



# **Summary of Significant Audit Findings for Local Mental Health Authorities for Fiscal Year 2021**

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

**Texas Health and Human Services  
December 2022**



**TEXAS**  
Health and Human  
Services

# Table of Contents

<b>Table of Contents .....</b>	<b>1</b>
<b>Executive Summary .....</b>	<b>3</b>
<b>Introduction.....</b>	<b>4</b>
<b>Background.....</b>	<b>5</b>
<b>Summary of Significant Findings.....</b>	<b>6</b>
3.1 Abilene Regional MHMR dba Betty Hardwick Center.....	6
3.2 Anderson-Cherokee Community Enrichment Services .....	6
3.3 Andrews Center .....	8
3.4 Austin-Travis County MHMR dba Austin Travis County Integral Care .....	8
3.5 Bluebonnet Trails Community MHMR Center dba Bluebonnet Trails Community Services .....	9
3.6 Border Region Behavioral Health Center.....	9
3.7 Burke Center .....	10
3.8 Camino Real Community MHMR Center dba Camino Real Community Services .....	10
3.9 The Center for Health Care Services, Bexar County MHMR Center .....	10
3.10 Central Texas MHMR dba Center for Life Resources .....	11
3.11 Central Counties Center for MHMR Services .....	11
3.12 Central Plains Center.....	12
3.13 Coastal Plains Community MHMR Center.....	18
3.14 Collin County MHMR Center dba LifePath Systems.....	18
3.15 Denton County MHMR Center .....	19
3.16 El Paso MHMR dba Emergence Health Network .....	19
3.17 Gulf Bend MHMR Center.....	20
3.18 The Gulf Coast Center .....	20
3.19 The Harris Center for Mental Health and IDD.....	21
3.20 Heart of Texas Region MHMR Center.....	21
3.21 Helen Farabee Centers .....	21
3.22 Hill Country Community MHMR dba Hill Country MHDD Centers.....	22
3.23 Lakes Regional MHMR Center dba Lakes Regional Community Center .....	24
3.24 MHMR Authority of Brazos Valley.....	24
3.25 Nueces County MHMR Community Center dba Behavioral Health Center of Nueces County .....	25
3.26 Concho Valley Center for Human Advancement dba MHMR Services for the Concho Valley .....	25
3.27 Texoma Community Center .....	26
3.28 MHMR of Tarrant County .....	26
3.29 North Texas Behavioral Health Authority .....	26
3.30 Pecan Valley MHMR Region dba Pecan Valley Centers .....	27
3.31 Permian Basin Community Centers for MHMR dba Permiacare.....	27

3.32 Sabine Valley Regional MHMR Center dba Community Healthcare .....	28
3.33 Spindletop MHMR Services dba Spindletop Center .....	32
3.34 Lubbock Regional MHMR Center dba StarCare Specialty Health .....	32
3.35 Texana Center .....	33
3.36 Texas Panhandle MHMR .....	33
3.37 Tri-County Behavioral Healthcare .....	33
3.38 Tropical Texas Behavioral Health .....	34
3.39 West Texas Centers for MHMR .....	34
<b>Conclusion .....</b>	<b>36</b>
<b>Acronyms .....</b>	<b>37</b>

# Executive Summary

The Summary of Significant Audit Findings for Local Mental Health Authorities for Fiscal Year 2020 is submitted in compliance with Texas Health and Safety Code, Section 534.068(f).

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 the Health and Human Services Commission (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 2021.

# 1. 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."

## 2. Background

The Summary of Significant Audit Findings for Local Mental Health Authorities for Fiscal Year 2021 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 UGMS.

Also noted are fiscal year 2021 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).

## 3. 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, with no significant findings

**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:**

Item 2021-001: Ransomware Breach of Information Technology System (IT)

Criteria:

Management of the Center is responsible for maintaining controls to safeguard confidential client data as well as the integrity of the operations of the IT system.

*Condition:* In March, 2021, the Center IT system data was encrypted by a ransomware attack. This attack blocked Center access to the information in the IT system. This situation severely limited the Center's ability to provide client services, process payroll and perform other normal operations.

