ATTESTATION REPORT
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 38 – BEHAVIORAL HEALTH AID

JULY 1, 2015, THROUGH DECEMBER 31, 2016

Issued on June 22, 2017

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 38 – BEHAVIORAL HEALTH AID

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BACKGROUND

The Nebraska Department of Health and Human Services (Department) – Program 38 – Behavioral Health Aid (Program) is responsible for distributing State aid for behavioral health services, including mental health, substance abuse, and addiction services. The Division of Behavioral Health within the Department provides leadership for the Program and administers the aid through contracts with the six Mental Health Regional Governing Boards (Regions) and through direct contracts with providers. Contracts are managed through utilization review, quality of care review, program fidelity audits, and consumer survey results. Contracts include both fee-for-service and non-fee-for-service payments.

The six Behavioral Health Regional Governing Boards operate through local Behavioral Health Authorities, which are established and funded pursuant to Neb. Rev. Stat. § 71-808 (Reissue 2009). Subsection (3) of that statute says, in relevant part, the following regarding matching funds received by the local Behavioral Health Authorities:

> *Each county in a behavioral health region shall provide funding for the operation of the behavioral health authority and for the provision of behavioral health services in the region. The total amount of funding provided by counties under this subsection shall be equal to one dollar for every three dollars from the General Fund. The division shall annually certify the total amount of county matching funds to be provided. At least forty percent of such amount shall consist of local and county tax revenue, and the remainder shall consist of other nonfederal sources. The regional governing board of each behavioral health authority, in consultation with all counties in the region, shall determine the amount of funding to be provided by each county under this subsection.*

Program administrators have long interpreted the above statutory language to allow a portion of the matching local funds to come from non-county sources, such as client fees and donations collected and retained by subcontractors of the Regions. A Department representative explained this interpretation as follows:

> *DHHS and the division interprets the use of providers' non-federal funds that the providers receive and expend from other non-region sources as those funds contribute to many of the services the Regions purchase; therefore they are to the benefit of the state in providing the services the state wants to ensure are available to the public and are qualified as match for the Regions. The statutes do not specify that the counties other nonfederal funds actually pass through the Region as long as they support the same services that the Region is purchasing from the providers . . . . Also to manage and ensure that the local services are available, other non-federal funds used by providers support the continuing existence and availability of those services in the local geographical area.*

Though admittedly preferable for efficient accounting and financial control, such an interpretation remains subject to question in terms of strict statutory construction. Nevertheless, the APA utilized the Department's interpretation of the statute for auditing purposes.

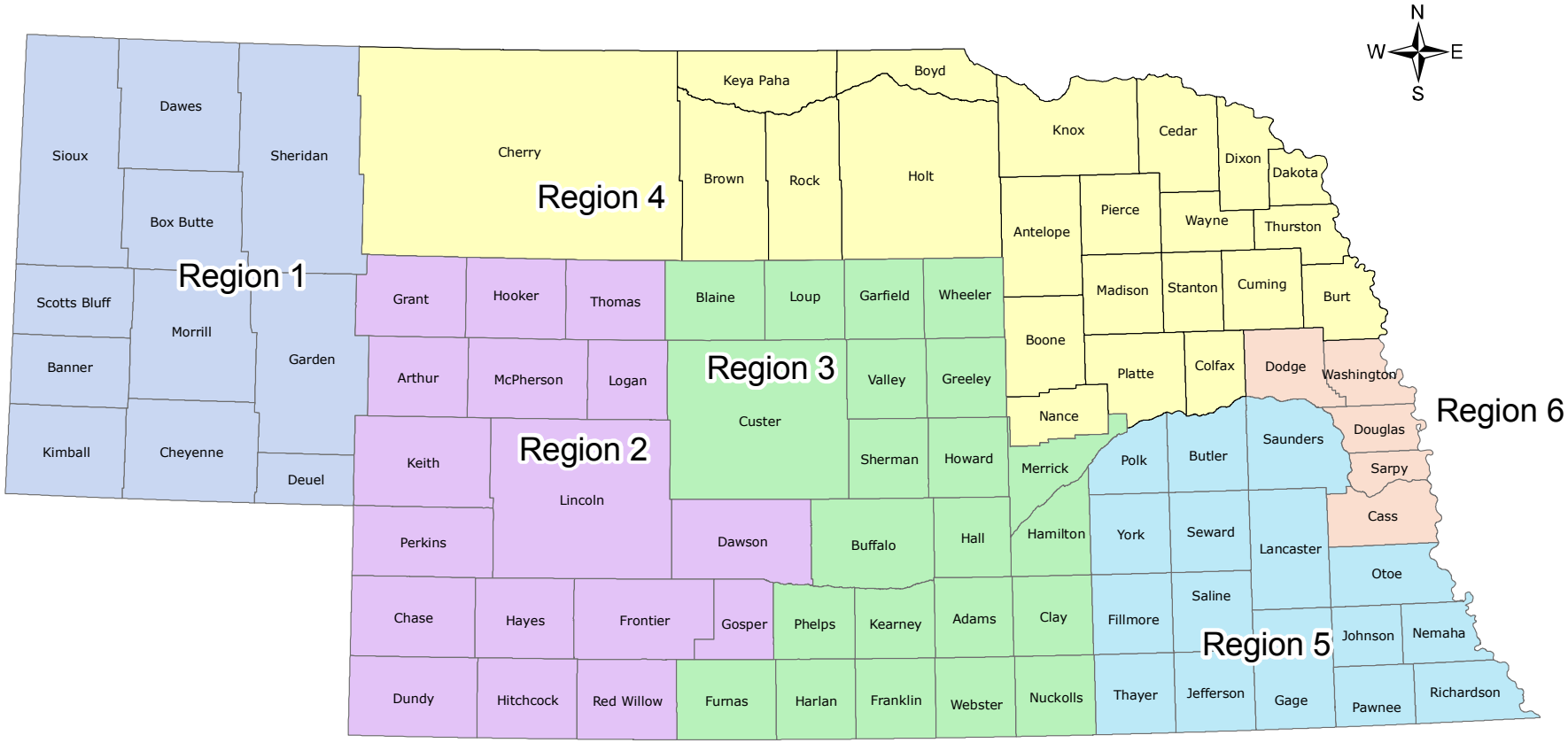
Federal funds received by the Program include the Community Mental Health Services Block Grant and the Block Grant for Prevention and Treatment of Substance Abuse. Since fiscal year 2002, however, the Program has also contained tobacco settlement and Intergovernmental Transfer (IGT) funds, which are deposited into the Nebraska Health Care Cash Fund to be used for behavioral health services.

BACKGROUND
(Concluded)

A primary objective of the Program is to implement the Nebraska Behavioral Health Services Act, which is set out at Neb. Rev. Stat. §§ 71-801 to 71-831 (Reissue 2009, Cum. Supp. 2016). This is accomplished by developing expanded community-based behavioral health services to reduce the demand for regional center services, improve the quality of behavioral health services, and provide education and training programs for behavioral health professionals.

Additionally, the Program collaborates with other governmental and private organizations to meet the mental health and substance abuse needs of people, including members of special populations (e.g., co-occurring disordered persons, persons with severe and persistent mental illness).

