

Special Health Resources for Texas, Inc.

Independent Auditor's Reports and Financial Statements

December 31, 2014 and 2013



Special Health Resources for Texas, Inc.
December 31, 2014 and 2013

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Independent Auditor's Report

Board of Directors
Special Health Resources for Texas, Inc.
Longview, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Special Health Resources for Texas, Inc. (the Organization), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Health Resources for Texas, Inc. as of December 31, 2014 and 2013, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, including the schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
December 2, 2015

Special Health Resources for Texas, Inc.

Balance Sheets

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 335,140	\$ 157,696
Grants and other receivables	274,295	578,002
Prepaid expenses and other	15,115	18,193
Total current assets	<u>624,550</u>	<u>753,891</u>
Property and Equipment, At Cost		
Land	69,300	69,300
Buildings	175,300	175,300
Furniture and fixtures	276,876	244,568
Leasehold improvements	293,347	228,347
Vehicles	389,529	389,529
	<u>1,204,352</u>	<u>1,107,044</u>
Less accumulated depreciation	<u>680,686</u>	<u>583,650</u>
	<u>523,666</u>	<u>523,394</u>
Total assets	<u>\$ 1,148,216</u>	<u>\$ 1,277,285</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of capital lease obligation	\$ 13,360	\$ 12,062
Accounts payable	236,836	211,743
Accrued expenses	197,172	179,196
Deferred grant revenue	129,575	135,540
Total current liabilities	576,943	538,541
Capital Lease Obligation, Net of Current Portion	37,036	50,396
Tenant Improvement Allowance	58,681	-
Total liabilities	672,660	588,937
Unrestricted Net Assets	475,556	688,348
Total liabilities and net assets	<u>\$ 1,148,216</u>	<u>\$ 1,277,285</u>

Special Health Resources for Texas, Inc.
Statements of Operations and Changes in Net Assets
Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted Revenues, Gains and Other Support		
Patient service revenue	\$ 1,273,406	\$ 548,547
Grant revenue	4,454,573	4,107,509
Contribution revenue	13,934	13,662
Other revenue	18,273	18,905
Total unrestricted revenues, gains and other support	5,760,186	4,688,623
Expenses		
Salaries and wages	2,231,464	1,690,036
Employee benefits	481,163	387,614
Purchased services and professional fees	1,450,100	1,258,114
Supplies and other	1,549,351	1,200,055
Rent	163,871	216,965
Depreciation	97,036	95,040
Total expenses	5,972,985	4,847,824
Operating Loss	(212,799)	(159,201)
Other Income		
Investment return	7	27
Total other income	7	27
Change in Net Assets	(212,792)	(159,174)
Net Assets, Beginning of Year	688,348	847,522
Net Assets, End of Year	\$ 475,556	\$ 688,348

Special Health Resources for Texas, Inc.
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Activities		
Change in net assets	\$ (212,792)	\$ (159,174)
Item not requiring operating cash flows		
Depreciation	97,036	95,040
Changes in		
Grants and other receivables	303,707	(25,584)
Deferred grant revenue	(5,965)	19,197
Accounts payable and accrued expenses	43,069	48,103
Tenant improvement allowance	(6,319)	-
Other current assets and liabilities	3,078	979
	<u>221,814</u>	<u>(21,439)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of property and equipment	<u>(32,308)</u>	<u>(17,930)</u>
Net cash used in investing activities	<u>(32,308)</u>	<u>(17,930)</u>
Financing Activities		
Principal payments on capital lease obligations	<u>(12,062)</u>	<u>(10,890)</u>
Net cash used in financing activities	<u>(12,062)</u>	<u>(10,890)</u>
Increase (Decrease) in Cash and Cash Equivalents	177,444	(50,259)
Cash and Cash Equivalents, Beginning of Year	<u>157,696</u>	<u>207,955</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 335,140</u></u>	<u><u>\$ 157,696</u></u>
Supplemental Cash Flows Information		
Interest paid	\$ 5,855	\$ 7,027
Leasehold improvement acquired through tenant improvement allowance	\$ 65,000	\$ -

Special Health Resources for Texas, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Special Health Resources for Texas, Inc. (the Organization) provides assistance to persons infected with the HIV virus through clinics located in Longview, Tyler, Paris, and Texarkana, Texas. Services provided by the Organization include medical and dental services, case management, transportation, housing and other essential living expenses. Other programs include HIV prevention, a community health clinic for the general population, drug treatment for adolescents and youth and family programs designed to reduce alcohol and drug use by youth. The Organization receives state and federal financial assistance to provide outreach, education and intervention to individuals at risk for HIV/AIDS and substance abuse.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014 and 2013, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2014, the Organization's cash accounts exceeded federally insured limits by approximately \$100,000.

