

**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, 2021**



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

Eric Friedlander, 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, 2021, 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 Program'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, 2021, 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 21, 2021, 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,



Farrah Petter, CPA
Assistant Auditor of Public Accounts

September 21, 2021

FINANCIAL STATEMENTS

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

June 30, 2021

Assets:

Cash and Cash Equivalents	<u>\$ 166,969</u>
Total Assets	<u>\$ 166,969</u>

Fund Balance:

Restricted	<u>\$ 166,969</u>
Total Liabilities and Fund Balance	<u>\$ 166,969</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, 2021

Receipts:

Breast Cancer - License Plate Sales	\$ 177,621
Receipts - Income Tax Contributions	<u>15,597</u>
Total Receipts	<u>193,218</u>

Expenditures:

Other Professional Services	43,082
Grant-In-Aid State Government Entities	30,578
Auditing Services	12,600
Printing Services	<u>144</u>
Total Expenditures	<u>86,404</u>

Net Change in Fund Balance	106,814
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Fund Balance at July 1, 2020	<u>60,155</u>
Fund Balance at June 30, 2021	<u><u>\$ 166,969</u></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, 2021**

Note 1 - Background

The Cabinet for Health and Family Services (CHFS) administers the Breast Cancer Research and Education Trust Fund (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. Receipts are recognized when cash is received and expenditures are recognized when cash is paid. KRS 45.229 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 2020 were sent to the Program in fiscal year 2021. The amount transmitted was \$177,621. The Program also receives funds from Kentucky taxpayers who check the box on their Kentucky state income 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, 2021

(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 Annual Comprehensive Financial Report. Accordingly, the Commonwealth of Kentucky's Annual Comprehensive Financial Report should be referred to for disclosures required by the Governmental Accounting Standards Board. For the year ended June 30, 2021, the Breast Cancer Research and Education Trust Fund's position in the pool totaled \$166,969.

**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

Eric Friedlander, 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, 2021, 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 21, 2021.

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) 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 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.



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)

However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2021-BCTF-01 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 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*.

Program's Response to Findings

The Program's response to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. 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,



Farrah Petter, CPA
Assistant Auditor of Public Accounts

September 21, 2021

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**CABINET FOR HEALTH AND FAMILY SERVICES’
BREAST CANCER RESEARCH AND EDUCATION TRUST FUND
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2021**

2021-BCTF-01: The Cabinet For Health And Family Services Did Not Collect All Donated Breast Cancer Tax Receipts

This is a repeat of finding 2020-BCTF-01 as reported in the prior year audit report. The Cabinet for Health and Family Services (CHFS) administers the Breast Cancer Research and Education Trust Fund (BCTF) created by KRS 211.580. BCTF distributes money to support breast cancer research, education, treatment, screening, and awareness in Kentucky. BCTF receipts consist of funds collected from the sale of a special breast cancer awareness license plate, funds donated through a state income tax return checkbox, and other proceeds from donations. The Kentucky Department of Revenue (DOR) collects and remits the donated funds to the BCTF.

During FY 2021, BCTF did not have internal controls in place to ensure all funds were received from DOR. Two receipts, for \$113 and \$1,934, totaling \$2,047, from February 2021, were not transferred to the BCTF. BCTF was not aware of the missing receipts until the audit.

BCTF did not have adequate procedures in place to ensure all funds were received from DOR. BCTF fund did not receive \$2,047 in tax donation receipts during FY 2021. Thus, these funds were not available for grant awards and will not be reflected on the FY 2021 BCTF modified-cash basis financial statements. Without proper internal controls over receipts, the potential exists for additional or larger errors to occur in the future and impact the amount of grant funds available and the financial statements.

KRS 141.446 related to the BCTF income tax refund states in part:

- (1) Effective for taxable years beginning January 1, 2005, any taxpayer required to file a return under KRS 141.180 who is entitled to an income tax refund and who desires to contribute to the breast cancer research and education trust fund created under KRS 211.580 may designate an amount, not to exceed the amount of the refund, to be paid to the fund. A designation made under this section shall not affect the income tax liability of the taxpayer, but it shall reduce the income tax refund by the amount designated.
- (4) The commissioner of the Department of Revenue shall, by July 1, 2006, and by July 1 of each year thereafter, transfer the funds designated by taxpayers under this section to the breast cancer research and education trust fund created by KRS 211.580.

We recommend BCTF implement internal controls to obtain and review DOR’s tax contribution reports to ensure all tax donations are received by BCTF timely.

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

2021-BCTF-01: The Cabinet For Health And Family Services Did Not Collect All Donated Breast Cancer Tax Receipts (Continued)

Management’s Response and Corrective Action Plan

To ensure all funds are obtained, from individuals checking ‘breast cancer’ box on their tax returns, the Division of Women’s Health (BCTF) will:

- *Increase communications with the Department of Revenue (DOR);*
- *Identify a DOR employee(s), as a contact for BCTF reports, questions and concerns; (contact pending)*
- *Identify staff to ensure the DOR post monthly payments (JV2R) to BCTF; (Resource Management Analyst RMA)*
 - *All funds are deposited into the off-budget account 14CQ in eMARS.*
- *Direct DOR to send the monthly reports via email to a minimum of two Division staff persons; (Assistant Director)*
- *Validate receipt of DOR amounts with the Division of Administrative and Financial Management records during reoccurring monthly meetings; (RMA)*
- *Report discrepancies to the Division’s Assistant Director (RMA);*
- *Report discrepancies to the BCTF Chairman, and Board if necessary; (Assistant Director and/or Health Planner)*
- *Notify the Department of Revenue, Office of Processing and Enforcement of issues that may be identified. (Assistant Director)*
- *Post all BCTF revenue reports, committee meeting minutes, emails, and all other documents pertaining to BCTF, to the Division’s shared P: drive.*