

**ATTESTATION REPORT
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH**

JULY 1, 2015, THROUGH DECEMBER 31, 2016

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Issued on April 26, 2017

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Audit Staff Working On This Examination

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH

BACKGROUND

The Cancer Research Program (Program) of the Department of Health and Human Services (Department) was created by the Nebraska Legislature in 1981 for the purpose of providing funds for research related to cancer and other smoking-related diseases. A portion of the cigarette tax collected by the State provides funding for the Program. The University of Nebraska and other Nebraska postsecondary institutions having a college of medicine are eligible for Program funds.

Under the Program, a portion derived from one cent of the State's cigarette tax was earmarked for the Eppley Cancer Research Center and to support the Cancer Registry. The remainder of that one cent from the cigarette tax is distributed on a competitive basis to colleges and universities in Nebraska doing cancer research. Funds for the Cancer Registry cannot exceed \$200,000 annually. The purpose of the Cancer Registry is to provide a central data bank of information that medical authorities can use to assist in research for the prevention, cure, and control of cancer.

In 1993, the legislature increased the State's cigarette tax, designating an additional two cents per pack sold toward similar research activities. Program funds are awarded evenly between the University of Nebraska Medical Center and the Creighton University Medical Center and then distributed to individual researchers at their respective institutions. Applications for support of proposed research projects are made through the Department of Health and Human Services.

Pursuant to Neb. Rev. Stat. Section 77-2602(3)(b) (Cum. Supp. 2016), for fiscal year distributions occurring after 1999, the cigarette tax distributed to the Program may not be less than the amount distributed for the fiscal year ended June 30, 1998.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Nebraska Department of Health and Human Services Executive Management

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

Nebraska Department of Health and Human Services
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DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH

COMMENT AND RECOMMENDATION

During our examination of the Department of Health and Human Services (Department) Program 622 – Cancer Research (Program), we noted a certain deficiency and other operational matters that are presented here. This comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area:

Inadequate Evaluation

In accordance with Neb. Rev. Stat. § 81-638 (Reissue 2014), the Department awards grants for research of cancer and smoking diseases. The University of Nebraska Medical Center (UNMC) and the Creighton University Medical Center (Creighton) were each awarded \$1.3 million annually. The amounts are awarded via contract agreements which detail the scope of services to be performed and budgets by cost category.

During testing, we noted that neither recipient had a site visit performed, as required by Department rules and regulations. The Department could not provide documentation to support when an on-site evaluation was last performed, if ever.

Title 183 NAC 7-007, “Progress Review and Evaluation of Research Grants and Contracts,” states the following:

007.01 The Department of Health shall evaluate the quality and progress of research performed after the award of a contract or grant through the following processes:

007.01A A review of the fiscal and progress reports submitted by applicants to the Department as required by subsections 008.05 through 008.07; and

007.01B On-site visits by Department staff members and consultants selected by the Department. On-site visits will be conducted every three to five years, or more frequently if conditions warrant. The Department will select consultants as described in subsection 005.04B.

During the period from July 1, 2015, through December 31, 2016, UNMC was paid \$3,303,217, and Creighton was paid \$1,770,081. Payments included reimbursements for 2015 expenditures submitted in fiscal year 2016. Both recipients provided the Department with invoices, which were compared to the contract budget. The Department also received progress reports. However, no source documentation was obtained to ensure that expenditures were in accordance with contract terms.

According to Program staff, a meeting was held at each university in August 2015, but there was no documentation that progress reviews and evaluations were conducted at that time. Program staff indicated also that the Department is in the process of revising Title 183 NAC 7-007.01B to eliminate this requirement.

When Department rules and regulations are not followed, or evaluations of contract provisions are inadequate, there is an increased risk of fraud or misuse of State funds.

We recommend the Department implement procedures to ensure compliance with its current rules and regulations. We further recommend the Department improve evaluation procedures to ensure expenditures are in accordance with applicable contract provisions.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
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COMMENT AND RECOMMENDATION
(Concluded)

Department's Response: The Department believes requirements have been met regarding Title 183 NAC 7-007.01A "A review of the fiscal and progress reports submitted by applicants to the Department as required by subsections 008.05 through 008.07."

