

**AUDIT REPORT  
OF THE  
NEBRASKA DEPARTMENT OF HEALTH AND  
HUMAN SERVICES FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE**

**JULY 1, 2001 THROUGH JUNE 30, 2002**

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

**TABLE OF CONTENTS**

	Page
<b>Background Information Section</b>	
Background	1
Mission Statement	1
Organizational Chart	2
<b>Comments Section</b>	
Comment and Recommendation	3 - 4
<b>Financial Section</b>	
Independent Auditors' Report	5 - 6
Basic Financial Statements:	
Program-wide Financial Statements:	
Statement of Net Assets Arising from Cash Transactions	7
Statement of Activities - Cash Basis	8
Fund Financial Statements:	
Statement of Assets and Fund Balances Arising from Cash Transactions - Governmental Funds	9
Statement of Receipts, Disbursements, and Changes in Fund Balances - Governmental Funds	10
Notes to Financial Statements	11 - 14
Supplementary Information:	
Budgetary Comparison Schedule of Disbursements by Program - Budget and Actual - General Fund	15
Budgetary Comparison Schedule of Disbursements by Program - Budget and Actual - Rural Health Professional Incentive Fund 2202	16
Notes to Supplementary Information	17 - 18
Schedules:	
Number and Dollar Amount of Loans - Student Loan Program for the Fiscal Years Ending June 30, 1998, 1999, 2000, 2001, and 2002 - Unaudited	19
Family Practice Residency Program - Total Dollars Awarded for the Fiscal Years Ending June 30, 1998, 1999, 2000, 2001, and 2002 and Number of Graduates and Where They Decided to Practice From 1993 to June 2002 - Unaudited	20
Number of Awards - Loan Repayment Program from 1994 to December 2002 - Unaudited	21
<b>Government Auditing Standards Section</b>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 - 23

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

**BACKGROUND**

The Nebraska Rural Health Professional Incentive Program was first established in 1979 as the Medicaid Student Assistance Program. It provided low-interest loans to Nebraska medical students who agreed to practice in designated health profession shortage areas in Nebraska. In 1991, legislation converted the Program to loan forgiveness and added physician assistant students as eligible recipients. In 1993, the Legislature appropriated money to the Program for the Family Practice Residency Program. This Program provides support for family practice residents at Creighton and Clarkson Family Practice Residency Programs. In 1994, legislation created the Loan Repayment Program that requires community matching funds and provides financial incentives to eligible public health professionals who agree to practice their professions in designated health profession shortage areas within Nebraska.

The Nebraska Rural Health Advisory Commission was created to advise the Nebraska Department of Health (now the Department of Health and Human Services Finance and Support), the Legislature, the Governor, the University of Nebraska, and the citizens of Nebraska regarding all aspects of rural health care and to advise the Office of Rural Health regarding the administration of the Rural Health Systems and Professional Incentive Act. The Commission consists of 13 members who serve three year terms.

