



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

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January 7, 2019

Governor Pete Ricketts  
State Capitol  
Lincoln, NE 68509

Legislative Council  
State Capitol  
Lincoln, NE 68509

RE: Report of Corrective Actions Investigations and Evaluations

Investigations and evaluations of corrective action responses filed with the Auditor of Public Accounts (APA) are to be reported per Neb. Rev. Stat. § 84-304(3)(b) (Supp. 2017). That statute, as amended by LB 151 (2017), says the following:

*Any entity, excluding the state colleges and the University of Nebraska, that is audited or examined pursuant to subdivision (3)(a) of this section and that is the subject of a comment and recommendation in a management letter or report issued by the Auditor of Public Accounts shall, on or before six months after the issuance of such letter or report, provide to the Auditor of Public Accounts a detailed written description of any corrective action taken or to be taken in response to the comment and recommendation. The Auditor of Public Accounts may investigate and evaluate the corrective action. The Auditor of Public Accounts shall then electronically submit a report of any findings of such investigation and evaluation to the Governor, the appropriate standing committee of the Legislature, and the Appropriations Committee of the Legislature. The Auditor of Public Accounts shall also ensure that the report is delivered to the Appropriations Committee for entry into the record during the committee's budget hearing process;*

For the period December 1, 2017, through December 31, 2018, the APA received corrective action plans for 36 of the audit reports issued to various agencies. (See all plans attached in Attachment A.) All of these action plans were or will be verified during subsequent audits, and the results of such audits were or will be reported to the Governor, the appropriate standing committee of the Legislature, and the Appropriations Committee of the Legislature upon issuance of the audits. No special investigations or evaluations of these reports were conducted during the period December 1, 2017, through December 31, 2018.

The table below contains a summary of APA reports issued since April 28, 2017, including the number of findings in each, the corrective action plan due dates, and the date on which the APA received a corrective action plan. When blank, no corrective action plan was received. If no findings were reported, then the LB 151 reporting requirement is not applicable (N/A). A copy of each audit report issued is available on the APA's website at: <http://www.auditors.nebraska.gov/>.

Entity Type	FY/ CY	Type	Entity/Program of Report	Released Final	Number of Findings	LB 151 after 4/28/17 Due	LB 151 Received from Agency
State	2016	AE	Motor Vehicle Industry Licensing Board	5/3/2017	3	10/31/2017	12/4/2018
CAFR	2017	EML	Corrections - Dentist - CAFR Early Management Letter	5/18/2017	3	11/15/2017	
State	2016	AE	Corrections - Vocational & Life Skills	5/18/2017	13	11/15/2017	
CAFR	2017	EML	Administrative Services, Department of - Business Continuity Planning - Early Management Letter	5/22/2017	1	11/19/2017	
State	2016	AE	Pardons and Parole, Board of	5/23/2017	7	11/20/2017	
CAFR	2017	EML	Administrative Services, Department of - Master Lease - Early Management Letter	5/31/2017	2	11/28/2017	
State	2016	AE	DHHS Program 38	6/22/2017	7	12/20/2017	

Entity Type	FY/ CY	Type	Entity/Program of Report	Released Final	Number of Findings	LB 151 after 4/28/17 Due	LB 151 Received from Agency
State	2016	AE	Child Support Enforcement, DHHS & State Treasurer SDU Agency Funds	6/27/2017	10	12/25/2017	
State	2016	AE	DHHS Program 514	6/28/2017	6	12/26/2017	
State	2016	AE	Environmental Trust Board	6/28/2017	9	12/26/2017	12/4/2017
State	2016	AE	State Patrol	6/30/2017	12	12/28/2017	1/8/2018
CAFR	2017	EML	Corrections - Inmate Trust Recon. - CAFR Management Letter	7/7/2017	5	1/4/2018	10/31/2018
State	2016	AE	Game and Parks Commission	7/14/2017	19	1/11/2018	1/16/2018
State	2016	AE	Nebraska Investment Finance Authority (NIFA)	7/14/2017	2	1/11/2018	
State	2017	AE	Engineers and Architects, Board of	8/15/2017	1	2/12/2018	1/9/2018
CAFR	2017	EML	Health and Human Services, Department of - Child Care - Early Management Letter	8/22/2017	1	2/19/2018	
State	2016	Audit	Public Employees Retirement Systems - County Employees - GASB 68	8/25/2017	0	N/A	N/A
State	2016	Audit	Public Employees Retirement Systems - School Employees - GASB 68	8/25/2017	0	N/A	N/A
State	2016	Audit	Public Employees Retirement Systems - State and County Employees	8/25/2017	0	N/A	N/A
State	2017	AE	Electrical Division	9/7/2017	5	3/7/2018	
CAFR	2017	EML	Administrative Services, Department of/Transportation, Department of - Address Book - Early Management Letter	10/2/2017	3	4/1/2018	
State	2017	AE	Public Accountancy, Board of	10/4/2017	9	4/3/2018	4/5/2018
State	2017	Audit	Lottery, Department of Revenue	10/11/2017	0	N/A	N/A
State	2017	AE	Liquor Control Commission	11/16/2017	10	5/16/2018	
State	2017	AE	Banking and Finance, Department of	11/20/2017	5	5/20/2018	5/4/2018
CAFR	2017	EML	P-Card - Early Management Letter	11/27/2017	9	5/27/2018	
State	2017	AE	Racing Commission	11/27/2017	8	5/27/2018	5/29/2018
State	2017	Audit	CAFR-Comprehensive Annual Financial Report - Statewide	12/14/2017	0	N/A	N/A
State	2017	Audit	Dairy Industry and Development Board	1/5/2018	0	N/A	N/A
CAFR	2017	ML	Revenue, Department of - CAFR Management Letter	1/19/2018	2	7/19/2018	
CAFR	2017	ML	Supreme Court - CAFR Management Letter	1/19/2018	3	7/19/2018	
CAFR	2017	ML	Correctional Services, Dept. of - CAFR Management Letter	1/23/2018	3	7/23/2018	10/31/2018
CAFR	2017	ML	Education, Department of - CAFR Management Letter	1/23/2018	5	7/23/2018	
CAFR	2017	ML	Labor, Department of - CAFR Management Letter	1/23/2018	4	7/23/2018	
CAFR	2017	ML	Motor Vehicles, Department of - CAFR Management Letter	1/23/2018	2	7/23/2018	7/24/2018
CAFR	2017	ML	State Patrol - CAFR Management Letter	1/23/2018	3	7/23/2018	
CAFR	2017	ML	Game and Parks Commission - CAFR Management Letter	1/24/2018	2	7/24/2018	
CAFR	2017	ML	Health and Human Services, Department of - CAFR Management Letter	1/24/2018	15	7/24/2018	
CAFR	2017	ML	Transportation, Department of - CAFR Management Letter	1/24/2018	4	7/24/2018	
CAFR	2017	ML	Veterans' Affairs, Department of - CAFR Management Letter	1/24/2018	1	7/24/2018	
CAFR	2017	ML	Administrative Services, Department of - CAFR Management Letter	1/26/2018	10	7/26/2018	
State	2017	Audit	Public Employees Retirement Systems - School Employees, Judges, and State Patrol	2/14/2018	0	N/A	N/A
State	2017	Audit	Environmental Quality - Clean Water State Revolving Fund Program	3/9/2018	2	9/6/2018	
State	2017	Audit	Environmental Quality - Drinking Water State Revolving Fund Program	3/9/2018	2	9/6/2018	
Single	2017	S-Com.	Single - Administrative Services, Department of - LOC & SWCAP	3/21/2018	3	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Administrative Services, Department of - SEFA	3/21/2018	1	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Agriculture, Department of	3/21/2018	1	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Economic Development, Department of - CDBG	3/21/2018	4	9/18/2018	9/11/2018
Single	2017	S-Com.	Single - Education, Department of	3/21/2018	6	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Game and Parks Commission	3/21/2018	2	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - Adoption Assistance	3/21/2018	2	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - Aging Cluster	3/21/2018	1	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - CAP	3/21/2018	5	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - CCDF	3/21/2018	8	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - CDC	3/21/2018	1	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - CSE	3/21/2018	1	9/18/2018	7/31/2018

Entity Type	FY/ CY	Type	Entity/Program of Report	Released Final	Number of Findings	LB 151 after 4/28/17 Due	LB 151 Received from Agency
Single	2017	S-Com.	Single - Health and Human Services, Department of - Family Planning	3/21/2018	3	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - Foster Care	3/21/2018	3	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - Immunization	3/21/2018	1	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - LIHEAP	3/21/2018	1	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - Medicaid	3/21/2018	12	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - PHBG	3/21/2018	1	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - PHEP HPP	3/21/2018	1	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - Program 514	3/21/2018	3	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Health and Human Services, Department of - TANF	3/21/2018	3	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Library Commission	3/21/2018	1	9/18/2018	7/31/2018
Single	2017	S-Com.	Single - Transportation, Department of	3/21/2018	2	9/18/2018	7/31/2018
Single	2017	Audit	Single Audit Report - Statewide	3/21/2018	66	9/18/2018	7/31/2018
State	2017	AE	Historical Society, Nebraska State	4/19/2018	5	10/17/2018	10/18/2018
State	2017	AE	DHHS Program 354	8/3/2018	10	1/31/2019	
State	2018	AE	Industrial Relations, Commission of	8/10/2018	3	2/7/2019	
State	2017	AE	State Treasurer	8/14/2018	15	2/11/2019	
State	2017	AE	Public Employees Retirement Systems - Deferred Compensation Plan	8/15/2018	4	2/12/2019	
State	2017	Audit	Public Employees Retirement Systems - State and County Employees	8/15/2018	0	N/A	N/A
State	2017	AE	DHHS Well Drillers Fund	8/29/2018	10	2/26/2019	
State	2017	Audit	Public Employees Retirement Systems - County Employees - GASB 68	8/29/2018	0	N/A	N/A
State	2017	Audit	Public Employees Retirement Systems - School Employees - GASB 68	8/29/2018	0	N/A	N/A
State	2017	AE	State Fire Marshal	8/31/2018	4	2/28/2019	
State	2018	Audit	Dairy Industry and Development Board	9/10/2018	0	N/A	N/A
State	2018	AE	Attorney General	9/26/2018	4	3/26/2019	
CAFR	2018	EML	Voyager Card - Early Management Letter	9/27/2018	11	3/27/2019	
State	2018	AE	DHHS Subrecipient Monitoring - Aging and Medicaid	10/4/2018	0	N/A	N/A
State	2018	AE	DHHS Subrecipient Monitoring - PHEP/HPP	10/4/2018	0	N/A	N/A
State	2018	AE	DHHS Subrecipient Monitoring - Title X	10/4/2018	0	N/A	N/A
State	2018	AE	Land Surveyors, Board of Examiners for	10/4/2018	2	4/3/2019	
State	2018	AE	Educational Lands and Funds, Board of	10/9/2018	10	4/8/2019	
State	2018	Audit	Education - Deaf-Blind Equipment Distribution Program	10/19/2018	2	4/18/2019	
State	2018	AE	Energy Office	10/19/2018	8	4/18/2019	
State	2018	Audit	Lottery, Department of Revenue	10/19/2018	0	N/A	N/A
Total Reports Subject to LB 151 and LB151 Received (Does not include N/A)						<b>74</b>	<b>36</b>

If you have questions, please feel free to contact us at (402) 471-2111.

Sincerely,



Charlie Janssen  
Auditor of Public Accounts

Attachment

**ATTESTATION REPORT OF THE NEBRASKA ENVIRONMENTAL TRUST BOARD  
JULY 1, 2015, THROUGH DECEMBER 31, 2016 – ISSUED JUNE 28, 2017.**

Received Response December 4, 2017 – NE Environmental Trust corrective action plan.



**Pete Ricketts, Governor**  
Mark A. Brahman, Executive Director

December 4, 2017

Mary Avery  
SAE Manager  
Nebraska Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, Nebraska 68509-8917

Dear Ms Avery:

This report is in accordance with 84-304 requiring the Nebraska Environmental Trust to provide the Auditor of Public Accounts an account of corrective action taken and being taken in response to the Attestation Report of the Nebraska Environmental Trust Board July 1, 2015, through December 31, 2016, and issued on June 28, 2017

### ***1. Grant Payments***

NET procedures include review financial records throughout the grant and as each grant closes. Record of site visits are entered into the database and are a part of final grant reports. Any follow-up requirements are addressed and included in the grant file. NET will adopt recommendations to include a monitoring report for site visits, itemizing items reviewed (review of bank statements, equipment location and condition, grant objectives, and/or field reviews, depending on the work funded). Paid invoices are verified at the site visit review.

