

**AUDIT REPORT
OF
SOUTH HEARTLAND DISTRICT
HEALTH DEPARTMENT**

JULY 1, 2022, THROUGH JUNE 30, 2023

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the Auditor of Public Accounts.**

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Issued on October 30, 2023

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

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SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

KEY OFFICIALS AND CONTACT INFORMATION

**Board Members
As of June 30, 2023**

Name	Title
Charles Neumann	Adams County – Secretary/Treasurer
Barbara Harrington	Adams County
Michelle Oldham	Adams County
Sandra Nejezchleb	Clay County – Vice President
Nanette Shackelford	Clay County – President
Dick Shaw	Clay County
Jerry Grove	Nuckolls County
Megan McMeen	Nuckolls County
Jean Stichka	Nuckolls County
Kathy Murphy Buschkoetter	Webster County
Torey Kohmetscher	Webster County
TJ Vance	Webster County
Michael Kleppinger, DDS	Professional Representative
Kathleen Amyot, MD	Professional Representative
Erin Jobman, DVM, MPH	Professional Representative

South Heartland District Health Department Executive Management

Name	Title
Michele Bever, PhD, MPH	Executive Director
Kelly Derby, MBA	Finance and Operations Manager

South Heartland District Health Department
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Hastings, NE 68901
www.southheartlandhealth.ne.gov



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SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

INDEPENDENT AUDITOR'S REPORT

South Heartland District Health Department
Hastings, Nebraska

Report on the Audit of the Financial Statements

Opinion

We have audited the cash-basis financial statements of the governmental activities and major fund of the South Heartland District Health Department (Department), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities and the major fund of the Department as of June 30, 2023, and the respective changes in cash-basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The Schedule of Expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, page 19, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises of Management's Discussion and Analysis and the Schedule of Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – General Fund, on pages 5-7 and 17, but does not include the basic

financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Zachary Wells, CPA, CISA
Assistant Deputy Auditor
Lincoln, Nebraska

October 24, 2023

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the South Heartland District Health Department’s (Department) annual audit report presents our discussion and analysis of the Department’s financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the Department’s financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Department is completing this audit report in compliance with the provisions of Statement No. 34 of the Governmental Accounting Standards Board *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. Statement No. 34 establishes standards for external financial reporting for all State and Local government entities, which includes government-wide financial statements, fund financial statements, and the classification of net assets into three components: (a) invested in capital assets, net of related debt; (b) restricted; (c) unrestricted.

This annual report consists of three parts: (1) Management’s Discussion and Analysis (this section); (2) Basic Financial Statements – Cash Basis; and (3) Supplementary Information.

The accompanying basic financial statements have been prepared on the cash basis of accounting. Accordingly, the financial statements and supplemental schedules are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data about the financial statements and the Department’s commitments and contingencies that are not reported in the cash basis financial statements. The statements are followed by a section of Supplementary Information that further explains and supports the information in the financial statements.

FINANCIAL HIGHLIGHTS

Book Balances

The Department’s total cash available increased from \$381,189 to \$665,123, an increase of \$283,934.

	FY 2023	FY 2022
Cash and Cash Equivalents	\$ 665,123	\$ 381,189
Total Assets	<u>\$ 665,123</u>	<u>\$ 381,189</u>
Net Position		
Unrestricted	<u>\$ 665,123</u>	<u>\$ 381,189</u>

Receipts and Disbursements

For the fiscal year ended June 30, 2023, the Department’s total receipts were \$2,351,413. The Department’s total disbursements were \$2,067,479, a net change of \$283,934.

Below is information from the Statement of Cash Basis Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Governmental Fund:

	FY 2023	FY 2022
RECEIPTS		
Federal Grants	\$ 1,397,122	\$ 689,748
Contracts	413,632	417,211
State Appropriations	493,045	487,396

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

	FY 2023	FY 2022
RECEIPTS		
State and Local Grants	35,949	63,021
Charges for Services	1,757	505
Donations	7,917	7,907
Interest Income	1,991	150
Total Receipts	2,351,413	1,665,938
 DISBURSEMENTS		
Current		
Personnel	831,884	786,203
Operating	372,504	485,338
Building	555,000	-
Building Improvements	223,513	-
Supplies	68,643	77,909
Travel	15,935	8,860
Total Disbursements	2,067,479	1,358,310
Excess (Deficiency) of Receipts over Disbursements	\$ 283,934	\$ 307,628

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

Federal and State Grant Funding

Federal and State grant revenue is received by the Department to administer Federal and State programs and grants. These funds support, for the most part, the program/grant activities. The main cause of the increase in Federal grants is the Department received \$555,000 from the American Rescue Plan Act for the purchase of a building.

