

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF HEALTH
AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID**

JULY 1, 2015, THROUGH DECEMBER 31, 2016

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Issued on June 28, 2017

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

BACKGROUND

The Health Aid Program 514 promotes public health activities, which enhance the health of families through education, prevention of disease, reduction of morbidity and mortality, and facilitates access to appropriate health related services.

There are numerous subprograms within Program 514. See **Exhibit D** for expenditures by subprogram for the period July 1, 2015, through December 31, 2016. Subprograms with expenditures greater than \$1 million for the period include the following:

Immunization (9): Provides Federally-purchased vaccines, assessment, and informational support to public immunization clinics and private providers participating in the Vaccine for Children Program for children from infancy to entering college freshmen. It also provides certain adult vaccines to public immunization clinics.

Chronic Renal Disease (17): Provides assistance to those persons confronted with the catastrophic cost of chronic renal disease and assists in the development of a renal disease treatment system.

External Maternal and Child Health Services (MCHS) Grants (31): The Title V/Maternal and Child Health Block Grant funds activities and services for women and children, including children with special health care needs. Funded projects include those focused on primary and preventive health care, enabling services, population-based services, and infrastructure.

Family Planning Reproductive Health (50): Includes subgrants to delegate agencies that provide education and comprehensive medical reproductive health services for individuals regardless of income, marital status, age, national origin, or residence. These services include community and individual education, physical exam (including breast and pelvic exam), pap smears, standard lab tests, sexually transmitted disease testing and treatment, pregnancy testing, contraceptive methods, abnormal lab follow-up and referrals.

Ryan White (66): Provides prescribed therapeutics for individuals who are HIV/AIDS positive and have no other source of receiving prescribed therapeutics.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (86): Includes subgrants to local agencies that provide checks for supplemental foods and preventive nutrition and health services for women who are pregnant, breastfeeding or post-partum, and infants and children up to the age of five.

Hospital Preparedness Program (122): Provides support to regional health care preparedness planning coalitions to build hospital and healthcare system preparedness for response to natural disasters, terrorism, and other events affecting hospitals and healthcare system partners; the University of Nebraska Medical Center (UNMC) Biocontainment Center to provide isolation and containment for highly infectious patients; and the University of Nebraska Public Policy Center to provide behavioral health training and support in response to an emergency event. In conjunction with the Public Health Emergency Response program, provide support to the UNMC Center for Preparedness Education; the State Public Health laboratory; the UNMC Poison Control Center; and UNMC Health Professions Tracking Services.

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Public Health Emergency Response (123): Provides support to local health departments for preparedness planning and response to include local public health emergency responders; and to UNMC for a Geographic Information System. In conjunction with the Hospital Preparedness Program, provide support to the UNMC Center for Preparedness Education; the State Public Health laboratory; the UNMC Poison Control Center; UNMC Health Professions Tracking Services.

Maternal, Infant, and Early Childhood Home Visiting Program (155, 156, 157): Support evidence-based home visiting services in Nebraska communities identified as having the greatest need for these services.

Bioterrorism Ebola Preparation (168): Supports Ebola treatment centers and preparedness activities.

Chronic Disease Prevention and Control (181, 182, 183, 184, 185, 187, 188): Delivers a broad range of educational activities and efforts to reduce death, disability, and costs related to diabetes and its complications; to prevent heart disease, heart attack and stroke through public health strategies, policies, and education; and to improve nutrition, increase physical activity, and to control obesity and other chronic diseases through healthy eating and physical activity.

Helmsley LUCAS (319): Provides automatic cardiac monitors (LUCAS) devices to emergency medical services in Nebraska.

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KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Executive Management

Name	Title
Courtney Phillips	Chief Executive Officer
Karen Gatherer	Interim Chief Financial Officer
Tom Williams, M.D.	Director, Public Health Division

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SUMMARY OF COMMENTS

During our examination of the Nebraska Department of Health and Human Services (DHHS) Program 514 – Health Aid (Program), we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comment #1, #2, #3, #4, and #5, which are considered to be significant deficiencies.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Timeliness and Accuracy of Accounting Transactions:*** Journal entries were not accurate and not processed timely. Transactions were not properly recorded.
2. ***Federal Grant Monitoring Not Adequate:*** DHHS did not have adequate procedures to monitor subrecipients of Federal grants. Questioned costs of \$153,957 were noted.
3. ***Ryan White Program Issues:*** Drug rebates related to the Ryan White program were not requested timely and were not used prior to the expenditure of grant funds, as required.
4. ***Newborn Screening and Genetics Subprogram Not Adequately Monitored:*** DHHS did not have adequate monitoring procedures in place to ensure payments for metabolic formula and related consultation were for allowable costs.
5. ***General Fund Monitoring Issues:*** DHHS did not have adequate procedures to ensure aid paid with State General Funds was proper. We noted issues with the following subprograms: Chronic Renal Disease; Maternal, Infant, and Early Childhood Home Visiting; Health Screening; and Native American Public Health Act.
6. ***Inadequate Controls Over Receipts:*** Controls were not adequate to ensure donations were properly deposited and recorded. Receipts were not deposited in a timely manner.

More detailed information on the above items is provided hereinafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Program.

Draft copies of this report were furnished to DHHS to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. Formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

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COMMENTS AND RECOMMENDATIONS

1. Timeliness and Accuracy of Accounting Transactions

We tested 12 journal entry transactions and noted the following:

- The final Federal report for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) 2015 grant was submitted on February 8, 2016, and the general ledger was reconciled to the report at that time. However, the reconciliation entry was not done correctly. The amount reported included expenditures after September 30, 2015, and this was not caught when reconciling the general ledger to the financial report. The error, which required a journal entry of \$333,997 to be moved from the 2015 grant to the 2016 grant, was not done until March 6, 2017, or 13 months later.
- DHHS recorded a journal entry, totaling \$151,019, on November 21, 2016, that was unnecessary. The journal entry was noted as made to move money between funds. However, when discussing the journal entry with DHHS personnel, it was determined that the entry should not have been made.
- A journal entry related to a voided payment of \$115,050 on August 4, 2016, was posted incorrectly, resulting in a duplicate expense. After the APA notified DHHS, the entry was corrected on April 7, 2017.
- A journal entry recorded \$51,806 to operating expense instead of a prior period adjustment. The journal entry was done to move prior period expenses from one grant to another.
- A journal entry for \$12,604 was not performed timely. The journal entry to reconcile the 2015 Helmsley-LUCAS Grant was done on July 11, 2016; however, the report was submitted on April 14, 2016, so the entry should have been performed at the time the report was submitted and not three months later.
- An entry to repay a loan between DHHS Cash Funds was not timely and was recorded as a transfer instead of a loan repayment. Per DHHS, in 2004 a loan of \$1,100,000 was made between cash funds. Entries were made in 2012 and also a final entry on February 26, 2016, of \$300,000 from fund 22081 to fund 22086 to repay the balance of the loan. Per DHHS, the loan was meant to be a short-term loan to cover several sub-funds within parent fund 22550 as a result of a conversion in accounting systems; however, there was no documentation of which funds were loaned from fund 22086.

We also noted the following:

- A \$1,088,805 receipt for rebates related to the Ryan White program was incorrectly recorded as a negative expenditure.
- Grant revenue, totaling \$492,812, was incorrectly recorded as Miscellaneous Receipts instead of Intergovernmental.

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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Timeliness and Accuracy of Accounting Transactions (Concluded)

Errors affecting the financial schedule were discussed with DHHS, and the schedule was adjusted.

A good internal control plan requires procedures to ensure that transactions are accurate and processed timely.

Without adequate procedures to ensure transactions are proper and recorded timely, there is an increased risk for errors to occur and not be detected.