*Context:* The Center incurred costs of \$33,270 including ransom and other out of pocket fees to have access to their data restored. Access to data was returned approximately two weeks after the initial attack following the payment of the ransom. Insurance claims have been filed to reimburse these costs in the amount of \$28,150.

*Questioned Costs:* None - costs related to this issue were recorded as unallowable costs and were not charged to any grant.

*Cause:* Ransomware attacks are becoming more frequent and more sophisticated. As a result, it is increasingly difficult to prevent and/or detect. The Center's IT safeguards were not adequate to prevent this particular attack.

*Effect:* The Center incurred the costs specified above to have control of their data returned to them. Additional costs were incurred in the form of additional provider staff time, decreased productivity, and additional administrative time. The Center has filed insurance claims to be reimbursed for these costs to the extent allowed.

*Recommendation:* During our discussions with management and IT staff, we noted the Center has implemented additional procedures to safeguard the IT system. Management should maintain and update IT controls on a continuing basis in an effort to prevent future breaches of the IT system.

*Views of Responsible Officials:* The ransomware finding, both in description of the event and in the costs incurred is accurate as written. As noted in the finding, additional security measures, as recommended by team of experts recommended by our cybersecurity insurance company, have been implemented and will, hopefully significantly reduce our risk for any further breaches.

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

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

**Corrective Action Plan:**

*Item 2021-001: Ransomware Breach of Information Technology System (IT)*



Additional security measures, as recommended by a team of experts recommended by our cyber security insurance company, have been implemented and will, hopefully significantly reduce our risk for any further breaches.

Corrective plan implemented.

### **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:** 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

### **3.4 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, with no significant findings

**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 findings

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

### **3.6 Border Region Behavioral Health Center**

*Border Region Behavioral Health Center was late in submission of the fiscal year 2021 single audit report. As a result, the single audit report from Border Region Behavioral Health Center was not available at the time of this report.*

**City:** Laredo

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

**Type of Report on Financial Statement:**

**Type of Report on Compliance:**

**Schedule of Findings and Questioned Costs:**

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

**Independent Auditor’s Management Letter:**

**Corrective Action Plan:**

### 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:** No findings/comments

**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:** Yes, with no significant findings

**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:** None

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

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

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

## **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:**

### **Financial Statement Findings**

Finding 2021-001: 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 several audit adjustments to the recorded account balances, which if not detected by our auditing procedures, could have resulted in a material misstatement of the financial statements. Further, certain errors resulting in overstatement of amounts previously reported for accounts receivables and prepaid expenses as of August 31, 2020, were discovered by management of the Center during the current year. Accordingly, an adjustment was made to fund balance and net position as of September 1, 2020, to correct the errors.

*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 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 2021-002: Account Reconciliations*

*Type of Finding:* Material Weakness

*Criteria:* Investments, 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 reconciliations of investments, other assets, 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:* Investments, other assets, 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.

### **Federal and State Award Findings and Questioned Costs**

Finding 2021-003: U.S Department of Health and Human Services, CFDA 93.959  
Award Number HHS000130500008, Award Year 2021  
Block Grants for Prevention/Treatment of Substance Abuse (RSS)

*Type of Finding:* Material Weakness in Internal Control over Compliance

*Compliance Requirement:* Cash Management (Federal-Substance Abuse)

*Criteria:* Federal and state programs require adequate review and approval of information prepared for and submitted to grantor agencies.

*Condition:* 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.

*Cause:* The Center has not developed an internal control system designed to provide for the adequate review of information submitted to outside parties.

*Effect:* The lack of review could result in improper cash draws requested.

*Questioned Costs:* None reported.

*Context/Sampling:* No sampling was performed.

*Repeat Finding from Prior Year:* Yes

*Recommendation:* We recommend that the Center implement a system of proper review and approval by appropriate personnel of all documentation and information prepared for and submitted to outside parties to mitigate the risk of improper or inaccurate reporting, overcharging of grants and management override.

*View of Responsible Officials:* Management agrees with the noted finding. Refer to Corrective Action Plan.

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

**Government Auditing Standards**

Finding 2020-001

*Initial Fiscal Year Finding Occurred:* 2018

*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.

*Status:* Ongoing. Due to cost considerations, we will continue to have Eide Bailly, LLP prepare our draft financial statements and accompanying notes to the financial statements.

