

Corrective Action Plan: No findings/comments requiring corrective action

3.18 The Gulf Coast Center

City: Galveston

Counties Served: Brazoria and Galveston

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.19 The Harris Center for Mental Health and IDD

City: Houston

Counties Served: Harris

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.20 Heart of Texas Region MHMR Center

City: Waco

Counties Served: Bosque, Falls, Freestone, Hill, Limestone, and McLennan

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified Qualified – Medicaid Cluster

Schedule of Findings and Questioned Costs:

Section II – Financial Statement Findings

Finding 2022-001

Financial Reporting

Material weakness in internal control over financial reporting

Criteria: Management of the Center is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Condition: The Center does not have an internal control system designed to provide for the accurate and timely preparation of the financial statements and related financial statement disclosures being audited. We proposed several audit adjustments to the Center's recorded account balances, which if not detected by

our auditing procedures, could have resulted in a material misstatement of the Center's financial statements.

Cause: The Center does has not [sic] developed an internal control system to provide for the accurate and timely preparation of the financial statements and related disclosures in accordance with generally accepted accounting principles.

Effect: The preparation of financial statements and adjusting journal entries as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by Center personnel. The need for the audit adjustments indicates that the Center's interim financial information may not be materially correct, which may affect management decisions made during the course of the year.

Recommendation: The Center should evaluate and improve the controls over financial reporting and implement changes as necessary to ensure accurate and timely financial reports can be completed.

Views of Responsible Officials: Management agrees with the finding. Refer to Corrective Action Plan.

Section III – Federal and State Award Findings and Questioned Costs

Finding 2022-002

U.S. Department of Health and Human Services Passed through Texas Health and Human Services Commission (HHSC) Medicaid Administrative Claiming (MAC) Federal Financial Assistance Listing 93.778

Reporting

Material Weakness in Internal Control Over Compliance and Material Noncompliance
Grant Award Number: HHS00053790032

Criteria: Grant agreement requires entities to file quarterly reports for the Medial Assistance Program.

Condition: We noted that the Center filed the quarterly reports as required; however, upon reviewing the support for the expenditures for the second quarter, it

was noted that reported numbers were inaccurate which resulted in incorrect reporting and the receipt of unearned grant funds.

Cause: The Center did not have adequate internal controls to review the reports in detail.

Effect: The Reporting requirement for the second quarter was incorrectly reported, and unearned grant funds were received.

Questioned Costs: \$63,416

Context/Sampling: Sample size was two of the four quarters.

Repeat Finding from Prior Year(s): No.

Recommendation: While the Center has controls in place to review the reports prior to being filed, we recommend for the Center to implement a detail review by line item by someone independent from report preparation responsibilities.

Views of Responsible Officials: Management agrees with the finding. Refer to Corrective Action Plan.

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan:

Finding 2022-001

Financial Reporting

Material weakness in internal control over financial reporting

Finding Summary: The Center does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. We proposed several audit adjustments to the Center's recorded account balances, which if not detected by our auditing procedures, could have resulted in a material misstatement of the Center's financial statements.

Responsible Individuals: Chief Financial Officer

Corrective Action Plan: The Center will review and evaluate financial reporting policies and procedures to improve the controls over financial reporting to ensure accurate and timely financial reports can be completed.

The Center will review and evaluate staff duties to provide proper segregation of duties. This will ensure that errors or irregularities are prevented or detected on a timely basis in the normal course of business and promptly corrected.

The Center will perform reconciliations on a more frequent basis to identify and correct errors in a timely manner.

The Center will review and evaluate staff training to ensure transaction processing is performed in accordance with policies and procedures.

The Center will review and evaluate transaction review and approval processes to identify and reduce errors in a timely manner.

Anticipated Completion Date: August 31, 2023

Finding 2022-002

Federal Agency Name: United States Department of Health and Human Services, Health Resources & Services Administration

Program Name: Medicaid Administrative Claiming (MAC)

CFDA #: 93.778

Finding Summary: We noted that the Center filed the quarterly reports as required; however, upon reviewing the support for the expenditures for the second quarter, it was noted that reported numbers were inaccurate which resulted in incorrect reporting and the receipt of unearned grant funds.