We recommend DHHS establish procedures to ensure transactions are properly and timely recorded.

DHHS Response: We have reviewed all of the transactions noted in the attestation report. These items will be incorporated into training agendas and procedures will be updated to ensure that transactions are accurate and processed timely.

2. Federal Grant Monitoring Not Adequate

DHHS has an agency-wide general policy regarding subrecipient monitoring. However, program managers are responsible for their own specific procedures. For most transactions reviewed, the subrecipient was not required to submit source documentation, such as timesheets and invoices, with each reimbursement request. Instead, DHHS reviewed a sample of expenses through desk reviews or site visits.

However, there were no written policies regarding the support to be maintained, the dollar coverage to be achieved, selection of expenses, or sampling procedures to ensure the monitoring was representative of the subaward. Several subprograms indicated their procedure was to review one reimbursement during the course of the subaward. We noted the following during testing:

- For 5 of 24 payments tested, the monitoring review was not representative, and adequate coverage was not obtained to ensure expenditures were reasonable, necessary, and in accordance with Federal cost principles.
 - In one instance, DHHS reviewed the first period payment for \$4,174; the payment selected by the APA for testing was \$14,775 and included several budget line items not reviewed by DHHS, including incentives such as Fitbits. DHHS did not have the required prior written approval from the Federal grantor for incentives.
 - In another instance, the monitoring did not include several significant categories of expenses. We noted unallowable public relations costs, participant costs for prizes and gift cards not approved by the Federal grantor as required, personnel costs not adequately supported, and the detail of expenditures did not total correctly, resulting in an overpayment.

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2. **Federal Grant Monitoring Not Adequate** (Continued)

- For another, DHHS selected the third quarter for review, and we selected the fourth quarter payment for testing. The fourth quarter payment was more than double any other quarter. We noted there was not adequate documentation to support the reasonableness of charges for contract payments by the subrecipient.
- DHHS reviewed a reimbursement for \$1,524; however, the payment the APA selected was \$40,476, and significant budget items were not covered by the DHHS review. For another, DHHS reviewed a reimbursement for \$18,586, and the payment selected was \$48,762. In both of these cases, after the APA requested additional information, DHHS was able to obtain documentation from the subrecipient to support the costs.
- For four payments tested, DHHS had performed a site review but did not maintain copies of source documentation on file. Therefore, adequate documentation was not on file to support the expenditures. We requested that DHHS obtain documentation from the subrecipient to support the costs. Two of these payments did not have adequate documentation, such as timesheets, to support that the time charged to the grant was proper. We also noted invoices not related to the grant.
- One payment tested was paid based on budgeted amounts for deliverables. Paying subrecipients based on deliverables is not in accordance with Federal cost principles. Prior written approval from the Federal awarding agency is required for fixed amount subawards. Per the subaward agreement, “Subrecipient shall be paid for actual, allowable, and reasonable costs as shown on the budget . . . Payment shall be made upon submission and approval of an invoice together with a report on deliverables.” DHHS paid the budget amount for each deliverable, not the actual costs.
- For one payment, the subrecipient’s salaries were based on time studies, which are not an allowable method to charge payroll compensation.
- One payment did not have adequate documentation to support the reasonableness of a contract amount paid by the subrecipient. In addition, this payment was split between diabetes and heart disease activities. DHHS reversed the amounts that should have been charged to each. The grant award authorized funding by each component, and the amount charged to each component was incorrect.
- One payment included one item paid at the incorrect rate per the subrecipient agreement.
- We also noted 13 subawards tested that were not signed by DHHS within 60 days of the effective date of the subaward. The 13 subawards were signed from 65 to 443 days after the effective date.

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COMMENTS AND RECOMMENDATIONS
(Continued)

2. Federal Grant Monitoring Not Adequate (Continued)

Questioned costs for the items noted above are as follows:

CFDA	Program	Questioned Costs
93.092	Personal Responsibility Education Program	\$ 18,367
93.268	Immunization Cooperative Agreements	\$ 10,791
93.505	Maternal, Infant, and Early Childhood Home Visiting Program	\$ 9,912
93.757	State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors, and Promote School Health	\$ 5,750
93.758	Preventive Health & Health Services Block Grant	\$ 37,423
93.940	HIV Prevention Activities Health Department Based	\$ 15
93.945	Assistance Programs for Chronic Disease Prevention and Control	\$ 41,276
93.994	Maternal and Child Health Services Block Grant to the States	\$ 30,423
Total		\$ 153,957

We also noted issues with subrecipient monitoring during our fiscal year 2016 Single Audit. The following Federal programs are accounted for in Program 514, and the 2016 Single Audit findings include the following:

CFDA	Program	Single Audit Finding #
93.069 & 93.889	Hospital Preparedness Program and Public Health Emergency Preparedness	2016-022 to 2016-023
93.217	Family Planning Services	2016-024 to 2016-028
93.283	CDC Investigations and Technical Assistance	2016-029

45 CFR § 75.303(a) (October 1, 2015) provides that an Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires procedures to ensure subrecipients use Federal awards in accordance with Federal compliance requirements, including procedures for monitoring of subrecipients' fiscal activities related to Federal expenditures. Good internal control also requires subaward agreements to be signed in a timely manner.

45 CFR § 75.352(d) (October 1, 2015) requires a pass through entity to monitor the activities of a subrecipient to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

45 CFR § 96.30(a) (October 1, 2015) requires fiscal control and accounting procedures sufficient to permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the grant.

45 CFR § 75.403 (October 1, 2015) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

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COMMENTS AND RECOMMENDATIONS
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2. Federal Grant Monitoring Not Adequate (Concluded)

Per 45 CFR § 75.456 (October 1, 2015), participant support costs are allowable with the prior approval of the awarding agency.

Per 45 CFR § 75.353 (October 1, 2015), with prior written approval from the awarding agency, a pass-through entity may provide subawards based on fixed amounts up to the Simplified Acquisition Threshold, provided that the subawards meet the requirements for fixed amount awards in § 75.201.

Per 45 CFR § 75.421 (October 1, 2015), costs of advertising and public relations to promote the non-Federal agency are unallowable.

Per 45 CFR § 75.430 (October 1, 2015), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

Without adequate financial monitoring, there is an increased risk for errors or misuse of funds.

We recommend DHHS improve monitoring procedures to ensure Federal charges are reasonable, necessary, adequately documented, and in accordance with Federal regulations. We further recommend written monitoring procedures be developed and implemented to ensure adequate coverage is obtained, and documentation is maintained to support payments to subrecipients. Finally, we recommend subawards be signed in a timely manner.

DHHS Response: DHHS does not agree with the portion of the finding related to the payment which included the FitBits. This expense falls within 2 CFR §200.437 Employee health and welfare costs which are allowable and do not require prior approval from the Federal grantor.

The issue regarding payment for deliverables on subawards has been resolved. All subaward agreements issued are required to be on a cost reimbursement basis unless Federal approval has been received for a fixed amount subaward.

DHHS will be seeking additional clarification from Federal partners on the approval of time studies for subrecipients where DHHS is the Cognizant Agency.

DHHS is working to improve grant management processes and procedures to reduce the number of days between signature and effective dates of subawards.

APA Response: The Fitbits were not provided to employees of the subrecipient, but rather to participants of the Healthy Worksites Projects; therefore, these costs do not fall within 2 CFR § 200.437 but instead 45 CFR § 75.456 and require prior approval.