The Program Manager reviews fiscal reports submitted by the University of Nebraska Medical Center (UNMC) and Creighton University when each institution submits payment invoices. Invoice line items are compared to the approved budget according to the schedule outlined in each agreement/contract to ensure approved costs are paid, and that required program reports are submitted prior to invoice processing. Fiscal reports are received and reviewed quarterly pursuant to the terms of the agreement/contract with each institution.

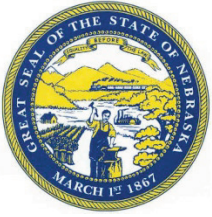
The Program Manager receives and reviews progress reports submitted by UNMC and Creighton. These are submitted annually pursuant to the terms of the agreement/contract with each institution. Currently, these reports are due to DHHS by September 30th of the calendar year.

The Department did complete an on-site visit to UNMC and Creighton in August 2015, however, no consultants were part of these site visits. Title 183 NAC 7, nor state statute define topics that must be addressed during an on-site visit. Revised State Statute 81-639 directs the Department, when making grants and contracts, to consider "...the facilities, personnel, and expertise available to the applicant for use in the proposal..." The Department used the August 2015 on-site visits to each institution to meet key personnel involved with the cancer research programs, and gain an understanding of the expertise and background of the leaders. The Program Manager learned about the facilities used in the cancer research program, in particular about the new Fred and Pamela Buffett Cancer Center, which is going to be constructed at UNMC.

APA Response: Title 183 NAC 7-007.01B requires an evaluation of the quality and progress of research through on-site visits. Program staff provided an email indicating a meeting was held, but there was no documentation that an evaluation was conducted of the quality and progress of the research. Also as noted by the Department, fiscal reports are simply compared to the budget; there was no source documentation submitted or other procedures to ensure the amounts submitted were actual expenditures for cancer research.

It should be noted that this report is critical in nature, containing only our comment and recommendation on the area 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 comment and recommendation contained herein. The formal response received has been incorporated into this report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next examination.



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DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM 622 – CANCER RESEARCH

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 Balance of the Department of Health and Human Services Program 622 – Cancer Research 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 Balance. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Revenues, Expenditures, and Changes in Fund Balance and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the Revenues, Expenditures, and Changes in Fund Balance of the Department of Health and Human Services Program 622 – Cancer Research for the period July 1, 2015, through December 31, 2016, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or an assertion about the subject matter and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the subject matter or an assertion about the subject

matter of the examination engagement; and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balance is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balance or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

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

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

Charlie Janssen
Auditor of Public Accounts

April 24, 2017

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Period July 1, 2015, through December 31, 2016

	Cancer Research Fund 22086
REVENUES:	
Taxes	\$ 5,140,674
Miscellaneous	281,103
TOTAL REVENUES	5,421,777
EXPENDITURES:	
Personal Services	87,923
Operating	344,605
Travel	720
Government Aid	5,166,185
TOTAL EXPENDITURES	5,599,433
Net Change in Fund Balance	(177,656)
FUND BALANCE, JULY 1, 2015	9,400,023
FUND BALANCE, DECEMBER 31, 2016	\$ 9,222,367
FUND BALANCE CONSISTS OF:	
General Cash	\$ 9,221,737
Accounts Receivable Invoiced	630
TOTAL FUND BALANCE	\$ 9,222,367

The accompanying notes are an integral part of the schedule.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH

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 622 – Cancer Research (Program) are on the basis of accounting, as prescribed by the State of Nebraska Director of Administrative Services.

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

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

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

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

Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

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

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.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

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

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. The Program receives a portion of the cigarette tax collected in Nebraska.

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

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

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Program.

Operating – Expenditures directly related to a program’s primary service activities.

Travel – All travel expenses for any State officer, employee, or member of any commission, council, committee, or board of the State.

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:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, and receivable accounts. Accounts receivable are recorded as an increase to revenues resulting in an increase to fund balance on the schedule. Cash accounts are also included in fund balance and are reported as recorded in the general ledger.