A list of active grants is reviewed at each NET Board meeting and site visits are conducted and recorded prior to grant closing. NET will adopt recommendations to include a monitoring report for the site visit, itemizing items reviewed.

Equipment is recorded in the database when purchased. Recording Prairieland Gold and Uribe equipment was not an oversight. These are active grants and staff continues to work with both grantees as the equipment installation and operation moves forward.

NET will adopt the recommendation for the Director to initial and/or sign key grant documents.

Mary Avery  
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## ***2. Rental-Related Expenditures Not Recorded in Cash Fund 23295***

The NET Board directed expenditures to be paid from the Environmental Trust Cash Fund (23290) leaving the Ferguson House Cash Fund (23295) to accumulate in anticipation of major expenditures on the house. Work was completed on the Carriage House in 2016 and bids for work on the house have been reviewed this year. A determination was made to use 309 Task Force to provide funding for major work on the house. The NET Board directed staff to return to paying Ferguson House expenditures from the 23295 fund with continued review as repairs move forward.

## ***3. Lack of Documentation to Support Rental Rates:***

Rental rates are informally reviewed periodically. There are few facilities with the historic character of the Ferguson House available in the area for events. The Rodgers House B&B was contacted along with a review of other area facilities. Information is presented to the NET Board, keeping them updated about rates and expenditures. NET will adopt recommendations to document contacts and information gathered.

***4. Receipts Not Collected or Deposited Timely*** The rent payment reviewed was outside normal procedures. The renters had communicated with NET staff to discuss payment timing and had received approval to make payments in arrears until grant funding was available. NET follows procedures in accordance with State statute. The renter has continued to make payments according to the rental agreement.

NET procedures follow State Statute. Staff has incorporated reference to Section 84-710 into procedures (*within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars*).

***5. Internal Control Over Receipts:*** NET has adopted the recommendation to restrictively endorse checks upon receipt for deposit to the State Treasurer. Two staff are present when mail is opened and any checks are recorded and sent for deposit within the timeframes outlined in statutes and agency procedures. Each deposit is reviewed by the staff person involved in the transaction prior to funds being sent for deposit involved.

## ***6. Vehicle Travel Log:***

NET has adopted the recommendation to include more detailed information in the vehicle log. A monthly log replaced a continuous use record. In addition to beginning and end destinations, interim stops are recorded and the Executive Director reviews the log each month.

Mary Avery  
December 4, 2017  
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**7. Expenditures:** NET corrected procedures in 2016 and NET Board members and staff are now aware of regulations not allowing the Trust to pay for family members. NET has adopted the recommendation for the Executive Director's out-of-state travel to be reviewed by the Chairperson. Fleet charges are now reviewed monthly when the monthly travel log is checked.

**8. Travel Testing:** NET has adopted the recommendations for more detailed travel records.

**9. Payables:** NET procedures are in alignment with the requirement for transaction coding based on the year of the obligation. NET has adopted the recommendation to work with Nebraska Game and Parks Commission to ensure payments have been processed correctly.

Please let me know if you have additional questions.

Sincerely



Mark A. Brohman  
Executive Director

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**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA STATE PATROL  
JULY 1, 2015, THROUGH DECEMBER 31, 2016 – ISSUED JUNE 30, 2017**

Received January 8, 2018 – State Patrol corrective action plan.



Pete Ricketts  
Governor

STATE OF NEBRASKA

NEBRASKA STATE PATROL  
Colonel John A. Bolduc  
Superintendent  
P.O. Box 94907  
Lincoln, NE 68509-4907  
Phone (402) 471-4545

December 29, 2017

Mr. Charlie Janssen  
Auditor of Public Accounts  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509

Dear Mr. Janssen:

In accordance with Neb. Rev. Stat. § 84-304(3)(b), please find below the Nebraska State Patrol's detailed written description of corrective action taken, or to be taken, in response to the comment and recommendations found in the audit report issued by your office for the attestation covering the time period of July 1, 2015, through December 31, 2016:

- Finding 1: The Nebraska State Patrol (NSP) has implemented deadlines to ensure that all leave is lapsed by no later than the end of the first quarter following the end of the calendar year. These deadlines have been put in place for 2018 for the leave balances existing at December 31, 2017. The Agency has taken steps to ensure that all leave balances that were over the permitted amounts at December 31, 2016, have since been lapsed appropriately. For employees who are retiring or ceasing employment with the Agency, a calculation will also be put in place beginning January 1, 2018, that compares the (a) the existing leave balance when employment ceases, to (b) the end of year maximum leave carry-over, plus any calendar year leave earnings, less any leave taken during the calendar year. An additional review step has been added as part of the payroll process to ensure that the payout of leave balances are calculated correctly.
- Finding 2: The NSP has begun providing additional direction to Troop Area personnel that are responsible for making deposits to ensure that they fully understand the policy regarding timely deposit of funds within three days. The Agency intends to provide further formal written direction to personnel involved in this process in early 2018. Additionally, the Accounting Department has begun to monitor the timeliness of such deposits, in order to address any untimeliness with personnel.
- Finding 3: Since the audit, the NSP has refined its reconciliation process of the Criminal Identification Division electronic internet revenues received through the State Treasurer's Office to tracking reports. NSP was aware that additional accounting coding needed to occur to properly classify the revenues received via the internet. However, additional training and review of the coding prepared by the State Treasurer's Office needed to occur in order to understand the coding and to tie it back to the service provider's reports. The NSP has taken



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Mr. Charlie Janssen

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these additional steps, and has made significant progress in preparing the journal entries needed to reconcile and code these revenues. The account is reviewed and reconciled on a quarterly basis and entries are prepared to ensure the accurate categorization of this revenue as "Sales and Charges Revenue", rather than "Miscellaneous Revenue."

- Finding 4: NSP has taken steps to change the access of the final payroll reviewer. This individual (Controller), no longer has the ability to make changes to any payroll items within E-1. This change took place for all payrolls occurring after June 30, 2017.
- Finding 5: NSP is moving to a new timesheet system (KRONOS). In conjunction with this implementation (scheduled for January 2018), it will be deactivating its internal leave tracking system in Lotus Notes. Therefore, it will be necessary to have all leave balances accurately reflected in E-1 by that point in time. Currently all employees paid through biweekly payrolls already have their leave balances accurately reflected in E-1. NSP has performed several leave balance reconciliations in the last several months between the two systems to ensure that accurate balances are recorded in E-1 for employees paid monthly. Upon full implementation of Kronos by January 31, 2018, all leave balances will be reconciled in E-1. The new KRONOS timesheet system will not allow any employees to record time to leave if their balance is not sufficient to sustain it. Therefore, no employee's balances will be permitted to drop below the available balance of hours (or become negative), unless approved by the Superintendent's Office. Additionally, payroll training and procedures are being put in place to ensure that employees on workers' compensation are treated as part-time employees for the purpose of leave earnings, and that they earn prorated sick and vacation leave based on the number of hours worked and/or accrued leave time hours used to supplement the workers' compensation payment.
- Finding 6: A secondary reviewer has been identified to sign-off on all Surplus Notification Forms, apart from the preparer. This practice was implemented in October of 2017. Additionally, steps are being taken for a secondary reviewer to review the Additions and Retirement Report and the Fixed Asset Integrity Reports on a quarterly basis beginning with the quarter ending December 31, 2017. This individual does not have access in E-1 to adjust asset information.
- Finding 7: NSP has modified and strengthened its policies and procedures related to its range ammunition usage. The Agency's policies have been changed to not allow any ammunition to be taken from the range by participants after training. Specifically, the policy states that all agency ammunition provided during range training shall be consumed on the firing range or returned to an onsite firearms instructor at the conclusion of range training. It further states that no agency ammunition shall be issued, given to or removed by agency employees for the purpose of off duty firearms training, practice, or private use. The Agency is working towards implementing a procedure of utilizing a second existing NSP employee to review the



Charlie Janssen  
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amount of ammunition used and remaining after range exercises. It expects this procedure to be fully implemented in 2018.

- Finding 8: As noted in item #6, NSP is taking steps to add a second reviewer to the process. This individual will periodically review the Additions and Retirements Report throughout the year to ensure costs are accurately reported.
- Finding 9: The activities involving the destruction of evidence and the completion of the NSP Form 722 (Destruction of Evidence) are observed by the Evidence Technician's Supervisor. The appropriate Case Officer is responsible to reconcile the Form 722's to the Records Management System where the Evidence Technician records the status of evidence as "finalized." This reconciliation step adds an internal control "check and balance" to this process. Upon further review, NSP believes that all troop areas are following NSP's policy for inspections of evidence areas. The policy does not require that all in-custody property storage areas be inspected every quarter. While quarterly inspections do occur, not all areas must be inspected every quarter. All evidence storage areas must be audited at least once annually.
- Finding 10: The NSP monitors its overtime expenditures on a monthly basis, and addresses any concerns with high levels of overtime as they occur. Because of its extensive recruitment and training process for officer recruit candidates, the NSP typically has a large number of vacant positions. This large number of vacancies generally result in a fairly significant amount of overtime. It is also important to note that the strict qualifications for officer candidates has resulted in identifying a fewer number of qualified candidates than the number of existing vacancies. The Agency currently has 42 sworn officer vacancies. It is also important to note that historically, approximately 30% of the Agency's total overtime has been funded by grants, which do not impact and are separate and apart from the Agency's General Fund and Cash Fund appropriations. As an additional means to measure overtime incurred, and with the implementation of the new KRONOS timesheet software in January 2018, non-exempt employees will be required to record (1) scheduled excess hours worked over their normal shift, and (2) unscheduled excess hours worked over their normal shift. The Agency will monitor these hours in order to identify any areas or situations that may occur where overtime could be reduced.
- Finding 11: The NSP has worked to strengthen its pre-audit review of coding of expenditures to improve the accuracy of the classification. The assets that were identified in the audit as an expenditure that should have been coded as "IT Projects in Progress" have been corrected in E-1. Accounting personnel are now utilizing this object code in order to accurately reflect these types of projects.

Charlie Janssen

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- Finding 12: The NSP continues to monitor the mileage of its extensive fleet of vehicles. The NSP has a number of special purpose vehicles that are not used on a regular basis (for example, Special Weapons and Tactics Team (SWAT) vehicles). Therefore, the mileage of these vehicles will generally average less than 500 miles per month or utilize less than seven days a month. The NSP considers the 88 vehicles that fall within this range to be a reasonable level considering the number of specialty vehicles, training vehicles, vehicles driven for short trips, and new vehicles held in inventory for deployment in the event of accidents. With the implementation of KRONOS, employees will be recording their mileage in an Activities Form. The listing of vehicle unit numbers that exist within KRONOS will be reviewed and updated on a regular basis, thereby reducing the possibility of mileage being recorded to an incorrect vehicle. The Agency also intends to obtain and implement a fleet management system to monitor mileage, maintenance, and vehicle usage within its fleet. This implementation is targeted for the end of the first quarter of 2018.

Sincerely,



John A. Bolduc, Colonel

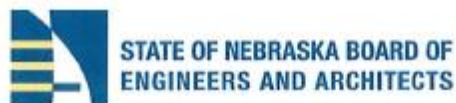
Superintendent of Law Enforcement and Public Safety

XC: Frank Peck, Acting Major, Field Services Division  
Jeff Pelowski, Acting Major, Investigative Services Division  
Russell Stanczyk, Major, Administrative Services Division

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS  
JULY 1, 2016, THROUGH JUNE 30, 2017 – ISSUED AUGUST 15, 2017.**

Received January 9, 2018 – Engineers and Architects corrective action plan.



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Jon Wilbeck  
Executive Director

Sandra Weaver  
Business Manager

Lindy Rauscher  
Compliance Officer

**BOARD MEMBERS**

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Lenora A. Isom  
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Omaha

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Pete Ricketts  
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January 8, 2018

Mary Avery  
Auditor of Public Accounts  
State Capitol, Suite 2303  
Lincoln, NE 68509

Dear Ms. Avery:

This letter provides a detailed written description of any corrective action taken or will be taken in response to the comment and recommendations for the audit ended June 30, 2017.

Comments and responses are as follows:

**1. Internal Controls Over Fixed Assets**

- The Board does not complete a documented periodic review of the capital asset Additions & Retirements Report to ensure all purchased assets were appropriately added and only properly surplus assets were removed from the capital asset records.