*Finding 2020-002*

*Initial Fiscal Year Finding Occurred:* 2018

*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.

*Status:* Partially resolved. See Finding 2021-002.

**Uniform Guidance**

*Finding 2020-003*

*Initial Fiscal Year Finding Occurred:* 2020

*U.S. Department of Education*

*CFDA:* 84.181

*Federal Award Number:* HHS000191200013

*Award Year:* 2020

*Program Name:* Special Education Grants for Infants and Families with Disabilities (IDEA, Part C)

*Finding Summary:* The Center's procurement policy did not include the item required by Uniform Guidance.

*Status:* Resolved. The Center updated the procurement policy to include all requirements by Uniform Guidance.

*Initial Finding 2020-004*

*Initial Fiscal Year Finding Occurred:* 2020

*U.S Department of Education, CFDA 84.181*

*Award Number HHS000191200013, Award Year 2020*

*Special Education Grants for Infants/ Families with Disabilities (IDEA, Part C)*

*Texas Health and Human Services Commission*

*Award Number HHS000191200013, Award Year 2020*

*Early Childhood Intervention*

*U.S Department of Health and Human Services, CFDA 93.958*

*Award Number HHS000516300001, Award Year 2020*



## Mental Health Block Grant

Texas Health and Human Services Commission  
Award Number HHS000516300001, Award Year 2020  
General Revenue Mental Health Adult, Crisis, Child (PCN)

Texas Health and Human Services Commission  
Award Number HHS000607000001, Award Year 2020  
General Revenue IDD

U.S Department of Health and Human Services, CFDA 93.959  
Award Number 2016 048528 003, Award Year 2020  
Award Number 2016 048411 003, Award Year 2020  
Block Grants for Prevention/Treatment of Substance Abuse (YRC/RSS CBO)

Texas Health and Human Services Commission  
Award Number 2016 048528 003, Award Year 2020  
Substance Abuse Youth Recovery Center (YRC)

*Finding Summary:* The Center does not have an internal control system designed to provide sufficient and adequate review and approval of documentation, reports and information submitted to outside parties. The lack of review could result in errors in reporting, match improperly reported or improper cash draws requested.

*Status:* Partially resolved. See Finding 2021-003.

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

### **Corrective Action Plan:**

#### *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 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 has to 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 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

*Corrective Action Plan:* The Center will design and implement a reconciliation process for investments, prepaid expenses, accounts receivable, accounts payable and long term obligations, including review of these reconciliations by someone other than the preparer.

The recent hiring of our new staff accountant will help to satisfy this requirement. He will begin working on the reconciliations and then the Controller will review and approve them.

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 financial software) and approved by a second person other than preparer.

*Anticipated Completion Date:* Immediate

*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

*Corrective Action Plan:* The Controller will enter the request, and the program director will review and submit it.

*Anticipated Completion Date:* Immediate depending on how quick the access can be granted in CMBHS.

### **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:**

Item 2019-001: Significant Deficiency Related to Controls Over Financial Reporting – Year-end adjustments.

Fully corrected.

Item 2020-001: Significant Deficiency Related to Controls oVer Financial Reporting – Year-end adjustments.

Fully corrected.

Item 2020-002:

CFDA 93.959 – Block Grants for Prevention and Treatment of Substance Abuse  
CFDA 93.788 – Opioid State Targeted Response and Substance Abuse – General Revenue (state)

Fully corrected.

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

**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:** None

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

**Independent Auditor’s Management Letter:** Yes, with no significant findings

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

### **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:** No findings/comments

**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

**Schedule of Findings and Questioned Costs:** None

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

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

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

### **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 findings

**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:**

### ***Federal Award Findings and Questioned Costs***

*Finding 2021-001: Mental Health (Adult, Child, Crisis, PESC, PPB and Community Hospital) and Mental Health Block Grant (93.958)*

*Compliance Requirement:* Period of Performance

*Type of Finding:* Significant Deficiency in Internal Control over Compliance

*Criteria or Specific Requirement:* Federal and state programs require adequate review of information prepared for and submitted to outside parties.

*Statement of Condition:* The Center does not have an internal control system designed to ensure that expenditures are recorded in the proper period which could lead to incorrect reports containing information being submitted to outside parties.

