



BOARD MINUTES
May 23, 2019

METROCARE SERVICES
Board Meeting Minutes

A Regular Meeting of the Board of Trustees of Metrocare Services convened on Thursday, May 23, 2019 at 1345 River Bend Drive/Dallas, TX 75247.

CALL TO ORDER:

Mr. James called the meeting to order at 1:29 pm. A quorum of board members was present.

Board Members

Present:

Terry James	Leslie H. Secrest, M.D.	Dee Salinas Gutierrez
Jill Martinez	Jasmine Crockett	Kenneth R. Bernstein
Peter A. Schulte	Dave Hogan	

Staff Present:

John Burruss, M.D.	Linda Thompson	Judith Hunter, M.D.
Richard Buckley	Ken Medlock	Kelli Laos
Ratana DeLuca		

Others Present:

Joel Geary	Kevin Boyd	Elizabeth Goodwin
Heath Frederick	Aaron Ceder	Brooks Love
Doreen Douchi		

CITIZEN COMMENTS: No public comment was received.

ACTION AGENDA ITEM(s):

Mr. James moved the order of the agenda to allow Mr. Mark Hull from the Auditing firm of Crowe, LLP to present his report first.

Finance and Administration Reports:

Consideration to Receive the FY18 Audited Financial Statements:

Mr. Hull provided the Board and executive staff with three documents. The first being the Final Draft of the Audited Financial Statements in short format. The Short Format does not include the Single Audit Report, which, when included, is referred to as the Long Format. The second document was the SAS 114 Report which outlines the Auditor's responsibilities as they relate to the audit; an overview of communications with the Management Team; the Scope of the Audit; Significant Accounting policies and accounting estimates; and the Auditor's judgements on the qualitative aspects of the policies and estimates. The third document is the Auditor's Findings inclusive of the Management Responses. Before going into details on the aforementioned documents, Mr. Hull said the audited financials shall be finished within the next several days as management and Crowe's national office are working on a few open items. The Single Audit Report is still in process, as they are still running some tests with grants in which documentation is needed to finalize the testing, and it may be a two to three weeks process before it is completed.

Mr. Hull then went through a comprehensive review of each of the documents and fielded many questions inclusive of questions from every Board Member. This review lasted almost 45 minutes and touched on almost all items highlighted in the documents. A brief summary of the major items discussed in both monetary valuation and time devoted to the issue are as follows:

- FY17 Financial Restatement related to the Software Development Accounting for Xenatix. This item was raised as part of an adjustment of reducing license revenue by one million dollars in FY18 and reclassing the associated accounts receivable balance to an intangible asset. As part of the Netsmart contract, Metrocare licensed to Netsmart the Xenatix and other internally developed software for \$3.3MM which was to be paid out over the course of the contract with \$1 million payable in FY18. On September 1, 2017, the date of the contract, Metrocare recorded license revenue of \$1.0MM and \$2.3MM of deferred revenue. Mr. Hull explained that since this is such a unique item for a governmental unit developing software and then licensing it, they wanted to make sure this treatment was correct. A memo was put together of the discussions between Crowe and GASB where they were concerned over the accounting treatment of this transaction. Mr. Hull emphasized that this was a very unique and complex area. Per review by Crowe's National Office of GASB rules, the transaction was adjusted so the \$3.3MM was recorded as an Intangible Asset and cash received over the course of the contract would reduce this item accordingly. Many questions were asked by Board members with Mr. James asking if the Xenatix issues have finally been finalized. Mr. Hull said it should not be an issue from this point forward. Mr. Hull further explained the rights and obligations of the contract and the transfer of title to the software after 5 years to Netsmart. Therefore, all Metrocare has to do once it receives the cash is reduce the intangible asset by the same amount.
- FY18 Financial Restatement related to Fixed Assets. This restatement of \$848,180 was the cumulative effect of numerous prior years of various items ranging from the incorrect recording of asset transfers, depreciable lives and expenses and not recording the disposition of numerous assets. Mr. Hull explained they had to spend considerable time on this issue as the previous auditor's workpapers did not support the valuations Metrocare had on its general ledger. Management also acknowledged that there was no record of the last time a physical inventory of all fixed assets had been performed and this was the only true and correct method to determine the valuation of the fixed assets. In summary, we had to recreate from the beginning the valuation for each of the physical fixed assets Metrocare owns. As this issue was cumulative over years, by definition, Mr. Hull explained this was a material weakness requiring an Audit Finding in the Auditor's Findings Report.
- Based on the 2 items noted above, there ensued a comprehensive question and answer discussion surrounding the rules and regulations around Prior Period Adjustments, how they impact prior year's financial statements and the Auditor's responsibility. This discussion was led by both Mr. Hull and Ken Bernstein, Board Member, who is a former partner from the Accounting & Auditing firm, Ernst & Young. Both gentlemen explained the auditing rules, the specific issues at hand, and how these issues were a significant reason why the audit took so long to complete this year. It was also noted since this was the first year for Crowe auditing Metrocare the cumulative effect of all these matters required much more extensive audit time than would have been normally expected of a first-year engagement. Ms. Salinas closed this segment of discussion when she asked when the next audit would be and asked if Crowe would continue to do our audits. Mr. Hull said the next audit will be for August 31, 2019 and said Crowe will be going through what they call a Client Continuance Acceptance Form which they perform on every one of their clients and that this is done within 30 days after the audit reports