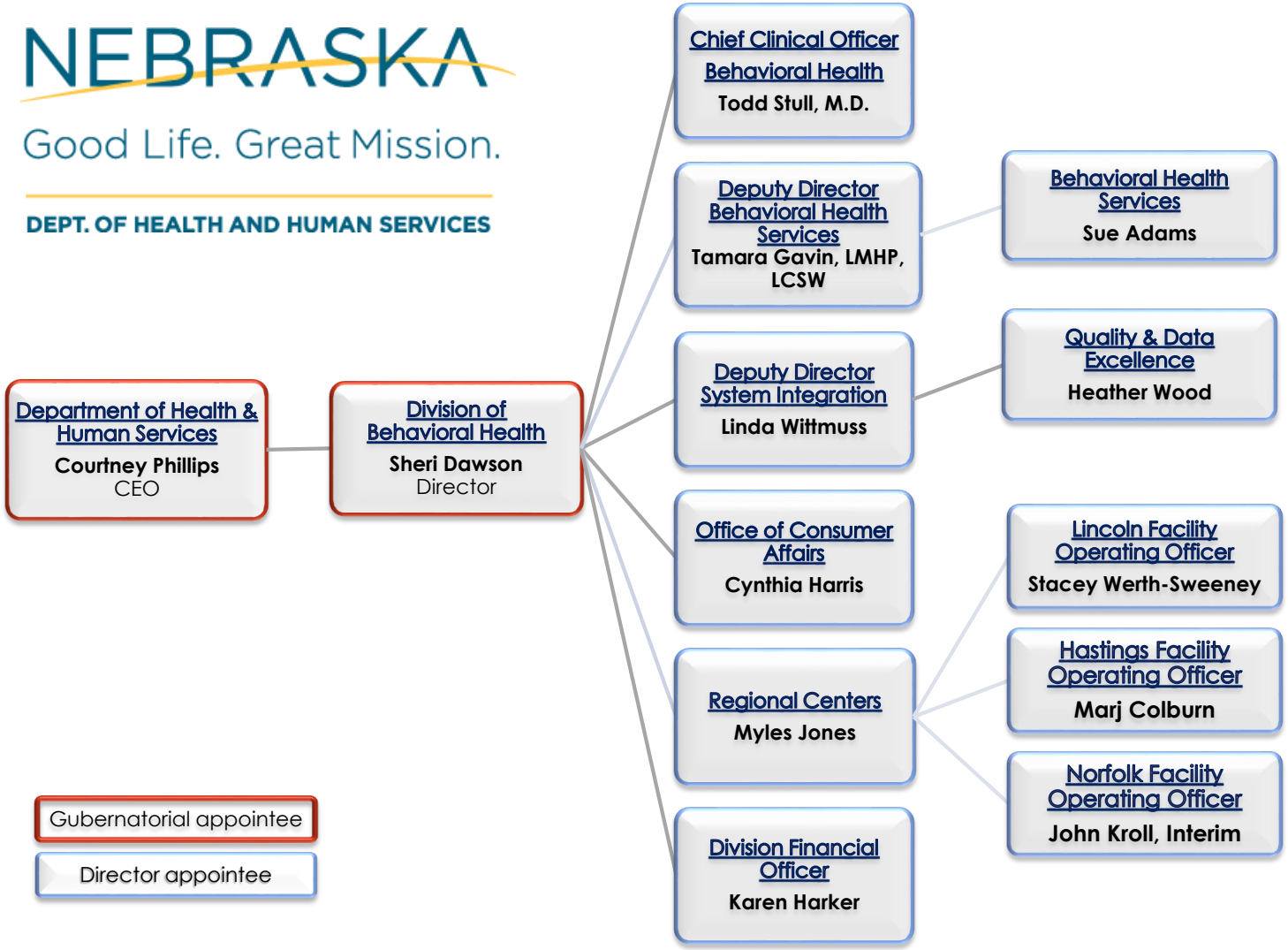
Behavioral Health Regions



Nebraska Department of Health and Human Services

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 38 – BEHAVIORAL HEALTH AID

DIVISION OF BEHAVIORAL HEALTH ORGANIZATION CHART



KEY OFFICIALS AND AGENCY CONTACT INFORMATION

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SUMMARY OF COMMENTS

During our examination of the Department of Health and Human Services (Department) Program 38 – Behavioral 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*: Comments #1, #2, #3, and #6, 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. ***Legislative Restrictions and Funding Formula:*** The Department did not have support to ensure adherence to Legislative restrictions. Also, the formula to distribute funding to the Regions was not set out in either the Department's rules and regulations or a formal written policy.

2. ***Housing Assistance Not Adequately Supported:*** Payments to Regions related to housing assistance were not adequately supported and were not in accordance with State statute.

3. ***Contract Payment Monitoring and Support:*** We noted several issues, including a lack of monitoring, inadequate documentation, and noncompliance with bidding requirements.

4. ***Medicaid Eligible Individuals:*** The Department lacked procedures to ensure that Program funds were not used for individuals who were Medicaid eligible.

5. ***General Fund Match Requirement:*** We noted several issues related to the calculation of match each county/Region was to provide.

6. ***Financial Responsibility Medication Costs:*** We noted that three of five individuals tested did not have financial responsibility determined annually, as required.

7. ***Monitoring of Regions:*** Procedures and documentation were not adequate to ensure Federal requirements were met.

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 the Department to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All 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.

COMMENTS AND RECOMMENDATIONS

1. Legislative Restrictions and Funding Formula

The Nebraska Department of Health and Human Services (Department) distributes State aid for behavioral health services through contracts with the six Mental Health Regional Governing Boards (Regions) and through direct contracts with providers. Program 38 – Behavioral Health Aid (Program) expenditures to the Regions for the period July 1, 2015, to December 31, 2016, totaled $126,945,163.

The Legislature makes appropriations for each fiscal year. An appropriation is an authorization to make expenditures and incur obligations. This authority is granted by the Legislature, and each agency is expected to operate within those limits and restrictions.

We noted that the Department did not have support to ensure adherence to Legislative restrictions.

In LB 956 (2016), the Legislature included the following restrictions for fiscal year 2016:

- $2,081,958 in General Funds for a 2.25% increase in rates paid to providers of behavioral health services, which shall only be used for such purpose.

- $2,599,660 Cash Funds to be used for rates paid to providers of mental health and substance abuse services.

The contracts between the Department and the Regions did include a 2.25% increase in rates, but the Department was unable to substantiate that $2,081,958 was used for such purpose. The contracts include fee-for-service claims and non-fee-for-service claims. The Department did not track the amount paid specifically for rate increases. The $2,599,660 Cash Funds for rates to providers were distributed to the Regions, but the Department was unable to substantiate that the amount was used for that purpose. The Cash Funds were distributed based on an allocation and paid based on that allocation. Per the Division Finance Officer, due to the manual and voluminous nature of the billings it was not feasible to track actual amounts paid due to rate increases.

We noted further that the formula to distribute funding to the Regions was not set out in either the Department's rules and regulations or a formal written policy.

Through LB 956 (2016), the 104th Legislature also required $6,500,000 Cash Funds to be used for community-based mental health and substance abuse services and distributed to each of the six behavioral health regions based upon a formula determined by the Department.

Neb. Rev. Stat. § 71-812(3)(a) (Reissue 2009), which pertains to housing assistance for adults with serious mental illness, contains the following:

> *The division shall manage and distribute such funds based upon a formula established by the division, in consultation with regional behavioral health authorities and the department, in a manner consistent with and reasonably calculated to promote the purposes of the public behavioral health system enumerated in section 71-803.*

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Legislative Restrictions and Funding Formula (Continued)

The $6,500,000 Cash Funds for community-based services and Cash Funds for housing assistance were not distributed per the fiscal year 2016 formula, based in part on census data provided to us by the Department. Also, the Department did not have written formalized procedures for the formula used.

The Division Finance Officer stated the following regarding the allocation formula:

> *When the allocation formula was adopted in 2008, it was done so with a "hold harmless" agreement that no region would lose funding if they had it in services. DBH prioritized access to services rather than removing dollars and access. Moving forward, there was agreement that the allocation formula would be used to allocate new funding as it became available. You are correct that applying the allocation formula to total dollars available will not match the contracted amounts. We meet with the Regional Administrators monthly to review utilization, address funding, and strategic planning. We monitor the amount of variance across regions. Four regions typically are over the formula percentage and two are under. Establishing a reset of pure allocation formula must be thoughtfully done in order to not compromise access to services.*

The following table illustrates the calculation utilized by the Department to review the funding allocation for fiscal year 2016. The original contract amounts include General Funds, Cash Funds, and Federal Funds. The Department determines the percentage of funding by Region and compares it to the formula percentage based on census data.