*Cause:* The Center has not developed an internal control system to provide for the adequate review of information submitted to outside parties.

*Effect:* The lack of internal control could result in error in proper reporting or grants being charged incorrectly.

*Questioned Costs:* N/A

*Context/Sampling:* Disbursements were being recorded in the incorrect period during the fiscal year ended August 31, 2021.

*Repeat Finding from Prior Year(s):* No

*Recommendation:* We recommend the Center implement a system of proper review and approval by appropriate personnel of all documentation and information prepared for and submitted to outside parties to mitigate the risk of improper reporting.

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

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

*Finding 2020-001*

*Initial Fiscal Year Finding Occurred:* 2020

*Finding Summary:* The Center does not have an internal control system designed to provide sufficient and accurate review and approval of reports and information provided to outside parties which could result in improper reporting or overcharging of grants and management override.

*Status:* Resolved. The Center has implemented an internal control process that includes review of HB13 reports prior to submission.

**Independent Auditor's Management Letter:** Yes, significant findings provided above

**Corrective Action Plan:**

*Finding 2021-001*

*State Agency Name:* Texas Health and Human Services Commission

*Program Name:* General Revenue – Mental Health (Adult, Child, Crisis, PESC, PPB and Community Hospital) and Mental Health Block Grant (93.958)

*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.



*Responsible Individuals:* Charles Rittenhouse, Chief Financial Officer; James Barnes, Director of Accounting; Debbie Cauthern, Controller

*Corrective Action Plan:* The Center had a legacy procedure where immaterial recurring charges, such as utilities, were not accrued but allowed to be charged into the subsequent period. The rationale was that the charges overlapping across periods would compensate for monetary differences. This procedure was only used for selected vendors that were either local or General Revenue funded. Grant funded project expenditures were reviewed by Accounting staff and charges adjusted as necessary to properly account for period cut off. Effective 8/31/2021, this procedure was eliminated, and all bills received subsequent to year end are reviewed, tabulated and recorded in their respective period.

*Anticipated Completion Date:* 8/31/2021

Corrective Action Plan Implemented.

### **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 findings

**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:** Yes, with no significant findings

**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:** Yes, with no significant findings

**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:** 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

### **3.29 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:** Yes, with no significant findings

**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, with no significant findings

**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:**

#### ***Financial Statement Findings***

##### *Finding 2021-001: Unreconciled Consumer Bank Balances*

*Condition:* Two consumer bank account balances were not reconciled as of year-end.

*Criteria:* Agency account activity should be properly recorded in the Center's general ledger.

*Cause:* Two consumer bank account balances were improperly included in cash balances.

*Effect:* Cash and the related liability in the Custodial Fund were overstated which caused the Custodial Fund financial statements to be misstated.

*Recommendation:* Reconciliations should be done regularly and at the end of each fiscal year, and accounts should be adjusted accordingly.

Finding 2021-002: General Ledger accounts had not been reconciled in a timely basis after year-end.

*Condition:* Various payables, receivables, and related revenue and expenditure accounts had not been reconciled in a timely basis after year-end.

*Criteria:* Several general ledger account balances needed to be adjusted after inquiry from auditor.

*Cause:* General ledger accounts were not reconciled before audit procedures.

*Effect:* General ledger account balances were misstated.

*Recommendation:* We recommend that all general ledger accounts are reconciled and updated on a regular basis and that all journal entries are reviewed.

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

Finding 2020-001: Incorrect Entry in Vehicle Fund Capital Account

*Condition:* An entry was incorrectly made to Contributed Capital Account in the Vehicle Fund.

*Criteria:* Management is responsible for the accuracy of all financial records and maintaining effective internal controls over fund balances.

*Cause:* Insurance proceeds were incorrectly booked to the Contributed Capital account in the Vehicle.

*Effect:* Incorrect entry was not detected and the Fund Balance did not roll forward properly from prior [sic]

*Recommendation:* We recommend that all journal entries to fund balance be reviewed and that the fund balances be reviewed at least annually.

*Current Year Status:* This finding was not noted in the current year.

Finding 2020-002: Unreconciled Consumer Bank Balances

*Condition:* A consumer bank account balance had not been reconciled as of year-end.