Patient Accounts Receivable

The Organization reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Organization provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Special Health Resources for Texas, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Certain property and equipment has been purchased with grant funds from the U.S. Department of Health and Human Services. Such items may be reclaimed by the federal government if not used to further the grant's objectives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	39 years
Furniture and fixtures	5 – 10 years
Leasehold improvements	10 years
Vehicles	5 years

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2014 and 2013.

Net Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Special Health Resources for Texas, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Grant Revenue

Support funded by grants from federal, state and private sources is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Professional Liability Claims

The Organization recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 3*.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

Note 2: Net Patient Service Revenue

The Organization is approved as a Federally Qualified Health Center Look-Alike (FQHC/LA) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare. Covered FQHC/LA services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an

Special Health Resources for Texas, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. Services not covered under the FQHC/LA benefit are paid based on established fee schedules.

Medicaid. Covered FQHC/LA services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services provided under the plan.

Approximately 10% and 50% of net patient service revenue is from participation in the Medicare and Medicaid programs for the years ended December 31, 2014 and 2013, respectively.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Organization has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Organization under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

Note 3: Professional Liability Claims

The Organization purchases medical malpractice insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. The Organization also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claim experience, no accrual has been made for medical malpractice costs for the years ended December 31, 2014 and 2013. However, because of the risk of providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

Note 4: Note Payable to Bank

The Organization has a \$75,000 line of credit expiring on April 1, 2015. The line of credit was not renewed subsequent to year-end. The line is secured by liens on specific vehicles. Interest on the line is at the bank's prime rate plus 1% (4.5% at December 31, 2014 and 2013). At December 31, 2014 and 2013, there were no amounts borrowed on the line of credit.

Note 5: Capital Lease Obligation

The Organization has a capital lease for six years expiring in April 2018. Annual payments on the capital lease obligation at December 31, 2014 are:

Special Health Resources for Texas, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

2015	\$	17,917
2016		17,917
2017		17,917
2018		5,972
		59,723
Less amount representing interest		9,327
Present value of future minimum lease payments		50,396
Less current maturities		13,360
Noncurrent portion	\$	37,036

Property and equipment include the following equipment under capital lease at December 31, 2014 and 2013:

	2014	2013
Mobile unit	\$ 80,014	\$ 80,014
Less accumulated depreciation	32,334	18,999
	\$ 47,680	\$ 61,015

The Organization recognized interest expense of \$5,855 and \$7,027 during the years ended December 31, 2014 and 2013, respectively.

Note 6: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

	2014	2013
Program services		
Outreach and intervention	\$ 254,032	\$ 11,828
HIV services	2,343,481	2,323,574
Substance abuse intervention and treatment	1,752,922	1,799,577
General health	1,290,791	505,264
General and administrative	327,284	207,385
Fundraising	4,475	196
	\$ 5,972,985	\$ 4,847,824

Special Health Resources for Texas, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Note 7: Operating Leases

The Organization has noncancellable operating leases for primary care outpatient offices expiring in various years through 2020. The leases require the Organization to pay all executory costs (property taxes, maintenance and insurance). The leases are generally for a one to six-year period with no renewal options. The Organization entered into an office lease on May 28, 2014, that includes tenant improvement allowances of \$65,000, which have been recorded in property and equipment and tenant improvement allowance liability on the accompanying balance sheets at December 31, 2014. The tenant improvement allowances are amortized on a straight-line basis over the life of the lease, with an unamortized value of \$58,861 at December 31, 2014.

Future minimum lease payments at December 31, 2014, were:

2015	\$ 162,422
2016	145,660
2017	114,760
2018	108,560
2019	108,560
Thereafter	<u>45,233</u>
Future minimum lease payments	<u><u>\$ 685,195</u></u>

Note 8: Retirement Plan

The Organization has a 403(b) tax sheltered annuity plan covering substantially all employees. Contributions to the plan are at the discretion of the Organization's employees. The Organization's contributions to the plan are determined annually by the board of directors. There were no contributions made to the plan by the Organization in 2014 or 2013.