	FY16 Original Contract	Adjustments	Adjusted Allocation	% of Funding	% Based on 2016 Census Formula
Region 1	$ 5,361,993	$ (470,297)	$ 4,891,696	5.81%	4.89%
Region 2	$ 5,381,326		$ 5,381,326	6.39%	5.59%
Region 3	$ 12,084,581		$ 12,084,581	14.35%	12.48%
Region 4	$ 9,986,948		$ 9,986,948	11.86%	11.43%
Region 5	$ 17,750,990	$ 2,500,000	$ 20,250,990	24.05%	24.67%
Region 6	$ 25,067,314	$ 6,550,000	$ 31,617,314	37.54%	40.94%
Total	$ 75,633,152		$ 84,212,855	100.00%	

Note: Adjustments by the Department – Region 1 contract includes Northeast Nebraska Panhandle Substance Abuse Center funding; however, that amount is not included in the percentage of funding comparison; Region 5 adjusted for Lincoln Regional Center; Region 6 adjusted for separate contract with Lasting Hope Recovery Center.

Without adequate support and formal written procedures, there is an increased risk for errors, inequitable distributions of funds, and non-compliance with Legislative requirements.

> We recommend the Department implement procedures to ensure Legislative restrictions and statute requirements are met. We further recommend the Department implement a formal written policy regarding the calculation and use of the distribution formula.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Legislative Restrictions and Funding Formula (Concluded)

Department Response: Contracted service providers receive the rate increase awarded by the Legislature each year. The program's treatment of funds designated for rate increases is managed consistently within DHHS systems and is not believed to be contradictory to legislative restriction or statutory intent. DHHS will develop policy and procedures that document calculation and use of the distribution formula.

APA Response: The Department did not track the amount of each claim that was specifically related to the rate increases. Instead, funding for rate increases was paid on a calculated amount based on an allocation formula. In order to ensure the legislative restrictions were met, the Department would need to track, by each payment made to the Regions, how much of the claim was due to rate increases.

2. Housing Assistance Not Adequately Supported

Payments to Regions related to housing assistance were not adequately supported and/or were not in accordance with State statute. We selected 25 charges related to housing assistance and requested supporting documentation for those charges. We noted the following:

- One $4,005 payment was for garage repairs. The Department explained that the client had been arrested on multiple counts of Driving Under the Influence and had destroyed two apartment garages after driving into them while intoxicated. Because of these incidents, the landlord expressed an unwillingness to continue working with the Region's housing program. In the hope of rebuilding its relationship with the landlord, however, the Region paid for the damages caused by the client. Per the Department, while it is not a usual practice to pay for damages caused by an individual, the Program manual allows for such action in order to preserve a landlord relationship. The APA considers this beyond the intent of the statute. The plain language of the statute is to provide housing aid, not to have the State take on the obligation of paying – without any underlying responsibility, contractual or otherwise, for doing so – for the property damage caused by someone who received housing assistance.

- Three rent payments did not have a lease agreement on file to support that the amounts paid were correct. The payments were for $345, $480, and $508.

- One $461 rent payment did not have a rental agreement signed by the tenant or that even identified the tenant; therefore, adequate support was lacking to show that the payment was on behalf of the client noted.

- Eight individuals tested did not have adequate documentation to support serious mental illness within the preceding 12 months, as required by statute. These individuals received payments for housing assistance for May 2016 totaling $3,609; July 2016 for $345; and

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Housing Assistance Not Adequately Supported (Continued)

September 2016 for $321. Per the support provided, the most recent diagnosis by a clinician ranged from October 2007 to February 2015. Per the Department, to be eligible for housing assistance, a person must be receiving behavioral health services. If the recipient is in an authorized service, then there was a determination that a diagnosable mental, behavioral, or emotional disorder resulted in a functional impairment that made him or her eligible for the treatment service. However, when we requested documentation to support a clinician's determination of the diagnosis and functional impairment within the preceding 12 months, the documentation provided was not signed by a clinician.

- For one individual, the Department did not have documentation on file to support that the client received the items purchased. Items purchased were bedding, plates, flatware, a vacuum, etc. There was a receipt from Shopko and also a note from the Region staff stating the client and the staff worker met to purchase some things for her apartment, but the receipt was not signed by the client.

Good internal control requires adequate documentation to be maintained to support that payments are reasonable, necessary, and in accordance with statutory requirements.

Neb. Rev. Stat. § 71-812(3) (Reissue 2009) states, in part, the following:

> *(a) Money transferred to the fund under section 76-903 shall be used for housing-related assistance for very low-income adults with serious mental illness . . . .*
>
> *(b) For purposes of this subsection:*
>
> > *(i) Adult with serious mental illness means a person eighteen years of age or older who has, or at any time during the immediately preceding twelve months has had, a diagnosable mental, behavioral, or emotional disorder of sufficient duration to meet diagnostic criteria identified in the most recent edition of the Diagnostic and Statistical Manual of Mental Disorders and which has resulted in functional impairment that substantially interferes with or limits one or more major life functions. . . .*
> >
> > *(ii) Housing-related assistance includes rental payments, utility payments, security and utility deposits, and other related costs and payments . . . .*

Without adequate reviews and supporting documentation, there is an increased risk for misuse of State funds. Payments for housing assistance for the period tested totaled $4,131,295.

> We recommend the Department discontinue the use of funding to cover damages by a housing tenant. We further recommend adequate documentation be maintained to support that housing assistance payments are reasonable, necessary, and in accordance with State statute.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Housing Assistance Not Adequately Supported (Concluded)

Department Response: DHHS has discontinued the use of the Housing Related Assistance funding to pay for damages by housing tenants. The DHHS housing operations manual is being reviewed and updated to clarify requirements and strengthen language related to documentation for expenditure of funds. This said, it is the position of DHHS that the documentation provided for the consumers reviewed demonstrated the presence of a serious and persistent mental illness and associated functional impairments.

APA Response: The most recent diagnosis provided by the Department for eight individuals receiving assistance ranged from October 2007 to February 2015, or longer than the time period per State statute.

3. Contract Payment Monitoring and Support

A good internal control plan requires contract monitoring procedures to be in place to ensure payments utilizing State funds are reasonable and proper.

Program 38 – Behavioral Health Aid (Program) expenditures to contractors other than the Regions for the period July 1, 2015, to December 31, 2016, totaled $15,581,870. We selected five contract payments for testing and noted several issues, including a lack of monitoring, inadequate supporting documentation, and noncompliance with bidding requirements.

Alegent Health-Bergan Mercy Health System

Per Section II.B.2 of the contract between the Department and Alegent Health-Bergan Mercy Health System under the location name of Lasting Hope Recovery Center (Alegent) for the period July 1, 2015, through June 30, 2016, the Department "reserved the right to be the payer of last resort and will only provide reimbursement for expenditures that are in excess of revenue received from all other potential sources."

Alegent was paid a standard monthly amount of $545,833 minus any Medicaid Disproportionate Share (DSH) payments the contractor received from the Department. The Department paid $5,139,873 on the contract that was tested by the APA.

Program 38 staff calculated the DSH amount rather than deducting the actual amount of DSH paid by the Department. The total amount reduced from the monthly payment tested for October 2015 was $50,837, but the Department could not support whether this was the actual DSH payment made to the contractor.

At the end of the contract period, Alegent submitted a report that showed total revenues versus expenses, resulting in a net expense. However, the Department did not have procedures to ensure all revenues and only allowable expenses per the contract were included in this report. Without these procedures, the Department was not able to ensure it was the payer of last resort or that the amount that was paid to Alegent was appropriate.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Contract Payment Monitoring and Support (Continued)

The Nebraska Federation of Families

The Department contracted with the Nebraska Federation of Families (Federation) for Family Navigator Services and Family Peer Support Services for the families of children and youth experiencing behavioral changes. The Department paid the Federation $608,267 from July 1, 2015, through April 30, 2016. We tested the February 2016 reimbursement request paid to the Federation and noted several issues:

- Some of the expenses included on the Federation's expense reimbursement were incurred prior to February 2016. The Department did not have adequate procedures in place to ensure that these expenses were not already reimbursed to the Federation in a previous month. Billings from August 2015 and November 2015 through January 2016 were included in the February 2016 reimbursement request.