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COMMENTS AND RECOMMENDATIONS
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3. Ryan White Program Issues

The Ryan White subprogram provides HIV-related services for those who do not have sufficient health care coverage or financial resources for coping with the HIV disease. The subprogram is funded through CFDA 93.917 HIV Care Formula Grants Federal funds, drug rebates, and State General Funds. DHHS has a subaward with the University of Nebraska Medical Center (UNMC) to provide medical drug therapies to eligible and enrolled HIV positive consumers through the AIDS Drug Assistance Program (ADAP). UNMC contracts with ScriptguideRx to bill drug manufacturers for drug rebates. ScriptguideRx collects the rebates and remits 90% to DHHS; ScriptguideRx retains a 10% fee. For the period July 1, 2015, through December 31, 2016, DHHS received over \$3 million in drug rebates. We noted the following issues with the administration of this subprogram:

- Although ScriptguideRx bills drug manufacturers quarterly, we noted DHHS does not request funds at least quarterly. During the period under review, DHHS requested and received rebates on September 23, 2015, March 22, 2016, and December 5, 2016. These are lags of six and nine months, respectively. DHHS indicated it delays request of rebates to manage funding levels; however, the Federal government has indicated DHHS would not be penalized for failing to expend all Federal funds due to a large influx of rebates, if an approved waiver is obtained. DHHS should request rebates quarterly so that rebates can be spent instead of Federal funds, and so interest can be earned on any balance.
- Rebates are supposed to be used before Federal funds. However, not only does DHHS delay its receipt of rebates in order to maximize Federal reimbursements, but also it fails to spend the rebates first once they are obtained. DHHS does not have procedures to spend solely from the rebates fund when there is a balance in that fund. The table below illustrates the rebates fund balance at the end of each month of the period along with Federal expenditures made during that timeframe. With the exception of the first two months, there was a positive balance in the rebates fund for the duration of the period under review. However, Federal funds continued to be spent.

Month Ended	Rebates Fund Balance	93.917 Federal Expenditures**
July 2015	\$ (9,735)	\$ 69,017
August 2015	\$ (8,459)	\$ 114,500
September 2015*	\$ 1,140,896	\$ 775,327
October 2015	\$ 834,571	\$ 78,811
November 2015	\$ 537,925	\$ 54,558
December 2015	\$ 535,473	\$ 405,217
January 2016	\$ 535,560	\$ 83,869
February 2016	\$ 533,271	\$ 71,338
March 2016*	\$ 953,548	\$ 656,151
April 2016	\$ 954,007	\$ 89,962

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3. Ryan White Program Issues (Continued)

Month Ended	Rebates Fund Balance	93.917 Federal Expenditures**
May 2016	\$ 954,161	\$ 340,384
June 2016	\$ 953,506	\$ 88,713
July 2016	\$ 838,425	\$ 361,742
August 2016	\$ 210,648	\$ (30,740)
September 2016	\$ 62,932	\$ 59,887
October 2016	\$ 62,932	\$ 143,349
November 2016	\$ 139,819	\$ 143,195
December 2016*	\$ 1,222,371	\$ 797,627

*Received large rebate receipts over \$900,000 each.

**93.917 expenditures are accounted for in programs 179 and 514. The table includes expenditures in both programs.

- DHHS performs periodic site visits of UNMC and completes a fiscal monitoring checklist. DHHS indicated that it reviews 100% of one billing (we tested one billing that was for one month and one that was for a four-month period). DHHS claimed also to review all accounting records, invoices, and timesheets for the one billing for allowability. However, source documentation was not maintained, and the checklist was not in sufficient detail to show which period or what expenditures were actually reviewed.
- According to DHHS, ADAP drug rebate records are reviewed during site visits to verify that DHHS receives all rebates owed to it. However, DHHS did not have records to support this verification.
- The subaward denotes the various funding sources. However, when actual payments are issued to UNMC, DHHS does not communicate to them the source of the funding for specific payments. Without this information, UNMC cannot accurately determine Federal funds expended for purposes of reporting on the University of Nebraska’s Single Audit report. For the fiscal year ended June 30, 2016, we noted that UNMC reported \$4,163,205 Federal funds expended for the Ryan White program. Per State accounting records, we noted only \$1,812,649 in Federal grant expenditures, rebate funds of \$1,550,000, and State General Funds of \$1,089,865, which totals \$4,452,514. DHHS indicated it does not reconcile its records to subrecipient Single Audit reports; instead, DHHS relies on its subrecipients’ auditors to ensure those totals are correct. However, it is DHHS’s responsibility to inform subrecipients of funding sources when payments are made. Total payments to UNMC for the period under review were \$7,127,197.
- In addition to UNMC, DHHS makes payments directly to medical providers for HIV-related services for eligible recipients. We tested one invoice to a medical provider but could not determine whether DHHS paid the invoice timely because DHHS did not date-

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3. Ryan White Program Issues (Continued)

stamp the invoice. The payment was for \$1,039. The invoice date was May 30, 2015, and the invoice was paid November 17, 2015, which is 111 days late. Total direct medical payments within the Program were \$121,539.

Funding and expenditures of the Ryan White subprogram within Program 514 during the period July 1, 2015, through December 31, 2016, were as follows:

Fund	Expenditures
Federal Grant	\$ 3,942,126
Rebates	\$ 2,304,575
State General Fund	\$ 1,944,805
Total	\$ 8,191,506

Per 45 CFR § 75.352(a)(1)(xi) (October 1, 2015), “[T]he pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement.” Also per 45 CFR § 75.352(d), all pass-through entities must “[m]onitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.” A good internal control plan requires procedures to ensure site visits are adequately documented.

Per the ADAP Manual (revised 2016), “ADAP 340B rebate invoices are recommended to be submitted to the drug manufacturer within 90 days of the end of the quarter. Drug manufacturers normally remit rebates back to the ADAP within the next 90 days.” A good internal control plan requires procedures to ensure rebates are requested quarterly to correspond with quarterly billings.

Per 45 CFR § 75.305(b)(5) (October 1, 2015), “To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), **rebates**, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.” (Emphasis added.)

Per 42 USC § 300ff–31a(d) (2015), “If an expenditure of ADAP rebate funds would trigger a penalty under this section or a higher penalty than would otherwise have applied, the State may request that for purposes of this section, the Secretary deem the State's unobligated balance to be reduced by the amount of rebate funds in the proposed expenditure.”

A good internal control plan requires procedures to ensure rebate funds are expended before Federal funds. A good internal control plan also requires procedures to be in place to ensure invoices are paid timely.

Inadequate subrecipient monitoring could result in loss or misuse of Federal funds and inaccurate subrecipient reporting. Manipulation of the timing of receipt of rebates and failing to spend rebates first could result in questioned costs or sanctions, as Federal funds are being expended when rebates are available.

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(Continued)

3. Ryan White Program Issues (Concluded)

We recommend DHHS implement procedures to ensure site visits are adequately documented, and the source of funds is adequately communicated to subrecipients. We further recommend rebates be requested quarterly to correspond with quarterly billings and those rebate funds be expended before Federal funds. Finally, we recommend invoices be paid in a timely manner.

DHHS Response: Policy setting and decisions regarding control of financial resources are management responsibilities and are entirely within the purview of the program. Current policies regarding spending rebates have been reviewed by HRSA, are in compliance with Federal Regulations and ensure that federal maintenance of effort requirements are met to mitigate risk of loss of federal funding. The 6- and 9-month intervals addressed were periods when ScriptGuideRX did not request rebates from drug manufacturers or when rebates were not available to the ADAP at UNMC.

Rebate funds are not delayed to maximize federal funds. Rebate dollars are the first funds to be expended in the year in which they are received. HRSA policy allows for programs to prioritize rebate funds to ADAP for purchasing more medications. Administratively, DHHS and the Ryan White Program have made the decision to prioritize ADAP medications as the primary recipient of rebate funds, with the approval of our HRSA Project Officer. To utilize rebate funds in every aspect of program expenditures would be administratively overly burdensome.