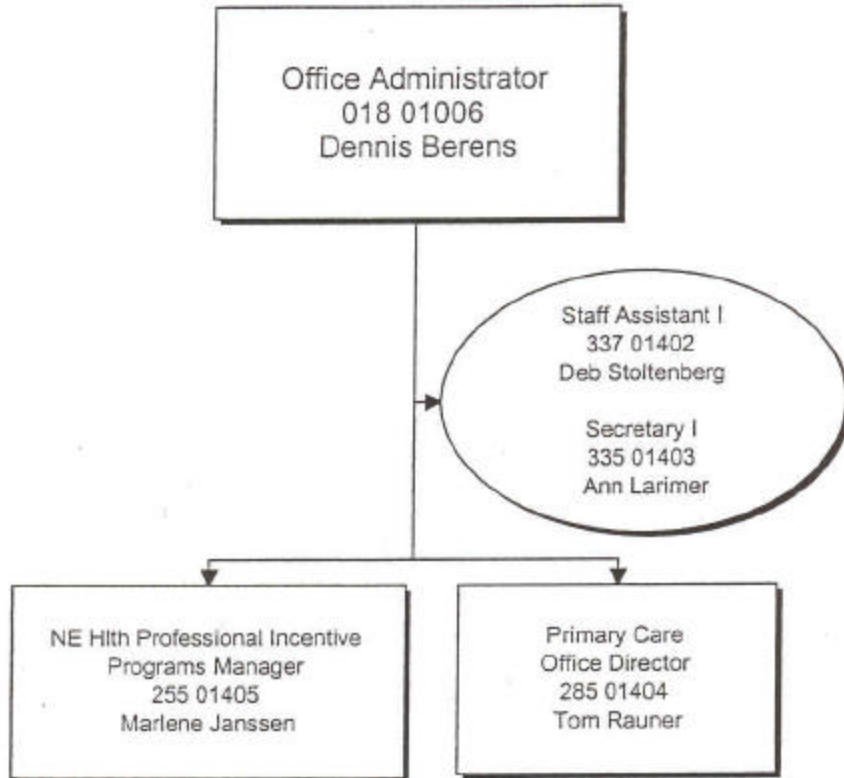
The Office of Rural Health administers the student loan and the loan repayment programs. As of June 30, 2002, there were five employees in the Office of Rural Health.

**MISSION STATEMENT**

“We help people live better lives through effective health and human services.”

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

**OFFICE OF RURAL HEALTH**  
**ORGANIZATIONAL CHART**



NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

**COMMENT AND RECOMMENDATION**

During our audit of the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance, we noted a certain matter involving the internal control over financial reporting and other operational matters which is presented here. The comment and recommendation is intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

**Receipts**

Neb. Rev. Stat. Section 84-710 R.S.Supp., 2002 requires, “. . . any money belonging to the state” to be paid “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.”

Good internal control requires the Department of Health and Human Services, Office of Rural Health, Program Manager to have control over disbursements and receipts recorded in the accounting system. Good accounting practice also requires revenues to be consistently classified to the correct fund and account codes.

During our testing of the Program’s receipts we noted the following:

- Five of twenty deposits were not made in a timely manner in accordance with State Statute 84-710. The five deposits were all greater than the \$500 threshold established by statute, however, the deposits were not made until 4 to 11 days after their receipt. The deposits totaled \$157,231.

*Department’s Response: We agree the five deposits were not made within three days after receipt.*

- The Program Manager did not verify disbursements and receipts were properly recorded in the accounting system. We noted receipts were miscoded in the amount of \$302,098 for the fiscal year ended June 30, 2002. \$26,916 of the nearly \$302,000 were miscoded between major account codes and/or funds, and \$275,182 were miscoded within major account codes.

*Department’s Response: We agree receipts were miscoded and the agency identified and subsequently corrected some of them. Other receipts were not corrected before the fiscal year end closed.*

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

**COMMENT AND RECOMMENDATION**

**Receipts** (Concluded)

*Department's Response, Concluded:*

*The duties of the Program Manager include managing details at the individual recipient level and reporting to the accounting division the proper subprogram codes for receipts and disbursements. The accounting division is responsible for determining the specific account codes. Monitoring of program funds is done by the Program Manager on a monthly basis by receiving accounting reports.*

There is an increased risk of loss or misuse of funds and there is a loss of interest income to the State when deposits are not made timely in accordance with State Statute 84-710. There is a possible misrepresentation of the Program's financial statements when the proper funds and account codes are not utilized in recording the Program's transactions in the accounting system.

We recommend the Department comply with Section 84-710. We also recommend the Program Manager verify disbursements and receipts are properly recorded in the accounting system.

It should be noted this report is critical in nature since it contains only our comment and recommendation on the area noted for improvement.