Note 9: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *2*.

Special Health Resources for Texas, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Grant Revenue

The Organization participates in several grant programs administered by the U.S. Department of Health and Human Services (HHS) and a substantial portion of the Organization's revenue is derived from these programs. During the years ended December 31, 2014 and 2013, support received directly from HHS or passed through state and private agencies represented approximately 70% and 82%, respectively, of total revenue.

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *3*.

Note 10: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Supplementary Information

Special Health Resources for Texas, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Cluster/Program	Federal Agency/Pass- Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	U.S. Department of Health and Human Services	93.243	5H79TI024423-02, 5H79TI024423-03, 5U79SP016451-03, 5U79SP016451-04, 1U79SP020239-01, 1H79TI025888-01	\$ 1,068,346
Block Grants for Prevention and Treatment of Substance Abuse	U.S. Department of Health and Human Services/State of Texas Department of State Health Services	93.959	2014-044730-001, 2015-046512-001, 2014-044619-001, 2015-046510-001	379,737
HIV Care Formula Grants	U.S. Department of Health and Human Services/Houston Regional HIV/AIDS Resource Group, Inc.	93.917	14-SHR00HP-06, 15-SHR00HP-06, 14-SHR00HP-05, 15-SHR00HP-05, 15-SHR00PTB-06, 15a-SHR00PTB-06, 14-SHR00PTBSUPP-05, 14-SHR00PTBSUPP-06, 14a-SHR00PTB-05, 15-SHR00PTB-05, 15a-SHR00PTB-05	1,604,966
Special Projects of National Significance	U.S. Department of Health and Human Services	93.928	H97HA15147-05-00, H97HA27432-01-01	400,268
PPHF 2013 - Cooperative Agreement to Support Navigators in Federally-Facilitated and State Partnership Exchanges	U.S. Department of Health and Human Services/United Way of Tarrant County	93.750	NAVCA130092-01-00 NAVCA140151-01-01	278,725
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	U.S. Department of Health and Human Services	93.918	H76HA01705-10-02 H76HA01705-11-01	319,274
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	U.S. Department of Health and Human Services/Houston Regional HIV/AIDS Resource Group, Inc.	93.918	14-SHR00RWC-06 15-SHR00RWC-06	<u>61,965</u>
Total CFDA 93.918				<u>381,239</u>
Total Federal Expenditures				<u><u>\$ 4,113,281</u></u>

Special Health Resources for Texas, Inc.
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Notes to Schedule

1. This schedule includes the federal awards activity of Special Health Resources for Texas, Inc. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.
2. Of the federal expenditures presented in this schedule, Special Health Resources for Texas, Inc. did not provide any federal awards to subrecipients during the year ended December 31, 2014.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards**

Board of Directors
Special Health Resources for Texas, Inc.
Longview, Texas

We have audited, 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, the financial statements of Special Health Resources of Texas, Inc. (the Organization), which comprise the balance sheet as of December 31, 2014, and the related statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2015.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Organization's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings questioned costs as item 2014-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

Organization's Response to Findings

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization'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.

We also noted certain matters that we reported to the Organization's management in a separate letter dated December 2, 2015.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
December 2, 2015

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Special Health Resources for Texas, Inc.
Longview, Texas

Report on Compliance for Each Major Federal Program

We have audited the compliance of Special Health Resources for Texas, Inc. (Organization) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The Organization's major federal programs are identified in the summary of auditor's 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal 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; 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 program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Basis for Qualified Opinion on Substance Abuse and Mental Health Services – Projects of Regional and National Significance

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Organization with CFDA 93.243 Substance Abuse and Mental Health Services – Projects of National Significance program as described in finding number 2014-002 for Reporting, consequently, we were unable to determine whether the Organization complied with those requirements applicable to that program.

Qualified Opinion on Substance Abuse and Mental Health Services – Projects of Regional and National Significance

In our opinion, except for the possible effects of the matter described in the preceding Basis for Qualified Opinion paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Substance Abuse and Mental Health Services – Projects of Regional and National Significance program for the year ended December 31, 2014.

Basis for Qualified Opinion on Block Grants for Prevention and Treatment of Substance Abuse

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Organization with CFDA 93.959 Block Grants for Prevention and Treatment of Substance Abuse program as described in finding number 2014-004 for Reporting, consequently, we were unable to determine whether the Organization complied with those requirements applicable to that program.