- The Department did not have procedures in place to ensure that subcontractor payments were appropriate and for allowable purposes. The total payment to the Federation for February 2016 was $60,395. Of this amount, $52,848 was reimbursement for the Federation's subcontractors.

- There was no support on file for $1,792 reimbursed by the Department for the wages of the Federation's Administrative Director.

- There was not adequate documentation on file to support why a rental car was needed for the Federation's Data Manager from January 25-27, 2016, for $122 and August 20-24, 2015, for $221.

- The Department reimbursed $75 for a recurring expense based upon the Federation's rent. The Department did not have support for this reimbursement but stated that it was included in the Federation's lease, which was reviewed during the last Federation on-site review. The Department did not have procedures to ensure that the Federation was still paying this amount in accordance with the lease.

- Part of the reimbursement was for mileage costs. The Department did not have procedures in place to ensure that the mileage driven was reasonable based upon the locations driven.

When the APA inquired about the procedures in place to monitor the subcontractor's expenditures, the Department explained that it received support for the subcontractor reimbursement request from July 2014 through December 2014, due to findings noted during an on-site visit in July 2014 at the Federation. During that on-site review, numerous issues were noted, including the following: expense forms were missing or had invalid signatures; backup documentation was missing; the Federation billed the Department for costs before the contract start date; seven billings were fully duplicated; and two billings overlapped service dates. The Department noted that it stopped receiving support after December 2014, as the Federation hired an accountant who was going to be responsible for subcontractor monitoring.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Contract Payment Monitoring and Support (Continued)

The APA reviewed two months of subcontractor support remitted to the Department from July 2014 and December 2014 and noted that the support was inadequate for the Department to make the determination that the amount requested for reimbursement was reasonable. The APA noted numerous issues, including payroll costs not supported, allocations not supported, duplicate invoices, and birthday gifts.

After the July 2014 on-site review, the Department met on-site with the accountant in April 2015 to review files of receipts to ensure that corrective action had been taken. During this review, the Department noted that few receipts were found, but the Federation offered assurance that the needed documentation was available in a drop box. The Department did not note if it verified that the receipts were in fact in a drop box. Additionally, during this site visit, it was noted that one expense had been paid twice, and payroll processing was still being handled by the Federation when it should have been switched to the accountant. Another site visit was performed by the Department in September 2015; however, per the Department, this site visit did not review expenditure documents. The APA inquired if the Department ever followed up with issues noted during the April 2015 site visit. Although the Department had an email noting that staff performed a site visit in October 2015, there was no documentation noting what was reviewed or if any issues were noted. The APA is unsure if any further follow up was performed on the issues noted in April 2015.

In February 2016, the Federation's records were sent to the Federal government for concerns related to a Federal grant that was not a part of Program 38. The Department paid the Federation $123,368 from March 2016 through April 30, 2016. Then, at the end of April 2016, the Department terminated the contract with the Federation. Considering all of the issues noted, it seems imprudent of the Department to make final payment to the contractor before ensuring that all amounts paid were appropriate and adequately supported. In addition, the monitoring procedures prior to the termination of the contract were clearly inadequate.

Winnebago Tribe of Nebraska

Section III.B of the contract between the Department and the Winnebago Tribe of Nebraska (Tribe) for the period October 1, 2015, through September 30, 2016, authorized the Department to conduct on-site or desk verification of expenditures and program services. Additionally, Section III.A.7 of the same contract stated that the contractor would pay for and provide the Department with an annual financial audit. That contractual provision stated the following:

> *a. The financial CPA audit shall report revenues for all MH and all SA services separately from other programs and services provided by the Contractor.*
>
> *b. Contractor agrees that the annual financial CPA audit shall include a two-year comparison of funds.*

We tested the August 2016 reimbursement request the Department paid to the Tribe. Included on this reimbursement were 156 units for halfway house services. Per review of the contract, no rate was included for halfway house services. According to the Department, this rate was accidently left out of the contract. The total paid to the Tribe for halfway house services on the reimbursement request tested was $5,460.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Contract Payment Monitoring and Support (Continued)

Additionally, the last Tribe on-site review or desk audit performed by the Department was in September 2014, which was not in accordance with the contract. The lack of on-site reviews performed during the contract period made the financial statement audit review, as required by the contract, even more important in order for the Department to have some assurance that the payments made to the Tribe were reasonable. The Department received a copy of an audit performed for the period ended September 30, 2015. As noted previously, one of the contractual requirements was for the annual audit to include a two-year comparison of funds. The September 30, 2015, audit did not have a two-year comparison of funds.

Additionally, the Department did not determine how the findings and opinion on the audited financial statements of the Tribe affected funding provided by the Department. There was a qualified opinion on the prior period adjustments as these were unable to be audited. In the columns that accounted for the Department's mental health and substance abuse funding, there were prior period adjustments of $280,601 and ($85,164), respectively. The Department did not follow up to determine what these amounts were for. Additionally, the column that accounted for the State's mental health funding had a fund balance of $418,607. The large fund balance appears to be due to revenues being significantly higher than expenses during the year. The Department did not follow up on why revenues were higher than expenses to determine if funding provided was reasonable and necessary.

The total amount paid to the Tribe during the examination period with Program funds was $535,667.

Competitive Bids

Neb. Rev. Stat. § 73-504 (Cum. Supp. 2016) states, in relevant part, the following:

> *(1) All state agencies shall comply with the review and competitive bidding processes provided in this section for contracts for services. Unless otherwise exempt, no state agency shall expend funds for contracts for services without complying with this section;*
>
> *(2) All proposed state agency contracts for services in excess of fifty thousand dollars shall be bid in the manner prescribed by the division procurement manual or a process approved by the Director of Administrative Services. Bidding may be performed at the state agency level or by the division. Any state agency may request that the division conduct the competitive bidding process;*

Additionally, a good internal control plan requires procedures to ensure contract payments are properly accounted for in the State's accounting system.

One contract tested for $468,830 was not competitively bid, as required by State statute. According to the Department, this contract was exempt from bidding under Neb. Rev. Stat. § 73-507(2)(b) (Cum. Supp. 2016), which states the following:

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Contract Payment Monitoring and Support (Concluded)

The following types of contracts for services are not subject to sections 73-504, 73-508, 73-509, and 73-510:

* * * *

(b) Contracts for services subject to federal law, regulation, or policy or state statute, under which a state agency is required to use a different selection process or to contract with an identified contractor or type of contractor[.]

The Department could not provide any Federal law, regulation, policy, or State statute that required it to use a different selection process or to contract with the specific entity.

For this same contract, the payment tested was not properly applied to the contract within the State's accounting system. Therefore, the system was unable to track accurately the payments made on the contract, increasing the risk that payments could exceed the contracted amount.

Without procedures to ensure payments made to contractors are reasonable, accurate, and properly supported, there is an increased risk that Department funds will be misused. Additionally, without procedures to ensure contracts are competitively bid when required, there is a risk of noncompliance with State statute and also a risk that the State will not receive services at the best price.

> We recommend the Department implement procedures to ensure payments are reasonable and proper, and contract monitoring is adequate. We also recommend contracts be bid in accordance with State statute.

Department Response: During the review one contract was identified that was not bid according to state statute. DHHS has taken steps to ensure contracts are bid in accordance with statutes. Staff overseeing contracts in Program 038 will receive additional training to strengthen documentation necessary to ensure payments are reasonable and clearly documented. DHHS guidelines, and operations, and audit manuals will be evaluated and re-written where necessary to incorporate more specific instructions for checklists, internal controls and report requirements for monitoring regions and providers. During the attestation, the halfway house units paid in error ($5,460) have been recouped and the contract has been amended to include the halfway house rate. Tribal onsite reviews are in progress for all fiscal years since the September 2014 reviews.

