

**ATTESTATION REPORT
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 623 – BIOMEDICAL RESEARCH**

JULY 1, 2015, THROUGH DECEMBER 31, 2016

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Issued on April 26, 2017

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 623 – BIOMEDICAL RESEARCH

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 623 – BIOMEDICAL RESEARCH

BACKGROUND

Program 623 – Biomedical Research (Program) of the Department of Health and Human Services (Department) was created by the Nebraska Legislature in 2001 for the purpose of providing funds from the Nebraska Health Care Cash Fund for biomedical research, including research to improve ethnic and minority health. The Department distributes Program funds to the University of Nebraska Medical Center (UNMC), Creighton University Medical Center (CUMC), the University of Nebraska – Lincoln (UNL), and the Boys Town Research Hospital (BTRH). The Department distributes the funds from the Nebraska Health Care Cash Fund to UNMC and CUMC, which distribute a portion of the funds to UNL and BTRH, respectively.

Program funds are distributed per direction of the Nebraska Unicameral Legislature. In 2015, the 104th Legislature passed LB 657 (2015), which provided, in relevant part, the following:

There is included in the appropriation to this program for FY2015-16 \$14,000,000 Cash Funds for state aid for biomedical research from the Nebraska Health Care Cash Fund. There is included in the appropriation to this program for FY2016-17 \$15,000,000 Cash Funds for state aid for biomedical research from the Nebraska Health Care Cash Fund. At least \$700,000 of such appropriated funds shall be used annually for research to improve racial and ethnic minority health. Twenty-four percent of the appropriated funds shall be distributed annually to the University of Nebraska, sixteen percent for contracts with other postsecondary educational institutions having colleges of medicine in Nebraska and their affiliated research hospitals in Nebraska, and sixty percent to the University of Nebraska and for contracts with other postsecondary educational institutions having colleges of medicine in Nebraska and their affiliated research hospitals in Nebraska based on the percentage of all funds expended by such institutions from the National Institutes of Health of the United States Department of Health and Human Services in the prior year as contained in a certified report of such expenditures to the Department of Health and Human Services from such institutions, excluding any such funds expended for research involving the use of human fetal tissue obtained in connection with the performance of an induced abortion or involving the use of human embryonic stem cells. Each recipient of funds under this section shall report annually to the Legislature and to the Governor regarding the use of such funds received. The report required to be submitted to the Legislature by this section shall be submitted electronically.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 623 – BIOMEDICAL RESEARCH

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Nebraska Department of Health and Human Services Executive Management

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

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DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM 623 – BIOMEDICAL RESEARCH

INDEPENDENT ACCOUNTANT'S REPORT

Department of Health and Human Services
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Change in Fund Balance for Program 623 – Biomedical Research (Program) of the Department of Health and Human Services (Department) for the July 1, 2015, through December 31, 2016. The Department's management is responsible for the Schedule of Revenues, Expenditures, and Change in Fund Balance. Our responsibility is to express an opinion 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, and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Revenues, Expenditures, and Change in Fund Balance and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the Revenues, Expenditures, and Change in Fund Balance for the Program for the period July 1, 2015, through December 31, 2016, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services, as described in Note 1.

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 Change in Fund Balance 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 Change in Fund Balance or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

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".

April 25, 2017

Charlie Janssen
Auditor of Public Accounts

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 623 – BIOMEDICAL RESEARCH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
For the Period July 1, 2015, through December 31, 2016

	Nebr Health Care Cash Fund 22640
REVENUES:	<u>\$</u> -
EXPENDITURES:	
Government Aid	<u>20,782,289</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(20,782,289)</u>
OTHER FINANCING SOURCES:	
Operating Transfers In	<u>29,000,000</u>
Net Change in Fund Balance	<u>\$ 8,217,711</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 623 – BIOMEDICAL RESEARCH

NOTES TO THE SCHEDULE

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

1. Criteria

The accounting policies of Program 623 – Biomedical Research (Program) of the Department of Health and Human Services are on the basis of accounting, as prescribed by the State of Nebraska Director 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 Change in Fund Balance 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 Program 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 following fund type is established by the State for use by the Program:

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 623 – BIOMEDICAL RESEARCH

NOTES TO THE SCHEDULE
(Concluded)

1. Criteria (Concluded)

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

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 classification and procedure established by State Accounting and used by the Program include the following:

Other Financing Sources – Operating transfers.

2. Reporting Entity

The Department of Health and Human Services (Department) is a State agency established under and governed by the laws of the State of Nebraska. As such, Program 623 – Biomedical Research (Program) is exempt from State and Federal income taxes. The schedule includes all funds of the Program included in the general ledger.

The Department is part of the primary government for the State of Nebraska.

3. Transfers

In 2015, through LB 657 (2015), the 104th Legislature appropriated \$14,000,000 and \$15,000,000 for fiscal years 2016 and 2017, respectively, of Nebraska Health Care Cash Fund monies to Program 623 – Biomedical Research of the Department of Health and Human Services for biomedical research.

4. Fund Balance

The Nebraska Health Care Cash Fund is utilized by multiple agencies and programs, including Program 623 – Biomedical Research (Program) of the Department of Health and Human Services (Department). The Department manages the fund balance at the fund level and does not account for fund balances at the program level. Therefore, the fund balance for the Program is not available.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 623 – BIOMEDICAL RESEARCH

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Change in Fund Balance. 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 Change in Fund Balance, and, accordingly, we express no opinion on it.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 623 – BIOMEDICAL RESEARCH
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
For the Period July 1, 2015, through June 30, 2016

Exhibit A

	Nebr Health Care Cash Fund 22640
REVENUES:	<u>\$</u> <u>-</u>
EXPENDITURES:	
Government Aid	<u>12,167,717</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,167,717)</u>
OTHER FINANCING SOURCES:	
Operating Transfers In	<u>14,000,000</u>
Net Change in Fund Balance	<u>\$</u> <u>1,832,283</u>

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 623 – BIOMEDICAL RESEARCH
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
For the Period July 1, 2016, through December 31, 2016

Exhibit B

	Nebr Health Care Cash Fund 22640
REVENUES:	<u>\$ -</u>
EXPENDITURES:	
Government Aid	<u>8,614,572</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,614,572)</u>
OTHER FINANCING SOURCES:	
Operating Transfers In	<u>15,000,000</u>
Net Change in Fund Balance	<u>\$ 6,385,428</u>

Expenditures by Research Institutions
Fiscal Years Ended June 30, 2012 through June 30, 2016