*The Additions & Retirements Report will be reviewed as necessary after any fixed assets are added or removed from the capital asset records to ensure all purchased assets are appropriately added and only properly surplus assets are removed from capital asset records. The report will also be prepared as part of the fiscal year end reconciliation process. The Administrative Assistant and Executive Director will sign the reports after the review to ensure fixed assets are added or removed correctly. The Internal Controls Plan and end of year processes have been updated to include these steps.*

- The Board maintains a separate list of fixed assets that do not meet the capitalization threshold to be added to the State's accounting system (EnterpriseOne). Although the Board conducts an inventory of this list each year, completion of the most recent inventory was not adequately documented because not all items on the list were checked off as reviewed, and no one signed and dated the list to indicate completion of the inventory.

*During an inventory review, all items will be physically inspected and checked off the contents and inland marine inventory lists to make sure all items are on hand. Any equipment not on the list will be added and marked as inspected. The reviewers will sign and date the list when finished. The Business Manager will compare the previous lists to ensure all deletions and additions are properly authorized. The Executive Director and Business Manager will sign the lists when the inventory review has been deemed to be satisfactorily completed. The Internal Control Policy has been updated to include these steps.*

**2. Payroll issues**

- One employee originally elected dependent life insurance coverage during open enrollment but did not complete the proper forms to receive this benefit. Despite this, a total of \$13.86 for the benefit was deducted from the employee's paychecks from July 6, 2016, through

March 15, 2017, when DAS caught the error and stopped the deductions. The Board was not aware of the error until the APA called attention to it. Only after the APA pointed out the error did the Board take action to ensure that the employee was reimbursed for the amount improperly deducted.

*A step has been added to the payroll process to review deductions for any change from the previous biweekly payroll. When new benefit deductions begin in a new fiscal year, the HR manager/payroll clerk will request each employee to verify that their benefit deductions are correct and ensure the Evidence of Insurability form has been submitted to DAS Employee Benefits if required for an elected benefit. The Internal Control Procedures and payroll process document have been updated to reflect biweekly comparison of benefits.*

- During a review of vacation leave balances, we noted one employee had her vacation leave balance reduced to 276.15 hours instead of 280 hours at the end of the calendar year 2016. The Board does not have adequate procedures in place to properly lapse vacation leave balances.

*Agency control procedures have been put into place to adjust the employee's carry over vacation leave balances based on calendar year usage. Leave Adjustment Procedures on the AS State Accounting website have been reviewed and used to correctly implement the leave adjustment procedure on a carryover balance at the end of the calendar year 2017. Calculations were verified using a spreadsheet showing lapsed vacation leave. These procedures will ensure an employee does not carry over more or less leave hours at the end of each calendar year than entitled by statute or the labor contract.*

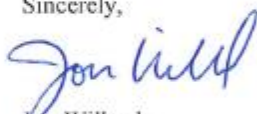
### 3. Continuing Education Audit Documentation

- The Board disposes of documentation it reviews for its continuing education (CE) audits after completion of the audits. For nine of nine CE audits tested, the Board did not have adequate documentation on file to support completion of the audits.

Without adequate documentation on file for the CE audits, the APA is unable to verify that the audits actually have been completed, that documentation the Board reviews for the audits is adequate, and that the APA agrees with the Board's determination of whether individuals meet CE requirements.

*The continuing education logs submitted by licensees selected for audit are now being saved electronically and retained for a minimum of five years or until an APA audit. The logs will support the completion of an audit in conjunction with the auditor review sheet.*

Sincerely,



Jon Wilbeck  
Executive Director

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA GAME AND PARKS COMMISSION****JULY 1, 2015, THROUGH DECEMBER 31, 2016 – ISSUED JULY 14, 2017**

Received January 16, 2018 – Game &amp; Parks corrective action plan.

**State of Nebraska**  
**Nebraska Game & Parks Commission**  
**Corrective Action Plan**

**Subject Report:** Audit Report by the Nebraska Auditor of Public Accounts of the Nebraska Game and Parks Commission, From July 1, 2015, Through December 31, 2016, issued July 14, 2017.

## Comments and Recommendations

### 1. Internal Controls Over Permits and Other Revenues

**Comment** We noted a lack of segregation of duties over the issuance of permits and other revenues collected by the Commission.

**Auditor's Recommendation** We recommend the Commission implement a proper segregation of duties or compensating procedures for the handling of receipts and the issuance of permits. We further recommend the Commission carry out a periodic inventory of unissued permits and a year-end reconciliation of issued permits to sales receipts.

**Corrective Action** - Procedures for special permits (issued by Fisheries, Wildlife and Law Enforcement) have been updated, which detail separation of duties for handling funds and issuing the permit and the process to inventory pre-numbered permits.

**Contact:** Pat Cole, NGPC Budget & Fiscal Division Administrator

**Completion Date:** November, 2017

### 2. State Park Procedures

**Comment** We visited six locations and noted a lack of segregation of duties over revenues, shortages at the locations during our cash count procedures, and a lack of adequate procedures over accounts receivable.

**Auditor's Recommendation** We recommend the Commission establish an adequate segregation of duties by ensuring that at least two individuals are involved in the handling of cash and the preparation of bank deposits. We also recommend the Commission ensure that all sales are recorded in the accounting system when made, voided transactions are reviewed in detail, and deposit documentation is reviewed before approval. We also

recommend the Commission ensure that cash receipts are secure, and access to safes is limited to necessary staff. Furthermore, we recommend the Commission ensure that accounts receivable are reviewed periodically, written collection procedures are being followed, and collection attempts are properly documented to show that accounts are being properly pursued for collection.

**Corrective Action** – Parks Administration has created updated instructions/procedures for cash handling and provided on-site training. Statute compliance (§84-710) was emphasized in the training. Aging reports at the State Parks are run monthly with continued account analysis. Follow up site visits and cash counts have been conducted to ensure policy and procedures are being followed.

**Contact:** Kelly Lambert, NGPC Parks Division Assistant Administrator

**Completion Date:** November, 2017

### 3. Park System Access

**Comment** We noted 105 individuals, including 17 terminated employees and two unidentified users, with access to process a transaction from beginning to end and make changes to or void an event. Employees could also process a payment and subsequently void the transaction, which could go undetected.

**Auditor's Recommendation** We recommend the Commission implement policies and procedures to ensure not only a proper segregation of duties among those using the Active Works system but also proper restrictions upon user access to that system.

**Corrective Action** – Actions to clean up the Reservation System user roles/security have been completed. An updated procedural guide has been provided to affected park areas with instruction on periodic reviews.

**Contact:** Kelly Lambert, NGPC Parks Division Assistant Administrator

**Completion Date:** November, 2017

### 4. Lack of Controls Over Payroll Procedures

**Comment** We noted a lack of segregation of duties, lack of documented review of payroll changes, and improper and excessive access to payroll functions in the system.

**Auditor's Recommendation** We recommend the Commission establish an adequate segregation of duties and ensure a second individual without payroll access reviews payroll changes, so no one individual is able to process a transaction from beginning to end. In addition, we recommend the Commission remove unnecessary access within the payroll system, limiting access to only those individuals who perform processing procedures.

**Corrective Action** – The Commission will assess the needs of augmenting the Human Resources area with additional staff/expertise in the near future as budget resources are made available.

**Contact:** Angie Janda-Craig, NGPC Personnel Division Administrator

**Anticipated Completion Date:** December 31, 2018

## 5. Payroll Issues

**Comment** We noted a lack of supporting documentation, incorrect payout of vacation balances upon termination, and improper leave balances in the system.

**Auditor's Recommendation** We recommend the Commission establish adequate policies and procedures to ensure payroll transactions, including benefit deductions, taxes, and vacation balances, are properly recorded and paid to employees. We also recommend the Commission review its leave-balancing procedures to ensure the calculation is in accordance with State regulations, and any errors are properly corrected in the accounting system.

**Corrective Action** – The exceptions noted were reviewed and corrected within the capability to do so. A review of current policies and procedures over supporting documentation required for essential payroll transactions has been completed. Implementation of additional reviews from the core personnel staff is being explored in conjunction with the assessment of additional staffing requirements.

**Contact:** Angie Janda-Craig, NGPC Personnel Division Administrator

**Anticipated Completion Date:** June 30, 2018

## 6. Internal Control Over Inventories

**Comment** We noted a lack of segregation of duties over processing of capital assets, lack of policies for bulk fuel inventories, and a lack of inventory procedures over artifacts.

**Auditor's Recommendation** We recommend the Commission implement policies and procedures to ensure an adequate segregation of duties over capital assets exists. Furthermore, we recommend the Commission establish written policies and procedures for bulk fuel, including thresholds for reasonable variances and requirements for the timely and accurate submission of logs. We also recommend the Commission consider establishing an agency-wide contract for bulk fuel purchases. Finally, we recommend the Commission establish policies and procedures for the periodic inventorying of artifacts maintained at the State parks to ensure that all such items are accounted for properly.

**Corrective Action** – Procedures for annual artifact inventories were updated in November 2017. The affected parks have all been provided instructions and direction to complete an inventory verifying that all accessioned and cataloged items are accounted for. This inventory effort is to be completed by January 31, 2018 during the off-season.

Procedures for reporting and reviewing bulk fuel at each park location have been developed and condensed into a 10-step process and distributed as of November, 2017.

Segregation of duties and system access over capital assets continues to be designed and developed.

**Contact:** Judy Alderman, NGPC Budget & Fiscal Division Assistant Administrator

**Completion Dates:** For actions in process, June 30, 2018

## 7. Capital Asset Issues

**Comment** We noted issues related to capital assets not being recorded accurately and timely in the accounting system, capital assets unable to be located or being improperly tagged, and surplus property proceeds not being deposited in accordance with State statute.

**Auditor's Recommendation** We recommend the Commission ensure items are accurately and timely recorded in the accounting system. All assets should be appropriately tagged, and asset records should be adequately maintained in order to ensure that all assets are on hand. Furthermore, we recommend proceeds from the sale of



assets be deposited in accordance with State statute, and fund numbers be accurately assigned to each asset.

**Corrective Action** – The Commission now has access to necessary modules in accounting system to record new assets associated with building and land. The accounting of surplus property proceeds has been discussed with State Accounting and Central Finance, and the Commission is awaiting their feedback.

**Contact:** Judy Alderman, NGPC Budget & Fiscal Division Assistant Administrator  
**Anticipated Completion Date:** June 30, 2018

## 8. Federal Activity Recorded in the General and Cash Funds

**Comment** The Commission did not account for all of its Federal activity in Federal funds. Adjustments totaling \$13 million in revenues and \$12 million in expenditures were made to the financial schedule.

**Auditor’s Recommendation** We recommend the Commission work with the DAS Accounting Administrator to develop a plan for recording all Federal activity in Federal funds, as prescribed by the “State Accounting Manual.”

**Corrective Action** – Per State Accounting Division approval, activity will continue to be recorded using the agreed upon methodologies. Updated practices are in consideration with the preparation for a new system conversion.

**Contact:** Pat Cole, NGPC Budget & Fiscal Division Administrator  
**Anticipated Completion Date:** April 1, 2019

## 9. Lack of Adequate Monitoring Procedures

**Comment** We noted several payments lacking adequate documentation that monitoring, including fiscal reviews, had been performed prior to disbursement.

**Auditor’s Recommendation** We recommend the Commission implement policies and procedures to ensure adequate monitoring is performed for contractual agreements, and Voyager card billings are reviewed and compared to supporting documentation prior to payment.

**Corrective Action** – Voyager billings are now disseminated and reviewed by appropriate divisions for accuracy and necessary adjustments. The Commission is clarifying the process of monitoring cooperative projects and will be reviewing documentation requirements for contractual agreements.

**Contact:** Judy Alderman, NGPC Budget & Fiscal Division Assistant Administrator

**Anticipated Completion Date:** For actions in process, June 30, 2018

## 10. Inadequate Monitoring of Permits and Park Buck Coupons

**Comment** We noted that unissued permits and Park Buck coupons were not inventoried properly, audits were not performed annually for all permit agents, and refunds were not performed timely.

**Auditor's Recommendation** We recommend the Commission perform a timely and periodic inventory and reconciliation of unused permits, at least annually, and develop procedures to conduct a regular inventory of Park Buck coupon books to ensure assets are accounted for, confirm all books have been sold before issuing new Park Bucks, and reconcile the physical inventory to the accounting records. We also recommend the Commission complete timely reconciliations and audits for all permit agents and staff sign forms for control procedures performed.

**Corrective Action** – The Park Bucks worksheet was reconciled with redeemed coupons, outstanding inventory at park locations, and uncirculated coupons, then compared to the Accounting System. This procedure will continue on a regular basis.