are issued. He went on to provide information on what the process entailed and said that this is signed off by their National office and their legal department, and in his opinion, once the single audit is complete, the audit process begins immediately thereafter.

- The Board then asked numerous questions related to the 2 Findings in the Auditor's Finding report. Mr. Hull explained the 2 Findings and Mr. Buckley agreed with the Findings. Mr. Buckley then expanded upon the Findings with explanations of the Management responses where Management agreed with the Findings. Mr. Hull then agreed the corrective measures as detailed in the Management Responses were acceptable as they directly corrected the issues raised. This discussion then led to a broader discussion of the impact of the three major computer system implementations (Payroll, Electronic Health Record and Accounting) and their impact on the audit. Mr. Hull and Mr. Buckley led this discussion where Mr. Hull stated they had no impact on the FY18 audit as only the Payroll system was operational for only one month in FY18. Mr. Hull went on to explain, and Mr. Buckley concurred, that as the computer applications become operational within a given fiscal year is when they will impact the audits. Mr. Hull then explained the expertise Crowe possesses in these areas and how they would bring their resources to the auditing teams.
- Mr. James and Mr. Bernstein asked a series of questions regarding disclosures in the Audit Report relative to the Cyber Security and IRS matters. Ms. DeLuca and Mr. Buckley responded they were in direct contact with our attorney's, respectively for each matter, and each attorney reviewed and approved the language within the report.

With no other issues of significance to discuss, Mr. Hull ended his presentation by reasserting Metrocare received a clean, unmodified opinion, and that Changes in Net Assets were \$1,128,505 for FY18.

Mr. James asked if anyone had any other questions or comments.

Dr. Burruss thanked Mr. Hull for his report and said we are looking forward to, hopefully, a favorable opinion from his client review board.

RECESS: The Chairman of the Board, Mr. James, requested a 15- minute recess. The meeting closed at 2:10 pm. The meeting reconvene at 2:28 pm.

Mr. James closed the meeting at 2:28 p.m., to go into Executive Session and made the following announcement:

EXECUTIVE SESSION: Announcement of Closed Session in Accordance with Texas Government Code §551.074 (authorizing governmental bodies to conduct closed meetings to "deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee").

- Discussion regarding CEO evaluation and contract renewal

Statement at end of closed session:

Mr. James returned to open session at 3:50 p.m., on Thursday, May 23, 2019 and said that there was no action taken during closed session.

