

SINGLE AUDIT REPORTS

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

For the Year Ended
August 31, 2021

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
Southeast Texas Regional Advisory Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Southeast Texas Regional Advisory Council (SETRAC) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SETRAC's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SETRAC's internal control. Accordingly, we do not express an opinion on the effectiveness of SETRAC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of SETRAC's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SETRAC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SETRAC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SETRAC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
April 19, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR AND SCHEDULE OF
EXPENDITURES OF FEDERAL AND STATE AWARDS**

To the Board of Directors of the
Southeast Texas Regional Advisory Council:

Report on Compliance for Each Major Federal and State Program

We have audited the Southeast Texas Regional Advisory Council's (SETRAC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of SETRAC's major federal and State of Texas (the "State") programs for the year ended August 31, 2021. SETRAC's major federal and State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal and state statutes, regulations, contracts, and the terms and conditions applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of SETRAC's major federal and State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Those standards, the Uniform Guidance, and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and State program occurred. An audit includes examining, on a test basis, evidence about the SETRAC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and State program. However, our audit does not provide a legal determination of SETRAC's compliance.

Opinion on Each Major Federal and State Program

In our opinion, SETRAC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and State programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

Management of SETRAC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SETRAC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and State program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the SETRAC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance

We have audited the financial statements of the SETRAC, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise SETRAC's financial statements. We have issued our report thereon dated April 19, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements. The accompanying schedule of expenditures of federal and state awards (SEFSA) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFSA is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
April 19, 2022

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2021

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Prior Year Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

Material Weakness:

2020.001 AUDIT ADJUSTMENTS AND ACCOUNT RECONCILIATIONS

Criteria

SETRAC is responsible for the accuracy of its financial information and for maintaining internal control.

Condition

Errors noted in prior year financial statement audits that were corrected in the issued financial statements audit, which are referred to as audit or adjusting journal entries, were not recorded by management in SETRAC's general ledger.

Status of Prior Year Finding

Resolved.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2021

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of SETRAC.
2. No significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal and state award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal and state award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal and state award programs for SETRAC are reported in Part C of this schedule.
7. The programs included as major federal and State programs are:

| AL Number | Programs |
|------------------|--|
| 93.323 | COVID 19 Epidemiology and Lab Capacity for Infectious Diseases |
| 93.889 | COVID 19 National Bioterrorism Hospital Preparedness Program |
| 97.036 | COVID 19 Public Assistance Category B |
| N/A | COVID 19 Deployment Emergency Responses |

8. The threshold for distinguishing Type A and B federal and state programs was \$750,000.
9. SETRAC did qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None Noted

C. FINDINGS – FEDERAL AND STATE AUDIT AWARDS

None Noted

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Page 1 of 2)
For the Year Ended August 31, 2021

| <u>Federal and State Grantor/Pass Through Grantor/Program or Cluster Title</u> | <u>Federal AL Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Expenditures</u> |
|--|--------------------------|---|---------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <i>Pass Through Texas Department of State Health Services:</i> | | | |
| CPS - Hospital Preparedness Program (HPP) | 93.074 | 537-17-0309-00001 | \$ 76,090 |
| COVID 19 Coronavirus Relief Fund | 21.019 | 537-17-0309-00001 | 106,188 |
| COVID 19 Epidemiology and Lab Capacity for Infectious Diseases | 93.323 | 537-17-0309-00001 | 1,162,369 |
| COVID 19 National Bioterrorism Hospital Preparedness Program | 93.889 | 537-17-0309-00001 | 4,386,195 |
| COVID 19 Public Assistance Category B | 97.036 | 537-17-0309-00001 | 2,209,806 |
| Total U.S. Department of Health and Human Services | | | <u>7,940,648</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 7,940,648</u> |
| TEXAS DEPARTMENT OF STATE HEALTH SERVICES | | | |
| EMS-Regional Advisory Councils | N/A | HHS0000124600021 | 455,879 |
| EMS-RAC System Development | N/A | HHS0000124600021 | 229,522 |
| EMS-County Assistance | N/A | HHS0000124600021 | 402,201 |
| EMS-LPG | N/A | HHS0000124600021 | 58,554 |
| Total Texas Department of State Health Services | | | <u>1,146,156</u> |
| TEXAS EMERGENCY MEDICAL TASK FORCE | | | |
| <i>Pass-Through Texas Department of State Health Services:</i> | | | |
| COVID 19 Deployment Emergency Response | N/A | 537-17-0309-00001 | 6,091,343 |
| Total Texas Emergency Medical Task Force | | | <u>6,091,343</u> |

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Page 2 of 2)
For the Year Ended August 31, 2021

| <u>Federal and State Grantor/Pass Through Grantor/Program or Cluster Title</u> | <u>Federal AL Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Expenditures</u> |
|--|--------------------------|---|----------------------|
| TEXAS DEPARTMENT OF EMERGENCY MANAGEMENT | | | |
| Tropical Weather | N/A | N/A | \$ 195,269 |
| Tropical Storm Sally | N/A | N/A | 93,407 |
| September Tropical Weather | N/A | N/A | 71,704 |
| Tropical Cyclone Delta | N/A | N/A | 44,516 |
| Tropical Cyclone Zeta | N/A | N/A | 14,192 |
| Winter Weather | N/A | N/A | 27,874 |
| March Severe Weather | N/A | N/A | 3,175 |
| Texas COVID 19 Deployment for Emergency Management | N/A | N/A | 12,264 |
| May Severe Weather | N/A | N/A | 8,879 |
| May Severe Weather #2 | N/A | N/A | 11,331 |
| Champlain Tower Collapese | N/A | N/A | 25,799 |
| TEEX Instructor Time | N/A | N/A | 63,147 |
| Total Texas Department of Emergency Management | | | <u>571,557</u> |
| TOTAL EXPENDITURES OF STATE AWARDS | | | <u>\$ 7,809,056</u> |
| TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS | | | <u>\$ 15,749,704</u> |

The accompanying notes are an integral part of this schedule.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended August 31, 2021

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of SETRAC, and is presented on the accrual basis of accounting.

The SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this SEFSA may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFSA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFSA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

A. Prior Period Reimbursement Program

Expenditures in the amount of \$1,563,997 related to the State grant program from the Texas Emergency Medical Task Force which was passed through the Texas Department of State Health Services, COVID-19 Deployment Emergency Response, were incurred in the prior fiscal year; however, approval for these grant funds to be released from donor restrictions was not provided until fiscal year 2021. Accordingly, these expenditures have been listed on the fiscal year 2021 SEFSA.

NOTE 3: INDIRECT COST RATE

SETRAC elected not to use the 10% de minimum indirect cost rate allowed under the Uniform Guidance.

NOTE 4: DONATED PERSONAL PROTECTIVE EQUIPMENT

During the emergency period of COVID-19, federal agencies and recipients of federal assistance funds donated personal protective equipment (PPE) to non-federal entities. In connection with that donation, the recipient must disclose the estimated value of the donated PPE, but such amounts are not included in the SEFSA. SETRAC did not receive PPE donations during the reporting year.