DHHS will modify site visit procedures so that source documentation is maintained for each site visit.

The current state enterprise accounting software performs batch payment processing and cannot provide such detail when payments is received by the subrecipient. However, DHHS does have procedures in place to identify total payment activity by CDEFA number, and allows for subrecipients, or their auditors, to request this data whenever it is needed. This procedure meets federal requirements and allows for subrecipients to have accurate federal payment information for audit requirements.

APA Response: Although Federal guidelines allow DHHS to prioritize rebate funds to ADAP, the guidelines do not require rebate funds to be used solely for ADAP. Failure both to request rebates timely and to spend all rebates prior to utilizing State funds and the Federal grant results in a loss of interest income to the State General Fund and noncompliance with Federal regulations. As noted above, Federal regulations require rebate funds to be used before requesting additional cash payments. Also, the subrecipient did not accurately report Federal Ryan White Program expenditures on its SEFA, which demonstrates that DHHS did not adequately perform required monitoring and notifications.

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4. Newborn Screening and Genetics Subprogram Not Adequately Monitored

DHHS paid \$766,306 to the University of Nebraska Medical Center (UNMC) during the period tested to operate the Newborn Screening and Genetics subprogram. This subprogram provides special metabolic formula and diet consultation free of charge to individuals with phenylketonuria (PKU), a rare genetic disorder that is identified during required newborn health screenings.

DHHS did not have adequate monitoring procedures in place to ensure payments for metabolic formula and related consultation were for allowable costs.

DHHS received quarterly expenditure reports from UNMC. The reports included a breakdown of the expenses by cost category. UNMC also provided shipping logs, shipment tracking information, and invoices paid to metabolic formula providers. However, DHHS failed to monitor adequately the subprogram in the following ways:

- DHHS did not obtain detailed accounting records from UNMC to support the expenditure report.
- DHHS did not verify that the amounts recorded as shipped to recipients actually occurred, were accurate, or were in accordance with recipient dietary needs.
- DHHS did not reconcile the billing to the shipping log or invoices.
- DHHS did not verify salaries or other costs to support.
- DHHS did not verify that the recipients were properly identified on the shipping log. UNMC noted which recipients were maternal and children, which were charged to Federal funds. Adult male recipients were paid with General or cash funds. The total paid to UNMC by funding source for the period July 1, 2015, through December 31, 2016, was as follows:

Funding Source	Amount
State General Funds	\$ 86,380
Cash Funds	312,891
Federal Funds CFDA 93.994	367,035
Total	\$ 766,306

45 CFR § 75.303(a) (October 1, 2015) establishes that an agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires procedures to ensure charges are accurate and in accordance with Federal requirements.

45 CFR § 75.403 (October 1, 2015) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

Inadequate monitoring and review procedures increase the risk for misuse of Federal funds and noncompliance with Federal regulations, which could result in Federal sanctions.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Newborn Screening and Genetics Subprogram Not Adequately Monitored

(Concluded)

We recommend DHHS implement procedures to ensure expenditures are allowable in accordance with Federal regulations.

DHHS Response: DHHS would like to point out that the nature of this agreement is a contract and not a subaward. We will review the terms of the contract to clarify the monitoring expectations of the contractor and DHHS.

APA Response: Regardless of whether the agreement is a contract or a subaward, it is DHHS' responsibility to ensure that expenses are allowable in accordance with Federal regulations.

5. General Fund Monitoring Issues

DHHS did not have adequate procedures to ensure aid paid with State General Funds was proper.

Chronic Renal Disease

The Chronic Renal (late stage kidney failure) subprogram is State General funded. It provides assistance with medications and dialysis for low-income Nebraska residents with chronic renal disease. Expenditures from July 1, 2015, through December 31, 2016, totaled \$1,173,935. We reviewed six documents and noted the following issues:

- Five of 10 recipients tested did not have eligibility redeterminations performed timely. Application dates were from as far back as 2008. For two of these recipients, there was no income verification on file.
- Two payments for dialysis services were calculated incorrectly. The payment calculation for services is done manually, which increases the risk for errors to occur. The submitted claims include the co-insurance required, of which DHHS pays one-half. One claim was overpaid by \$500, and a second claim was overpaid by \$34. We also noted the amounts paid for dialysis services exceeded the allowable amounts in the current rules and regulations in Title 181 NAC 1-004.03.
- From the six documents tested, we selected 19 drug claims. For three of those amounts, we noted that DHHS did not use the lower price of the Wholesale Acquisition Cost (WAC) or Statewide Medicaid Allowable Cost (SMAC). DHHS indicated a former administrator had always calculated drugs using the WAC and could offer no further rationale or explanation for not using the lowest price. DHHS changed its payment processing procedures effective November 9, 2015, to reimburse the lower of WAC or SMAC. Overpayments totaled \$27.
- We also noted mathematical errors in the calculation of drug payments. Pharmacies submit invoices with multiple drug claims. DHHS compares the requested payment amount for each drug to the WAC and SMAC and reimburses the lower amount for each claim. One invoice tested of \$12,393 included 47 drug claims. We recalculated 5 of 47

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

COMMENTS AND RECOMMENDATIONS
(Continued)

5. General Fund Monitoring Issues (Continued)

drug reimbursements and noted that all 5 drug reimbursements had mathematical errors, which resulted in an overpayment of \$3. Although the error noted is small, the volume and manual nature of calculations increases the risk of additional errors occurring and not being detected.

- Three invoices were not date stamped. Therefore, we could not determine if the payment was made timely and in accordance with State statute. For two of three instances, payment was made three months after the service dates on the claims.

Neb. Rev. Stat. § 81-2403 (Reissue 2014) states, in relevant part, the following:

(1) Except as provided in subsection (2) of this section, each agency shall make payment in full for all goods delivered or services rendered on or before the forty-fifth calendar day after (a) the date of receipt by the agency of the goods or services or (b) the date of receipt by the agency of the bill for the goods or services, whichever is later, unless other provisions for payment are agreed to in writing by the creditor and the agency.

(2) Any agency making payment for goods or services provided for third parties shall make payment in full for such goods or services on or before the sixtieth calendar day after the date of receipt by the agency of the bill.

Title 181 NAC 1-004.03 states, in part, the following:

All fees paid by the Department for medical and related charges for services to participants in the program shall not exceed the following fee schedule:

<i>Institutional Dialysis</i>	<i>\$198</i>
<i>Home Dialysis</i>	<i>90</i>
<i>Training Dialysis</i>	<i>220 (limited to six weeks)</i>

A good internal control plan requires procedures to ensure amounts paid are correctly calculated. A good internal control plan also requires procedures to ensure eligibility is periodically redetermined for subprogram participants. A good internal control plan also requires procedures to ensure verification of income eligibility is maintained.

Without adequate procedures to ensure payments are proper and accurate, there is an increased risk of errors or misuse of funds. When eligibility requirements are not adequately monitored, there is an increased risk DHHS could be providing assistance to ineligible participants.

Maternal, Infant, and Early Childhood Home Visiting

DHHS paid \$1,725,474 to four contractors to operate the maternal, infant, and early childhood home visiting subprogram. We tested one payment to one of the contractors who was paid \$593,712. The contract indicated DHHS would pay for “actual costs incurred” DHHS received quarterly invoices from the contractor. The reports included a breakdown of the expenses by cost category. The contractor also provided a quarterly report that detailed families served during the period. However, DHHS did not obtain detailed accounting records, invoices, or payroll documentation to ensure the billing was for actual costs incurred.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

COMMENTS AND RECOMMENDATIONS
(Continued)

5. General Fund Monitoring Issues (Continued)

Health Screening

DHHS paid \$885,704 to contractors to provide health screenings for low income and at-risk women. We tested one payment of \$10,350. The contract indicated DHHS would pay for “actual, allowable, and reasonable costs.” DHHS received monthly reimbursement request forms from the contractor. The reports included a breakdown of the expenses by service type and the number of units provided. The contractor also provided a report detailing screenings provided during the period. However, DHHS did not obtain evidence of the number of units provided or detailed accounting records, invoices, or payroll documentation to ensure the billing was for actual costs incurred.