Draft copies of this report were furnished to the Program to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was not verified at this time but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES FINANCE AND SUPPORT PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

Deann Haeffner, CPA  
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### INDEPENDENT AUDITORS' REPORT

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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance (Program), as of and for the year ended June 30, 2002, which collectively comprise the Program's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Program's management. Our responsibility is to express opinions on these financial statements based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Mark Avery, CPA  
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As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Robert Hotz, JD  
Legal Counsel  
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Also, as discussed in Note 1, the financial statements of the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance, are intended to present the cash balances and changes in cash balances of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance. They do not purport to, and do not, present fairly the cash balances of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2002, and its changes in cash balances for the year then ended in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities, each major fund, and the aggregate remaining fund information of the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance, as of June 30, 2002, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2003, on our consideration of the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Program's basic financial statements. The accompanying schedules and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

May 29, 2003

  
Assistant Deputy Auditor



NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 FINANCE AND SUPPORT  
 PROGRAM 175 - MEDICAL STUDENT ASSISTANCE  
**STATEMENT OF NET ASSETS ARISING FROM CASH TRANSACTIONS**  
 June 30, 2002

	GOVERNMENTAL ACTIVITIES <b>TOTAL</b> <b>(Memorandum            Only)</b>
<b>Assets</b>	
Cash in State Treasury	\$ 1,174,594
	<hr/>
Total Assets	\$ 1,174,594
	<hr/> <hr/>
<b>Net Assets</b>	
Unrestricted	\$ 1,174,594
	<hr/>
Total Net Assets	\$ 1,174,594
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 FINANCE AND SUPPORT  
 PROGRAM 175 - MEDICAL STUDENT ASSISTANCE  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
 For the Fiscal Year Ended June 30, 2002

	<b>Governmental Activities TOTAL (Memorandum Only)</b>
Disbursements:	
Operating	\$ 1,045,686
Government Aid	273,084
Total Disbursements	1,318,770
Program Receipts:	
Charges for Services	674,706
Net Program Receipts (Disbursements)	(644,064)
General Receipts:	
Appropriations	666,527
Unrestricted Investment Interest	57,862
Total General Receipts	724,389
Change in Net Assets	80,325
Net Assets July 1, 2001	1,096,269
Net Assets June 30, 2002	\$ 1,176,594

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 FINANCE AND SUPPORT  
 PROGRAM 175 - MEDICAL STUDENT ASSISTANCE  
**STATEMENT OF ASSETS AND FUND BALANCES**  
**ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUNDS**  
 June 30, 2002

	Major Fund	Other Fund	
	Rural Health Professional Incentive Fund 2202	Regulation and Licensure Reimbursement Cash Fund 2208	<b>Total Governmental Funds (Memorandum Only)</b>
<b>Assets</b>			
Cash in State Treasury	\$ 1,174,584	\$ 2,010	\$ 1,176,594
Total Assets	\$ 1,174,584	\$ 2,010	\$ 1,176,594
<b>Fund Balances</b>			
Unreserved	\$ 1,174,584	\$ -	\$ 1,174,584
Unreserved, Reported in Nonmajor Special Revenue Funds	-	2,010	2,010
Total Fund Balances	\$ 1,174,584	\$ 2,010	\$ 1,176,594

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 FINANCE AND SUPPORT  
 PROGRAM 175 - MEDICAL STUDENT ASSISTANCE  
**STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 For the Fiscal Year Ended June 30, 2002