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.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH

NOTES TO THE SCHEDULE
(Concluded)

3. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

4. Fund 22086

Fund 22086 Cancer Research is a sub-fund of Fund 22550 Health and Human Services Cash Fund which was created by State statute 81-3119.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
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SUPPLEMENTARY INFORMATION

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

DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Period July 1, 2015, through June 30, 2016

Exhibit A

	Cancer Research <u>Fund 22086</u>
REVENUES:	
Taxes	\$ 3,427,116
Miscellaneous	<u>187,929</u>
TOTAL REVENUES	<u><u>3,615,045</u></u>
 EXPENDITURES:	
Personal Services	54,499
Operating	236,160
Travel	720
Government Aid	<u>3,454,088</u>
TOTAL EXPENDITURES	<u><u>3,745,467</u></u>
Net Change in Fund Balance	(130,422)
FUND BALANCE, JULY 1, 2015	<u>9,400,023</u>
FUND BALANCE, JUNE 30, 2016	<u><u>\$ 9,269,601</u></u>
 FUND BALANCE CONSISTS OF:	
General Cash	\$ 9,269,505
Accounts Receivable Invoiced	630
Due to Vendors	<u>(534)</u>
TOTAL FUND BALANCE	<u><u>\$ 9,269,601</u></u>

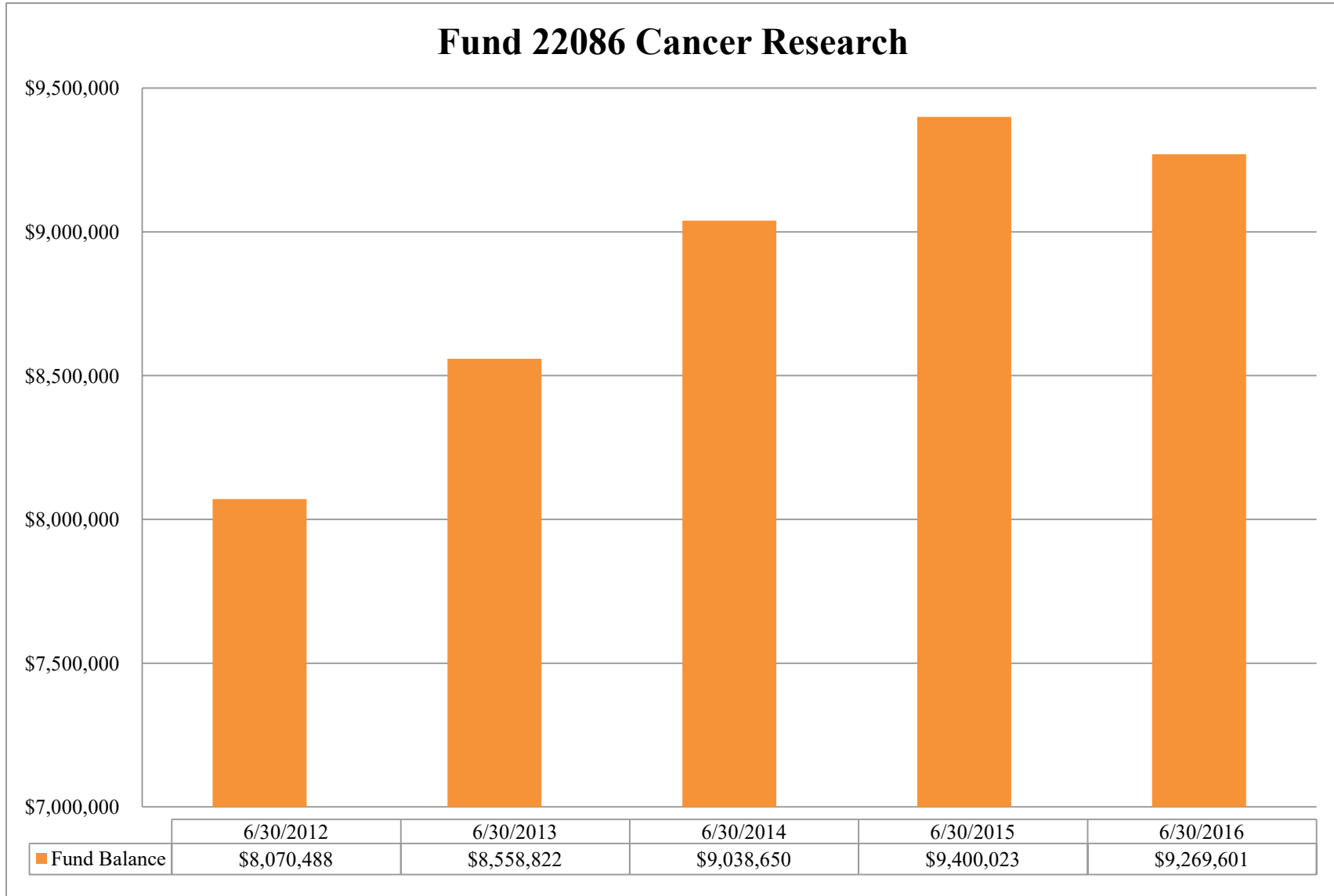
DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Period July 1, 2016, through December 31, 2016