Native American Public Health Act

DHHS paid \$749,742 in State General Funds to five contractors to administer the Native American Public Health Act. Payments for the period July 1, 2015, through December 31, 2016, were as follows:

Payee	Amount
Carl T Curtis Health Education (serves the Omaha Tribe)	\$ 172,062
Chadron Native American Center	\$ 181,083
Ponca Tribe Of Nebraska	\$ 121,003
Santee Sioux Nation - Nebraska	\$ 136,845
Winnebago Tribe Of Nebraska	\$ 138,749
Total	\$ 749,742

DHHS paid the contractors based on set fees for deliverables rather than actual costs. We tested two payments and noted that the contracts state, “Payment will be based on an invoice submitted by the Contractor for completed activities and the related deliverables approved by DHHS, as shown in Attachment A of this contract.” Attachment A shows the budget for various services to be provided. When the contractors requested reimbursement, they indicated which services were performed and requested the budgeted amount, which DHHS paid. There was not adequate documentation to support the amounts budgeted and paid for each deliverable was reasonable. In addition, the reimbursements were not supported by source documentation, such as accounting records, timesheets, or invoices, to verify the funds were spent appropriately. When payments are not supported by actual costs, there is an increased risk that public funds will not be spent for the purpose intended.

We also noted that DHHS did not have rules and regulations, as required by State statute.

Neb. Rev. Stat. § 71-7617 (Reissue 2009) states, in relevant part, the following:

The Department of Health and Human Services shall contract with the health clinics of Nebraska's federally recognized Native American tribes, Indian health organizations, or other public health organizations that have a substantial Native American clientele to provide educational and public health services targeted to Native American populations.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

COMMENTS AND RECOMMENDATIONS

(Continued)

5. General Fund Monitoring Issues (Continued)

Neb. Rev. Stat. § 71-7622 (Reissue 2009) states the following:

The Department of Health and Human Services shall adopt and promulgate rules and regulations to carry out the Native American Public Health Act and shall adhere to already established or adopted and promulgated rules and regulations for contracted services under the act.

Sound business practices require adequate procedures to ensure all State General Funds are spent appropriately and in accordance with State purposes. Good internal control requires adequate documentation to support all expenditures paid and to ensure all expenditures were reasonable and necessary.

When DHHS does not adequately monitor contracts or require supporting documentation for expenditures, there is an increased risk of fraud or misuse of State funds.

We recommend DHHS implement procedures to ensure the reimbursement for medicines and services are correctly calculated and adequately documented. We also recommend DHHS implement procedures to ensure eligibility is periodically redetermined for subprogram participants and to ensure verification of income eligibility is maintained. We further recommend DHHS implement policies and procedures to ensure all expenditures are adequately documented to ensure payments are for actual and allowable costs.

DHHS Response:

Chronic Renal Disease

Current regulations do not address eligibility redeterminations nor a requirement for income documentation to be submitted before eligibility is determined. 181 NAC 1 has been updated and is currently awaiting final signature. The updated 181 NAC 1 addresses eligibility redeterminations. Income verification is also a required component of the application process.

The Chronic Renal Disease Program is the payer of last resort after all other insurances have determined and paid their share. As a result, the Renal Program often receives services invoices several months in arrears.

Maternal, Infant, and Early Childhood Home Visiting

A new program policy/procedure for financial monitoring, including gathering source documents to reconcile invoices with receipts and payroll records, will be developed to ensure appropriate financial monitoring will take place for each local implementing agency annually during site visits. This policy will be implemented this year.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

COMMENTS AND RECOMMENDATIONS

(Continued)

5. General Fund Monitoring Issues (Concluded)

Health Screening

The payment of \$10,350 was reviewed. The agreement in place at that time included the phrase, “actual, allowable and reasonable costs.” Documentation for activities for the payment were requested and reviewed by APA staff and discussed. The program has removed language “actual, allowable and reasonable costs” from current agreements and will continue to do so in the future.

Native American Public Health Act

There is no requirement for contractors to provide documentation of actual costs. Detailed cost analysis was made for each deliverable within the contracts to determine reasonableness and appropriateness in accordance with Native American Public Health Act statutes. Contractors submitted invoices for each payment with documentation of work completed, which were reviewed and inquiries for further information made as needed before payment was approved. DHHS has met with Legal Services and is working on drafting regulations specific to this program.

APA Response: It is DHHS’ responsibility to make certain that all expenditures are adequately documented to ensure payments are allowable and for actual costs. The analysis provided by DHHS for the Native American contracts was not adequate to support the reasonableness of the amounts paid. Historical records of actual costs and efforts were not available to support that the fixed amount deliverables were based on a reasonable estimate of actual costs.

6. Inadequate Controls Over Receipts

We noted the following issues during our testing of receipts:

- There was a lack of segregation of duties over receipts, as only one person opened the mail and prepared the initial list of receipts. Some receipts are sent directly to accounting staff from the DHHS mailroom; however, others are sent to program staff and then forwarded on to accounting. We noted that Every Woman Matters receives donations from recipients of screening services. As the number and amount of donations expected is not known, there is a higher risk for a donation to be lost or stolen without detection. Donations recorded in the general ledger for the period totaled \$9,795.
- DHHS did not reconcile deposit documents to the general ledger.
- Donations related to Every Woman Matters were coded to object 471100 Sales of Services but should have been coded to object 484100 Donations. A total of \$4,045 was miscoded for the period tested.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Inadequate Controls Over Receipts (Continued)

- One receipt tested was related to a subaward from Temple University. Temple University requested that DHHS submit a final invoice, so the grant could be closed. DHHS billed the \$13,000 remaining on the subaward before services were actually provided by DHHS. When DHHS actually spends the receipt, the expenditures may or may not relate to the subaward, which could result in unallowable expenditures. Additionally, the period of performance of the subaward ended September 14, 2015, so any expenditures would be outside the required period of performance.
- DHHS did not deposit 4 of 11 receipts tested in a timely manner:

	Subprogram	Amount	Check Date or Date Stamped	Deposit Date	Days Late
1	Ryan White	\$ 1,149,975	9/14/15	9/25/15	8
2	Ryan White	\$ 1,088,805	11/18/16	12/7/16	14
3	Newborn Screening & Genetics	\$ 22,660	12/14/15	12/23/15	6
4	Every Woman Matters	\$ 205	Unknown*	6/20/16	Unknown

* DHHS did not maintain documentation for the date these donations were received, so we could not determine whether they were deposited late.

Neb. Rev. Stat. § 84-710 (Reissue 2014) provides, in part, the following:

It shall be unlawful for any executive department, state institution, board, or officer acting under or by virtue of any statute or authority of the state, including the State Racing Commission, to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without paying the same into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars.

A good internal control plan requires an adequate segregation of duties to ensure that no one person is in a position both to perpetrate and to conceal errors or irregularities. Such segregation of duties should including the following:

- All mail should be opened by two individuals, and a log of monies received should be completed and signed to help ensure that all receipts coming through the mail are being deposited. This log should then be compared to the deposit by a separate person to document and validate that all receipts received were deposited.
- A reconciliation should be performed between the deposit documents and the general ledger to ensure that the deposits were posted accurately.