State Appropriations

As a district health department formed under LB 692 (2001), the Department receives funding from the State of Nebraska to support public health activities. State appropriations included the following:

Health Care Cash Funds

- Nebraska Health Care Cash Fund, including per capita and infrastructure allocations, is used to support the district health departments for the establishment, management, and operation of the health department and its core public health functions. Core public health functions include assessment and policy development, prevention of illness and disease, and assurance of services, including public health nursing, health education, and environmental health services. The Department received \$75,168 in per capita and \$111,111 in infrastructure funds.

General Funds

- The Department received \$306,765 of State appropriations allocated to public health departments. At the Department, these funds support the operation of the health department as focused primarily on the foundational capabilities of surveillance and assessment, performance management, environmental health, and addressing health disparities.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Concluded)

Contracts

In fiscal year 2023, the Department received \$153,443 from the City of Hastings to support relevant local community health improvement initiatives. In addition, the Department received \$150,000 from the University of Nebraska Medical Center to market and coordinate the Diabetes on Track program.

General Fund Budgetary Highlights

The Department's proposed budget for the operation of the Department for 2022-2023 was set at \$2,417,942.

When preparing the proposed budget, the Department allows for fluctuations in Federal and State program/grant activity throughout the year. For this reason, during the 2022-2023 fiscal year, the Department did not spend over the budget of \$2.42 million that was published on August 31, 2022, to the Hastings Tribune, among various other publications. During the 2021-2022 fiscal year, the Department did not spend over the budget of \$2.37 million that was published on August 27, 2021, in the Hastings Tribune, among various other publications.

Interlocal Agreements

The Department was established in November 2001 as a result of LB 692, which allowed for an interlocal agreement between at least three contiguous counties with a combined population of at least thirty thousand residents. The initial agreement included Adams, Nuckolls, and Webster counties in Nebraska, so that all residents in those counties would have access to public health services.

In 2002, the Department expanded to four counties with the addition of Clay County. In December 2008 – January 2009, all four counties signed a revised 2008 interlocal agreement, in order to meet the requirements for tax-exempt status required by State statute. This interlocal agreement outlined the organization of the district and the powers and management of the district health department.

The 2008 interlocal agreement states the following:

The DISTRICT HEALTH DEPARTMENT shall be funded by state and federal grants, private foundations, donations and other monies for which the DISTRICT HEALTH DEPARTMENT is eligible. Funds obtained from all sources shall be used to maintain and operate the DISTRICT HEALTH DEPARTMENT, including funding of the salaries of the necessary personnel. The Board of Directors, established in accordance with Neb.Rev.Stat. §§ [sic] 71-1630, shall establish and maintain the annual budget of the DISTRICT HEALTH DEPARTMENT.

Contacting the Department's Financial Management

This financial report is designed to provide the public with a general overview of the Department's finances and to demonstrate the Department's accountability for the money with which it is entrusted. If you have any questions about this report or need additional information, contact Dr. Michele Bever, PHD, MPH, Executive Director, South Heartland District Health Department, 606 N Minnesota Ave, Suite 2, Hastings, NE 68901. The Department's phone number is (402) 462-6211, the fax number is (402) 462-6219, and the website is located at www.southheartlandhealth.ne.gov.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 665,123
TOTAL ASSETS	<u>\$ 665,123</u>
NET POSITION	
Unrestricted	\$ 665,123
TOTAL NET POSITION	<u>\$ 665,123</u>

The notes to the financial statements are an integral part of this statement.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