*Criteria:* Agency account activity should be properly recorded in the Center's general ledger.

*Cause:* One consumer account was closed before year-end, but the activity was not recorded until after year-end.

*Effect:* Cash and the related liability in the Agency Fund were overstated which caused the Agency Fund financial statements to be misstated.

*Recommendation:* Reconciliations should be done regularly and at the end of each fiscal year, and accounts should be adjusted accordingly.

*Current Year Status:* This is a repeat finding. See Finding 2021-001.

*Finding 2020-003: Lack of Internal Controls in Cash Deposits due to COVID-19 Shutdown*

*Condition:* Due to the immediate changes in personnel in the office during COVID-19 shutdown, controls over cash deposits were concentrated with fewer individuals.

*Criteria:* Segregating the duties of individuals involved in key processes helps to improve the prevention and detection of errors or fraud. In order to reduce the risk of one individual maintaining an excessive amount of control over a process, different individuals should be used for the physical custody of cash deposits and recording of these deposits.

*Cause:* In order to comply with an order from the Governor of Texas, staff was ordered to work from home. Until internal controls could be updated, the same individual who scans the checks also had access to the accounting system to make journal entries.

*Effect:* The lack of segregation of duties indicates weaker internal controls and increases the risk that material misstatements could occur in the Center's financial statements, whether from error or fraud, [sic]

*Recommendation:* We recommend that an individual, other than one who has access to the accounting system to make journal entries, records checks received before they are scanned and [sic]

*Current Year Status:* This finding was corrected in the current year.

*Finding 2020-004: Incorrect DSRIP Fund Fixed Asset Additions*

*Condition:* DSRIP fixed asset additions were not recorded properly.

*Criteria:* Management is responsible for the accuracy and completeness of all financial records and related information and for establishing and maintaining effective internal control over financial [sic]

*Cause:* The journal entry for recording fixed asset additions to the DSRIP fund was not reviewed, and therefore, was recorded incorrectly.

*Effect:* Expenditures were understated which caused the financial statements to be misstated.

*Recommendation:* We recommend that all journal entries, especially those that are not done on a regular basis, be reviewed before being recorded.

*Current Year Status:* This finding was not noted in the current year.

**Independent Auditor's Management Letter:** Yes, significant findings provided above

### **Corrective Action Plan:**

#### *Finding 2021-001: Unreconciled Consumer Bank Balances*

*Person(s) Responsible:* Receivable Accountant, controller, and Director of Fiscal Services

*Corrective Action:* Each individual consumer bank account will be reviewed monthly to ensure accuracy of reporting on the financial statements. Criteria for reporting on the financial statement is dependent upon the Center's assignment as the official representative payee on each account as determined by the Social Security Administration and/or the status of the Center staff as signatory official on the bank account.

*Anticipated Completion Date:* Of the two accounts determined to be in error, one account was corrected immediately upon discovery as of August 31, 2021. The completion date on the second account will be entirely dependent upon full determination of the estate and/or heirs as determined by probate rules and regulations in the State of Texas.

#### *Finding 2021-002: General Ledger accounts had not been reconciled in a timely basis after year-end.*

*Person(s) Responsible:* Assistant Controller, Controller, and Director of Fiscal Services

*Corrective Action:* General Ledger balance sheet accounts are reconciled on a monthly basis. At year end, general ledger accounts will be reconciled on a timely basis against data obtained from the Comptroller's website, where possible.

All general ledger units containing grants will be reconciled monthly to ensure appropriate recognition of revenue and expenses based upon the terms of each grant. At year end, Community Healthcare employees will engage in a fully



collaborative reconciliation process with HHSC employees from each appropriate State funding agency until all revenue and expense discrepancies are resolved. This process will be completed as quickly as possible after year end, but is ultimately dependent upon the timeliness of information provided by each state agency.

*Anticipated Completion Date: 01/31/2022*

### **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

**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

### **3.34 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, with no significant findings

**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, with no significant findings

**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:**

*Finding 2020-001: Fraudulent actions by Center employee*

Fully corrected.

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

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

## Conclusion

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

# Acronyms

<b>Acronym</b>	<b>Full Name</b>
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