Permit audits for internal agents will be held in Spring 2018, after the completion of the external agent audits. Spot check audits of external agent refunds to customers will also begin in 2018. The Commission has reviewed the procedures for refunds to ensure an accurate process.

**Contact:** Kay Mencl, NGPC Budget & Fiscal Division Assistant Administrator

**Anticipated Completion Date:** June 30, 2018

## 11. Commission-Owned Vehicles

**Comment** The Commission did not have agency-wide policies and procedures for vehicle usage. The Parks division did not document monitoring to ensure that the use of the 441 vehicles assigned to it was reasonable and necessary.

**Auditor's Recommendation** We recommend the Commission establish policies and procedures for the tracking and review of vehicle utilization. Furthermore, we recommend vehicle logs be completed and reviewed by supervisory staff.

**Corrective Action** –The Commission will review documentation requirements of vehicle utilization currently done in conjunction with the budgeting process.

**Contact:** Pat Cole, NGPC Budget & Fiscal Division Administrator

**Anticipated Completion Date:** June 30, 2018

## 12. Construction in Progress and Other Errors in the Accounting System

**Comment** We noted several miscodings, including “construction in progress,” that were adjusted on the financial schedule for \$5.5 million.

**Auditor's Recommendation** We recommend the Commission establish adequate policies and procedures to ensure that transactions are properly recorded in the accounting system for accurate financial schedule presentation.

**Corrective Action** – The Commission met with State Accounting Division personnel to discuss this ongoing practice, and as identified, some corrections were made. Based on that discussion and anticipated future dialogues a consensus of definitions and methodologies will be further developed to ensure use of appropriate coding.

**Contact:** Judy Alderman, NGPC Budget & Fiscal Division Assistant Administrator

**Completion Date:** June 30, 2018

## 13. Controls Over Ammunition Supplies

**Comment** We noted that no ammunition inventory records were kept by the divisions, and there was no periodic independent inventory of ammunition or monitoring of ammunition purchases by management to identify unusual patterns of ammunition usage.

**Auditor's Recommendation** We recommend the Commission establish policies and procedures for the effective monitoring of ammunition supplies, so improper use can be identified in a timely manner.

**Corrective Action** – Individual divisions have implemented additional inventory tracking procedures. A review of control processes over ammunition will be completed to determine appropriate procedures.

**Contact:** Pat Cole, NGPC Budget & Fiscal Division Administrator

**Completion Date:** For actions in process, June 30, 2018

#### 14. Travel Testing

**Comment** We noted overcharges for lodging totaling \$166, taxes paid inappropriately for \$36, lack of Director approval for flights and out-of-state travel, and lack of support for contract reimbursements of meals totaling \$502.

**Auditor's Recommendation** We recommend the Commission establish policies and procedures to ensure expenditures are both proper and adequately supported prior to payment. Such policies and procedures should also ensure unnecessary taxes are not paid in compliance with State regulations, and Commission policies requiring Director approval of travel expenditures are followed.

**Corrective Action** – Travel lodging and Event hosting policies have been updated, and include a list of required supporting documentation.

**Contact:** Judy Alderman, NGPC Budget & Fiscal Division Assistant Administrator

**Completion Date:** November, 2017

#### 15. Revenue Issues

**Comment** We noted one concession agreement was not on file, 4 of 60 fees tested did not agree between fee schedule and Commission-approved rates, and cabin lease payments were not calculated properly, causing a loss of \$3,370.

**Auditor's Recommendation** We recommend the Commission implement policies and procedures to ensure the following: 1) a current, signed copy of each vendor agreement is on file; 2) a complete, detailed listing of park fees is maintained and periodically updated for all approved changes; and 3) cabin lease agreement amounts are verified as being proper.

**Corrective Action** – Policies for concession agreements and cabin lease permits were updated October 27, 2017.

The Parks fee schedule updates will be completed by one of Parks Administrative staff members and reviewed by another staff member, checking against the spreadsheet provided to the Commission.

Procedures now include verifying the cost of living percentage increase calculation related to cabin leases is computed accurately.

**Contact:** Kelly Lambert, NGPC Parks Division Assistant Administrator

**Completion Date:** November, 2017

## 16. Agreement Between Commission and Niobrara Council

**Comment** The Commission's agreement with the Niobrara Council was nearly 17 years old, and several of its provisions were outdated.

**Auditor's Recommendation** We recommend the Commission and the Council either adhere strictly to the current terms of their cooperative agreement or amend that agreement with new provisions with which both parties are capable of complying.

**Corrective Action** – A revised agreement has been approved by both parties and executed in December of 2017.

**Contact:** Pat Cole, NGPC Budget & Fiscal Division Administrator

**Anticipated Completion Date:** December, 2017

## 17. Niobrara Council Lack of Support for Expenditures

**Comment** Four of nine expenditures tested lacked contractual agreements, we also noted inaccurate accounting of payroll taxes. Additionally, compensatory time was miscalculated, and mileage expenses were overreimbursed.

**Auditor's Recommendation** We recommend the Commission implement policies and procedures to ensure that adequate documentation is maintained to support all reimbursements of Council expenditures.

**Corrective Action** – The specific items identified have all been addressed and rectified by the Council. It is anticipated that the revised agreement (#16 above) will assist in clarifying roles and responsibilities of the Council in these matters

**Contact:** Kallie Kieborz, Executive Director – Niobrara Council  
**Completion Date:** December, 2017

## 18. Expired Warrants

**Comment** Warrants issued using Federal funds were not properly voided prior to expiration, causing the monies to be deposited improperly to the State's General Fund.

**Auditor's Recommendation** We recommend the Commission ensure all warrants paid from Federal grants are voided prior to expiration to prevent Federal monies from being deposited, contrary to Federal regulations, into the State's General Fund.

**Corrective Action** – The expired warrant report is reviewed as it becomes available for appropriate handling of potential Federal monies

**Contact:** Judy Alderman, NGPC Budget & Fiscal Division Assistant Administrator  
**Completion Date:** November, 2017

## 19. Legal Review of Contracts

**Comment** The Commission lacked documentation for a review by legal counsel of five contracts tested, whose total value amounted to \$714,896.

**Auditor's Recommendation** We recommend the Commission ensure reviews by legal counsel are performed annually on contract templates to verify that all necessary compliance requirements have been met.

**Corrective Action** – All efforts are made to complete reviews on Commission contracts and templates. We have limited capacity with only one Assistant Attorney General that covers all legal work and representation for the Commission.

**Contact:** Pat Cole, NGPC Budget & Fiscal Division Administrator  
**Anticipated Completion Date:** June 30, 2018

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA BOARD OF PUBLIC ACCOUNTANCY  
JULY 1, 2016, THROUGH JUNE 30, 2017 – ISSUED OCTOBER 4, 2017**

Received April 5, 2018 – Board of Public Accountancy corrective action plan.



**Pete Ricketts**  
Governor

**STATE OF NEBRASKA**  
**BOARD OF PUBLIC ACCOUNTANCY**  
P.O. Box 94725, Lincoln NE 68509  
(402) 471-3595 or (800) 564-6111  
Fax (402) 471-4484  
Home Page: [www.nbpsa.ne.gov](http://www.nbpsa.ne.gov)

April 4, 2018

Ms. Mary Avery  
Auditor of Public Accounts  
P.O. Box 98917  
Lincoln, NE 68509



**Re: Response for Attestation Report of the Nebraska Board of Public Accountancy**

Dear Ms. Avery:

The Nebraska State Board of Public Accountancy (Board) was examined by your office with an attestation report issued October 4, 2017 (Report). Per Neb. Rev. Stat 84-304(3), please find our written description of corrective actions taken:

1. Lack of Controls over Revenues  
*Based on the comments provided, Board staff overviewed and updated current internal deposit controls/procedures. Corrective actions taken:*
  - Two employees, when available, will open the mail.
  - A mail log will be completed.
  - Staff met with a DAS representative who overviewed and updated the State Accounting System eliminating the ability of the Executive Director to post deposit documents.
  - Staff has met with the OCIO office in support of the Board's backend database to eliminate the ability to delete a receipt after issuance. As before, staff will then document the need to delete a receipt.
  - Staff, on a quarterly basis, will print and review the Receipts/Permits report generated and will be verified by the Board Secretary (CPA).
  - Staff is currently updating internal controls regarding civil penalty deposits.
  
2. Lack of Controls Over Payroll  
*Based on the comments provided, Board staff overviewed current internal payroll preparation and certification controls/procedures. Corrective actions taken:*
  - Staff met with a DAS representative who overviewed and updated the State Accounting System eliminating unnecessary access of the Executive Director.
  - The staff member without access to the State Accounting System will now review the payroll register as recommended.
  
3. Lack of Controls over Expenditures  
*Based on the comments provided, Board staff overviewed and updated the internal expenditure controls/procedures. Corrective actions taken:*

- Staff met with a DAS representative who overviewed and updated the State Accounting System eliminating the ability of the Executive Director to approve and post expenditures.

4. Lack of Controls over Capital Assets

Based on the comments provided, Board staff overviewed current internal fixed asset controls/procedures. Corrective actions taken:

- Staff met with a DAS representative who overviewed and updated the State Accounting System to eliminate unnecessary access of the Executive Director.
- Additional reports including the Additions in Retirement Report will be reviewed by the Board Secretary (CPA).

5. Service Organization Report

Although the Board was comfortable with the current review and oversight of CPA Exam Services (CPAES), based on the comments received, the following actions were taken:

- The Board adopted a new procedure at their March 16, 2018 meeting to specifically review the AT-101 issued report each year.

6. Lack of Tuition Reimbursement Policy

Although the Board was comfortable with their current reimbursement of tuition expenses following the NAPE/AFSCME State Employee Labor Contract, based on the comments received, the following actions were taken:

- The Board adopted a tuition reimbursement policy for Board staff members at their March 16, 2018 meeting.

7. FoxPro Password Settings

Based on the comments provided Board staff created a new policy for internal changing passwords procedures/controls.

- Board staff has initiated the procedures and changed passwords.

8. Contract Issues

Based on the comments provided, Board staff created new internal contract controls and policies.

- Board staff met with the Attorney General's Office regarding a review of the Board Attorney's proposed contract. Further discussions have been held with DAS representatives regarding the review as requested by the AGO office.
- Staff has had difficulty in learning how to post contracts on the State Accounting website. A staff member will attend a training to assist.

9. Lack of Timely Deposits

Based on the comments provided, Board staff overviewed and updated current internal deposit controls.

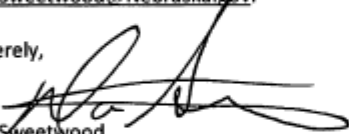
- Staff committed to being more cognizant of processing deposits timely.



The Board appreciates the opportunity to respond regarding the report issued last October. The current Board Chair, Ms. Lori Druse, CPA, and a longtime Deloitte Audit Managing Director, continues to assist staff in the drafting and review of proposed procedures. Of course, this review of Board internal controls and other policies is a continuous process.

Do not hesitate to contact me with any questions and/or concerns at #1-3595 or at [Dan.Sweetwood@Nebraska.gov](mailto:Dan.Sweetwood@Nebraska.gov).

Sincerely,



Dan Sweetwood  
Executive Director

cc. Ms. Lori Druse, CPA - Board Chair

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA DEPARTMENT OF BANKING AND FINANCE  
JULY 1, 2016, THROUGH JUNE 30, 2017 - ISSUED NOVEMBER 21, 2017.**

Received May 4, 2018 - Department of Banking and Finance corrective action plan.



Pete Ricketts, Governor



May 3, 2018



Honorable Charlie Janssen  
Nebraska Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, NE 68509

Dear Mr. Janssen:

Pursuant to Neb. Rev. Stat § 84-304(3), the Nebraska Department of Banking and Finance ("Department") has made the following corrective measures in response to the Attestation Report dated November 21, 2017.

**1. Lack of Adequate Review of Revenues**

- The Department implemented procedures in CAVU to recalculate issuer fees for electronic filings based on reported sales information. The Securities Filings and Fees report is run on a weekly basis and reviewed by the Bureau of Securities Deputy Director. The report is documented and saved to the Department SharePoint.

**2. Lack of Internal Control Over Revenues**

- General Ledger Reports have been created in CAVU and are reconciled to the E1 general ledger on a monthly basis by the Business Manager. The process is documented and saved to the Department SharePoint.
- Security Access in CAVU does not allow us to limit a user to update or delete. Users with access to the section have access to both.
- The Outstanding Fees Report is run on a monthly basis by the Business Manager; it is then reviewed by the Accountant and Business Manager. Past-due notices are sent out by the Accountant. The report is documented and saved to the Department SharePoint.
- The Checks to Process Report is run on a weekly basis, reviewed by the Business Manager, documented, and saved to the Department SharePoint.