STATEMENT OF ACTIVITIES - CASH BASIS

For the Fiscal Year Ended June 30, 2023

Functions:	Cash	Program Cash Receipts			Net (Disbursement)
Governmental Activities:	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Position
Health & Social Services	\$ 2,067,479	\$ 415,389	\$ 878,071	\$ 555,000	\$ (219,019)
Total Governmental Activities	\$ 2,067,479	\$ 415,389	\$ 878,071	\$ 555,000	(219,019)
General Receipts:					
State Appropriation					493,045
Donations					7,917
Interest Income					1,991
Total General Receipts					502,953
Change in Net Position					283,934
Net Position - Beginning of year					381,189
Net Position - End of year					\$ 665,123

The notes to the financial statements are an integral part of this statement.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCE
GOVERNMENTAL FUND

June 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents (Note 1.D)	<u>\$ 665,123</u>
TOTAL ASSETS	<u><u>\$ 665,123</u></u>
FUND BALANCES	
Unassigned	<u>\$ 665,123</u>
TOTAL CASH BASIS FUND BALANCES	<u><u>\$ 665,123</u></u>

The notes to the financial statements are an integral part of this statement.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BASIS FUND BALANCE**
GOVERNMENTAL FUND
 For the Fiscal Year Ended June 30, 2023

	General Fund
RECEIPTS	
Federal Grants	\$ 1,397,122
State and Local Grants	35,949
Contracts	413,632
State Appropriation	493,045
Charges for Services	1,757
Donations	7,917
Interest Income	1,991
TOTAL RECEIPTS	2,351,413
DISBURSEMENTS	
Current:	
Personnel	831,884
Operating	372,504
Building	555,000
Building Improvements	223,513
Supplies	68,643
Travel	15,935
TOTAL DISBURSEMENTS	2,067,479
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	283,934
CASH BASIS FUND BALANCES - BEGINNING	
	381,189
CASH BASIS FUND BALANCES - ENDING	
	\$ 665,123

The notes to the financial statements are an integral part of this statement.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2023

1. **Summary of Significant Accounting Policies**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies utilized in the accounting system of the South Heartland District Health Department (Department) in Hastings, Nebraska.

A. Reporting Entity

The Department is a local health department established under and governed by the laws of the State of Nebraska (State). The Department provides public health services to the residents of Adams, Clay, Nuckolls, and Webster counties in Nebraska. The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. As a joint governmental entity formed pursuant to the Interlocal Cooperation Act, the Department is exempt from sales and use taxes.

The financial statements include all funds of the Department that are not legally separate. The Department has also considered all potential component units for which it is financially accountable, as well as other organizations that are either fiscally dependent on the Department or maintain a significant relationship with the Department, such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Department to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Department. The Department is also considered financially accountable if an organization is fiscally dependent on and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Department regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the Department (the primary government). No component units were identified.

B. Basis of Presentation

Government-Wide Financial Statements. The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information about the activities of the Department and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all the financial activities of the Department. The Department reports governmental activities only. Governmental activities are generally financed through intergovernmental receipts.

The Statement of Net Position – Cash Basis presents the Department's non-fiduciary assets, with the difference reported as net position. Net position is reported in the following category:

Unrestricted. This category represents resources that do not have constraints externally imposed on net asset use by creditors, grantors, or contributors, or imposed by law through constitutional provisions or enabling legislation. Unrestricted resources often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The Statement of Activities – Cash Basis demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include the following: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. General revenues include all other receipts properly not included as program receipts. The Department reported the following general receipts: State Appropriations, Donations, and Interest Income.

Fund Financial Statements. The fund financial statements provide information about the Department's funds. GAAP requires separate statements by fund category – governmental, proprietary, and fiduciary. The Department uses only the governmental fund category. The emphasis of fund financial statements is on major governmental funds. Major funds are funds whose receipts, disbursements, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds and at least 5 percent of the aggregate amount for all governmental funds. Any other fund may be reported as a major fund if the Department's officials believe that fund is particularly important to the financial statement users.

The Department reports the following major governmental fund:

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

The Department designates fund balance as follows:

Unassigned. This portion of the General Fund is not restricted, committed, or assigned for a specific purpose.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the Department are maintained and the government-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis. Receipts are recognized when received, and disbursements are recognized when paid. This differs from governmental GAAP, which requires the government-wide and fiduciary fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recorded when earned, and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from governmental GAAP, which requires governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recognized as soon as they are both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements are generally recorded when a liability is incurred, as under accrual accounting. However, disbursements related to compensated absences, and claims and judgments are recorded only when payment is due.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

D. Cash and Cash Equivalents

The Department's cash and cash equivalents are considered to be cash on hand and demand deposits.