4. Medicaid Eligible Individuals

A good internal control plan requires procedures to ensure duplicate payments are not made. A good internal control plan also requires procedures to ensure Behavioral Health funds are not used for services to Medicaid-eligible individuals and to also ensure contract requirements are being met.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Medicaid Eligible Individuals (Concluded)

According to the agreements between the Department and the six Behavioral Health Regions, the Regions were not to submit reimbursement requests for any Medicaid-eligible individual receiving Medicaid-eligible services.

The Department lacked procedures to ensure that Behavioral Health Aid funds were not used to pay for services for individuals who were Medicaid eligible. A contractor provided the Department with a monthly report showing possible duplicated services between Medicaid and Behavioral Health, but the report was not followed up on.

During initial discussions, the Department told the APA that someone reviewed this monthly report to ensure Behavioral Health was not paying services that should be billed and paid for by Medicaid. The APA requested support of this review for one month, but the Department was unable to provide the requested documentation.

We selected 2 of the 15 individuals listed on one monthly report to determine if the individuals were Medicaid eligible and to ensure Behavioral Health did not pay for services that could have been, or were, paid for by Medicaid. One of two individuals tested was Medicaid eligible, and the State paid the Medicaid-managed care provider for that individual. Therefore, duplicate services were paid by Medicaid and Behavioral Health. For the month tested, the amount inappropriately paid by Behavioral Health for the individual was $302.

Without procedures to ensure Behavioral Health Aid funds are not being used to pay for services for individuals who are Medicaid eligible, there is an increased risk that the State will pay for duplicate services from Medicaid and Behavioral Health.

> We recommend the Department implement procedures to ensure Behavioral Health funds are not used to pay for services for individuals who are Medicaid eligible.

Department Response: Existing requirements in contracts with providers to determine if individuals are Medicaid eligible prior to billing Program 038 funds will be strengthened. A process for verification of eligibility through access to the Medicaid eligibility file is being finalized. Restrictive Federal Medicaid Regulations required significant research to ensure access to Medicaid information by staff overseeing Program 038 funding was allowable. These issues have been resolved and technical requirements are being implemented to integrate the eligibility file into the DHHS' Centralized Data System (CDS) that authorizes and registers treatment services funded by Program 038. Providers will have a notification of eligibility when entering service data in the CDS. It is anticipated the file will be fully integrated and operational by September 1, 2017. The funds paid in error ($302) for the Medicaid eligible individual have been recouped from the community provider.

COMMENTS AND RECOMMENDATIONS
(Continued)

5. General Fund Match Requirement

Neb. Rev. Stat. § 71-808(3) (Reissue 2009) provides, in relevant part, the following:

> *Each county in a behavioral health region shall provide funding for the operation of the behavioral health authority and for the provision of behavioral health services in the region. The total amount of funding provided by counties under this subsection shall be equal to one dollar for every three dollars from the General Fund. . . . Any General Funds transferred from regional centers for the provision of community-based behavioral health services after July 1, 2004, and funds received by a regional behavioral health authority for the provision of behavioral health services to children . . . shall be excluded from any calculation of county matching funds under this subsection.*

A good internal control plan requires procedures to ensure that match is being met in accordance with State statute.

On an annual basis, the Department determined the amount of funding that was to be provided to each Region. Based on the Regions' original annual contract amounts, the Department calculated the amount of match each county/Region was to provide. We noted several issues related to the required match calculated by the Department:

- Per review of appropriation information provided by the Department, the total General Funds transferred from regional centers after July 1, 2004, was $30,405,252 – which, according to § 71-808(3), should be excluded from the match calculation. Of that amount, $23,855,252 was distributed to the Regions; however, the Department used $26,023,824 in the calculation as the amount not subject to match during fiscal year 2016. There was no support for why the $2,168,572 difference was not subject to the match requirement. This resulted in a smaller match than what was required per State statute. This amount was carried forward each year, so there was a similar issue for fiscal year 2017.

- The Department was unable to provide documentation to support $7,492,518 of the $30,405,252 noted above.

- There was $470,297 in General Funds added to the Region 1 contract, which was not included in the match calculation. In previous years, this amount was provided to a contractor other than to the Region. When it was added to the Region 1 contract, the Department failed to include the amount in the county/Region match calculation, resulting in a smaller match than what was required per State statute.

- During fiscal year 2016, the Regions' contract amounts were increased by approximately $3.2 million for additional funding that had not been previously allocated to the Regions. Being from the General Fund, this amount should have been subject to the matching requirements, but it was not. The funds were subsequently included in the 2017 matching calculation.

COMMENTS AND RECOMMENDATIONS
(Continued)

5. General Fund Match Requirement (Continued)

- Not all General Fund amounts included in the fiscal year 2015 contracts were used by the Regions during the year. Most of the amounts remaining were reappropriated during fiscal year 2016 and were included in the fiscal year 2016 contracts. During fiscal year 2016, the reappropriated amounts were not included in the match calculation as the funds would have been subject to match during fiscal year 2015; however, not all Regions received the same reappropriated funding as they had remaining during fiscal year 2015. Therefore, some Regions/counties may have contributed too much in match, and some may have contributed too little. See the table below for the General Fund amounts possibly over or under matched by Region:

	Total Reappropriated	General Fund Amount Remaining on FY15 Contracts	Variance	Possible Over/Under Match*
Region 1	$ 146,634	$ 1,058,957	$ (912,323)	$ (304,108)
Region 2	167,768	-	167,768	55,923
Region 3	374,394	674,038	(299,644)	(99,881)
Region 4	342,949	876,646	(533,697)	(177,899)
Region 5	739,969	-	739,969	246,656
Region 6	1,228,286	612,894	615,392	205,131
Totals	**$ 3,000,000**	**$ 3,222,535**	**$ (222,535)**	**$ (74,178)**

*Counties/Regions are required to match $1 for every $3 from the General Fund.

- The Department did not have a written policy or procedure on how to handle a decrease in General Fund appropriations when applying the decrease to match versus non-match funds. There was a $5 million reduction in General Fund money during fiscal year 2015. The Department split this reduction as half non-match funding and half match funding, but did not have support for how this determination was appropriate and in compliance with State statute.

- As mentioned in the Background section of this report, Department administrators have interpreted the above statutory language to allow for a portion of the matching local funds to come from non-county sources, such as client fees and donations collected and retained by subcontractors of the Regions. The Department did not have procedures to document its review of the portion of the General Fund match that was from Regions and subcontractors of the Regions to ensure the match requirement was achieved and met the requirements of State statute. Per discussions with the Department, during on-site reviews conducted at the Regions, staff selected a few subcontractors and obtained a copy of their financial statement audits to ensure the match amount reported appeared appropriate; however, this process was not documented. The APA selected one Region to trace match amounts to support. The APA was originally told that the $748,739

COMMENTS AND RECOMMENDATIONS
(Continued)

5. General Fund Match Requirement (Concluded)

amount reported was match provided from another State agency. When the APA requested support for this amount, it was determined that only $197,569 was received from the other State agency, and the remaining $551,170 was comprised of amounts received by a subcontractor from another Region and should not have been used as match. The total match required to be provided by the Regions and their subcontractors, as calculated by the Department for fiscal year 2016, was $5,646,917.

When match is not calculated correctly and when support is not maintained to document the Department's review of match, there is an increased risk that the match required per State statute is not being met.

> We recommend the Department ensure that the General Funds included in the match calculation are correct. We also recommend the Department implement procedures to document its review of the match amounts reported and to ensure match amounts reported by a Region do not include subcontractor amounts provided by another Region.