Consent Agenda Items:

Mr. James said all consent agenda items are considered to be routine by the board and will be enacted with one motion. There will be no separate discussion of items unless a board member so request, in which event, the item will be removed for consideration as an item of consent business and considered in its normal sequence with the other action items listed below in which case full discussion of the item may occur as necessary.

Mr. James moved Acceptance of the Consent Agenda items as a whole, provided the board did not have an objection or a desire for one of these items to be taken up in the regular course of business. There were no objections. Motion carried.

- ❖ Acceptance of the April 25, 2019 Regular Board Meeting Minutes.
- ❖ Acceptance of the Human Resources Report for April 2019.
- ❖ Acceptance of the Clinical Services Division Reports for April 2019.
- ❖ Acceptance of the Mental Health Division Report for April 2019.
- ❖ Acceptance of the Quality Management Report for April 2019.
- ❖ Acceptance of Revision to Board Policy 2.08 on Records Management.
- ❖ Acceptance of the Strategic Initiatives Report for April 2019.

Chairman Updates:

Mr. James said that we have been talking about issuing Metrocare e-mail accounts to board members for purposes of Freedom of Information ACT requests and being able to have the boards communications centralized with e-mails not going into their personal accounts and things of this nature. He asked that the board think about this and let him know if they have any questions. This will be discussed at our next board meeting.

Next, Mr. James yield the floor to Mr. Hogan so that he could share some information with the board members.

Mr. Hogan said that this past week, Dallas County District Attorney - John Creuzot, talked about a new jail diversion initiative for low level offenders, particularly those that are homeless and in Jail and he is looking for proposals and initiatives. Mr. Hogan said that DA-Creuzot has the ability to prosecute or not prosecute those low-level offenses that are basically Class B misdemeanors, and he is particularly looking at criminal trespassing which is what our folks fall into. He wanted to bring this to the board because Metrocare is most likely going to be drawn in down the line.

Mr. James thanked Mr. Hogan for sharing this information and asked him to keep Dr. Burruss and the board abreast as the conversations continue to progress.

Mr. Schulte referred to some of the initiatives that DA-Creuzot put out a few weeks ago and said that this shocked a lot of people. Mr. Schulte referred to the Center that Harris County has and the resources they provide to these individuals keeping recidivism down. He said Dallas does not have this type of center and the only option available to police is to take them to jail. He said we must do something about this because this is going to affect many of the consumers Metrocare serves.

Ms. Crockett referred to the program that San Antonio has. She said that their program is almost across the street from their county jail and when someone gets picked up for trespassing or commits a minor offense they are transported to this center and provide the services they need and that they too have said that recidivism has decreased.

She said that if she can get the County Sheriff who over sees the jail and the DA on board, they could get the funding. Right now they technically have a facility that's right across the street from the jail, but they need for the allies and other people involved in the criminal justice and the county to say we need this and then we could possibly get the County Commissioners to do their part.

Mr. Schulte agreed with Ms. Crockett.

Ms. Martinez asked if the BHLT has been discussing this during their meetings.

Dr. Burruss said that the program located in Houston was the result of a specific Legislative Allocation of \$10MM a year, over several years as a demonstration project. Following that, House Bills were passed to create similar funding for other metropolitan areas which is going to create the living room that NTBHA opened. Several board members attended the soft opening.

Mr. Schulte said it would be nice for them to know that these things exist.

Dr. Burruss said that this is NTBHA's use of that money. Dr. Burruss referred to Haven of Hope in San Antonio and said this is an international model on how to do things.

Ms. Crockett said that Sheriff Brown is very open minded to helping-out because we want our jail population under control, plus we want to make sure that they all receive the services they need. She said we have not had this model here, so basically, she and Sheriff Brown would have a reign on tops and a dissemination of information. Ms. Crockett said she would not be doing this as a board member, but someone who is concerned.

Mr. Schulte said that we can assist the DA and his office on how to move this forward. Mr. Schulte requested Mr. James approval to reach out to DA Cruzot and suggested a visit to Houston for a visit to that program.