Without an adequate segregation of duties, there is an increased risk that errors or irregularities will occur and go undetected. When an initial log of monies received is not prepared by two individuals, there is an increased risk that all monies received will not be deposited. When DHHS does not reconcile deposit documents to the general ledger, there is an increased risk of miscoding or misuse of funds. Failure to deposit receipts timely increases the risk for not only checks to be lost or stolen but also the loss of interest earnings.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

COMMENTS AND RECOMMENDATIONS

(Concluded)

6. Inadequate Controls Over Receipts (Concluded)

We recommend DHHS develop a procedure for handling cash receipts through the mail. Such procedure should include two people to opening the mail and preparing an initial log of receipts, with both people signing the log to certify that all money received was recorded on the log. This log should then be compared to the deposit by a separate person to document and validate that all cash receipts received were deposited. We further recommend DHHS implement policies and procedures to perform timely reconciliations between the deposit documents and the general ledger. Finally, we recommend DHHS ensure receipts are deposited timely in accordance with § 84-710.

DHHS Response: DHHS does not agree that there were inadequate controls over cash receipts. While it is accurate that there is only one person opening mail for the areas observed during this attestation, there are compensating controls that are in place to detect and prevent any loss or theft of funds. Furthermore, the proposal for more than one person opening mail is not an internal control requirement, but rather one form of control when appropriate. Requirements are such that we have adequate controls to safeguard assets. The cost to implement this recommendation across all areas receiving cash would far outweigh the benefit of any increased control. DHHS has reviewed cash handling across the Department and will ensure timely deposit of receipts.

Eight thousand dollars was paid by October 2015 for two contracts effective January 2015 through October 2015 as budgeted. The remaining funds were for conference fees and travel to present information about the grant and for professional memberships in law and public health associations. The subaward was completed and funds spent according to allowable costs. Information has been shared with program staff to be familiar with the terms within subawards and to seek greater clarification, and as needed written documentation, from the grantor regarding requests that involve changes to written subawards.

APA Response: We disagree that DHHS has adequate compensating controls over donation receipts.



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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM 514 – HEALTH AID

INDEPENDENT ACCOUNTANT’S REPORT

Department of Health and Human Services
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Department of Health and Human Services (Department) Program 514 – Health Aid for the July 1, 2015, through December 31, 2016. The Department’s management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the July 1, 2015, through December 31, 2016, is based on the accounting system and procedures prescribed by the State of Nebraska’s Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or an assertion about the subject matter and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement; and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

This report is intended solely for the information and use of management, others within the Department, and the appropriate Federal and regulatory agencies, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

June 23, 2017

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2015, through December 31, 2016

	General Fund 10000	Nebraska EMS Operations Fund 22030	Health & Human Service Cash Fund 22550	NE Health Care Cash Fund 22640	Federal General Fund 40000
REVENUES:					
Appropriations	\$ 9,048,146	\$ -	\$ -	\$ -	\$ -
Intergovernmental	815	-	7,000	-	76,743,135
Sales & Charges	-	-	5,550	-	-
Miscellaneous	64,367	-	13,084,898	-	10,264
TOTAL REVENUES	9,113,328	-	13,097,448	-	76,753,399
EXPENDITURES:					
Government Aid	9,048,146	5,368	15,540,888	400,000	76,753,399
TOTAL EXPENDITURES	9,048,146	5,368	15,540,888	400,000	76,753,399
Excess (Deficiency) of Revenues Over (Under) Expenditures	65,182	(5,368)	(2,443,440)	(400,000)	-
OTHER FINANCING SOURCES (USES):					
Deposit to General Fund	(65,182)	-	-	-	-
Operating Transfers In	-	-	-	400,000	-
Adjustment to Fund Balance	-	-	(300,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(65,182)	-	(300,000)	400,000	-
Net Change in Fund Balances	\$ -	\$ (5,368)	\$ (2,743,440)	\$ -	\$ -

(Continued)

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2015, through December 31, 2016

	Federal Cash Fund 42020	EPA Water Supply Program Fund 42070	Federal Clearing Fund 42600	Totals (Memorandum Only)
REVENUES:				
Appropriations	\$ -	\$ -	\$ -	\$ 9,048,146
Intergovernmental	878,948	77,772	-	77,707,670
Sales & Charges	-	-	63	5,613
Miscellaneous	-	-	3,160,636	16,320,165
TOTAL REVENUES	878,948	77,772	3,160,699	103,081,594
EXPENDITURES:				
Government Aid	843,964	72,254	2,304,575	104,968,594
TOTAL EXPENDITURES	843,964	72,254	2,304,575	104,968,594
Excess (Deficiency) of Revenues Over (Under) Expenditures	34,984	5,518	856,124	(1,887,000)
OTHER FINANCING SOURCES (USES):				
Deposit to General Fund	-	-	-	(65,182)
Operating Transfers In	-	-	-	400,000
Adjustment to Fund Balance	-	-	-	(300,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	34,818
Net Change in Fund Balances	\$ 34,984	\$ 5,518	\$ 856,124	\$ (1,852,182)

(Concluded)

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

NOTES TO THE SCHEDULE

For the Period July 1, 2015, through December 31, 2016

1. Criteria

The accounting policies of the Nebraska Department of Health and Human Services Program 514 – Health Aid (Program) are on the basis of accounting, as prescribed by the State of Nebraska’s Director of the Department of Administrative Services.

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska’s Director of the Department of Administrative Services (DAS) include:

The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Department to record all accounts receivable and related revenues in EnterpriseOne; as such, the Program’s schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2016, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2016, **does not** include amounts for goods and services received before December 31, 2016, which had not been posted to the general ledger as of December 31, 2016.

The fund types established by the State that are used by the Program are:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

40000 – Federal Funds – account for the financial activities related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable Federal requirements.

The major revenue account classifications established by State Accounting and used by the Program are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and rebates. The Program received rebates on AIDS drugs through the Ryan White subprogram and rebates on formula through the Newborn Screening and WIC subprograms.

The major expenditure account classification established by State Accounting and used by the Program is:

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Other significant accounting classifications and procedures established by State Accounting and used by the Program include:

Other Financing Sources – Operating transfers, deposits to the General Fund, and adjustments to fund balance.

2. Reporting Entity

The Department is a State agency established under and governed by the laws of the State of Nebraska. As such, the Program is exempt from State and Federal income taxes. The schedule includes all funds of the Program included in the general ledger.

Program 514 is part of the primary government for the State of Nebraska.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

NOTES TO THE SCHEDULE
(Concluded)

3. Totals

The Totals “Memorandum Only” column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

4. Transfers

The Program had transfers in from the Tobacco Settlement and Intergovernmental Transfer (IGT) funds of \$200,000 and \$200,000 for fiscal year 2016 and 2017, respectively.

5. Adjustments to Fund Balance

Adjustments to Fund Balance transactions are those recorded directly to a fund’s asset account or equity account rather than through a revenue or expenditure account. During the period \$300,000 was recorded to pay the balance of a loan to Fund 22086.