	<u>Major Funds</u>		<u>Other Funds</u>	<b>Total Governmental Funds (Memorandum Only)</b>
	State General Fund 1000	Rural Health Professional Incentive Fund 2202	Regulation and Licensure Reimbursement Cash Fund 2208	
RECEIPTS:				
Appropriations	\$ 666,527	\$ -	\$ -	\$ 666,527
Miscellaneous:				
Investment Interest	-	57,862	-	57,862
Revenue From Private and Governmental Sources	-	674,706	-	674,706
TOTAL RECEIPTS	<u>666,527</u>	<u>732,568</u>	<u>-</u>	<u>1,399,095</u>
DISBURSEMENTS BY FUNCTION:				
Health and Social Services	<u>666,527</u>	<u>652,243</u>	<u>-</u>	<u>1,318,770</u>
TOTAL DISBURSEMENTS	<u>666,527</u>	<u>652,243</u>	<u>-</u>	<u>1,318,770</u>
Net Change in Fund Balances	-	80,325	-	80,325
FUND BALANCES, JULY 1, 2001	<u>-</u>	<u>1,094,259</u>	<u>2,010</u>	<u>1,096,269</u>
FUND BALANCES, JUNE 30, 2002	<u>\$ -</u>	<u>\$ 1,174,584</u>	<u>\$ 2,010</u>	<u>\$ 1,176,594</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

**NOTES TO FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2002

**1. Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance are on the basis of accounting as described in the Nebraska Accounting System Manual.

**A. Reporting Entity**

The Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance (Program) is a program within the Department of Health and Human Services Finance and Support. The Department of Health and Human Services Finance and Support 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 financial statements include all funds of the Program.

The Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance is part of the primary government for the State of Nebraska's reporting entity.

**B. Basis of Presentation**

**Program-wide Financial Statements.** The Statement of Net Assets Arising from Cash Transactions and Statement of Activities - Cash Basis display information about the activities of the Program, and are in the format of government-wide statements as required by Governmental Accounting Standards Board (GASB) Statement Number 34. These statements include all the financial activities of the Program. Internal activities in these statements have not been eliminated. Governmental generally accepted accounting principles (GAAP) would require internal activity to be eliminated to minimize double counting. The Program reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts reduce the net cost of the function to be financed by general receipts. Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance receipts include program and general receipts. Receipts identified as program receipts include charges

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. The program receipts for the Program consists primarily of local loan matching funds, loan repayment amounts, and loan default payments. General receipts include all other receipts properly not included as program receipts. The Program reported the following general receipts: Appropriations, which are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

**Fund Financial Statements.** The fund financial statements provide information about the Program's funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The Program uses only the governmental fund category. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. The Program only has one nonmajor fund.

The Program reports the following major governmental funds:

**General Fund.** This is the Program's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

**Rural Health Professional Incentive Fund.** This fund accounts for the activity of the loan programs that are funded by local matches, repayment of loans, and other miscellaneous receipts.

**C. Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the Program are maintained and the Program-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Assets Arising From Cash Transactions and the Statement of Activities-Cash Basis. Revenues are recognized when received and expenditures are recognized when paid for all funds of the Program. This differs from governmental generally accepted accounting principles (GAAP), which requires the Program-wide financial statement to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. Summary of Significant Accounting Policies (Concluded)**

accounting revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used as described above. This differs from governmental generally accepted accounting principles (GAAP), which require governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State of Nebraska considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

**D. Assets and Net Assets**

**Cash in State Treasury.** Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer, on a daily basis, based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Program were designated for investment during fiscal year 2002.

**E. Administrative Expenses**

The administrative expenses of Program 175 are not included in these financial statements as they are recorded and reported in the Department of Health and Human Services Program 33 - Central Office/Operations Program.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2. Loans Receivable**

Not recorded on the cash basis financial statements are the loans receivable balances. The loans receivable balances of Program 175 as of June 30, 2002 consists of the following:

Student Loan Program (1)	\$ 1,335,325
Loan Repayment Program	<u>28,906</u>
TOTAL	<u>\$ 1,364,231</u>

(1) This amount is net of the amount submitted to the State Claims Board, pursuant to LB806, in the amount of \$236,047.

**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. Litigation**

The potential amount of liability involved in litigation pending against the Program, if any, could not be determined at this time. However, it is the Program's opinion that final settlement of those matters should not have an adverse effect on the Program's ability to administer current programs. Any judgment against the Program would have to be processed through the State Claims Board and be approved by the Legislature.