Responsible Individuals: Chief Financial Officer

Corrective Action Plan: With specific regard to Medicaid Administrative Claiming (MAC) reporting...

The Center will review and evaluate staff duties to provide proper segregation of duties. This will ensure that errors or irregularities are prevented or detected on a timely basis in the normal course of business and promptly corrected.

The Center will review and evaluate staff training to ensure MAC reporting is performed in accordance with policies and procedures.

The Center will review and evaluate MAC reporting review and approval processes to identify and correct errors prior to submitting the MAC reports.

Anticipated Completion Date: August 31, 2023

Corrective Action Plans were implemented.

3.21 Helen Farabee Centers

City: Wichita Falls

Counties Served: Archer, Baylor, Childress, Clay, Cottle, Dickens, Foard, Hardeman, Haskell, Jack, King, Knox, Montague, Stonewall, Throckmorton, Wichita, Wilbarger, Wise, and Young

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, with no significant deficiencies

Corrective Action Plan: No findings/comments requiring corrective action

3.22 Hill Country Community MHMR dba Hill Country MHDD Centers

City: Kerrville

Counties Served: Bandera, Blanco, Comal, Edwards, Gillespie, Hays, Kendall, Kerr, Kimble, Kinney, Llano, Mason, Medina, Menard, Real, Schleicher, Sutton, Uvalde, and Val Verde

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings:

Finding 2021-001

Initial Fiscal Year Finding Occurred: 2021

Finding Summary: The Center does not have an internal control system designed to ensure expenses are recorded in the proper period which could result in improper reporting or overcharging of grants and management override.

Status: Resolved. The Center has implemented an internal control process that allows for all bills received subsequent to year end are reviewed, tabulated and recorded in their respective period.

Independent Auditor's Management Letter: No findings/comments

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

3.23 Lakes Regional MHMR Center dba Lakes Regional Community Center

City: Terrell

Counties Served: Camp, Delta, Franklin, Hopkins, Lamar, Morris, and Titus

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.24 MHMR Authority of Brazos Valley

City: Bryan

Counties Served: Brazos, Burleson, Grimes, Leon, Madison, Robertson, and Washington

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, with no significant deficiencies

Corrective Action Plan: No findings/comments requiring corrective action

3.25 Nueces County MHMR Community Center dba Behavioral Health Center of Nueces County

City: Galveston

Counties Served: Brazoria and Galveston

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.26 Concho Valley Center for Human Advancement dba MHMR Services for the Concho Valley

City: San Angelo

Counties Served: Coke, Concho, Crockett, Irion, Reagan, Sterling, and Tom Green

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.27 Texoma Community Center

City: Sherman

Counties Served: Cooke, Fannin, and Grayson

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.28 MHMR of Tarrant County

City: Fort Worth

Counties Served: Tarrant

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs:

Section II - Financial Statement Findings

Finding 2022-001

Performance of accurate account reconciliations on a timely basis across all funds within the organization to ensure the accuracy of monthly and year-end financial statements.

Material weakness in internal control over financial reporting.

Criteria: A properly designed system of internal control over financial reporting includes timely reconciliations of balance sheet accounts on a monthly or quarterly basis, depending on the account. Comprehensive reconciliations should include sub-ledger or alternative system documentation that supports and justifies the balance within the account, demonstrates a roll forward from the prior period which ties to revenue (where applicable), and ensures any reconciling items are timely addressed and cleared. Balance sheet reconciliation which simply demonstrate debits and credit amounts that make up the balance of the account do not demonstrate the needed criteria to justify balances.

Condition: The Center did not consistently complete balance sheet reconciliations which were comprehensive, accurate, and that adequately justified the balances within the account throughout the year (at month end close) or at year end close.

Cause: The Center has experienced significant change over the past several months, including a substantial change in funding sources (1115 revenue) coupled with turnover in all areas of accounting positions, and turnover in the CFO position. The accounting industry as a whole has seen a substantial shortage of qualified workers while the industry demand for more workers continues to grow.

Further, the Center has recently converted both their health records system and their financial general ledger system. This amount of change has caused the Center to lose focus of core activities required to produce timely and accurate financial statements.