- The Checks Returned and Checks Voided Report is run on a monthly basis and reviewed by the Financial Institutions Deputy Director, documented, and saved to the Department SharePoint.
- Deposit documents are reconciled to the general ledger on a monthly basis by the Business Manager, documented, and saved to the Department SharePoint.

### 3. Lack of Segregation of Duties Over Payroll and Capital Assets

- Payroll access in E1 has been limited to two individuals, the HR Manager and the Personnel Officer. The Business Manager reviews the payroll reports and certifies payroll, but no longer has access in E1 to perform payroll processes.
- Fixed Asset access in E1 to add, delete, and change asset information has been limited to two individuals, the Accountant and Business Manager.
- The Fixed Asset Additions and Retirements Report is run on a monthly basis and reviewed by the Financial Institutions Deputy Director, documented, and saved to the Department SharePoint.
- The following Fixed Asset Reports will be run on a monthly basis by the Business Manager, reviewed, documented, and saved to the Department SharePoint:

FA With No Cost Integrity  
Item Code – Object Account Integrity  
Received not Vouchered  
Unposted FA

### 5. Payroll Time Certification

- The Department revised the Exempt Employee Certification of 40-Hour Work Week form to include the supervisor's signature, and used the form to certify exempt employee 40-hour work weeks for the period July 1, 2017 through December 31, 2017. The form will continue to be used.

Sincerely,



Mark Quandahl, Director

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA STATE RACING COMMISSION****JULY 1, 2016, THROUGH JUNE 30, 2017 – ISSUED NOVEMBER 27, 2017.**

Received May 29, 2018 – State Racing Commission corrective action plan.



**Pete Ricketts**  
Governor

May 17, 2018

Charlie Janssen, Auditor of Public Accounts  
State Capitol STE 2303  
P. O. Box 98917  
Lincoln, NE 68509

**STATE OF NEBRASKA**  
**NEBRASKA STATE RACING COMMISSION**  
5903 Waller Avenue  
Lincoln, Nebraska 68507-2374  
Phone: (402) 471-4155  
Fax: (402) 471-2339  
racingcommission.nebraska.gov

Reference: Corrective Actions taken in response to Attestation Report- Racing Commission

Mr. Janssen;

The Racing Commission has taken the following steps to correct issues noted in the Attestation Report July 1, 2016 through June 20, 2017.

- 1) Lack of Controls over Revenues - The Commission implemented a policy that any voided license must be approved by the Director before a license can be deleted.
- 2) Lack of Controls over Expenditures - The Commission worked with DAS Accounting and limited any access an employee does not need in the accounting system.
- 3) Payroll Issues - All employees submit time sheets to be signed by their supervisor and are reviewed by the Director when reviewing the payroll registry. The Director reviews (signs if necessary) the timesheets of all staff members and reviews and approves all leave. When reviewing the payroll registry, the Director compares the wage on the registry with wages in E1.
- 4) Capital Asset Issues - This issue has been corrected with DAS.
- 5) Racetracks Bonds. During re-licensing of the racetrack, the Commission will approve track bonds along with racing application at a formal Commission meeting.
- 6) Personal Use of State-Owned Property - This has been discontinued.
- 7) Unsupported Fees - The Commission has been in the rule making process since 2015. As part of the process the Commission reviewed licensing cost and has been seeking an increase in licensing fees. This process has been stalled in the Governor's office since January 2017.
- 8) The Commission has been working with DAS accounting during the pre-audit process. We have been provided additional documentation during pre-auditing. The Commission also has mandates itemized receipts.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Tom Sage".

Tom Sage  
Director  
Nebraska Racing Commission



*An Equal Opportunity Employer*

*Printed with soy ink on recycled paper*

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**FY 2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER -  
DEPARTMENT OF MOTOR VEHICLES – ISSUED JANUARY 23, 2018.**

Received July 24, 2018 – Department of Motor Vehicles corrective action plan.

NEBRASKA

Good Life. Great Future.

DEPARTMENT OF MOTOR VEHICLES  
July 18, 2018

Charlie Janssen, State Auditor  
Nebraska Auditor of Public Accounts  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509



Pete Ricketts, Governor

Dear Mr. Janssen,

The Department of Motor Vehicles is in receipt of the Comprehensive Annual Financial Report (CAFR) management letter dated January 23, 2018 for the fiscal year ended June 30, 2017. The report indicates the audit did not identify any deficiencies in internal control deemed to be material weaknesses or significant deficiencies.

Please accept this document as an abatement for the two comments and recommendations outlined in the report.

1. Unknown Destination of "Due to" Funds

DMV Auditors have reviewed records in an effort to determine the best path to address the "due to" funds. Based on the information reviewed the monies have been appropriately collected and are Nebraska's portion for commercial carriers registered through the International Registration Plan. The department is researching an administrative solution to address the issue.

2. Application Change Management

**MCS Application** – Changes to the MCS Programs are documented on weekly updates sheets and signed by the Motor Carrier Division Administrator. The Contracted Programmer through Covendis submits changes to Implementer, managed by the Office of the Chief Information Officer (AS400 mid-range support) who places the changes into production.

**VTR Application** – The three Department User ID's noted in the audit which have move and checkout access to the VTR development, test, and production environments are employees of the Office of the Chief Information Office. As a result of the enterprise consolidation

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efforts, the function to determine who has access to respective environments is now determined outside of the DMV.

The DMV change process is designed to have at least two individuals involved with and aware of changes to the application. Emphasis has been made to ensure all changes are adequately documented to surpass 9 out of 10.

**TSI Application** – The two Department User ID's noted in the audit which have move and checkout access to the TSI development, test, and production environments are employees of the Office of the Chief Information Office. As a result of the enterprise consolidation efforts, the function to determine who has access to respective environments is now determined outside of the DMV.

Of the four users who were identified which have access to check out code, develop a change, promote a change, and move the change into production on the CCF/MMF tool; one is a DMV employee. Changes made by the DMV employee are submitted to the CCF/MMF tool for implementation. The CCF/MMF tool are managed by the Office of the Chief Information Officer.

For employees of the DMV a procedure has been put in place to terminate access to systems when an employee leaves the agency. In addition reviews are scheduled on a periodic basis.

The Department of Motor Vehicles requests this document be secured in conjunction with the above mentioned report and retained for the same period of time. If you have questions regarding this correspondence please contact my office. Thank you.

Sincerely,



Rhonda K. Lahm, Director  
Nebraska Department of Motor Vehicles

cc: Bart Moore, DMV Controller

**THE APA WILL FOLLOW-UP AND EXAMINE RESPONSE DURING FY 2018 CAFR AUDIT.**

**FY2018 NEBRASKA STATEWIDE SINGE AUDIT - ISSUED MARCH 21, 2018.**

Received July 31, 2018 - Department of Administrative Services corrective action plan.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2017-001	Administrative Services	-Recommendation to hire sufficient number of staff...
Since 2007	CAFR Preparation	<p><b>Status:</b> Ongoing</p> <p><b>Reasons for Recurrence:</b> need for new processes and training for existing staff</p> <p><b>Partial Corrective Action Taken:</b> some cross-training within the CAFR team completed, step-by-step instructions created for several CAFR procedures</p> <p><b>Corrective Action Planned:</b> Until such time that approval is given to add additional staff, State Accounting will continue implementing new processes and training for existing staff with the intent to increase efficiency and accuracy. It is critical that current staff be retained to capitalize on their continuity of growth in experience and knowledge</p> <p>-Recommendation that SOCs be received and reviewed timely...</p> <p><b>Status:</b> Completed</p> <p><b>Reason for Recurrence:</b> Service provider failed to complete the audit and deliver reports in time</p> <p><b>Corrective Action Taken:</b> Amendment was added to the contract for SOC reporting that will help to ensure timely completion and delivery of the reports</p> <p>-Recommendation that DAS continue to work with State agency personnel...</p> <p><b>Status:</b> Ongoing</p> <p><b>Reasons for Recurrence:</b> Turn over in agencies as well as additional training needed for DAS staff responsible for accrual reporting</p> <p><b>Partial Corrective Action Taken:</b> Sent out instructions with accrual response request to agencies</p> <p><b>Corrective Action Planned:</b> DAS will continue to work with individual agencies on specific accrual reporting issues as well as developing additional enterprise-wide training on these reporting issues.</p>

2017-002	Administrative Services	<b>Status:</b> Ongoing
Since 2016	Business Continuity	<b>Reasons for Recurrence:</b> It is a two to three year process
		<p><b>Partial Corrective Action Taken:</b> The hardware that supports the EnterpriseOne system was upgraded (Dec 2016) and redundant system hardware was installed at DOTCOMM in Omaha. Now, new IBM AS400 systems with EnterpriseOne installed are located in both Lincoln and Omaha and they have been replicating JDE journal receivers for several months. In the fall of 2017, we signed a managed services contract with Vision Solutions to install, monitor, train, and conduct a failover of the production system to Omaha using MIMIX software. As of January 24, 2018, an update has been performed to sync the two systems. MIMIX software has been loaded and replication is occurring between the two systems since March 1<sup>st</sup>, 2018. Training with the vendor occurred the first week of March to bring local staff up to speed on the process. A failover was completed successfully on March 10<sup>th</sup>, 2018.</p>
		<p><b>Corrective Action Planned:</b> All ERP services will be migrated from EnterpriseOne to the new Oracle Cloud platform beginning in late 2018. Resources and efforts beyond that date will need to be re evaluated for appropriateness.</p>
2017-003	Game and Parks Commission  Federal Activity Adjustment	<p><b>Status:</b> The Commission has not changed the recording of certain federal expenditures in the State Accounting System, however we are providing an amount for adjustment to assist in the financial statement presentation of the State's Comprehensive Financial Report.</p>
		<p><b>Reasons for Recurrence:</b> State Accounting Division has approved our current accounting methodology as the most efficient manner in which to record and track these monies given the mechanics of the accounting system and the process of budgeting. This audit finding has no impact on the ability to accurately track federal grant awards and contracts by the Commission.</p>
		<p><b>Partial Corrective Action Taken:</b> The Game and Parks Commission will work with State Accounting to provide an amount for adjustment to assist in the financial statement presentation of the State's Comprehensive Financial Report.</p>



**Corrective Action Planned:** Activity will continue to be recorded using the State Accounting Division approved methodology. We will continue to work with State Accounting on the interpretation and intent of the State Accounting Manual. As we move to a new Accounting System, we will consider more efficient practices should they surface.

2017-004 Since 2004	Health & Human Services Material Adjustments	Corrective action has been taken on all adjustments. Future material adjustments may result in repeat audit findings.
2017-005 Since 2015	Health & Human Services Overpayment Mailbox	<p><b>Status:</b> Partially corrected</p> <p><b>Reasons for Recurrence:</b> Waiting on a Federal decision regarding SNAP overpayment referrals.</p> <p><b>Partial Corrective Action Taken:</b> Completed backlog for overpayments not awaiting a decision</p> <p><b>Corrective Action Planned:</b> Follow-up has been send regarding a Federal decision. When decision is received the Agency will close the referrals that have been suspended.</p>
2017-006	Transportation Federal Activity Adjustment	<p><b>Department Response:</b> The Division of Aeronautics does record the receipt of these Federal funds as a federal receipt. However, this is a reimbursable federal program, there are no federal funds expended. Aeronautics must first expend the funds out of its Cash Fund. Then a request is made for a reimbursement of those cash expenditures. Aeronautics has been accounting for these federal grant funds in its Cash Fund for decades as directed by the Nebraska Department of Administrative Services Accounting Division in compliance with that Accounting Division’s interpretation of its own accounting manual.</p>
2016-005 Since 2014	Health & Human Services Medicare Part D	Corrective action has been taken. Contracts have been fully executed for all vendors.
2016-008	Health & Human Services External MMIS User Access	Corrective action has been taken. All users have been fully reviewed with a continued process ongoing.

