

SINGLE AUDIT REPORTS

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

**For the Year Ended
August 31, 2015**

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

TABLE OF CONTENTS
For the Year Ended August 31, 2015

	<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 OMB CIRCULAR A-133, 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>	8
<i>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</i>	9
<i>SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS</i>	10
<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**

November 20, 2015

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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *State of Texas Single Audit Circular*, 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, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 20, 2015

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) to determine 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 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.

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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 determination of financial statement amounts. 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* and the *State of Texas Single Audit Circular*.

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* and the *State of Texas Single Audit Circular* 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



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, THE STATE OF TEXAS SINGLE AUDIT CIRCULAR, AND SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

November 20, 2015

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

Report on Compliance for Each Major Federal Program

We have audited the Southeast Texas Regional Advisory Council's (SETRAC) compliance with the types of compliance requirements described in the *OMB Circular A-133 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 or state programs for the year ended August 31, 2015. 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 requirements of laws, regulations, contracts, and grants 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; the *State of Texas Single Audit Circular*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 or state program occurred. An audit includes examining, on a test basis, evidence about 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.

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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, 2015.

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 OMB Circular A-133, 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 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 by OMB Circular A-133

We have audited the financial statements of SETRAC which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. We have issued our report thereon dated November 20, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and the *State of Texas Single Audit Circular* and is not a required part of the 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 schedule of

expenditures of federal awards is fairly stated in all material respects in relation to the basic 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 *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2015

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, 2015**

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 not disclosed by the audit of the basic financial statements.
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:

CFDA Number	Programs
93.889	Federal – National Bioterrorism Hospital Preparedness Program
N/A	EMS-County Assistance

8. The threshold for distinguishing Type A and B federal and state programs was \$300,000.
9. SETRAC did qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENT 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
For the Year Ended August 31, 2015

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>			
<i>National Bioterrorism Hospital Preparedness Program</i>			
CPS-Hospital Preparedness	93.889	2015-038305-001	\$ 2,323,967
CPS-Hospital Preparedness	93.889	2016-038305-001	502,021
Total U.S. Department of Health and Human Services			<u>2,825,988</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Pass Through Department of Public Safety</i>			
<i>Non-Profit Security Grant Program</i>			
Urban Area Security Initiative	97.008	17604191720005	23,525
Total U.S. Department of Homeland Security			<u>23,525</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,849,513</u>
TEXAS DEPARTMENT OF STATE HEALTH SERVICES			
EMS-Regional Advisory Councils	N/A	2014-034917-001	\$ 206,391
EMS-County Assistance	N/A	2014-034911-001	261,817
EMS-Tobacco/RAC	N/A	2014-039205-001	232,590
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 700,798</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, 2015

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of SETRAC, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Texas Single Audit Circular*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE 2: INSURANCE

SETRAC had the following insurance in effect during the year:

Accident and sickness coverage based on 18 employees
Workers' compensation coverage of \$1,000,000
Management liability coverage based on 18 employees
Umbrella liability coverage of \$3,000,000
Property insurance coverage of \$1,649,810