Dr. Burruss said he would be eager to help with this and the visit to Houston. Several of the board members offered to go to Houston. Dr. Burruss said that many of the board members will be in Houston to participate in the Annual Conference and they could potentially set up a visit while they are there.

Mr. James concluded the Chairman's report and turned it over to Dr. Burruss for the CEO report.

CHIEF EXECUTIVE OFFICER REPORT:

Services Presentation: Dr. Burruss said today's presentation has been postponed until next month.

ACTION AGENDA ITEMS:

Consideration of Acceptance of the Chief Executive Officer Report for FY19 Key Performance Indicators Progress through April 2019: Dr. Burruss distributed the most recent version of the weekly collections dashboard he showed at the last board meeting. There was a million-dollar week plus the \$600K following week was the result of a great deal of investigation into the topics that were discussed at the last board meeting. This is not over, and we still have a lot of room to go, but we are making headway.

Mr. Schulte asked if the collections are more old stuff that we are starting to put in the system, or if this is new stuff that is being billed properly.

Dr. Burruss said that this is both. There is a layer of old stuff on top, but we are also working on the run rate every single week to make sure we are back to our normal speed.

Ms. Martinez asked if what is happening to Superior is going to affect Metrocare.

Dr. Burruss said he did not know anything about Superior but will take a look.

Motion: Made by Mr. Schulte and seconded by Ms. Crockett to Accept the Chief Executive Officer Report for FY19 Key Performance Indicator Progress through April 2019. The motion carried by unanimous consent.

FINANCE AND ADMINISTRATION REPORT:

Mr. James referred to Mr. Buckley for this report.

Consideration of Acceptance of the Financial Reports for April 2019 (unaudited):

Mr. Buckley said he wanted to highlight some of the other good areas that are going on in the agency. Referring to page 145395 and the change in net asset he said year to date actual is \$3.3MM. He said he feels rather confident about our prospects to meet or exceed budget as they relate to the full year.

MyAvatar - At the end of year budget a lot of things change. At times we had some un-anticipated difficulties with MyAvatar and limitations that we worked through and we were able to fix.

Medicaid Administrative Claims (MAC) - Will bring about \$1.6MM of revenue that has no associated expenses. Metrocare had no basis for budgeting this item as it had no historical data. This is Metrocare's first year to participate on the MH side since the advent of NorthSTAR in 1999.

Contributions – LifeNet Services – We hope to finalize the transfer of the seven group homes sometime in June/July with an insured value of approximately \$1.8MM.

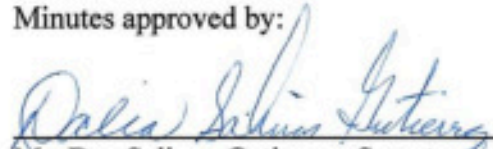
Mr. Buckley said we just went through the audit and we have \$1.1MM in net income. By the time we are finished with FY19 we will have exceed this. We will exceed our budget which is \$2.3MM. He said he is being optimistic, but we are a big agency with a lot of positive things.

Dr. Burruss said that last month we were ahead of budget, but the number was negative about (\$3.5MM), this month we are behind budget, but our number is now positive \$3.3MM. The reason for this is that April is a big DSRIP reporting month. During the month of April, we recorded several milestones and benchmarks, but not all. There is one described in here that we are going to have to put off, but we recorded this. This is what flips the budget, and if people are watching the budget and they don't know about our cash flow nature, then this surprises them when something like this happens. Also, the large payment used to be early in the year and we use to book metrics in a different time. The transition from negative to positive happened later in the year.

Motion: Made by Mr. Schulte and seconded by Ms. Crockett to Accept the Financial Reports for April 2019. The motion carried by unanimous consent.

Meeting Adjournment: There being no further business to come before the Board, Mr. James adjourned the meeting at 4:15 p.m.

Minutes approved by:


Ms. Dee Salinas-Gutierrez, Secretary

Minutes distributed by:

Martha L. Toscano

Executive Assistant to the CEO/Board Liaison