Effect: Monthly financials that management and the board use to make decisions could be misstated without proper account reconciliations. The production of audit schedules at year end were substantially delayed as a result of reconciliations having to be completed, reviewed, and entries made to adjust reconciling items occurring earlier in the year.

Recommendation: We recommend that management ensure all significant balance sheet accounts are reconciled on a timely basis, as is appropriate for the account, in a manner that supports the account balance, with any reconciling items being addressed in a timely manner.

Views of Responsible Officials: Management acknowledges the finding and is making every effort to ensure that accounts will be accurately and timely reconciled by the year ended August 31, 2023.

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan:

Finding 2022-001

Finding Summary: Performance of accurate account reconciliations on a timely basis across all funds within the organization to ensure the accuracy of monthly and year-end financial statements.

Material weakness in internal control over financial reporting.

Responsible Individuals: Aaron Bovos, Chief Financial Officer

Corrective Action Plan: The Department of Finance within MHMR Tarrant County acknowledges and accepts finding 2022-001, as referenced above. The Department's plan of action includes the following activities:

1. Implementing a structure of clear responsibility and accountability with department management for the activities and functions of the department. Prior to the end of the audit, management within the department began discussions on the structure, roles, and responsibilities of each team which contribute to a comprehensive set of internal controls over financial reporting, including balance sheet reconciliations.
2. Team and manager scorecards (including a month-end close checklist) which detail the areas of responsibility defined above will be created, implemented, and operationalized to provide a level of transparency across the organization on actual performance compared to needed performance to ensure timely and accurate financial reporting occurs.
3. Documenting required processes and procedures as they relate to balance sheet reconciliations and how these activities are to be performed will be a part of the corrective action plan. This will ensure a clear and comprehensive understanding of how the account is to be used, the needed sub-ledger or alternative system back-up required, and how reconciling items need to be addressed by all team members responsible.
4. With staff turnover, both industry and entity specific training is a large component of how the organization can ensure that employees are successful in their roles. Trainings will be offered and supported in order to ensure that employees have the skill, knowledge, and ability to be successful in their roles.

Anticipated Completion Date: The above activities will be implemented into the day to day operations of the Department, with the specific goal to complete items #1 and #2 by the end of Fiscal Year 2023 such that any material weakness is eliminated.

Corrective Action Plans were implemented.

3.29 North Texas Behavioral Health Authority

City: Dallas

Counties Served: Dallas, Ellis, Hunt, Kaufman, Navarro, and Rockwall

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.30 Pecan Valley MHMR Region dba Pecan Valley Centers

City: Granbury

Counties Served: Erath, Hood, Johnson, Palo Pinto, Parker, and Somervell

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.31 Permian Basin Community Centers for MHMR dba Permiacare

City: Midland

Counties Served: Brewster, Culberson, Ector, Hudspeth, Jeff Davis, Midland, Pecos, and Presidio

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, significant risks were identified

Corrective Action Plan: No findings/comments requiring corrective action

3.32 Sabine Valley Regional MHMR Center dba Community Healthcare

City: Longview

Counties Served: Bowie, Cass, Gregg, Harrison, Marion, Panola, Red River, Rusk, and Upshur

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, with no significant deficiencies

Corrective Action Plan: No findings/comments requiring corrective action

3.33 Spindletop MHMR Services dba Spindletop Center

City: Beaumont

Counties Served: Chambers, Hardin, Jefferson, and Orange

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified Qualified – COVID 19 and American Rescue Plan

Schedule of Findings and Questioned Costs:

Section III - Federal Award Findings and Questioned Costs

2022-001

United States Department of Health and Human Services

Federal Assistance Listing/CFDA Number 93.498; Reporting Period 2 (TIN# 74-1684198)

COVID-19 Provider Relief Fund and American Rescue Plan Rural Distributions (PRF)

Activities Allowed/Unallowed and Allowable Costs/Cost Principles

Material Weakness in Internal Control over Compliance

Reporting

Material Weakness in Internal Control over Compliance and Material Noncompliance
Reporting Period 2

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award.

Condition: The Reporting Period 2 PRF Report was not properly reviewed prior to submission, resulting in a reporting error related to lost revenues.

Cause: The Center did not have adequate internal control to ensure review and approval of PRF reporting.