**5. GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. The State of Nebraska implemented the Statement for the fiscal year ending June 30, 2002.

The Program implemented GASB 34 by presenting its financial statements in a format as required by GASB 34. However, as explained in Note 1.C. the Program's financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Previous period financial statements of the Program were also prepared on the cash basis of accounting; therefore, these financial statements, even though in a different format, are comparable to previous period financial statements of the Program.



NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 FINANCE AND SUPPORT  
 PROGRAM 175 - MEDICAL STUDENT ASSISTANCE  
**SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM**  
**BUDGET AND ACTUAL**  
 For the Fiscal Year Ended June 30, 2002

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
PROGRAM:				
175-Medical Student Assistance	\$ 741,942	\$ 715,026	\$ 666,527	\$ 48,499
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 741,942</b>	<b>\$ 715,026</b>	<b>\$ 666,527</b>	<b>\$ 48,499</b>

See Notes to Supplementary Information

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 FINANCE AND SUPPORT  
 PROGRAM 175 - MEDICAL STUDENT ASSISTANCE  
**SUPPLEMENTARY INFORMATION**  
**MAJOR SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM**  
**BUDGET AND ACTUAL**  
 For the Fiscal Year Ended June 30, 2002

Rural Health Professional Incentive Fund 2202				
PROGRAM:	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
175-Medical Student Assistance	\$ 904,761	\$ 904,761	\$ 652,243	\$ 252,518
TOTAL DISBURSEMENTS	\$ 904,761	\$ 904,761	\$ 652,243	\$ 252,518

See Notes to Supplementary Information

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

**NOTES TO SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2002

**BUDGETARY COMPARISON SCHEDULES**

**GAAP Requirements**

Generally Accepted Accounting Principles (GAAP) requires budgetary comparison schedules for the general fund, and for each major special revenue fund that has a legally adopted annual budget. For each program, the Legislature appropriated the Program's legally adopted annual budget amount. The Program's budgetary comparison schedules include the general fund and the Rural Health Professional Incentive Fund.

GAAP also requires the budgetary comparison schedules to include the *original budget* and *final budget* amounts. The *original budget* is the first complete appropriated budget adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget would also include actual appropriation amounts automatically carried over from prior years when required by law. The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year as signed into law or otherwise legally authorized.

**Budgetary Process**

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Program and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and presents the appropriations bill to the Governor for signature. The Governor may: a) approve the appropriations bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths vote of the Legislature.

The approved appropriations will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency. As a result, the budgetary comparison schedules only report total disbursements *by program*.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE

**NOTES TO SUPPLEMENTARY INFORMATION**

(Continued)

Appropriations are usually made for each year of the biennium, with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium.

All State budgetary disbursements for the general fund and the Rural Health Professional Incentive Fund are made pursuant to the appropriations, which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major objects of expenditure accounts, except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total appropriations must also be approved by the Legislature as a deficit appropriations bill.

Receipts are not budgeted. Therefore, there are no budgeted amounts shown on the Budgetary Comparison Schedules.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 FINANCE AND SUPPORT  
 PROGRAM 175 - MEDICAL STUDENT ASSISTANCE  
**SCHEDULE OF THE NUMBER AND DOLLAR AMOUNT OF LOANS - STUDENT LOAN PROGRAM**  
 For the Fiscal Years Ending June 30, 1998, 1999, 2000, 2001, and 2002  
 UNAUDITED

	Fiscal Year Ending June 30				
	2002	2001	2000	1999	1998
<b>Student Loan Program:</b>					
Number of New Recipients	5	6	7	6	5
Loan Amount for New Recipients (1)	\$ 75,000	\$ 90,000	\$ 105,000	\$ 60,000	\$ 50,000
Total Recipients (2)	16	18	17	19	18
Total Loan Amount (1) (2)	\$ 240,000	\$ 270,000	\$ 255,000	\$ 190,000	\$ 180,000

(1) This represents the total amount of loans awarded for the fiscal year.