Qualified Opinion on Block Grants for Prevention and Treatment of Substance Abuse

In our opinion, except for the possible effects of the matter described in the preceding Basis for Qualified Opinion paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Block Grants for Prevention and Treatment of Substance Abuse program for the year ended December 31, 2014.

Basis for Qualified Opinion on Special Projects of National Significance

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding CFDA 93.928 Special Projects of National Significance program as described in finding number 2014-003 for Reporting. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with requirements applicable to that program.

Qualified Opinion on Special Projects of National Significance

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Projects of National Significance program for the year ended December 31, 2014.

Basis for Qualified Opinion on Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding CFDA 93.918 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease program as described in finding number 2014-005 for Reporting. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with requirements applicable to that program.

Qualified Opinion on Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease program for the year ended December 31, 2014.

Other Matter

The Organization's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal 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 the Organization's internal control over compliance.

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

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 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 program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies

in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-002, 2014-003, 2014-004, and 2014-005 to be material weaknesses.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-006 and 2014-007 to be significant deficiencies.

The Organization's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

BKD, LLP

Dallas, Texas
December 2, 2015

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Summary of Auditor's Results

1. The opinion expressed in the independent auditor's report was:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:
 Unmodified Qualified for Substance Abuse and Mental Health Services – Projects of Regional and National Significance, Block Grants for Prevention and Treatment of Substance Abuse, Special Projects of National Significance and Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease Adverse Disclaimer

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

7. The Organization's major programs were:

Cluster/Program	CFDA Number
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243
Block Grants for Prevention and Treatment of Substance Abuse	93.959
Special Projects of National Significance	93.928
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
2014-001	<p>Criteria or specific requirement – Management is responsible for providing financial information that is materially correct.</p> <p>Condition – The Organization’s financial statements required adjusting journal entries in the current year for financial statement presentation and the related accounting records. Areas in which adjustments were proposed including those in which management recorded include:</p> <ul style="list-style-type: none"> • Patient service revenue, patient accounts receivable and bad debt expense • Accrued liabilities and salary expense for accrued vacation • Capital lease obligation, interest expense and rent expense • Leasehold improvements and tenant improvement allowance • Rent expense and accounts payable <p>Context – There were adjustments required for the year-end financial statements to be presented in accordance with generally accepted accounting principles.</p> <p>Effect – Adjusting journal entries were proposed.</p> <p>Cause – The Organization’s policies and procedures in effect did not identify certain necessary adjustments required to present the financial statements in accordance with generally accepted accounting principles or identify the needed adjustments on a timely basis.</p> <p>Recommendation – The Organization should update its accounting policies and procedures to ensure account balances are properly recorded and reconciled on a monthly basis.</p>	None

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding	Questioned Costs
2014-001 (continued)	<p>Views of responsible officials and planned corrective actions – The Organization’s policies and procedures will be updated to reflect the necessary policies and procedures that need to be changed.</p> <p>Management will ensure necessary entries are made on a monthly basis for financial statements to be in accordance with generally accepted accounting principles.</p>	

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
2014-002	<p>Substance Abuse and Mental Health Services – Projects of Regional and National Significance, CFDA 93.243 U.S. Department of Health and Human Services Award No. 5H79TI024423-02 and 03, Program Years 2014-2015 Award No. 5U79SP016451-03 and 04, Program Year 2014 Award No. 1U79SP020239-01, Program Year 2014 Award No. 1H79TI025888-01, Program Year 2015</p> <p>Criteria or specific requirement – Reporting</p> <p>Condition – The Organization is required to prepare and submit the following reports on a grant year basis:</p> <ol style="list-style-type: none"> 1. Federal Financial Report (FFR) – quarterly and semiannually 2. Programmatic Reports – quarterly, semiannually and annually <p>Context – There were 12 reports due during the fiscal year. One of each of the quarterly and semiannual reports were selected to test (4 reports). The programmatic annual report was due after the end of the fiscal year. The information reported on the quarterly FFR for the quarter ended September 30, 2014 was incorrect. In addition, the Organization was unable to provide supporting documentation for any of the data reported on the semiannual FFR and programmatic report for the semiannual period ended March 31, 2014 and the quarterly programmatic report for the quarter ended September 30, 2014.</p> <p>Effect – FFR total cash receipts were reported incorrectly. Data on all other reports cannot be validated.</p> <p>Cause – Reports were not reviewed for errors prior to submission. The Organization does not keep proper documentation of their required reports and supporting internal reports used to generate the data reported.</p>	None