E. Capital Assets

Under the cash receipts and disbursements basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., buildings, computer hardware, and similar items), to be reported in the applicable governmental activities columns in the government-wide financial statements.

Depreciation expenses on capital assets were not recorded on the cash basis financial statements. Under GAAP, depreciation expenses would be recorded in the Statement of Activities. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

F. Compensated Absences

Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as a disbursement of the Department funds as paid. Upon termination, employees are paid for any unused vacation. Under the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. Under GAAP, the compensated absences liability would be reported in the government-wide financial statements and would be recorded in accordance with the Department's policy, which is to recognize the expense and accrued liability when vacation and compensatory leave is earned.

G. Budgetary Process

The Department is required by State law to hold public hearings and adopt annual budgets for all funds on the cash basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. Any revisions to the adopted budget of total expenditures to any fund require a public hearing. State statutes of the Nebraska Budget Act provide the prescribed budget practices and procedures that governing bodies are required to follow.

2. **Cash and Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. State law requires collateralization of all deposits with Federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The Department's demand deposits are insured up to \$250,000, and certificates of deposit/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the Department's name.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. Cash and Deposits (Concluded)

At year end, the Department's carrying amount of deposits was \$665,123. The bank balance for all funds was \$919,105. On June 30, 2023, the Department had \$419,105 in bank deposits that were not sufficiently collateralized.

3. Retirement System

The Department contributes to a multiple-employer plan (Plan) administered by the Nebraska Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2022) and may be amended through legislative action.

Participation in the Plan is required of all full-time employees. Part-time (working less than one-half of the regularly scheduled hours) employees may elect voluntary participation upon reaching age 18.

Department employees contribute 4.5% of their total compensation. In addition, the Department contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by § 23-2307 and § 23-2308 and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system or credit for participation in another governmental plan prior to actual contribution to the Plan. Non-vested Department contributions are forfeited upon termination. Forfeitures are used to cover a portion of the pension plan's administrative expenses. Prior service benefits are paid directly by the Department to the retired employee. The Plan's financial statements, including pension costs and obligations, are audited annually and can be obtained from the State of Nebraska Public Employees Retirement System.

For the year ended June 30, 2023, 15 employees contributed \$27,333, and the Department contributed \$41,000.

4. Risk Management

The Department is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department has purchased commercial insurance to cover the risk of loss and believes adequate coverage exists for potential exposures.

There were no significant reductions in insurance coverage from the prior-year coverage, and the Department did not incur any expenses that exceeded the coverage amount for the year ended June 30, 2023.

5. Short Term Debt

The Department obtained a Promissory Note from Cornerstone Bank in the amount of \$361,328, which was dated December 29, 2022. The agreement expired on December 29, 2023. The Promissory Note was used on December 29, 2022, when a \$361,328 disbursement was made to acquire a building and pay associated closing costs. An interest payment of \$4,501 was made by the Department on April 7, 2023. The Department repaid the \$361,328 and interest of \$4,501 on April 7, 2023.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

(Concluded)

6. Related Party Transactions

The Department has disbursement transactions with Mary Lanning Healthcare. The Director of the Department is also a member of the Board of Trustees for Mary Lanning Healthcare. One of Mary Lanning Healthcare's locations is a building that shares a wall with the Department's building, on the same campus with the Department, and for which the Department owns all of the parking lots and grounds outside of the footprint of the building occupied by Mary Lanning Healthcare. The two entities share the costs of maintenance of the grounds (e.g., lawn maintenance/snow removal) as well as trash service, and the Department contracts with Mary Lanning Healthcare for cleaning services. Mary Lanning Healthcare also provides support for projects/programmatic activities that the Department conducts. For the fiscal year ended June 30, 2023, Mary Lanning Healthcare paid the Department \$2,010. In addition, the Department paid Mary Lanning Healthcare \$9,365.

**SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended June 30, 2023

	Budget (Original & Final)	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS			
Federal Grants	\$ 989,484	\$ 1,397,122	\$ 407,638
State Appropriation	493,044	493,045	1
State & Local Grants	613,618	35,949	(577,669)
Contracts	313,000	413,632	100,632
Charges for Services	876	1,757	881
Donations	7,740	7,917	177
Interest Income	180	1,991	1,811
TOTAL RECEIPTS	2,417,942	2,351,413	(66,529)
DISBURSEMENTS			
Personnel	1,158,845	831,884	326,961
Operating	548,127	372,504	175,623
Building	-	555,000	(555,000)
Building Improvements	-	223,513	(223,513)
Supplies	229,212	68,643	160,569
Travel	10,246	15,935	(5,689)
Unsecured Grants	471,512	-	471,512
TOTAL DISBURSEMENTS	\$ 2,417,942	2,067,479	\$ 350,463
Net Change in Fund Balance		283,934	
FUND BALANCE - BEGINNING		381,189	
FUND BALANCE - ENDING		\$ 665,123	

See the Notes to the Budgetary and Actual Information.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO THE BUDGETARY AND ACTUAL INFORMATION

For the Fiscal Year Ended June 30, 2023

BUDGETARY COMPARISON SCHEDULE

Basis of Accounting

The accompanying Schedule of Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – General Fund is presented on the cash basis of accounting. This basis is consistent with the basis of accounting used in preparing the basic financial statements.

Budget Process

The Department adopts an annual budget that is approved by the Board of Health. It is prepared in accordance with the basis of accounting utilized by the Department's Governmental Funds. The budget includes the cash on hand at the close of the preceding fiscal year and the anticipated receipts and disbursements. The Department must hold at least one public hearing on the proposed budget. On or before September 30, the Department adopts the budget.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through Nebraska Department of Health and Human Services State Indoor Radon Program	66.032	69976 Y3	7,218
Total U.S. Environmental Protection Agency			7,218
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	4 P10RH33052-01-03	8,406
Passed through Nebraska Department of Health and Human Services			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	71667 Y3	* 555,000
Public Health Emergency Preparedness	93.069	57142 Y3	* 96,828
Injury Prevention and Control Research and State and Community	93.136	60145 Y3	44,450
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	67999 Y3	5,957
Immunization Cooperative Agreements	93.268	62775 Y3, 62455 Y3	592,213
Epidemiology and Laboratory Capacity for Infectious Disease	93.323	56771 Y3, 67992 Y3, 70703 Y3, 73640 Y3	64,805
Activities to Support State, Tribal, Local and Territorial Health Department Response to Public Health or Healthcare Crises	93.391	62276 Y3	75,458
Well-Integrated Screening and Evaluation for Women Across the Nation	93.436	46497 Y3	1,555
Cooperative Agreement for State-Based Comprehensive Breast and Cervical Cancer Early Detection	93.898	65244 Y3, 46497 Y3	18,449
Prevention Collaboration with Academia to Strengthen Public Health	93.967	72615 Y3	3,138
Preventative Health and Health Services Block Grant	93.991	69417 Y3, 64498 Y3, 70635 Y3	17,119
Maternal and Child Health Services Block Grant to the States	93.994	64210 Y3	30,009
Total U.S. Department of Health and Human Services			1,513,387
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,520,605

* Represents Major Program

See accompanying Notes to the Schedule of Expenditures of Federal Awards

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying schedule of expenditures of Federal awards (Schedule) includes the Federal award activity of South Heartland District Health Department (Department) under programs of the Federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position or changes in net assets of the Department. The Department's reporting entity is defined in Note 1.A. to the Department's financial statements. Federal awards received directly from Federal agencies, as well as those passed through other government agencies, are included in the Schedule. Unless otherwise noted on the Schedule, all programs are received directly from the respective Federal agency.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Department has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

South Heartland District Health Department
Hastings, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the South Heartland District Health Department (Department), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 24, 2023. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the Schedule of Findings and Questioned Costs as Finding 2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

South Heartland District Health Department's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Department's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Zachary Wells, CPA, CISA
Assistant Deputy Auditor
Lincoln, Nebraska

October 24, 2023



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

South Heartland District Health Department
Hastings, Nebraska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Heartland District Health Department's (Department) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Department's major Federal programs for the year ended June 30, 2023. The Department's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the Department's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Department's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Department's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Department's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Department's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Department's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding #2023-003. Our opinion on each major Federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the noncompliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Department's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Department is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Department's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questions Costs as Findings 2023-002 and 2023-003, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Department is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Department's corrective action plan was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Zachary Wells, CPA, CISA
Assistant Deputy Auditor
Lincoln, Nebraska

October 24, 2023

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with cash basis of accounting:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

___ Yes X No

Significant deficiencies identified?