**FINDINGS RELATING TO FEDERAL AWARDS:**

## Nebraska Department of Administrative Services

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2017-007	Various, 93.778 Allowable Costs	<p><b>Program:</b> Various, CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles</p> <p><b>Corrective Action Plan:</b> The development of assessments, rates and surcharges for the next biennium – FY19-21 will begin in January 2018. The estimated costs used are based on historical costs and estimated increases during the final fiscal year of the current biennium and then the next biennium. At the time DAS will begin a review of its various rate setting procedures and work to improve the documentation of how rates are set and the various levels of approval that are required.</p> <p><b>Contact:</b> Ann Martinez, DAS Controller</p> <p><b>Anticipated Completion Date:</b> The next rate setting period begins in January 2018 and will be completed in June 2018 when the new biennial rates are published.</p> <p><b>Status 07-30-2018:</b></p> <p><b>Reason for Recurrence:</b> Rate setting occurs only every two years. DAS continues to review and revise the processes each time. DAS continues to monitor fund balances regularly, however due to various transactions or a delay in a project some June 30<sup>th</sup> balances are high, but plans are in place to address the balances.</p> <p><b>Corrective Action Taken:</b> The development of the FY19-21 Biennial Rates did begin in January 2018 and the assessment, rates and surcharges were published on June 28, 2018.</p>
2017-008	Various, 93.778, 93.563, 93.575, 93.596, 10.558, 84.126 Cash Management	<p><b>Status:</b> Corrective action has not been fully implemented.</p> <p><b>Reasons for recurrence:</b> Recurrence could occur if review of current processes and procedures is not completed and actions to strengthen controls over the process aren't implemented.</p> <p><b>Partial corrective action taken:</b> DAS – State Accounting is reviewing procedures to assure accurate data is used in the calculation of clearance patterns and that new calculations are implemented on a timely basis.</p> <p><b>Corrective action planned:</b> Final and approved standard operating procedures (SOPs) will be documented, cross-training commenced to assure more than one person is trained to produce the calculations, and increased</p>

Management oversight implemented. These objectives will be completed during our Fiscal Year ending June 30, 2019.

2017-009 Various, 93.069, 93.889 **Status:** Corrective action has not been fully implemented.  
 Since Reporting **Reasons for recurrence:** Recurrence could occur if  
 2016 review of current processes and procedures is not completed and actions to strengthen controls over the process aren't implemented.  
**Partial corrective action taken:** DAS – State Accounting is reviewing procedures to assure accurate data is reported on all quarterly expenditure reports  
**Corrective action planned:** Standard operating procedures (SOPs) will be documented, cross-training commenced to assure more than one person is trained to submit quarterly reports, and Management oversight is in place. These objectives are being implemented now and will be completed during our Fiscal Year ending June 30, 2019.

2017-010 Various, 93.575, **Status:** Ongoing  
 93.268, 17.225, 64.005  
 Since Reporting **Reasons for Recurrence:** Additional training needed for both  
 2015 DAS team responsible for SEFA preparation and the agencies reporting  
**Partial Corrective Action Taken:** Notes on previous inaccurate reporting added to current procedure for use during training/cross training of DAS team responsible for SEFA reporting  
**Corrective Action Planned:** DAS will complete cross-training of the SEFA preparation and develop more notes/instruction on the process as well as continue working with agencies on accurate SEFA reporting

**Nebraska Department of Agriculture**

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2017-011	93.103, 93.448	Activity reports and payroll distributions are being compared at regular intervals as an oversight procedure for all federal programs. Correcting JEs were completed in June 2017, August 2017, and January 2018, and employees' federal distributions have been adjusted where necessary.
Since	Allowable Costs	
2015		

**Nebraska Department of Economic Development**

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2017-012	14.228	<b>Status:</b> Completed 3-1-18

	Cash Management/ Period of Performance	<p><b>Reasons for Recurrence:</b></p> <p><b>Partial Corrective Action Taken:</b></p> <p><b>Corrective Action Planned:</b> Procedures Revised 3-1-18</p>
2017-013	14.228	<p><b>Status:</b> In Process</p>
	Allowability/ Reporting/ Subrecipient Monitoring	<p><b>Reasons for Recurrence:</b> High staff turnover rate, increased regulatory burden, and lack of staff</p> <p><b>Partial Corrective Action Taken:</b> Meetings, policy review, and new staff hired and trained</p> <p><b>Corrective Action Planned:</b> Procedure Revisions FY19</p>
2017-014	14.228	<p><b>Status:</b> In Process</p>
	Program Income/ Subrecipient Monitoring	<p><b>Reasons for Recurrence:</b> High staff turnover rate, increased regulatory burden, and lack of staff</p> <p><b>Partial Corrective Action Taken:</b> Meetings, policy review, new staff hired and trained</p> <p><b>Corrective Action Planned:</b> Procedure Revisions FY19</p>
2017-015	14.228	<p><b>Status:</b> In Process</p>
	Reporting	<p><b>Reasons for Recurrence:</b> High staff turnover rate, increased regulatory burden, and lack of staff</p> <p><b>Partial Corrective Action Taken:</b> Meetings and policy review (responsible staff member left agency June 22, 2018)</p> <p><b>Corrective Action Planned:</b> Procedure Revisions FY19</p>

**Nebraska Department of Education**

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2017-016	10.558	<p><u>Eligibility:</u> The Agency revised the policy and procedure for determining financial viability to include the option of submitting bank statements to document financial viability (see attached).</p>

CA: Complete

Monitoring: In program year 2017-18, Nutrition Services conducted 47 reviews of for-profit centers. Sharon Davis, Director of Nutrition Services conducted an audit of 15% of those for-profit centers reviewed (8) to audit that program

specialist had verified that 25% of participants qualified for Free or Reduced meal benefits. All 8 of the for-profit centers had verified eligibility and met the 25% requirements.

NOTE: The original corrective action was modified to improve efficiency of the audit process. From the original corrective action which stated: *“After reviewing the CACFP Compliance Review form Sharon will initial and date the form and place in the institution’s file.”* Rather than print and initial the review form so it could be placed in the file, a spreadsheet was created to document the process (see attachment). The spreadsheet lists all institutions reviewed (column D), identifies the for-profit institutions (column M), and those for-profit institutions selected for auditing (column N).

CA: Complete

Monitoring - Review sub-recipients with the required 3-year period: The missed institution enrolled to participate in the CACFP for fiscal year 2018 but has not filed a CACFP claim since May 2017. The Agency will conduct a compliance review after a monthly claim for reimbursement is submitted for payment in the CNP system.

CA: Incomplete – No monthly claim has been filed.

2017-017 84.126  
Allowability

- 1) VR reviewed their policies and believe those in place ensure only necessary and reasonable expenditures are authorized.
- 2) A committee consisting of Program Directors has been working to develop a policy around the recoupment of tools/equipment and once finalized, the policy will be implemented.
- 3) Cash advances will continue to be offered as one of 3 procurement options, as the current policy follows the intent of the law by providing “flexible” procurement methods and informed choice to consumers.

2017-018 84.126  
Reporting

VR continues to work with NDE to ensure additional oversight in the financial area.

2017-019 84.126

VR’s intent is to complete a Compliance Review of each field office annually. Feedback on the compliance rate of eligibility

Eligibility determinations and IPE development will continue to be shared with Office Directors.

2017-020 84.367  
 Allowability/  
 Subrecipient  
 Monitoring

The Office of Budget and Grants Management has met with the Offices of Student and School Support and Services, Special Education, and Adult and Career Education to review requirements for subrecipient time-and-effort reporting. All four offices are exploring the possibility of performing coordinated fiscal monitoring that would include time-and-effort reporting. The Budget and Grants Management staff will be performing a desk review of time-and-effort documentation for subrecipients that have not had a program monitoring during the 2017-18 school year. The Office of Budget and Grants Management will continue to emphasize the importance of this documentation to all subrecipients.

2017-021 96.001, 96.006  
 Suspension &  
 Debarment/ Special  
 Tests

Completed in January 2018

**Nebraska Game and Parks Commission**

Finding# CFDA/Compliance Status of Finding/Agency Comments

2017-022 15.605, 15.611  
 Allowability

**Status:** Corrected

2017-023 15.605, 15.611  
 Suspension &  
 Debarment

**Status:** Corrected

**Nebraska Department of Health and Human Services**

Finding# CFDA/Compliance Status of Finding/Agency Comments

2017-024  
 Since 2015

Various, 93.658  
 Allowable Costs

Corrective action has been taken.

2017-025  
 Since  
 2013

Various, 10.561, 93.558  
 Allowable Costs

Corrective action has been taken. Repeat findings may occur due to the complexity of the cost center process.

2017-026	Various, 93.658, 93.667 Allowable Costs	Corrective action has been taken.
2017-027	Various, 93.777	<b>Status:</b> Partially corrected
Since 2016	Allowable Costs	<b>Reasons for Recurrence:</b> Methodology behind time splits has not been updated. <b>Partial Corrective Action Taken:</b> 100% of payroll review is occurring. <b>Corrective Action Planned:</b> Methodology behind time splits is changing and a procedure behind new method will be written.
2017-028	93.778	Corrective action has been taken. Repeat findings may occur if grant reconciliations are not completed timely
Since 2012	Cash Management	
2017-029	93.044, 93.045	Corrective action has been taken.
Since 2010	Allowability/ Subrecipient Monitoring	
2016-023	93.069, 93.889 Allowability	Corrective action has been taken.
2017-030	93.069, 93.889	Corrective action has been taken.
Since 2014	Allowability/ Subrecipient Monitoring	
2017-031	93.217	<b>Status:</b> Partially corrected
Since 2015	Allowability/ Subrecipient Monitoring	<b>Reasons for Recurrence:</b> Staff turnover has caused part of the corrective action to be postponed. <b>Partial Corrective Action Taken:</b> Contract is in place to handle onsite fiscal monitoring. <b>Corrective Action Planned:</b> Use of Cost Analysis online program provided by the National Title X Training Center by subrecipients and development of subrecipients' corrective action plans.
2017-032	93.217	Corrective action has been taken.

Since 2015	Cash Management/ Subrecipient Monitoring	
2017-033	93.217	<b>Status:</b> Partially corrected
Since 2015	Reporting	<b>Reasons for Recurrence:</b> Staff turnover has caused part of the corrective action to be postponed.  <b>Partial Corrective Action Taken:</b> Program income was tracked more closely for the December 31, 2017 FFR for Family Planning to ensure accuracy of the report. Unliquidated obligations have also been reviewed and were for the entire grant.  <b>Corrective Action Planned:</b> Assurance that corrective action taken is still being completed.

#### Nebraska Department of Health and Human Services (continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2016-025	93.217 Period of Availability	Corrective action has been taken.
2016-028	93.217	Corrective action has been taken.
Since 2015	Procurement	
2017-034	93.268 Allowability	No corrective action taken as Management disagrees with the finding.
2017-035	93.283	Corrective action has been taken.
Since 2016	Allowability/ Subrecipient Monitoring	
2017-036	93.558	<b>Status:</b> Partially corrected.
Since 2011	Allowability	<b>Reasons for Recurrence:</b> Process changes have not started.  <b>Partial Corrective Action Taken:</b> A process improvement team is working on possible revisions.  <b>Corrective Action Planned:</b> Revise the overpayment referral process if a child is removed from the home. Review of IV-E query to not allow IV-E claiming for In-Home Family Support after children are removed from the parental or relatives home.
2017-037	93.558	<b>Status:</b> Partially corrected



Since 2013	Allowability	<p><b>Reasons for Recurrence:</b> Possible RFP to handle commercial transportation.</p> <p><b>Partial Corrective Action Taken:</b> New instruction for Employment First and Vendors.</p> <p><b>Corrective Action Planned:</b> Discussion on Possible RFP to handle commercial transportation costs and potential implementation. Additionally, we are in the process of reviewing Nebraska Revised Statute to ensure rates established coincide.</p>
2017-038	93.558	Corrective action has been taken.
Since 2013	Allowability/ Subrecipient Monitoring	
2017-039	93.563	Corrective action has been taken.
	Allowability/ Subrecipient Monitoring	
2016-030	93.558	Corrective action has been taken.
Since 2004	Allowability/ Eligibility	
2016-034	93.558	Corrective action has been taken.
Since 2011	Reporting	
2017-040	93.568	Corrective action has been taken.
Since 2012	Allowability	
2017-041	93.575, 93.596	<b>Status:</b> Partially corrected
Since 2007	Allowability/ Eligibility	<p><b>Reasons for Recurrence:</b> System changes</p> <p><b>Partial Corrective Action Taken:</b> Revised provider instructions and guide.</p> <p><b>Corrective Action Planned:</b> Modifications for billing portal, possible electronic calendar, and copay auto deduct system changes.</p>
2017-042	93.596	Corrective action has been taken.
	Cash Management/ Matching	
2017-043	93.575, 93.596	<b>Status:</b> Not corrected
Since	Reporting	

2013		<b>Reasons for Recurrence:</b> Corrective action has not been taken.
		<b>Corrective Action Planned:</b> Completion of 2014 final report and reporting adjustments. Update to procedures.