Exhibit B

	Cancer Research Fund 22086
REVENUES:	
Taxes	\$ 1,713,558
Miscellaneous	93,174
TOTAL REVENUES	1,806,732
EXPENDITURES:	
Personal Services	33,424
Operating	108,445
Government Aid	1,712,097
TOTAL EXPENDITURES	1,853,966
Net Change in Fund Balance	(47,234)
FUND BALANCE, JULY 1, 2016	9,269,601
FUND BALANCE, DECEMBER 31, 2016	\$ 9,222,367
FUND BALANCE CONSISTS OF:	
General Cash	\$ 9,221,737
Accounts Receivable Invoiced	630
TOTAL FUND BALANCE	\$ 9,222,367

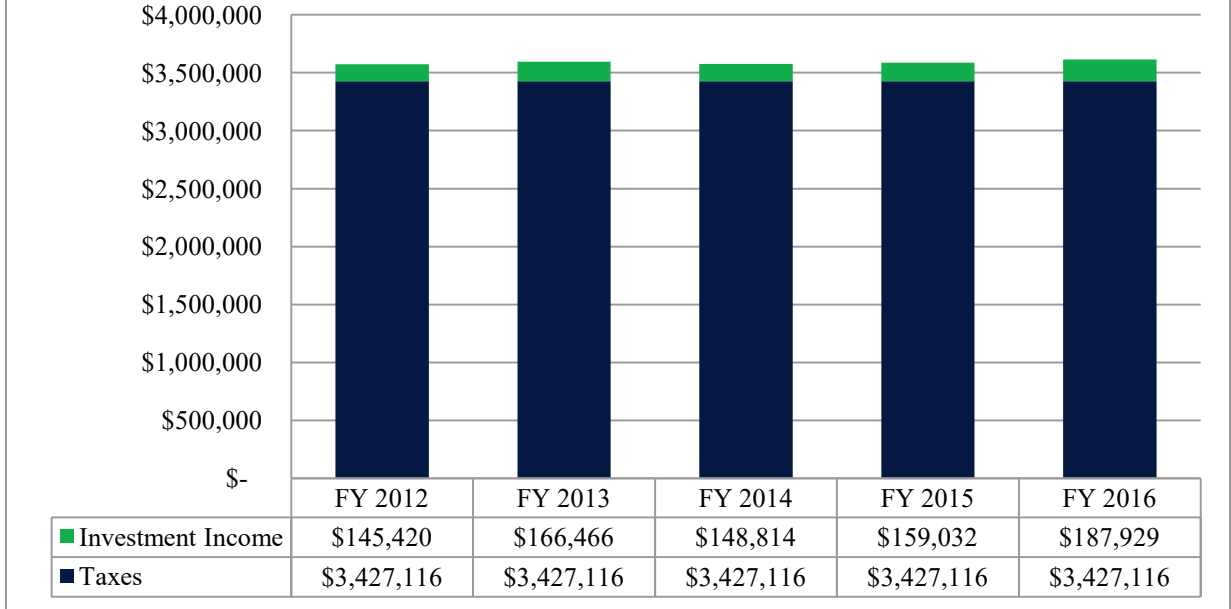
DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH
FUND BALANCE
Fiscal Years Ended June 30, 2012 through 2016

Exhibit C



DEPARTMENT OF HEALTH AND HUMAN SERVICES
PROGRAM 622 – CANCER RESEARCH

Cancer Research Revenues - Exhibit D



Cancer Research Expenditures - Exhibit E