X Yes ___ None Reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified?

___ Yes X No

Significant deficiencies identified?

X Yes ___ None Reported

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X Yes ___ No

Major programs: **Coronavirus State and Local Fiscal Recovery Funds: AL#21.027; Public Health Emergency Preparedness: AL#93.069**

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

___ Yes X No

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Financial Statement Findings

Finding # 2023-001

Condition - South Heartland District Health Department did not maintain securities sufficient to cover fully deposits maintained at its financial institution.

Criteria - Neb. Rev. Stat. § 77-2395(1) (Cum. Supp. 2022) states, in relevant part, the following:

[T]he custodial official shall not have on deposit in such depository any public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation, unless and until the depository has provided a deposit guaranty bond or furnished securities, or any combination thereof, to the custodial official, and the total value of such deposit guaranty bond and the market value of such securities are in an amount not less than one hundred two percent of the amount on deposit which is in excess of the amount so insured or guaranteed.

Furthermore, sound accounting practices and a good internal control plan require procedures to ensure that public funds deposited in banks are fully protected by FDIC coverage or adequately collateralized, and such security is properly documented.

Context - At year end, the Department's carrying amount of deposits was \$665,123. The bank balance for all funds was \$919,105. On June 30, 2023, the Department had \$419,105 in bank deposits that were not sufficiently collateralized. No funds were lost due to insufficient collateral.

Effect - When the Department's deposits are not sufficiently collateralized, there is an increased risk of the loss of Department funds.

Cause - The Department was not aware of the requirement.

Recommendation - We recommend the Department implement procedures for: 1) monitoring its bank accounts to ensure they are properly secured; and 2) keeping documentation to support that sufficient collateral was maintained.

View of Officials - SHDHD has obtained through our bank sufficient pledged collateral to cover cash exceeding the FDIC guarantee. Going forward, the Department will monitor cash levels for amounts that require additional collateralization.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section III – Federal Award Findings and Questioned Costs

Finding # 2023-002

Program - AL 93.069 – Public Health Emergency Preparedness – Matching

Grant Number & Year - 57142 Y3 – July 1, 2022, through June 30, 2023

Federal Grantor Agency - U.S. Department of Health and Human Services

Pass-Through Entity - Nebraska Department of Health and Human Services

Criteria - Per the grant agreement, the Department will make available non-Federal fund-based contributions in the amount of 10% of the award. The agreement refers to 45 CFR § 75.306 for match requirements, including descriptions of acceptable match resources.

45 CFR § 75.306(b) (October 1, 2022) states, in part, the following:

For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

* * * *

5. Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs[.]

Condition - The Department did not meet the 10% matching requirements identified in the grant award.

Repeat Finding - No

Questioned Costs - None

Statistical Sample - No

Context - Based upon the Department's Federal expenditures, the required match was \$9,436; however, the Department recorded only \$3,400 in match.

In addition, the match for one of three transactions tested was not from an allowable source. The exception noted was matching expenditures that were recorded to a different Federal program, which is not allowable. In total, the Department recorded \$841 in match that was paid by a different Federal program.

Cause - It was the first year where a 10% match was included in the grant award.

Effect - The Department was not in compliance with the grant award.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Recommendation - We recommend the Department implement procedures to ensure matching requirements are met and that only allowable sources of match are used.

View of Officials - SHDHD monitors matching fund levels for Federal subawards on a quarterly basis to determine whether the match amount is on track toward meeting the percentage required in each grant agreement. Regarding the PHEP award, in particular, the Department will ensure that the new Emergency Response Coordinator (hired in the middle of the grant period last year) is aware of the match requirements.

SHDHD will also ensure that no Federal funds are used to pay for matching funds required in Federal subawards. The Department was not aware that this was not allowable.