**Nebraska Department of Health and Human Services (continued)**

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2017-044	93.575, 93.596	<b>Status:</b> Partially corrected
Since 2011	Special Tests	<b>Reasons for Recurrence:</b> Kaizen Event still in progress.
		<b>Partial Corrective Action Taken:</b> CCDF cases have been divided to all investigators to address timeliness. Instructions for external accounts receivables includes entering all documentation into NFOCUS.
		<b>Corrective Action Planned:</b> Completion of multi-stage Kaizen Event to identify process improvements.
2017-045	93.575, 93.596	<b>Status:</b> Partially corrected
	Special Tests	<b>Reasons for Recurrence:</b> Reviews still in progress.
		<b>Partial Corrective Action Taken:</b> Review of School Age Only Child Care Center checklist.
		<b>Corrective Action Planned:</b> Review of all checklist licensing types. Development of training for specialists, review of Annual Fire/Health referrals, and file reviews.
2017-046	93.575	Corrective action has been taken.
	Allowability	
2017-047	93.575	<b>Status:</b> Partially corrected
	Period of Performance	<b>Reasons for Recurrence:</b> Review of subawards and subaward language pending.
		<b>Partial Corrective Action Taken:</b> Subawards have been obtained.
		<b>Corrective Action Planned:</b> Changes to subawards language regarding obligations and review of current subawards.
2017-048	93.575	<b>Status:</b> Not corrected
Since 2016	Earmarking	<b>Reasons for Recurrence:</b> Met earmarking requirements are have not been reflected in the general ledger.

		<b>Corrective Action Planned:</b> Completion of needed adjustments and 2014 close out report.
2017-049	93.658	<b>Status:</b> Partially corrected
Since 2003	Allowability	<b>Reasons for Recurrence:</b> System changes
		<b>Partial Corrective Action Taken:</b> Revised provider instructions and guide.
		<b>Corrective Action Planned:</b> Modifications for billing portal and possible electronic calendar.
2017-050	93.658	<b>Status:</b> Partially corrected
Since 2016	Allowability	<b>Reasons for Recurrence:</b> Notification for all providers has occurred.
		<b>Partial Corrective Action Taken:</b> Overpayment of identified issues and notification of issues to those providers. Random sample of claims review.
		<b>Corrective Action Planned:</b> Notification to all providers regarding start and end times.
2017-051	93.658	Corrective action has been taken.
Since 2016	Subrecipient Monitoring	
2017-052	93.659	<b>Status:</b> Partially corrected
Since 2011	Allowability	<b>Reasons for Recurrence:</b> System changes
		<b>Partial Corrective Action Taken:</b> Revised provider instructions and guide.
		<b>Corrective Action Planned:</b> Modifications for billing portal and possible electronic calendar.
2017-053	93.659	<b>Status:</b> Not corrected
Since 2015	Reporting	<b>Reasons for Recurrence:</b> Corrective action hasn't been completed.
		<b>Corrective Action Planned:</b> Completion of an official procedure addressing fund mix adjustment reconciliations.
2017-054	93.758	<b>Status:</b> Partially corrected
	Allowability/ Subrecipient Monitoring	<b>Reasons for Recurrence:</b> Compliance Officer hasn't been hired.
		<b>Partial Corrective Action Taken:</b> Grants Management Community of Practice meeting occur bimonthly. PHHS Block Grant Coordinator has implemented and trained

Project Leads in procedures to improve subrecipient monitoring

**Corrective Action Planned:** Hiring of a Compliance Officer to provide fiscal monitoring.

2017-055 93.778

Since Reporting

2006

**Status:** Not corrected

**Reasons for Recurrence:** Corrective action not taken.

**Corrective Action Planned:** Evaluation of refunds and waiver amounts noted on prior reconciliations of the CMS-64 as "not reported" or "need to research" and completion of necessary prior period adjustments.

#### Nebraska Department of Health and Human Services (continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
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2017-056	93.778	
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Since	Allowability	
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2013		
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**Status:** Partially Corrected

**Reasons for Recurrence:** Regulations have not been approved.

**Partial Corrective Action Taken:** State Plan Amendment has been approved by the Federal Partners and state regulations drafted.

**Corrective Action Planned:** Approval of state regulations and full implementation.

2017-057	93.778	
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Since	Allowability	
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2014		
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**Status:** Partially Corrected

**Reasons for Recurrence:** Fiscal Agent and Electronic Visit Verification have not been implemented.

**Partial Corrective Action Taken:** Sample of pre-audit activities on provider claims and eligibility reviews.

**Corrective Action Planned:** Implementation of Fiscal Agent is scheduled for 2020 and Electronic Visit Verification is scheduled for 2019.

2017-058	93.778	
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Since	Allowability/ Eligibility	
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2009		
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**Status:** Partially Corrected

**Reasons for Recurrence:** Fiscal Agent and Electronic Visit Verification have not been implemented.

**Partial Corrective Action Taken:** Training materials have been provided to providers and local agencies have provided corrective action plans addressing payment errors.

		<b>Corrective Action Planned:</b> Implementation of Fiscal Agent is scheduled for 2020 and Electronic Visit Verification is scheduled for 2019.
2017-059	93.778	Corrective action has been taken.
Since 2009	Special Tests	
2017-060	93.778	Corrective action has been taken.
Since 2015	Allowability	
2017-061	93.778	Corrective action has been taken.
Since 2013	Allowability	
2017-062	93.778	<b>Status:</b> Partially Corrected
Since 2012	Allowability/ Special Tests	<b>Reasons for Recurrence:</b> Consistent application of corrective action procedures still in progress.  <b>Partial Corrective Action Taken:</b> Casework Timeliness and Prioritization procedures completed.  <b>Corrective Action Planned:</b> Consistent application of procedures by investigators
2017-063	93.778	Corrective action has been taken although additional errors may be noted in future audits.
Since 2016	Allowability	
2017-064	93.778	Corrective action has been taken.
	Allowability/ Eligibility	
2017-065	93.778	Corrective action has been taken. A contract is in place to perform field audits.
	Special Tests	
2017-066	93.778	<b>Status:</b> Not Corrected
	Allowability	<b>Reasons for Recurrence:</b> Procedures have not be completed.  <b>Corrective Action Planned:</b> Procedures will be written to include both adequate support for costs and a sufficient schedule for updating calculation methods.
2016-056	93.778	Corrective action has been taken. All users have been fully reviewed with a continued process ongoing.
	Special Tests	

2017-067	93.917	<b>Status:</b> Partially Corrected
	Allowable Costs/ Subrecipient Monitoring	<b>Reasons for Recurrence:</b> Action not taken to ensure subrecipients SEFA is accurate.  <b>Partial Corrective Action Taken:</b> Procedures updated and developed.  <b>Corrective Action Planned:</b> Subrecipients auditors' requests to ensure SEFA's are accurate
2017-068	93.945	<b>Status:</b> Partially Corrected
	Allowable Costs/ Subrecipient Monitoring	<b>Reasons for Recurrence:</b> Verification of subaward terms  <b>Partial Corrective Action Taken:</b> Email sent to staff regarding fixed amount subawards.  <b>Corrective Action Planned:</b> Verification of subaward terms.
2017-069	93.994	Corrective action has been taken.
	Allowable Costs/ Subrecipient Monitoring	

### Nebraska Library Commission

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2017-070	45.310	<b>Status:</b> Correction in process
Since 2014	Subrecipient Monitoring	<b>Reasons for Recurrence:</b> Correction in process  <b>Partial Corrective Action Taken:</b> The Commission acknowledges the comments as noted in follow-up of the audit findings for the Library Commission for the fiscal year ended June 30, 2018 Statewide Single Audit and continues to take action as necessary to improve processes.  <b>Corrective Action Planned:</b> The regional funding allocations were approved at the June 30 Commission meeting. Letters were sent to each of the regional systems with annual funding amounts and a statement regarding financial administration, and new contracts have been issued. The agreement has been updated to include financial administration requirements. If these provisions are not sufficient, or correct, we can revise these sections and reissue. The Library Commission has discussed the matter with each of the regional directors and

asked that they discuss with Gary Riggs (the CPA retained by the regional systems) the financial reporting requirements for clarity.

Regarding subrecipient monitoring, 2 CFR Part 200, Appendix XI, of the Compliance Supplement issued by the OMB states that subrecipient awards of less than \$750,000 do not require annual audits, and all of the four library systems are under that threshold. The Supplement states that “during-the-Award Monitoring should be conducted through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub-recipient monitors Federal awards in compliance with laws, regulations, and the provisions of grant agreements.” To further clarify the supplement states that monitoring activities normally occur throughout the year and may take various forms, including:

- Reporting – reviewing financial and performance reports submitted by the subrecipient.
- Site visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- Regular contact – regular contacts with subrecipients and appropriate inquiries concerning program activities.

We will continue to review financial and performance reports, conduct site visits, and have regular contact with subrecipients.

According to the language of the OMB’s compliance requirements the Systems are not high risk subrecipients and should be considered as low risk:

Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., if the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems.) Evaluation of subrecipient risk also may take into consideration the extent of Federal monitoring of subrecipient entities that also are recipients of prime Federal awards.

Although we are in general compliance with the OMB’s monitoring recommendations as described in 2 CFR Part 200, Appendix XI, we will continue to work with the systems to strengthen the process through documentation of our comparison of expenditures to annual financial compilations. To assure compliance, systems will be instructed to provide detailed listings of their federal fund expenditures and the Commission

will review these and ask for documentation as support for certain transactions

**Nebraska Department of Transportation**

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2017-071	20.509	Complete. The NDOT Transit Section has implemented a desktop review process to determine if reimbursement is allowable.
Since 2013	Allowability/ Subrecipient Monitoring	
2017-072	20.509	Partially complete. For fiscal year 18 NDOT will ensure that either NDOT or the provider will report intercity information.
	Reporting	

**THE APA WILL FOLLOW-UP AND EXAMINE RESPONSE DURING FY 2019 STATEWIDE SINGLE AUDIT.**



**FY2018 NEBRASKA STATEWIDE SINGLE AUDIT - ISSUED MARCH 21, 2018.**

Received September 11, 2018 - Department of Economic Development corrective action plan.

**Nebraska Department of Economic Development**

**Community Development Block Grant (CDBG) Program Corrective Action Plan  
addressing Nebraska State Auditor's Report dated March 21, 2018**

Prepared 9/7/2018

The State Auditor of Public Account's Office reviewed the department's compliance to the Housing and Urban Development (HUD) provisions relating to Single Audits for the fiscal year ended June 30, 2017.

Throughout this fiscal year, there was transition in financial team staff members resulting in the entire finance team exiting between July and December 2016. The current finance team joined the agency between January 2017 and May 2017. Additionally, the housing manager retired and several other housing program staff members exited with new hires added throughout both the 2016-2017 and 2017-2018 fiscal years.

**Nebraska APA Finding (2017-012)**

**Condition:** The Agency did not separately identify drawdowns by grant year. Expenditure transactions were not recorded in the accounting system to the correct grant year that the Federal funds were drawn from. Expenditures were recorded to grants after the period of availability had ended.

**Auditor Recommendation:** We recommend the Agency implement procedures to ensure all expenditure and draw receipt transactions are properly accounted for by specific grant year for grant years beginning with FFY 2015. We also recommend the Agency periodically reconcile activity for grant years prior to FFY 2015 to ensure expenditures and draws are properly matched. We further recommend the Agency implement procedures to ensure no expenditures are charged to Federal grants after the period of availability has ended.

**Action by DED:** Correcting journal entries were completed and posted 3/22/18 to reconcile federal draw receivables and payments in the accounting system for grant years 2015 and after. This affected the 2015 HOME grant and the 2015, 2016, and 2017 CDBG grants.

Procedures for accounts receivables/payables relating to Integrated Data and Information System (IDIS) federal drawdowns were updated in March 2018 to reflect matching of the drawdown grant year in IDIS to the business unit grant year in the accounting system. Monthly grant reconciliation procedures have also been updated to include a step comparing funds received versus funds paid by grant year for all HUD grants years 2015 and after. This process is now being performed on a monthly basis by the federal aid administrator as a result of the audit.

