

SINGLE AUDIT REPORTS

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

For the Year Ended
August 31, 2012

**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 the financial statements of Southeast Texas Regional Advisory Council (SETRAC) (a nonprofit organization), as of and for the year ended August 31, 2012, and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with 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 and the State of Texas Single Audit Circular.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SETRAC's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SETRAC's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SETRAC's financial statements are free of 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.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
December 31, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133, THE STATE OF TEXAS SINGLE AUDIT CIRCULAR AND ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

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

Compliance

We have audited the compliance of Southeast Texas Regional Advisory Council (SETRAC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs and the State of Texas Single Audit Circular that could have a direct and material effect on each of its major state programs for the year ended August 31, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of SETRAC's management. Our responsibility is to express an opinion on SETRAC's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and 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 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the SETRAC's compliance with those requirements.

In our opinion, SETRAC complied, in all material respects, with the 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, 2012. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular.

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Internal Control Over Compliance

Management of SETRAC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered SETRAC's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal and State Awards

We have audited the basic financial statements of SETRAC, as of and for the year ended August 31, 2012, and have issued our report thereon dated December 31, 2012. Our audit was performed for the purpose of forming opinions on the basic financial statements taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
December 31, 2012

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2012

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Southeast Texas Regional Advisory Council (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 unqualified 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:

Federal – National Bioterrorism Hospital Preparedness Program	93.889
State – Emergency Medical Services and Tobacco Grants	State
8. The threshold for distinguishing Type A and B federal and state programs was \$300,000.
9. SETRAC did not qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AUDIT AWARDS

None Noted

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended August 31, 2012

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			
Pass Through Texas Department of State Health Services:			
National Bioterrorism Hospital Preparedness Program			
CPS-Hospital Preparedness	93.889	2010-035265-001	\$ 3,239,825
CPS-Hospital Preparedness	93.889	2011-038305-001	<u>559,379</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,799,204</u></u>
TEXAS DEPARTMENT OF STATE HEALTH SERVICES			
EMS-Regional Advisory Councils	N/A	2012-034917-001	\$ 260,279
EMS-Regional Advisory Councils	N/A	2013-034917-001	16,986
EMS-County Assistance	N/A	2010-034911-001	326,455
EMS-Tobacco/RAC	N/A	2012-039205-001	<u>224,966</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u><u>\$ 828,686</u></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, 2012**

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Southeast Texas Regional Advisory Council (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 basic financial statements.

NOTE 2: INSURANCE

SETRAC had the following insurance in effect during the year:

Accident and sickness coverage based on ten employees
Workers' compensation coverage of \$875,871
Management liability coverage based on ten employees
Umbrella liability coverage of \$3,000,000
Property insurance coverage of \$1,840,102