

SINGLE AUDIT REPORTS

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

For the Year Ended
August 31, 2020

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

TABLE OF CONTENTS
For the Year Ended August 31, 2020

	<u>Page</u>
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	3
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE, AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR AND SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	5
SCHEDULES	
<i>SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS</i>	7
<i>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</i>	8
<i>SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS</i>	9
<i>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS</i>	11



**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, 2020, 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 March 31, 2021.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies 2020.001 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency, or 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.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items.

SETRAC's Response to Findings

SETRAC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
March 31, 2021



**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, 2020. 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, 2020.

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.

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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 31, 2021

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2020

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2020

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of SETRAC.
2. Significant deficiencies in internal control were disclosed by the audit of the basic financial statements, one of which was classified as a material weakness.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal and state award programs were not 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:

<u>CFDA Number</u>	<u>Programs</u>
93.074	Federal - Hospital Preparedness Program and Public Health Emergency Preparedness
N/A	State - Hospital Preparedness COVID -19

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 – BASIC FINANCIAL STATEMENT AUDIT

2020.001 AUDIT ADJUSTMENTS AND ACCOUNT RECONCILIATIONS

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 (AJE), have not been recorded by management in SETRAC's general ledger. This condition has existed for numerous years. AJE's are attached to the Required Auditor Disclosure letter addressed to the Board each year and the matter has also been discussed with management, both verbally and in writing.

Effect

Errors continue to accumulate in SETRAC's financial data each year. Internally prepared financial reports are materially misstated. Internal control related the reconciliation of the general ledger to supporting documents does not occur, as the accumulation of errors makes such task impractical. The absence of the internal control prevents management's internal discovery and correction of new errors, resulting in SETRAC's financial data becoming further out of balance each year.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended August 31, 2020

Cause

SETRAC's management elects not to post AJEs.

Criteria

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

Recommendation

SETRAC should review and post the AJEs suggested at year end to ensure the general ledger is appropriately adjusted and the financial statements are accurate. Key general ledger accounts should be reconciled to supporting records each month and any errors investigated and corrected.

Management's Response

Management will post AJEs to the general ledger and reconcile accounts to supporting records.

C. FINDINGS – FEDERAL AND STATE AUDIT AWARDS

None Noted

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended August 31, 2020

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
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	\$ 2,970,917
Total U.S. Department of Health and Human Services			<u>2,970,917</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,970,917</u>
TEXAS DEPARTMENT OF STATE HEALTH SERVICES			
EMS-Regional Advisory Councils	N/A	HHS0000124600020	\$ 215,729
EMS-Regional Advisory Councils	N/A	HHS0000124600020	107,393
EMS-RAC System Development	N/A	HHS0000124600020	320,621
EMS-County Assistance	N/A	HHS0000124600021	232,097
EMS-LPG	N/A	HHS0000124600020	63,058
Total Texas Department of State Health Services			<u>938,898</u>
TEXAS EMERGENCY MEDICAL TASK FORCE			
<i>Pass-Through Texas Department of State Health Services:</i>			
COVID-19	N/A	537-17-0309-00001	348,560
George Floyd Protests	N/A	537-17-0309-00001	35,995
Tropical Storm Imelda	N/A	537-17-0309-00001	223,618
Total Texas Emergency Medical Task Force			<u>608,173</u>
TEXAS DEPARTMENT OF EMERGENCY MANAGEMENT			
Hurricane Dorian	N/A	N/A	17,491
January Severe Weather	N/A	N/A	19,204
July Tropical Weather	N/A	N/A	22,215
Tropical Cyclone Douglas	N/A	N/A	72,898
Total Texas Department of Emergency Management			<u>131,808</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 1,678,879</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 4,649,796</u>

The accompanying notes are an integral part of this schedule.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2020

NOTE 1: BASIS OF ACCOUNTING

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

The Schedule 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 Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: INDIRECT COST RATE

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

NOTE 3: 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 SEFA. The City did not receive PPE donations during the reporting year.