

**REPORT OF THE AUDIT OF THE  
CABINET FOR HEALTH AND FAMILY SERVICES'  
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND**

**For The Fiscal Year Ended  
June 30, 2019**



**MIKE HARMON  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

Breast Cancer Trust Fund Board Members  
Adam Meier, Secretary  
Cabinet for Health and Family Services  
Breast Cancer Research and Education Trust Fund

**Independent Auditor's Report**

***Report on the Financial Statements***

We have audited the accompanying modified-cash basis financial statements of the Cabinet for Health and Family Services' Breast Cancer Research and Education Trust Fund (Program), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

The Cabinet for Health and Family Services' Breast Cancer Research and Education Trust Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified 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 Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified-cash basis financial position of the Program, as of June 30, 2019, and the respective changes in financial position – modified-cash basis and, where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note 2.

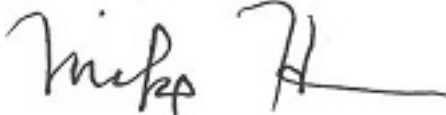
***Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified-cash basis of accounting, which is a comprehensive 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2019 on our consideration of the Program'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 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 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 Program's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

September 16, 2019

## **FINANCIAL STATEMENTS**





**CABINET FOR HEALTH AND FAMILY SERVICES'  
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND  
BALANCE SHEET - MODIFIED-CASH BASIS**

**June 30, 2019**

**Assets:**

Cash and Cash Equivalents	\$ 101,479
Total Assets	<u>\$ 101,479</u>

**Fund Balance:**

Restricted	\$ 101,479
Total Liabilities and Fund Balance	<u>\$ 101,479</u>

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

**CABINET FOR HEALTH AND FAMILY SERVICES'  
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND  
STATEMENT OF RECEIPTS, EXPENDITURES AND  
CHANGES IN FUND BALANCE - MODIFIED-CASH BASIS**

**For the Year Ended June 30, 2019**

**Revenues:**

Breast Cancer - Plate Sales	\$	184,888
Revenue Tax		14,343
Total Revenues		<u>199,231</u>

**Expenditures:**

Other Professional Services		123,493
Grant in State		74,785
Auditing Services		11,109
Printing Services		593
Total Expenditures		<u>209,980</u>

Net Change in Fund Balance		(10,749)
Fund Balance at July 1, 2018		112,228
Fund Balance at June 30, 2019	\$	<u>101,479</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**



**CABINET FOR HEALTH AND FAMILY SERVICES’  
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019**

**Note 1 - Background**

The Cabinet for Health and Family Services (CHFS) administers the Breast Cancer Research and Education Trust Fund Program (Program) through its Department for Public Health, Division of Women’s Health. The Program was created in 2005. KRS 211.590 directed the Breast Cancer Research and Education Trust Fund Board to establish a competitive grant program to provide funding to not-for-profit entities, educational institutions, and government agencies in Kentucky offering programs or services in the areas of breast cancer research, education, awareness, treatment, and screening.

The Program is funded by:

- 1) State income taxes (when a taxpayer due a refund designates an amount to contribute to the breast cancer research and education trust fund); and,
- 2) A portion of funds from the sale of special license plates, in accordance with KRS 186.164.

**Note 2 - Basis of Presentation and Accounting Policies**

Basis of Presentation

The financial statements have been prepared on a cash basis of accounting modified by the application of KRS 45.229, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This statute provides that for a period of 30 days after the close of any fiscal year, warrants may be drawn against available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during the year or in fulfillment of contracts properly made during the year but for no other purpose.

Concentration of Revenues

Program receipts are derived from the sale of special license plates as authorized in KRS 186.164, available for purchase in each of Kentucky’s County Clerk’s offices. The funds are submitted to the Kentucky Transportation Cabinet (KYTC) and a portion of the funds are transferred to CHFS. Once a year, the monies are transmitted to the Program. The monies collected during Fiscal Year 2018 were sent to the Program in Fiscal Year 2019. The amount transmitted was \$184,888. The Program also receives funds from Kentucky taxpayers who check the box on their Kentucky state tax forms to donate part of their tax refund to the Breast Cancer Research and Education Trust Fund. The Program also accepts donations to the fund.

Expenditures

The Program provides grants to applicants based on criteria set forth in 902 KAR 23:010. In order to be considered for a grant, an application, including itemized proposed budget, must be submitted by the deadline. Grantees submit invoices and are reimbursed based on the line item budget submitted with the original grant application.