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding	Questioned Costs
2014-002 (continued)	<p>Recommendation – Policies and procedures over federal grant reporting should be modified to ensure amounts reported on the FFRs are reconciled to actual cash receipts and general ledger as necessary and reviewed by a secondary member of management prior to submission. Proper documentation of reports submitted and corresponding support including internal reports, reconciliations, logs and other source documents should be kept by the Organization for the amount of time required by the grant.</p> <p>Views of responsible officials and planned corrective actions – The Organization’s policies and procedures will be updated to include review of information by a member of management prior to submission. Additionally, policies and procedures will be updated to include maintaining a copy of submitted reports and supporting documentation for the period required by the grant.</p>	

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding	Questioned Costs
2014-003	<p>Special Projects of National Significance, CFDA 93.928 U.S. Department of Health and Human Services Award No. H97HA15147-05-00, Program Year 2014 Award No. H97HA27432-01-01, Program Year 2015</p> <p>Criteria or specific requirement – Reporting</p> <p>Condition – The Organization is required to prepare and submit the following reports on a grant year basis:</p> <ol style="list-style-type: none"> 1. Federal Financial Report (FFR) – quarterly 2. Progress Reports –semiannually <p>Context – There were 6 reports required to be submitted during the fiscal year. One of each of the quarterly and semiannual reports was selected for testing (2 reports). The information reported on the quarterly FFR for the quarter ended September 30, 2014 was incorrect. In addition, the Organization was unable to provide supporting documentation for any of the data reported on the semiannual progress report for the period ended August 31, 2014.</p> <p>Effect – FFR cash receipts were reported incorrectly. Data on all other reports cannot be validated.</p> <p>Cause – Reports were not reviewed for errors prior to submission. The Organization does not keep proper documentation of their required reports and supporting internal reports used to generate the data reported.</p> <p>Recommendation – Policies and procedures over federal grant reporting should be modified to ensure amounts reported on the FFRs are reconciled to actual cash receipts and general ledger as necessary and reviewed by a secondary member of management prior to submission. Proper documentation of reports submitted and corresponding support including internal reports, reconciliations, logs and other source documents should kept by the Organization for the amount of time required by the grant.</p>	None

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding	Questioned Costs
2014-003 (continued)	Views of responsible officials and planned corrective actions – The Organization’s policies and procedures will be updated to include review of information by a member of management prior to submission. Additionally, policies and procedures will be updated to include maintaining a copy of submitted reports and supporting documentation for the period required by the grant.	

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding	Questioned Costs
2014-004	<p>Block Grants for Prevention and Treatment of Substance Abuse. CFDA 93.959 U.S. Department of Health and Human Services / State of Texas Department of State Health Services Award No. 2014-044730-001, Program Year 2014 Award No. 2015-046512-001, Program Year 2015 Award No. 2014-044619-001, Program Year 2014 Award No. 2015-046510-001, Program Year 2015</p> <p>Criteria or specific requirement – Reporting</p> <p>Condition – The Organization is required to prepare and submit the following reports on a grant year basis for the HEI and HIV programs:</p> <ol style="list-style-type: none"> 1. Federal Financial Report (FFR) – quarterly 2. Performance Measures Report – quarterly 3. CMBHS Security Attestation 4. Annual Closeout Report (includes HEI and HIV programs) 5. Narrative Reports – quarterly <p>Context – There were 27 reports required to be submitted during the fiscal year. One of each report was tested for both the HIV and HEI programs (8 reports). The Organization was unable to provide supporting documentation for any of the data reported on quarterly performance measures and narrative reports for the quarters ended May 31, 2014 and August 31, 2014, respectively. Additionally, the Organization was not able to provide supporting documentation for the information submitted on the annual closeout report for program year 2014.</p> <p>Effect – Data reported on the above-referenced reports cannot be validated.</p> <p>Cause – The Organization does not keep proper documentation of their required reports and supporting internal reports used to generate the data reported.</p>	None