Department Response: DHHS will develop policy and procedures for the calculation of match funds, including the verification and reporting of these funds to ensure a clear separation of funding received by a provider under contract with multiple Regions. It is important to note that the Region that included funds from another Region in its match calculations still met the match requirement after those funds were excluded.

6. Financial Responsibility Medication Costs

Program 38 General Funds were used to pay for medication costs for individuals who were previously regional center patients and who do not have the ability to pay for services. The regional centers issue the medication, and Program funds are used to reimburse the regional centers.

The APA tested one reimbursement for the month of March 2016 and selected five medications to trace the amount to a prescription and support of the drug cost. For one of five medications, the regional center overcharged the Program $432. The total reimbursed to regional centers for the period July 1, 2015, through December 31, 2016, was $2,375,315.

We also selected five individuals who received financial assistance for medication in March 2016 and determined that financial responsibility for three of them was not determined annually, as required by Title 202 of the Nebraska Administrative Code (NAC).

- The Department paid $932 for medication for one individual tested. The last redetermination of financial responsibility was done in December 2014. The individual was sent a letter in May and November of 2015 with no response. Per regulations, when the individual fails to provide financial information, the Department must deem them able to pay the full cost of treatment.

COMMENTS AND RECOMMENDATIONS
(Continued)

6. <u>Financial Responsibility Medication Costs</u> (Concluded)

- The Department paid $1,964 for medication for another individual tested. The last redetermination of financial responsibility was done in July 2013. The individual was sent a letter in May and November 2015 with no response.

- The Department paid $291 for medication for the third individual. The last redetermination of financial responsibility was done in March 2010. The individual was sent a letter in June 2011, May 2013, August 2013, and November 2015 with no response.

Neb. Rev. Stat. § 83-368 (Reissue 2014) states, in part, the following:

> *[T]he department shall determine the ability of a patient to pay by consideration of the following factors: (1) Taxable income reportable under Nebraska law; (2) the patient's age; (3) the number of his or her dependents and their ages and mental and physical conditions; (4) the patient's length of care or treatment; (5) his or her liabilities; and (6) his or her assets including health insurance coverage.*

Title 202 NAC 1-005 provides, in relevant part, the following:

> *When a client, his/her representative or attorney-in-fact, or legally responsible relative fails to furnish financial information including but not necessarily limited to a copy of their state tax return and a completed financial questionnaire to the Department within 20 days from the date requested, the Department must deem these person/s to have the ability to pay the full cost of any care, support, maintenance and treatment provided.*

Additionally, Title 202 NAC 1-008.04 states, in part, the following:

> *The Department must make a redetermination annually and at any time when, in the judgment of the Director or his/her designee, it is appropriate to do so, or when a request is made by the client or the legally responsible relative who is liable for the payments and there is a substantial, permanent change in income or assets.*

A good internal control plan requires procedures to ensure that the client's ability to pay is determined in accordance with both State statute and the NAC. A good internal control plan also requires procedures to ensure the accuracy of regional center billings to the Program.

Without such procedures, there is an increased risk that State funds will be used inappropriately.

> We recommend the Department strengthen procedures to ensure medication billing amounts from the regional centers are accurate. We also recommend the Department implement procedures to ensure financial responsibility is determined in accordance with State requirements to ensure State funds are used appropriately.

Department Response: DHHS has initiated a comprehensive review of all indigent medication recipients to ensure that the cost of medications is charged according to statutes and regulations. Additionally, DHHS is reviewing existing practices and developing or altering procedures through a lean six sigma project to minimize billing errors ($432).

COMMENTS AND RECOMMENDATIONS
(Continued)

7. Monitoring of Regions

During our review of payments made to Regions, we noted the following items:

- The Department did not have written policies and procedures that addressed how the Department complies with the Mental Health Block Grant (MHBG) fiscal requirements, including set-asides, maintenance of effort (MOE), Federal financial reporting, subrecipient monitoring, period of availability, allowable and unallowable activities, cash management, and peer reviews. MHBG expenditures from July 1, 2015, through December 31, 2016 totaled $2,811,570.

- We were unable to identify specific expenses for MHBG funds, and salary and expense documentation was inadequate for Region 1 monitoring. If the specific transactions charged to the Federal grant are not documented, Federal regulations are not being adhered to. Also, it appears that salaries and expenses agreed to the general ledger and to invoices, but there was nothing to support that these payments were for MHGB, the individuals charged actually worked on the grant, or the invoices were for the grant. The financial statement audit did include a schedule of program sources and uses, but that schedule was unaudited and would not provide any assurance that the expenses were properly recorded.

- Subrecipient monitoring of Region 2 expenditures was not adequate.

    - Region 2 was to perform monitoring of its subcontractors to ensure units billed to Region 2 (which are billed to the Department) actually occurred and were for financially eligible individuals. The unit review performed by Region 2 on one subcontractor was not adequately documented. For two of three individuals reviewed, the financial eligibility section did not appear to be completed. That particular question was lined through – whereas completed questions are usually check marked. Additionally, for one of the three individuals whom the APA reviewed, the number of units was noted, but there were no notes on what was reviewed to verify the units.

    - The Department performed a review of payroll and other operating expenditures that were reimbursed to Region 2 for two months during the year. The Department did not have adequate notes to support what was reviewed. For example, travel expenses, totaling $884 and $83, were tested but did not have documentation on file noting what the payments were for, if mileage or meals were reasonable, etc. Additionally, expenses were split between different service types within Region 2 and, based upon these service types, the Department would determine if Federal or State funding would be used to reimburse Region 2. The Department did not verify if the split between services was reasonable and supported.

COMMENTS AND RECOMMENDATIONS
(Continued)

7. Monitoring of Regions (Continued)

- Similarly, payroll at Region 2 was split between different services based upon a percentage. Per discussion with Department staff, these payroll splits were based upon a time study from two years ago, and there was no support on file for the time study. However, the letter to the Region of issues noted during the Department's review did not note any lack of support for payroll splits.

- The APA observed an email from the Department to the Region asking the Region to select three files to be reviewed. The Department should select the files to be reviewed, not the Region.

- The APA also requested procedures on reviews for Region 2 subcontractors who were receiving Federal funds. For one subcontractor who received Substance Abuse Federal funds, it was noted that Region 2 had not performed a review during 2015 or 2016.

- Provider accreditation was not adequately monitored. For the Mental Health and Substance Abuse Federal Block Grants, there is a requirement that the State must provide for independent peer reviews, which assess the quality, appropriateness, and efficacy of treatment services provided to individuals. States may satisfy this requirement by demonstrating that at least five percent of their entities providing services obtained accreditation from a private accreditation body. The selection of entities for peer review must be representative of entities providing services in the State. The six Regions provide the Department a form that shows all providers of the region as well as their accreditation and when the accreditation expires. Department staff said that support for the providers' accreditations would be available to them for review upon request; however, the Department does not look at this information as part of its annual monitoring procedures to ensure the Federal requirement is being met.

A good internal control plan and sound business practices require procedures to ensure services and expenses reimbursed with Program funds are proper, reasonable, and substantiated.

Title 45 CFR § 96.30(a) (October 1, 2016) provides the following:

> *Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be 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.*

Title 45 CFR § 96.136 (October 1, 2016), states, in relevant part, the following:

> *(a) The State shall for the fiscal year for which the grant is provided, provide for independent peer review to assess the quality, appropriateness, and efficacy of treatment services provided in the State to individuals under the program involved, and ensure that at least 5 percent of the entities providing services in the State under such program are reviewed. The programs reviewed shall be representative of the total population of such entities.*

COMMENTS AND RECOMMENDATIONS
(Concluded)

7. Monitoring of Regions (Concluded)

* * * *

(d) As part of the independent peer review, the reviewers shall review a representative sample of patient/client records to determine quality and appropriateness of treatment services, while adhering to all Federal and State confidentiality requirements, including 42 CFR part 2.

The statutes published at 42 USC §§ 300x–21 through 300x–66, as well as the implementing regulations published at 45 CFR part 96, address Federal requirements, including MOE, set-aside requirements, and independent peer reviews.