**CABINET FOR HEALTH AND FAMILY SERVICES'  
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019  
(Continued)**

**Note 2 - Basis of Presentation and Accounting Policies (Continued)**

Fund Balance

Fund balance represents the difference between assets and liabilities reported on the balance sheet. The fund balance does not lapse, and therefore is available for use in future periods. Fund balance is classified as restricted. GASB 54 identifies fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, laws and or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**Note 3 - Cash Deposits**

Participation in the Commonwealth's Internal Cash and Investment Pool

Receipts are deposited in the Commonwealth's general depository administered by the State Treasurer, who has statutory responsibility and authority to safeguard the monies. The Breast Cancer Research and Education Trust Fund participates in the internal cash and investment pool of the Commonwealth of Kentucky. Therefore, it follows the policies established by the Commonwealth for all pooled cash and investments. The Commonwealth's internal investment pool offers same day liquidity with no limitations, fees or restrictions on withdrawals. The risk disclosures related to deposits and investments are reported in the Commonwealth of Kentucky's Comprehensive Annual Financial Report. Accordingly, the Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for disclosures required by the Governmental Accounting Standards Board. For the year ended June 30, 2019, the Breast Cancer Research and Education Trust Fund's position in the pool totaled \$101,479.

**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***







MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

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

Breast Cancer Trust Fund Board Members  
Adam Meier, Secretary  
Cabinet for Health and Family Services  
Breast Cancer Research and Education Trust Fund

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 modified-cash basis financial statements of the Kentucky Cabinet for Health and Family Services' Breast Cancer Research and Education Trust Fund (Program) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated September 16, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the 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 Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting 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. However, material weaknesses may exist that have not been identified. We did identify a certain



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With *Governmental Auditing Standards*  
(Continued)

deficiency in internal control, 2019-BCTF-01 as described in the accompanying schedule of findings, that we consider to be a significant deficiency.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Program's financial statements are free from 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Program's Response to Findings***

The Program's response to the findings identified in our audit are described in the accompanying schedule of findings. The Program's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

September 16, 2019

## **SCHEDULE OF FINDINGS**



**CABINET FOR HEALTH AND FAMILY SERVICES  
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND  
SCHEDULE OF FINDINGS  
June 30, 2019**

**2019-BCTF-01: The Cabinet For Health And Family Services Did Not Have A Year-End Progress Report On File For One Breast Cancer Trust Fund Grantee**

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The Cabinet for Health and Family Services (CHFS) administers the Breast Cancer Research and Education Trust Fund (BCTF) that was created by KRS 211.580. The purpose of the trust fund program is to distribute moneys to support breast cancer research, education, treatment, screening, and awareness in Kentucky. The trust fund consist of funds collected from the sale of a special license plate, funds donated through a state income tax checkbox, and other proceeds from donations.

The BCTF awards grant funds to applicants based on criteria in 902 KAR 23:010. To monitor a grantee's progress toward meeting the goals stated in the grantee's application, grantees are required to provide semi-annual and year-end progress reports. During the FY 19 audit of BCTF expenditures, we noted five exceptions due to one grantee not having submitted its year-end progress report.

One BCTF grantee did not submit a year-end progress report as required by 902 KAR 23:010.

BCTF Management and staff can not effectively monitor the grantee's progress toward stated goals if progress reports are not submitted timely.

902 KAR 23:010, Section 2(2)(b)7 states that, as part of the application process, an applicant shall mail to the board a project description that includes, "...intent to provide semi-annual and year-end progress reports documenting satisfactory progress toward meeting the grant objectives...."

902 KAR 23:010, Section 4 states:

- (1) A grant recipient shall provide semi-annual and year-end progress reports to the board as specified in Section 2(2)(b)7.
- (2) A grant recipient that is not making satisfactory progress toward meeting grant objectives, as determined by the board, shall be notified in writing that objectives are not being met. The grant recipient shall:
  - (a) Submit to the board within thirty (30) days of receiving the notice a corrective action plan addressing the objectives that are not being met; and
  - (b) Reimburse the board for grant funds received to date if the corrective action plan is not implemented.

**Recommendation**

We recommend CHFS ensure applicants submit timely progress reports. Additionally, we recommend CHFS to follow up in writing when grantees do not submit timely progress reports.

**CABINET FOR HEALTH AND FAMILY SERVICES  
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND  
SCHEDULE OF FINDINGS  
(Continued)**

**2019-BCTF-01: The Cabinet For Health And Family Services Did Not Have A Year-End Progress Report On File For One Breast Cancer Trust Fund Grantee (Continued)**

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**Management's Response and Corrective Action Plan**

*The Division of Women's Health has implemented a tracking mechanism that will allow for better monitoring of the Breast Cancer Trust Fund (BCTF) reports. The program coordinator will be responsible for maintaining the tracking tool that will outline the monitoring process. This tracking process will include a reminder to all grantees prior to the due date of the semi-annual and annual progress reports and will send a late notice to all grantees who fail to send in a progress reports within the timeframe. The program coordinator will update the tracking sheet with all reports received by the due date and will make note of the ones received late or not at all. The program coordinator will notify the Assistant Director, who will send a letter to the grantees stating that this failure could affect future funding opportunities with the Breast Cancer Trust Fund. Any grantees failing to submit a progress report will be discussed during the meeting of the Breast Cancer Trust Fund Board, which currently meets twice a year.*