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding	Questioned Costs
2014-004 (continued)	<p>Recommendation – Proper documentation of reports submitted and corresponding support including internal reports, reconciliations, logs and other source documents should be kept by the Organization for the amount of time required by the grant.</p> <p>Views of responsible officials and planned corrective actions – The Organization’s policies and procedures will be updated to include maintaining a copy of submitted reports and supporting documentation for the period required by the grant.</p>	

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding	Questioned Costs
2014-005	<p style="text-align: center;">Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease, CFDA 93.918 U.S. Department of Health and Human Services / Houston Regional HIV/AIDS Resource Group, Inc. Award No. H76HA01705-10-02, Program Year 2014 Award No. H76HA01705-11-01, Program Year 2015 Award No. 14-SHR00RWC-06, Program Year 2014 Award No. 15-SHR00RWC-06, Program Year 2015</p> <p>Criteria or specific requirement – Reporting</p> <p>Condition – The Organization is required to prepare and submit the following reports on a grant year basis:</p> <ol style="list-style-type: none"> 1. Federal Financial Report (FFR) – quarterly and annually 2. Allocation Report - annually 3. Ryan White Services Report - annually 4. Expenditure Report - annually <p>Context – There were 8 reports required to be submitted during the fiscal year. One of each quarterly and annual report was selected for testing (5 reports). The amounts reported on the 2014 annual FFR, quarterly FFR for quarter ended September 30, 2014, and the 2014 annual expenditures report were incorrect.</p> <p>Effect – Data reported on the above referenced reports was not accurate.</p> <p>Cause – There is no secondary review of the reports for errors prior to submission.</p> <p>Recommendation – Policies and procedures over federal grant reporting should be modified to ensure amounts reported on financial reports are reconciled to the general ledger and other support prior to submission. Additionally, all reports should be reviewed by a secondary member of management prior to submission.</p> <p>Views of responsible officials and planned corrective actions – The Organization’s policies and procedures will be updated to include review of information by a member of management for accuracy prior to submission.</p>	None

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding	Questioned Costs
2014-006	<p style="text-align: center;">Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease, CFDA 93.918 U.S. Department of Health and Human Services/ Houston Regional HIV/AIDS Resource Group, Inc. Award No. H76HA01705-10-02, Program Year 2014 Award No. H76HA01705-11-01, Program Year 2015 Award No. 14-SHR00RWC-06, Program Year 2014 Award No. 15-SHR00RWC-06, Program Year 2015</p> <p>Criteria or specific requirement – Program Income</p> <p>Condition – The Organization is not allowed to impose charges for the services under the program exceeding a percentage of the individual’s income level, as defined in the grant agreement.</p> <p>Context – Out of 301 patients who received assistance from the grant, 40 patients were selected for testing. Three of the patients were charged fees in excess of the percentage of their income allowed by the grant.</p> <p>Effect – Patients were charged more for services than are allowed by the grant.</p> <p>Cause – The Organization does not have effective controls to ensure a patient is not charged more than the maximum allowed under the grant agreement.</p> <p>Recommendation – Policies and procedures should be in place to assure patient account representatives review the patient’s chart prior to posting additional charges.</p> <p>Views of responsible officials and planned corrective actions – The Organization’s policies and procedures will be updated to include review of patient’s billing history at each appointment to ensure patients’ are not charged more than is allowed under the grant.</p>	None

Special Health Resources for Texas, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding	Questioned Costs
2014-007	<p>Substance Abuse and Mental Health Services – Projects of Regional and National Significance. CFDA 93.243 U.S. Department of Health and Human Services Award No. 5H79TI024423-03, Program Years 2014-2015 Award No. 5U79SP016451-04, Program Year 2014 Award No. 1U79SP020239-01, Program Year 2014 Award No. 1H79TI025888-01, Program Year 2015</p> <p>Criteria or specific requirement – Special Tests</p> <p>Condition – The Organization is required to notify the granting agency in writing if the project director or key personnel specifically named in the notice of award withdraw from the project entirely, are absent from the project during any continuous period of 3 months or more, or reduce time devoted to the project by 25 percent or more from the level that was approved at the time of award.</p> <p>Context – The project director’s level of effort for each of the awards noted above was more than 25 percent less than the level of effort that was approved at the time of the award and notification of the reduction was not communicated to the granting agency.</p> <p>Effect – Changes in project director’s level of effort were not communicated and approved by the granting agency.</p> <p>Cause – The Organization did not have any controls in place to monitor the actual level of effort of the project director and key personnel to the approved amount in the notice of award.</p> <p>Recommendation – Management should develop a process to monitor level of effort of key personnel in the grant agreement compared to the actual effort that is being spent on the program to ensure compliance.</p> <p>Views of responsible officials and planned corrective actions – The Organization’s policies and procedures will be updated to track level of effort required by certain individuals in the grant agreement, ensure that the level of effort requirements are being met and that any changes in key personnel are properly reported to the granting agency.</p>	None

Special Health Resources for Texas, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2014

Reference Number	Summary of Finding	Status
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No matters are reportable.