Effect: There were lost revenues claimed in the Period 2 report that were incorrect due to not including year-end audit adjustments in the calculation. Without adequate review and approval, there is the possibility that ineligible expenses or lost revenues may be claimed under the program and the report may not be accurately completed.

Questioned Costs: None. While lost revenues were overstated by \$298,800, the Center had adequate lost revenue and expenses after the adjustment to substantiate the amounts received in Period 2.

Context/Sampling: All key line items related to lost revenue subject to testing on the Period 2 report were tested. There were errors in 3 of the line items, reducing total lost revenue from \$3,834,361 to \$3,535,561. Corrected lost revenue exceeded the total PRF amounts received.

Repeat Fining from Prior Year(s): No

Recommendation: The Center should implement adequate tighter controls over reporting. We recommend the Center review all federal reporting to ensure accuracy and verifies that all year-end adjustments are included in reporting. We also recommend that the lost revenue reported is corrected in subsequent reporting.

Views of Responsible Officials: Management agrees with the finding. Refer to Corrective Action Plan.

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: No findings/comments

Corrective Action Plan:

Finding 2022-001

Federal Agency Name: United States Department of Health and Human Services, Health Resources & Services Administration

Program Name: COVID-19 Provider Relief Fund and American Rescue Plan Rural Distributions (PRF)

CFDA #: 93.498

Finding Summary: The Reporting Period 2 Provider Relief Fund Report was not properly reviewed prior to submission, resulting in a reporting error related to lost revenues.

Responsible Individuals: Denise LeBlanc, Chief Financial Officer

Corrective Action Plan: Controls will be added to ensure all federal and state reporting is reviewed by a member of the financial services staff, who was not the preparer of the report, prior to submission. The amount of lost revenue will be corrected in subsequent reporting.

Anticipated Completion Date: Ongoing as of September 1, 2022

3.34 Lubbock Regional MHMR Center dba StarCare Specialty Health

City: Lubbock

Counties Served: Chambers, Hardin, Jefferson, and Orange

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.35 Texana Center

City: Rosenberg

Counties Served: Austin, Colorado, Fort Bend, Matagorda, Waller, and Wharton

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.36 Texas Panhandle MHMR

City: Amarillo

Counties Served: Armstrong, Carson, Collingsworth, Dallam, Deaf Smith, Donley, Gray, Hall, Hansford, Hartley, Hemphill, Hutchinson, Lipscomb, Moore, Ochiltree, Oldham, Potter, Randall, Roberts, Sherman, and Wheeler

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

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

3.37 Tri-County Behavioral Healthcare

City: Conroe

Counties Served: Liberty, Montgomery, and Walker

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, significant risks were identified

Corrective Action Plan: No findings/comments requiring corrective action

3.38 Tropical Texas Behavioral Health

City: Edinburg

Counties Served: Cameron, Hidalgo, and Willacy

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, significant risks were identified

Corrective Action Plan: No findings/comments requiring corrective action

3.39 West Texas Centers for MHMR

City: Big Spring

Counties Served: Andrews, Borden, Crane, Dawson, Fisher, Gaines, Garza, Glasscock, Howard, Kent, Loving, Martin, Mitchell, Nolan, Reeves, Runnels, Scurry, Terrell, Terry, Upton, Ward, Winkler, and Yoakum

Type of Report on Financial Statement: Unmodified

Type of Report on Compliance: Unmodified

Schedule of Findings and Questioned Costs: None

Follow-up on Prior Year Findings: None

Independent Auditor's Management Letter: Yes, with no significant deficiencies

Corrective Action Plan: No findings/comments requiring corrective action

Conclusion

This report summarizes the independent auditor's findings of 39 LMHAs and their responses.

Acronyms

Acronym	Full Name
ACH	Automated Clearing House
CFO	Chief Financial Officer
DBA	Doing Business As
DSRIP	Delivery System Reform Incentive Payment
FSR	Financial Status Reporting
GAAP	Generally Accepted Accounting Principles
HHSC	Health and Human Services Commission
IDD	Intellectual and Developmental Disabilities
LMHA	Local Mental Health Authority
SAU	Single Audit Unit
TxGMS	Texas Grant Management Standards
UGMS	Uniform Grant Management Standards