Finding # 2023-003

Program - AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Suspension and Debarment

Grant Number & Year - 71667 Y3 – July 1, 2022, through June 30, 2023

Federal Grantor Agency - U.S. Department of Health and Human Services

Pass-Through Entity - Nebraska Department of Health and Human Services

Criteria - Title 45 of the U.S. Code of Federal Regulations (CFR) § 75.303 (October 1, 2022) states the following, in relevant part:

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

45 CFR § 75.213 (October 1, 2022) states the following:

Non-Federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180 and 376. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

2 CFR § 180.300 (January 1, 2023) requires non-Federal entities to verify that an entity is not excluded or disqualified prior to entering into a covered transaction by “(a) Checking SAM Exclusions; or (b) Collecting a certification from that . . . [entity]; or (c) Adding a clause or condition to the covered transaction with that . . . [entity].”

A good internal control plan requires the Department to have proper procedures for verifying that contractors paid with Federal funds are not suspended, debarred, or otherwise excluded from or ineligible for participation in Federal programs or activities.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Condition</u> -	The Department could not provide documentation to support that it had implemented effective internal controls to ensure that suspension and debarment requirements were followed and adequately documented.
<u>Repeat Finding</u> -	No
<u>Questioned Costs</u> -	None
<u>Statistical Sample</u> -	No
<u>Context</u> -	<p>The Department used Coronavirus State and Local Fiscal Recovery Funds to purchase a building for \$555,000. The Department failed to ensure that the vendor was not excluded or disqualified prior to entering into this covered transaction.</p> <p>Per SAM.gov, the vendor was not suspended, debarred, or otherwise excluded from participation in Federal programs or activities as of the date testing was performed.</p>
<u>Cause</u> -	The Department was in the process of modifying its procurement policies and had not previously made a similar purchase using Federal funds.
<u>Effect</u> -	Without procedures to verify the status of contractors paid with Federal funds, there is an increased risk of the Department entering into transactions with entities that are suspended, debarred, or otherwise excluded from participation in Federal programs.
<u>Recommendation</u> -	We recommend the Department implement procedures to ensure that its vendors are not debarred, suspended, or otherwise excluded from participation in Federal programs.
<u>View of Officials</u> -	<p>SHDHD will add a clause to each Agreement covered by Federal funds, certifying that the recipient of the funds is eligible to receive such funds.</p> <p>SHDHD will also clarify the certification process in our Procurement Policy.</p>



CORRECTIVE ACTION PLAN

Year Ended June 30, 2023

The corrective action plan for the findings included in the Schedule of Findings and Questioned Costs are summarized as follows:

I. Findings Related to the Financial Statements

Finding 2023-001:

Corrective Action Planned:

SHDHD has obtained through our bank sufficient pledged collateral to cover cash exceeding the FDIC guarantee. Going forward, the Department will monitor cash levels for amounts that require additional collateralization.

Anticipated Completion Date:

October 4, 2023

Responsible Party:

Kelly Derby

II. Findings Related to Federal Awards

Finding 2023-002:

Program:

AL 93.069 – Public Health Emergency Preparedness – Matching

Corrective Action Planned:

SHDHD monitors matching fund levels for Federal subawards on a quarterly basis to determine whether the match amount is on track toward meeting the percentage required in each grant agreement. Regarding the PHEP award, in particular, the Department will ensure that the new Emergency Response Coordinator (hired in the middle of the grant period last year) is aware of the match requirements.

SHDHD will also ensure that no Federal funds are used to pay for matching funds required in Federal subawards. The Department was not aware that this was not allowable.

Anticipated Completion Date:

June 30, 2024

Responsible Party:

Kelly Derby, Erik Meyer, Brooke Wolfe

Finding 2023-003:

Program:

AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Suspension & Debarment

Corrective Action Planned:

SHDHD will add a clause to each Agreement covered by Federal funds, certifying that the recipient of the funds is eligible to receive such funds.

SHDHD will also clarify the certification process in our Procurement Policy.

Anticipated Completion Date:

Ongoing, re Agreements. January 31, 2024, re policy change.

Responsible Party:

Michele Bever, Kelly Derby, Brooke Wolfe