6. Fund Balances

Fund Balances are not recorded by Program but rather by a fund in total and, therefore, are not shown on the financial schedule. Funds may include many programs allowing revenues and expenditures to be recorded in different programs but still within the same fund. The Department manages the fund balances at the fund level and does not account for fund balances at the program level. Therefore, the fund balances for Program 514 are not available. The financial schedule only reflects the activity of Program 514 for each of the funds.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2015, through June 30, 2016

Exhibit A

	<u>General Fund 10000</u>	<u>Nebraska EMS Operations Fund 22030</u>	<u>Health & Human Service Cash Fund 22550</u>	<u>NE Health Care Cash Fund 22640</u>	<u>Federal General Fund 40000</u>
REVENUES:					
Appropriations	\$ 5,860,715	\$ -	\$ -	\$ -	\$ -
Intergovernmental	40	-	7,000	-	49,309,211
Sales & Charges	-	-	4,093	-	-
Miscellaneous	674	-	8,122,450	-	1,494
TOTAL REVENUES	<u>5,861,429</u>	<u>-</u>	<u>8,133,543</u>	<u>-</u>	<u>49,310,705</u>
EXPENDITURES:					
Government Aid	5,860,715	4,975	9,803,757	200,000	49,310,705
TOTAL EXPENDITURES	<u>5,860,715</u>	<u>4,975</u>	<u>9,803,757</u>	<u>200,000</u>	<u>49,310,705</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>714</u>	<u>(4,975)</u>	<u>(1,670,214)</u>	<u>(200,000)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Deposit to General Fund	(714)	-	-	-	-
Operating Transfers In	-	-	-	200,000	-
Adjustment to Fund Balance	-	-	(300,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(714)</u>	<u>-</u>	<u>(300,000)</u>	<u>200,000</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (4,975)</u>	<u>\$ (1,970,214)</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2015, through June 30, 2016

Exhibit A

	Federal Cash Fund 42020	EPA Water Supply Program Fund 42070	Federal Clearing Fund 42600	Totals (Memorandum Only)
REVENUES:				
Appropriations	\$ -	\$ -	\$ -	\$ 5,860,715
Intergovernmental	574,452	48,136	-	49,938,839
Sales & Charges	-	-	63	4,156
Miscellaneous	-	-	2,071,783	10,196,401
TOTAL REVENUES	<u>574,452</u>	<u>48,136</u>	<u>2,071,846</u>	<u>66,000,111</u>
EXPENDITURES:				
Government Aid	613,097	42,618	1,558,605	67,394,472
TOTAL EXPENDITURES	<u>613,097</u>	<u>42,618</u>	<u>1,558,605</u>	<u>67,394,472</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(38,645)</u>	<u>5,518</u>	<u>513,241</u>	<u>(1,394,361)</u>
OTHER FINANCING SOURCES (USES):				
Deposit to General Fund	-	-	-	(714)
Operating Transfers In	-	-	-	200,000
Adjustment to Fund Balance	-	-	-	(300,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,714)</u>
Net Change in Fund Balances	<u>\$ (38,645)</u>	<u>\$ 5,518</u>	<u>\$ 513,241</u>	<u>\$ (1,495,075)</u>

(Concluded)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2016, through December 31, 2016

Exhibit B

	General Fund 10000	Nebraska EMS Operations Fund 22030	Health & Human Service Cash Fund 22550	NE Health Care Cash Fund 22640	Federal General Fund 40000
REVENUES:					
Appropriations	\$ 3,187,431	\$ -	\$ -	\$ -	\$ -
Intergovernmental	775	-	-	-	27,433,924
Sales & Charges	-	-	1,457	-	-
Miscellaneous	63,693	-	4,962,448	-	8,770
TOTAL REVENUES	<u>3,251,899</u>	<u>-</u>	<u>4,963,905</u>	<u>-</u>	<u>27,442,694</u>
EXPENDITURES:					
Government Aid	3,187,431	393	5,737,131	200,000	27,442,694
TOTAL EXPENDITURES	<u>3,187,431</u>	<u>393</u>	<u>5,737,131</u>	<u>200,000</u>	<u>27,442,694</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>64,468</u>	<u>(393)</u>	<u>(773,226)</u>	<u>(200,000)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Deposit to General Fund	(64,468)	-	-	-	-
Operating Transfers In	-	-	-	200,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(64,468)</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (393)</u>	<u>\$ (773,226)</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2015, through December 31, 2016

Exhibit B

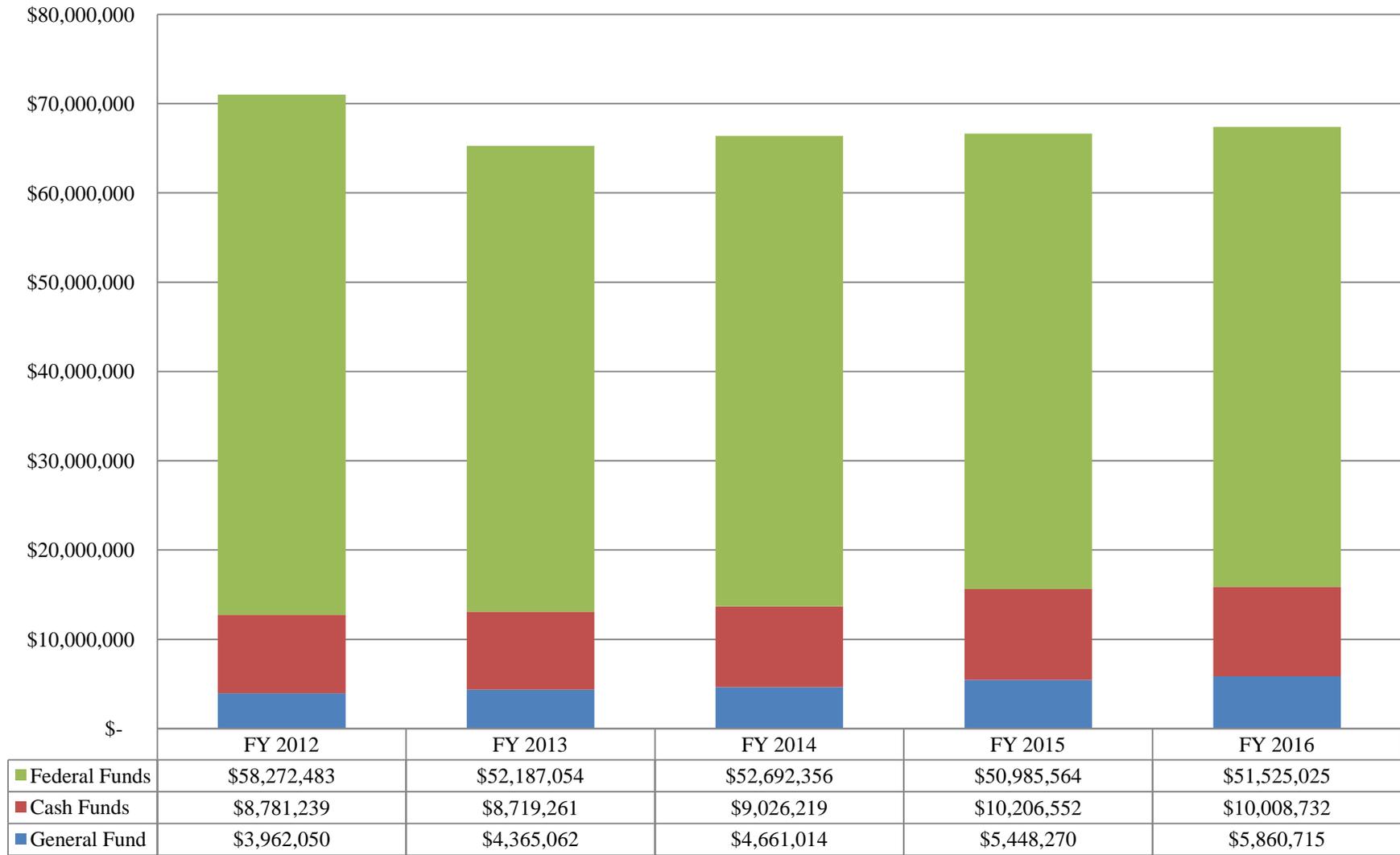
	Federal Cash Fund 42020	EPA Water Supply Program Fund 42070	Federal Clearing Fund 42600	Totals (Memorandum Only)
REVENUES:				
Appropriations	\$ -	\$ -	\$ -	\$ 3,187,431
Intergovernmental	304,496	29,636	-	27,768,831
Sales & Charges	-	-	-	1,457
Miscellaneous	-	-	1,088,853	6,123,764
TOTAL REVENUES	304,496	29,636	1,088,853	37,081,483
EXPENDITURES:				
Government Aid	230,867	29,636	745,970	37,574,122
TOTAL EXPENDITURES	230,867	29,636	745,970	37,574,122
Excess (Deficiency) of Revenues Over (Under) Expenditures	73,629	-	342,883	(492,639)
OTHER FINANCING SOURCES (USES):				
Deposit to General Fund	-	-	-	(64,468)
Operating Transfers In	-	-	-	200,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	135,532
Net Change in Fund Balances	\$ 73,629	\$ -	\$ 342,883	\$ (357,107)