Findings Required to be Reported by *Government Auditing Standards*

BOARD OF DIRECTORS:

Robert Crank
Chairman
store director

Hank Guichelaar
Vice-Chairman
pilot

Kathy Loy
Secretary
business owner

Keene Guidry
Treasurer
vice president of operations

Honorable Paul Banner
attorney

Pamela Lewis
store clerk

Charles Everingham, IV
attorney

Vikas Verma
civil engineer

Richard Lenard
retired

Les Whelcel
branch manager

Jill Taylor
substance abuse intake

Steve Crane
paralegal

Kim Nesvig
executive director

Reference Number: 2014-001

Recommendation – The Organization should update its accounting policies and procedures to ensure account balances are properly recorded and reconciled on a monthly basis.

The Quality Assurance Director and CFO’s corrective actions –The Organization’s policies and procedures will be updated to reflect the necessary policies and procedures that need to be changed. Management will ensure necessary entries are made on a monthly basis for financial statements to be in accordance with generally accepted accounting principles. The Chief Financial Officer will oversee this process

Reference Number: 2014-002

Recommendation – Policies and procedures over federal grant reporting should be modified to ensure amounts reported on the FFRs are reconciled to actual cash receipts and general ledger as necessary and reviewed by a secondary member of management prior to submission. Proper documentation of reports submitted and corresponding support including internal reports, reconciliations, logs and other source documents should be kept by the Organization for the amount of time required by the grant.

The Quality Assurance Manager plan for corrective action – The Organization’s policies and procedures will be updated to include review of information by a member of management prior to submission. Additionally, policies and procedures will be updated to include maintaining a copy of submitted reports and supporting documentation for the period required by the grant.

Reference Number: 2014-003

Recommendation – Policies and procedures over federal grant reporting should be modified to ensure amounts reported on the FFRs are reconciled to actual cash receipts and general ledger as necessary reviewed by a secondary member of management prior to submission. Proper documentation of reports submitted and corresponding support including internal reports, reconciliations, logs and other source documents should kept by the Organization for the amount of time required by the grant.

Quality Assurance Director and CFO's corrective actions – The Organization's policies and procedures will be updated to include review of information by a member of management prior to submission. Additionally, policies and procedures will be updated to include maintaining a copy of submitted reports and supporting documentation for the period required by the grant.

Reference Number: 2014-004

Recommendation – Proper documentation of reports submitted and corresponding support including internal reports, reconciliations, logs and other source documents should be kept by the Organization for the amount of time required by the grant.

The Quality Assurance Manager planned corrective actions – The Organization's policies and procedures will be updated to include maintaining a copy of submitted reports and supporting documentation for the period required by the grant.

Reference Number: 2014-005

Recommendation – Policies and procedures over federal grant reporting should be modified to ensure amounts reported on financial reports are reconciled to the general ledger and other support prior to submission. Additionally, all reports should be reviewed by a secondary member of management prior to submission. None

The Quality Assurance Manager and CFO planned corrective actions – The organization's policies and procedures will be updated to include review of information by a member of management for accuracy prior to submission.

Reference Number: 2014-006

Recommendation – Policies and procedures should be in place to assure patient account representatives review the patient's chart prior to posting additional charges.

The quality Assurance Manager and CFO corrective action plan – The Organization's policies and procedures will be updated to include review of patient's billing history at each appointment to ensure patients' are not charged more than is allowed under the grant.

Reference Number: 2014-007

Recommendation – Management should develop a process to monitor level of effort of key personnel in the grant agreement compared to the actual effort that is being spent on the program to ensure compliance. None

The quality Assurance Director and Project Director's corrective actions – The Organization's policies and procedures will be updated to track level of effort required by certain individuals in the grant agreement, ensure that the level of effort requirements are being met and that any changes in key personnel are properly reported to the granting agency.