Without adequate procedures and adequate documentation maintained, there is an increased risk for misuse of funds.

> We recommend the Department develop written policies and procedures that address the MHBG compliance requirements. We further recommend the Department improve monitoring procedures and ensure Federal expenditures are specifically identified, and adequate documentation is maintained to support that the expenses are reasonable and necessary. We also recommend that the Department implement procedures to ensure providers are properly accredited in order to comply with Federal regulations.

Department Response: DHHS will develop written policies and procedures for federal grant program requirements. We are in the process of building the Mental Health block grant procedure similar to the Substance Abuse procedure reviewed during the attestation. DHHS guidelines, operations, and audit manuals will be evaluated and re-written to incorporate additional instructions for completion of checklists, internal controls and report requirements for monitoring regions and providers. DHHS has identified a method of strengthening the verification of provider accreditation. DHHS will provide refresher training to staff, regional administrators and fiscal managers.

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 38 BEHAVIORAL 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 Department of Health and Human Services Program 38 – Behavioral Health Aid for the period July 1, 2015, through December 31, 2016. The Department of Health and Human Services' 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 period July 1, 2015, through December 31, 2016, is based on the accounting system and procedures prescribed by State of Nebraska 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 of Health and Human Services Program 38 – Behavioral Health Aid, 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.

June 19, 2017

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 38 – BEHAVIORAL HEALTH AID

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

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

	General Fund 10000	NE Health Care Cash Fund 22640	Behavioral Health Services Housing Fund 22671	Federal General Fund 40000	**Totals (Memorandum Only)**
REVENUES:					
Appropriations	$ 105,728,714	$ -	$ -	$ -	$ 105,728,714
Taxes	-	-	4,882,331	-	4,882,331
Intergovernmental	-	-	-	17,054,699	17,054,699
Miscellaneous	-	-	105,167	-	105,167
TOTAL REVENUES	105,728,714	-	4,987,498	17,054,699	127,770,911
EXPENDITURES:					
Government Aid	105,728,714	15,612,325	4,131,295	17,054,699	142,527,033
TOTAL EXPENDITURES	105,728,714	15,612,325	4,131,295	17,054,699	142,527,033
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(15,612,325)	856,203	-	(14,756,122)
OTHER FINANCING SOURCES:					
Operating Transfers In	-	21,299,320	-	-	21,299,320
TOTAL OTHER FINANCING SOURCES	-	21,299,320	-	-	21,299,320
Net Change in Fund Balances	$ -	$ 5,686,995	$ 856,203	$ -	$ 6,543,198

The accompanying notes are an integral part of the schedule.

NOTES TO THE SCHEDULE

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

1. Criteria

The accounting policies of the Department of Health and Human Services Program 38 – Behavioral Health Aid (Program) are on the basis of accounting, as prescribed by 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 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 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 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.

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.

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Program consist of a portion of the tax on the transfer of a deed per Statute 76-901. In accordance with Statute 76-903, the State Treasurer remits thirty cents of each $2.50 collected to the Behavioral Health Services Housing Fund.

Intergovernmental – Revenue from other governments in the form of grants.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income.

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.

2. Reporting Entity

The Department of Health and Human Services 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.

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

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

Per the 104th Legislature, LB 956 the Program had transfers in from the Tobacco Settlement and Intergovernmental Transfer (IGT) funds of $10,599,660 and $10,699,660 for fiscal year 2016 and 2017, respectively.

5. 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 the Program are not available. The financial schedule only reflects the activity of the Program for each of the funds.

6. Maintenance of Effort Requirement

The Department did not meet its State's Fiscal Year 2014 Maintenance of Effort (MOE) requirement for the Block Grant for Prevention and Treatment of Substance Abuse. The Federal awarding agency, Substance Abuse and Mental Health Services Administration (SAMHSA) had previously identified this issue and contacted the State. The State submitted an official letter to SAMHSA on June 30, 2015, explaining that the MOE had been calculated without the inclusion of Program funds that had been transferred to the Department's Division of Medicaid and Long Term Care (MLTC). The Department requested SAMHSA issue a finding of material compliance thereby waiving any corrective action. SAMHSA is still reviewing the letter and an approval is pending.

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.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Exhibit A

PROGRAM 38 – BEHAVIORAL HEALTH AID

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Period July 1, 2015, through June 30, 2016

	General Fund 10000	NE Health Care Cash Fund 22640	Behavioral Health Services Housing Fund 22671	Federal General Fund 40000	**Totals (Memorandum Only)**
REVENUES:					
Appropriations	$ 69,448,625	$ -	$ -	$ -	$ 69,448,625
Taxes	-	-	3,152,575	-	3,152,575
Intergovernmental	-	-	-	11,353,156	11,353,156
Miscellaneous	-	-	70,123	-	70,123
TOTAL REVENUES	69,448,625	-	3,222,698	11,353,156	84,024,479
EXPENDITURES:					
Government Aid	69,448,625	10,622,122	2,712,398	11,353,156	94,136,301
TOTAL EXPENDITURES	69,448,625	10,622,122	2,712,398	11,353,156	94,136,301
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(10,622,122)	510,300	-	(10,111,822)
OTHER FINANCING SOURCES:					
Operating Transfers In	-	10,599,660	-	-	10,599,660
TOTAL OTHER FINANCING SOURCES	-	10,599,660	-	-	10,599,660
Net Change in Fund Balances	$ -	$ (22,462)	$ 510,300	$ -	$ 487,838

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Exhibit B

PROGRAM 38 – BEHAVIORAL HEALTH AID

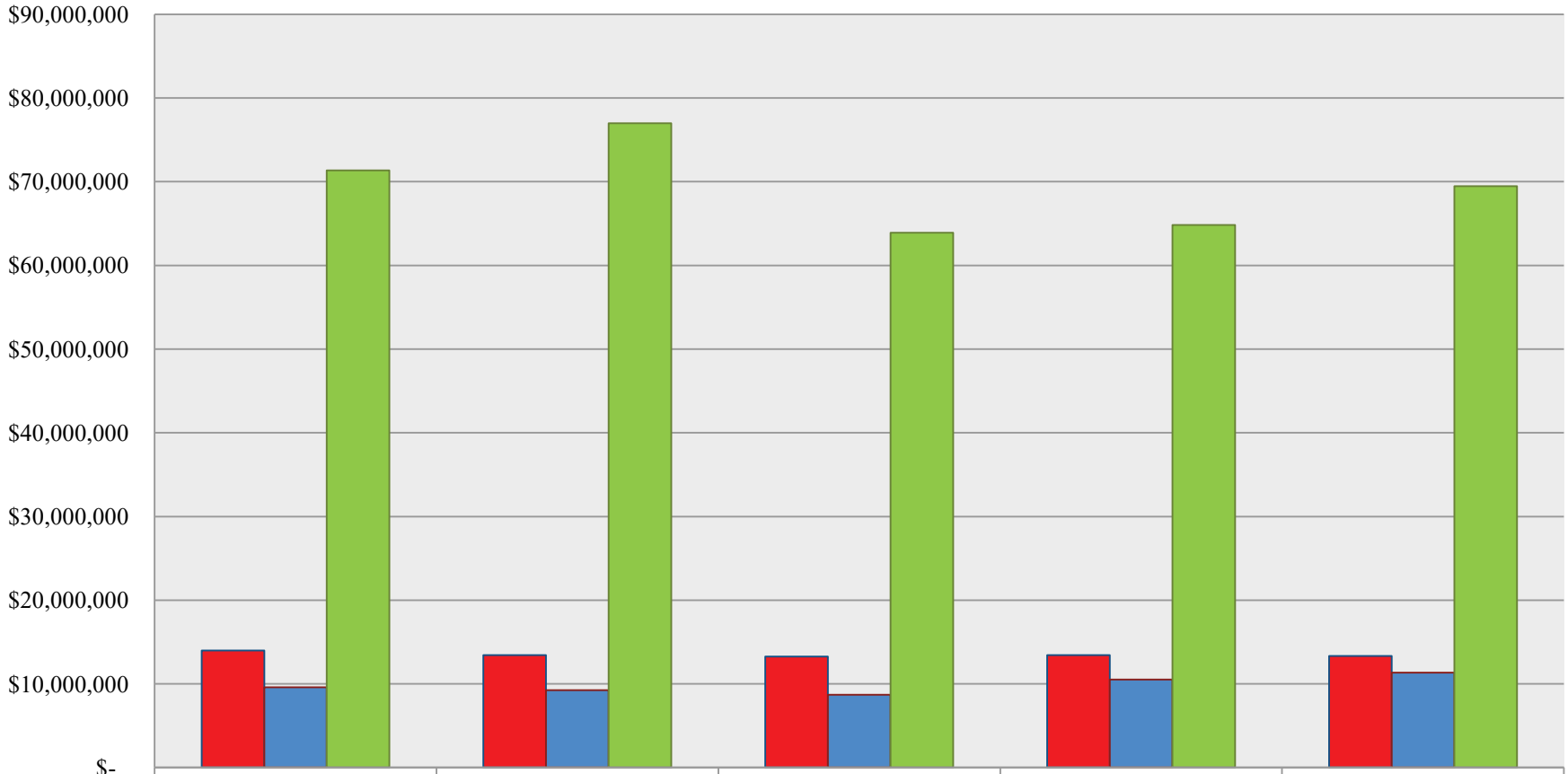
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