(Concluded)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 514 – HEALTH AID

Exhibit C

Expenditures by Fund Type
Fiscal Years Ended June 30, 2012 through 2016



PROGRAM 514 – HEALTH AID

EXPENDITURES BY SUBPROGRAM AND FUND TYPE

For the Period July 1, 2015, to December 31, 2016

#	SubProgram	Fund Type			Total
		General	Cash	Federal	
2	Newborn Genetics	\$ 34,369	\$ -	\$ -	\$ 34,369
3	Maternal Child Adol. Health	-	-	57,972	57,972
4	Perinatal Quality Improve Coll	39,897	-	-	39,897
5	Statewide Drug Disposal	132,433	-	-	132,433
9	Immunization	371,120	-	1,204,891	1,576,011
12	DD Health	-	-	22,800	22,800
13	DD Employment	-	-	29,669	29,669
15	DD Quality Assurance	-	-	78,625	78,625
17	Chronic Renal Disease	1,174,744	-	-	1,174,744
19	DD Support and Advocacy	-	-	83,488	83,488
21	Metabolic Food/PKU	98,192	235,578	507,036	840,806
22	Teens in Driver Seat	-	6,312	10,195	16,507
24	PHBG Sexual Assault	-	-	35,941	35,941
25	DD Advocacy	727,125	-	-	727,125
26	State Rural Health	-	-	21,250	21,250
29	Amino Acid-Based Formula	146,371	-	-	146,371
31	External MCHS Grants	-	-	1,910,609	1,910,609
32	External PRVS Grants	-	-	462,415	462,415
33	HIV Prevention	-	-	466,575	466,575
35	Diabetes	-	-	10,000	10,000
45	Tobacco Prevention	-	-	345,799	345,799
50	Family Planning	-	-	3,130,843	3,130,843
51	NE Abstinence Education	-	-	139,164	139,164
55	State Indoor Radon Aid	-	-	72,254	72,254
56	Water Security Aid	-	-	446,560	446,560
62	Epidemiology & Lab Capacity	-	-	205,879	205,879
66	Ryan White	1,944,805	-	6,246,701	8,191,506
71	Injury Prevention	-	-	245,679	245,679
75	PHBG Worksite Wellness	-	-	113,909	113,909
76	Native American Ed & Prev	749,742	-	-	749,742
80	HOPWA	-	-	387,208	387,208
84	CSFP	-	-	918,158	918,158
86	WIC	-	12,765,058	42,711,775	55,476,833
91	Public Health Screening	886,120	-	-	886,120
92	Komen Foundation	-	7,744	-	7,744
93	Breast & Cervical Cancer	165,761	7,686	590,757	764,204
94	Colorectal Cancer Aid	289,036	68	11,644	300,748
95	Wise Women	-	-	70,549	70,549
97	PHHS Aid	-	-	23,116	23,116
99	PHBG HIV Aid	-	-	5,931	5,931

PROGRAM 514 – HEALTH AID

EXPENDITURES BY SUBPROGRAM AND FUND TYPE

For the Period July 1, 2015, to December 31, 2016

#	SubProgram	Fund Type			Total
		General	Cash	Federal	
103	HIV Surveillance Aid	-	-	56,691	56,691
110	PDMP Aid	-	-	50,875	50,875
111	PHBG Oral Health	-	-	157,903	157,903
113	PPHF National Public Health	-	-	5,457	5,457
114	Personal Responsibility Ed	-	-	317,535	317,535
115	STD Aid	-	-	131,216	131,216
116	TB	106,507	-	-	106,507
117	NNPHI Gaining Ground	-	60,059	-	60,059
119	EMS	320,438	3,368	-	323,806
120	EMS Cardiac Monitors	134,467	-	-	134,467
122	Bio Terrorism Hospital	-	-	1,363,027	1,363,027
123	Bio Terrorism Prepare & Resp	-	-	5,535,029	5,535,029
125	PHBG Evidence-Based Aid	-	-	185,031	185,031
127	Rural Health Flex Hospitals	-	-	485,603	485,603
155	MIECHV Formula	-	-	1,842,296	1,842,296
156	MIECHV Development	-	-	341,568	341,568
157	Evidence-Based Home Visit	1,725,474	-	-	1,725,474
158	PHBG EPI & Informatics	-	-	10,009	10,009
168	Bio Terrorism Ebola Prep	-	-	3,268,245	3,268,245
180	State Partnership Grant	-	-	29,183	29,183
181	SPHAP Basic	-	-	603,916	603,916
182	SPHAP PA & Nutrition	-	-	81,592	81,592
183	SPHAP Heart Disease	-	-	267,437	267,437
184	SPHAP Diabetes	-	-	67,565	67,565
185	SPHAP School	-	-	135,963	135,963
186	WIC MIS System	-	-	45,167	45,167
187	Heart & Stroke	-	-	1,733,373	1,733,373
188	Diabetes Aid	-	-	1,671,377	1,671,377
194	Small Rural Hosp Imp Aid	-	-	614,144	614,144
202	NE Tuberculosis	-	-	128,780	128,780
219	EMS Credentialing	1,545	2,000	-	3,545
227	Biosense Aid	-	-	6,431	6,431
319	Helmsley-Lucas EMS	-	2,458,383	-	2,458,383
324	PHBG Sex Offense Prevention	-	-	36,752	36,752
325	PHBG Comp Projects	-	-	221,816	221,816
326	PHBG Infrastructure	-	-	12,819	12,819
998	UNMC Poison Control	-	400,000	-	400,000
		<u>\$ 9,048,146</u>	<u>\$ 15,946,256</u>	<u>\$ 79,974,192</u>	<u>\$ 104,968,594</u>

(Continued)

PROGRAM 514 – HEALTH AID

EXPENDITURES BY SUBPROGRAM AND FUND TYPE

For the Period July 1, 2015, to December 31, 2016

Acronym	Description
DD	Developmental Disability
PKU	Phenylketonuria
PHBG	Preventive Health and Health Services Block Grant
MCHS	Maternal Child Health Services
PRVS	Prevention Services
HIV	Human Immunodeficiency Virus
HOPWA	Housing Opportunities for Persons with AIDS
CSFP	Community Supplemental Food Program
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children
PHHS	Preventive Health and Health Services
PDMP	Prescription Drug Monitoring Program
PPHF	Prevention and Public Health Fund
STD	Sexually Transmitted Disease
TB	Tuberculosis
NNPHI	National Network of Public Health Institutes
EMS	Emergency Medical Services
MIECHV	Maternal, Infant, and Early Childhood Home Visiting
EPI	Epidemiology
SPHAP	State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity, and Associated Risk Factors and Promote School Health
MIS	Management Information Systems
UNMC	University of Nebraska Medical Center

(Concluded)