(2) The total recipients and total loan amount includes new recipients as well as recipients who have also received the loan in a previous year.

SOURCE: Office of Rural Health

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 FINANCE AND SUPPORT  
 PROGRAM 175 - MEDICAL STUDENT ASSISTANCE  
**FAMILY PRACTICE RESIDENCY PROGRAM**  
**TOTAL DOLLARS AWARDED**  
 For the Fiscal Years Ending June 30, 1998, 1999, 2000, 2001, and 2002  
 AND  
**NUMBER OF GRADUATES AND WHERE THEY DECIDED TO PRACTICE**  
 From 1993 to June 2002  
 UNAUDITED

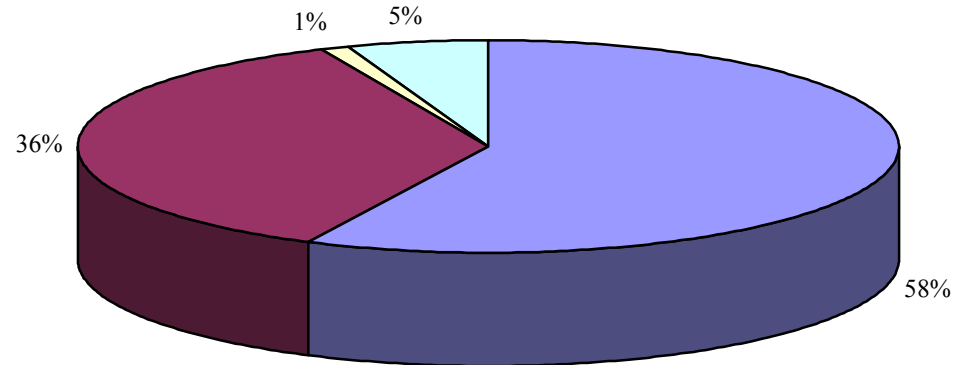
	Fiscal Year ending June 30,				
	2002	2001	2000	1999	1998
<b>Family Practice Residency Program:</b>					
Total Award from the State of Nebraska	\$ 273,084	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000

<b>Number of Graduates Practicing in:</b>	Number of Graduates	Percentage of Graduates
Counties with a population of less than 20,000	4	11%
Counties with a population between 20,000 and 50,000	6	16%
Counties with a population greater than 50,000	11	30%
Number that have left the State	16	43%
Total Number of Graduating Residents from 1993 to June 2002	37	100%

SOURCE: Office of Rural Health

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 FINANCE AND SUPPORT  
 PROGRAM 175 - MEDICAL STUDENT ASSISTANCE  
**SCHEDULE OF THE NUMBER OF AWARDS - LOAN REPAYMENT PROGRAM**  
 1994 to December 2002  
 UNAUDITED

	Number of Awards	Percentage
<b>Loan Repayment Program:</b>		
Completed Service Obligation since 1994	94	58%
Serving Obligation	59	36%
Service Obligation Waived	2	1%
Repayments, Defaults, or Write-Offs	9	5%
 Total Awards	 164	 100%



SOURCE: Office of Rural Health

# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
FINANCE AND SUPPORT  
PROGRAM 175 - MEDICAL STUDENT ASSISTANCE  
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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We have audited the financial statements of the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance as of and for the year ended June 30, 2002, and have issued our report thereon dated May 29, 2003. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted an immaterial instance of noncompliance that we




have reported to management of the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance in the Comments Section of this report as Receipts.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of Nebraska Department of Health and Human Services Finance and Support - Program 175 - Medical Student Assistance in the Comments Section of this report as Receipts.

This report is intended solely for the information and use of the Program, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

May 29, 2003

  
Assistant Deputy Auditor