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

	General Fund 10000	NE Health Care Cash Fund 22640	Behavioral Health Services Housing Fund 22671	Federal General Fund 40000	**Totals (Memorandum Only)**
REVENUES:					
Appropriations	$ 36,280,089	$ -	$ -	$ -	$ 36,280,089
Taxes	-	-	1,729,756	-	1,729,756
Intergovernmental	-	-	-	5,701,543	5,701,543
Miscellaneous	-	-	35,044	-	35,044
TOTAL REVENUES	36,280,089	-	1,764,800	5,701,543	43,746,432
EXPENDITURES:					
Government Aid	36,280,089	4,990,203	1,418,897	5,701,543	48,390,732
TOTAL EXPENDITURES	36,280,089	4,990,203	1,418,897	5,701,543	48,390,732
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(4,990,203)	345,903	-	(4,644,300)
OTHER FINANCING SOURCES:					
Operating Transfers In	-	10,699,660	-	-	10,699,660
TOTAL OTHER FINANCING SOURCES	-	10,699,660	-	-	10,699,660
Net Change in Fund Balances	$ -	$ 5,709,457	$ 345,903	$ -	$ 6,055,360

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 38 – BEHAVIORAL HEALTH AID
EXPENDITURES BY FUND TYPE
Fiscal Years 2012 through 2016

Exhibit C



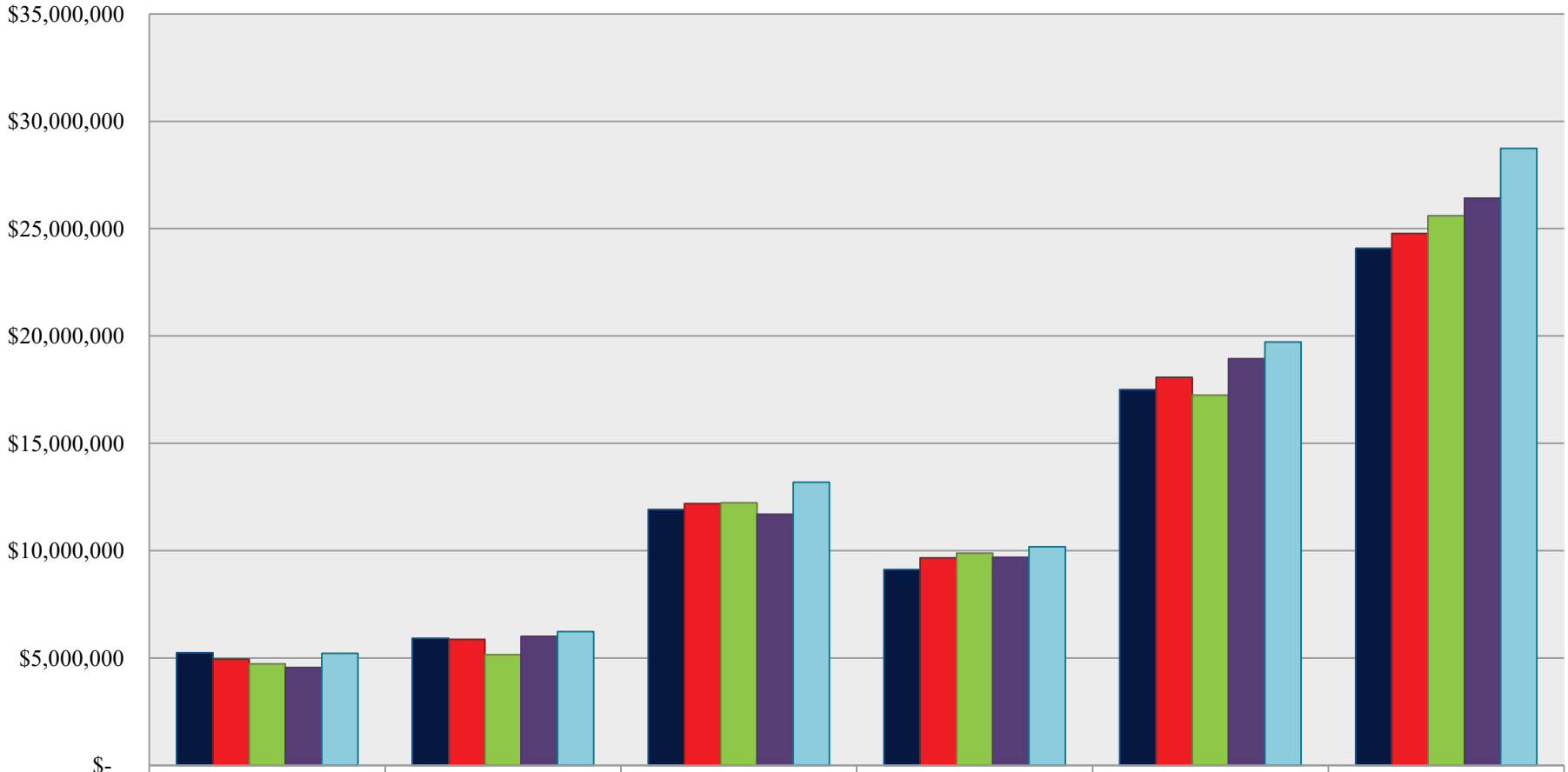
	FY12	FY13	FY14	FY15	FY16
Cash	$14,002,699	$13,444,758	$13,260,289	$13,451,098	$13,334,520
Federal	$9,609,638	$9,234,247	$8,711,633	$10,521,279	$11,353,156
General	$71,357,709	$76,977,992	$63,915,826	$64,821,793	$69,448,625

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 38 – BEHAVIORAL HEALTH AID

Exhibit D

EXPENDITURES BY REGION

Fiscal Years 2012 through 2016



	Region I	Region II	Region III	Region IV	Region V	Region VI
FY12	$5,236,577	$5,918,372	$11,914,613	$9,111,662	$17,499,168	$24,086,378
FY13	$4,947,803	$5,868,942	$12,192,111	$9,661,398	$18,074,972	$24,774,263
FY14	$4,719,445	$5,150,001	$12,227,704	$9,885,122	$17,241,280	$25,605,853
FY15	$4,557,203	$6,000,482	$11,700,157	$9,688,882	$18,937,481	$26,415,272
FY16	$5,213,565	$6,229,811	$13,186,745	$10,181,035	$19,716,651	$28,735,856