The grant "period of availability" is enforced by grant restrictions within the IDIS federal system itself. Due to this component, the department has been and continues to be prevented from accessing federal funds after the period of availability has expired. The audit finding related to grant year being incorrectly reflected in accounting system which in the past occurred due to the use of the federal system pulling funds from the oldest grant years first or the First-In-First-Out (FIFO) method after the transaction had been recorded in accounting system, thus causing the variance. HUD was cited in an audit by the Office of the Inspector General (OIG) and has now corrected the IDIS system so that the FIFO method is no longer used for grant years after 2015. The department is working to ensure that official grant close-outs are performed in a timely manner.

**APA Finding (2017-013)**

**Condition:** The Agency did not obtain supporting documentation for 3 of 25 sub recipient payments tested, and adequate monitoring procedures were not performed.

**Auditor Recommendation:** We recommend the Agency implement procedures to ensure adequate documentation be obtained to support payments to sub recipients; ensure sub recipients utilize Federal funds for authorized purposes and in compliance with all applicable regulations; improve procedures to ensure sub recipient audits are properly reviewed; and ensure information used for Section 3 reporting is accurate.

**Action by DED:**

Audit work teams have met throughout the Summer of 2018 and continue meeting to develop and update procedures to correct the problem. The anticipated effective date is January 1, 2019.

Monitoring - Such procedures will ensure that adequate documentation is obtained to support payments to sub recipients and ensure that sub recipients utilize Federal funds for authorized purposes and in compliance with all applicable regulations. Additionally, the department will update procedures to ensure that closeouts are performed in a timely manner.

Reporting-The department will implement procedures to ensure sub recipient audits are properly reviewed, and that the Section III reports are accurate and submitted in a timely manner.

**APA Finding (2017-014)**

**Condition:** Revolving loan funds administered by sub recipients were not adequately monitored by the Agency.

**Auditor Recommendation:** We recommend the Agency implement procedures to ensure timely and adequate monitoring of sub recipient revolving loan funds is performed.

**Action by DED:** Audit work teams have met throughout the Summer of 2018 and continue meeting to develop and update procedures to correct the problem. Such procedures will ensure that timely and adequate monitoring, tracking, and reporting of sub recipient data is performed. The anticipated effective date is January 1, 2019.

**APA Finding (2017-015)**

**Condition:** The Agency did not accurately report program income in the Federal Performance and Evaluation Report (PER).

**Auditor Recommendation:** We recommend the Agency implement procedures to ensure reports are complete, accurate, and agree with accounting records.

**Action by DED:** Audit work teams have met throughout the Summer of 2018 and continue meeting to develop and update procedures to correct the problem. Such procedures will ensure that the Federal Performance and Evaluation Report (PER) is accurate. This includes training, review by both the program and the operations team members prior to actual submission, and beginning to gather the data early enough to allow review by other staff members. Such changes will help to ensure that the report matches the department's accounting system records. The anticipated effective date is January 1, 2019.

**ATTESTATION REPORT OF THE NEBRASKA STATE HISTORICAL SOCIETY****July 1, 2016 through December 31, 2017 - ISSUED MARCH 21, 2018.**

Received October 18, 2018 – Nebraska State Historical Society corrective action plan.



State of Nebraska  
Nebraska State Historical Society  
Corrective Action Plan

**Subject Report:** Attestation Report of the Nebraska State Historical Society July 1, 2016, through December 31, 2017, issued April 19, 2018 by the Nebraska Auditor of Public Accounts

**Comments and Recommendations**

1. *Revenue Issues:* The Society did not have support for how it determined that rates or fees charged were appropriate. Additionally, the Society billed other State agencies amounts that were incorrect or not adequately supported, did not verify that revenue it received was proper, and did not ensure Federal grant reimbursement requests were submitted timely and were adequately reviewed.

Lack of Supporting Documentation for Charges and Fees

*APA Recommendation:* We recommend the Society maintain documentation to support that its charges and fees are appropriate and reasonable in comparison to expenditures.

*Corrective Action:* Documentation improved. Administrative cost rate calculated based on cost of administration and oversight of contracts.

Incorrect or Inadequately Supported Charges

*APA Recommendation:* We recommend the Society ensure the amounts it charges are correct and adequately supported.

*Corrective Action:* We have additional staff reviewing the supporting documentation and have corrected the two projects incorrectly billed.

No Verification of the Appropriateness of Receipt Amounts

*APA Recommendation:* We recommend the Society implement procedures to ensure revenues that it oversees or receives are appropriate. This includes verifying the number of units sold if such data is the basis for those revenues.

*Corrective Action:* The agency is working with the Department of Motor Vehicles, Driver and Vehicle Records Division to obtain reports containing sales and renewals verifying the number of plates sold.

Untimely Submitted and Inadequately Reviewed Federal Grant Reimbursement Requests

*APA Recommendation:* We recommend the Society implement procedures to ensure all reimbursement requests are submitted timely and reviewed by someone other than the preparer.

*Corrective Action:* The agency will strive to submit federal grant reimbursement requests more quickly. We will document in writing the individuals who reviewed the reimbursement requests.

2. *Capital Asset Issues:* The Society lacked an adequate segregation of duties over capital assets, did not accurately record the acquisition date of capital assets, and did not retire assets in a timely manner.

Lack of Segregation of Duties over Capital Assets

*APA Recommendation:* We recommend the Society implement procedures to ensure an adequate segregation of duties over capital assets. These procedures should require an individual without capital asset access to review capital asset reports, including the additions and retirement reports and integrity reports, to ensure all additions were properly added to the listing, and all deletions were authorized. These procedures should also require a review of the surplus property notification form by someone other than the preparer.

*Corrective Action:* This process has been corrected to include documented review by an additional staff member without capital asset access.

Assets Not Recorded Accurately

*APA Recommendation:* We recommend the Society implement procedures to ensure assets are consistently and accurately recorded in the accounting system.

*Corrective Action:* The capital assets in question related to construction and were assigned by DAS, not the agency. DAS determined the project was closed and there was a delay between Substantial Completion and Walkthrough creating a lag in asset assignment.

Assets Not Retired Timely

*APA Recommendation:* We recommend the Society implement procedures to ensure assets no longer in use are disposed of in a timely manner.

*Corrective Action:* Agency will continue to work cooperatively with State Surplus on a schedule that benefits the state and both agencies.

3. *Store Inventory:* The Society did not adequately segregate duties over its store inventory. Furthermore, the point of sale inventory system did not allow inventory to be tracked by store location, and an analysis comparing cost of goods sold to actual sales was not performed.

*APA Recommendation:* We recommend the Society implement procedures to ensure an adequate segregation of duties over store inventory. This includes ensuring at least two people are involved in performing physical inventory counts, adjusting for inventory discrepancies, and adding inventory. We also recommend the Society implement procedures to ensure inventory is tracked at the store level. Finally, we recommend the Society implement procedures to review receipts to ensure amounts recorded as sales are reasonable based on the amount of inventory purchased and sold.

*Corrective Action:* We have documented two people performing physical inventory counts, adjusting for inventory discrepancies, and adding inventory. We are currently exploring our

point-of-sale system tracking inventory at the location level. We are reviewing sales to ensure receipts are reasonable based on the amount of inventory purchased and sold.

4. *Contract Issues:* Nine Society contracts were not reviewed by legal counsel, and three Society contract amendments were not included on the State Contracts Database.

*APA Recommendation:* We recommend the Society implement procedures to ensure all contracts receive a documented legal review. We recommend such procedures also ensure all contract amendments are included on the State Contracts Database, as required by law.

*Corrective Action:* The agency will have all contracts over \$250,000 reviewed by the Attorney General's office. It does not have legal counsel on staff. Contract review is not required by statute. Staff immediately added amendments when this omission was noted during the audit process.

5. *Director's Vacation Days:* The Society's Board of Trustees approved 10 extra vacation days for the Society's director. Although the Society claims the director was not ultimately granted these benefits, the Board's meeting minutes reflect approval of the leave.

*APA Recommendation:* We recommend the Society refrain from approving employee compensation packages that conflict with State statute. We also recommend any Board action taken be reflected appropriately in its meeting minutes.

*Corrective Action:* Board voted to formally rescind approval at their meeting on April 20<sup>th</sup> 2018: "Motion to reflect that the board is not allowed to give any HR benefits to any state employees, and furthermore to rescind any previous discussion contrary to that." The director was never granted this benefit.

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**FY 2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER -  
DEPARTMENT OF CORRECTIONAL SERVICES – ISSUED JANUARY 23, 2018.**

Received October 31, 2018 – Department of Correctional Services corrective action plan.

**NEBRASKA**

Good Life. Great Mission.

DEPT OF CORRECTIONAL SERVICES



Pete Ricketts, Governor

TO: Charlie Janssen, Auditor of Public Accounts  
FROM: Robin Spindler, Deputy Director, Administrative Services  
DATE: October 31, 2018  
RE: Corrective Action Plan

- 2017 Management Letter

Below is the Nebraska Department of Correctional Services' Corrective Action Plan for the May 2017 Management Letter. Also, thank you for reminding me of the requirement to respond within six months after the issuance of the letter.

1. Inmate Trust Fund Reconciliation

As noted in NDCS' response, we appreciated the assistance of APA in working with our staff to reconcile the inmate trust fund and to develop the written procedures.

As a result of staff turnover, NDCS' recently hired Assistant Controller is being cross trained in the inmate trust fund reconciliation. The written procedures for this process is attached (the first and last 3 pages only). The document is well over a hundred pages. Please let me know if you would like a copy of the entire document.

Appropriate segregation of duties is maintained. This is reviewed by the NDCS Controller.

2. Lack of Controls over Inmate Trust Fund Database

Check Writing System

At the time of NDCS' response, the new check writing system was expected to be completed soon. After testing of the new system occurred, a large number of programming changes were necessary. The new check writing system is targeted to be implemented by calendar year-end.

Scott R. Frakes, Director  
Dept of Correctional Services  
P.O. Box 94661 Lincoln, NE 68509-4661  
Phone: 402-471-2654 Fax: 402-479-5623  
[corrections.nebraska.gov](http://corrections.nebraska.gov)

3. Untimely Payments

Media and Debit Calling

Payments for media and debit calling are current. Please see the attached documentation.

Other Payments

NDCS revised its processes involving past due payments to streamline it and identify issues that delayed payments. Additionally, NDCS is looking at further process changes to assure all payments are made in a timely manner.

4. Untimely Journal Entries

As indicated in NDCS' response, procedures were revised so they were completed at the beginning of the month.

5. Inmate Trust Fund Unclaimed Property

Policy was updated to be consistent with State Statutes. Policy 113.09 Inmate Accounting – Use of Funds, which incorporates this change, is scheduled to be published with an effective date of November 30, 2018. The Policy is attached.

NDCS submitted its first remission to the Nebraska State treasurer on October 30, 2018.

CC: Scott R. Frakes, Director  
Diane Sabatka-Rine, Chief of Operations  
Lisa Stanton, Controller

**THE APA WILL FOLLOW-UP AND EXAMINE RESPONSE DURING FY 2018 CAFR AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD  
JULY 1, 2015, THROUGH DECEMBER 31, 2016 – ISSUED ON MAY 3, 2017**

Received December 4, 2018 – Nebraska Motor Vehicle Industry Licensing Board corrective action plan.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

Below, I've included the issues and recommendations contained in the State of Nebraska Auditor of Public Accounts audit of our Agency dated May 3, 2017. I have also included our agency's plan to address the issues raised by the Auditor's report (*in italics*).

**1. Internal Control over Receipts**

During our review of the Board's procedures to ensure all monies received are properly accounted for and deposited, we noted several areas of concern. This finding has been reported to the Board since fiscal year 2005.

- Mail containing cash receipts was not adequately controlled, as only one individual opened the mail for the Board, and an initial listing of monies received was not documented.
- After the mail was opened, the license and permit applications were not separated from the monies received. The individuals who processed the applications were also able to generate the deposits.
- The licensing system used by the Board allowed users to change the license control number. Licenses could also be issued through the system with no corresponding fee amount posted. This increased the risk an individual could issue a license but not deposit the monies received.
- Additionally, we noted there was a lack of controls over special permits issued by the Board. Special permits were issued to dealers who wanted to display, demonstrate, and/or sell vehicles, trailers, or motorcycles at Board-approved community events. The special permits were not recorded on the Board's computer system; instead, a Word document was used to account for the special permits issued. The special permits were not printed on stock with pre-printed control numbers. Therefore, an individual could issue a special permit using a duplicate number and not deposit the monies received. Additionally, no reconciliation was performed at the end of the year to ensure special permit numbers were not missed or used and not accounted for. There was \$18,450 deposited for special permits during the period tested.

A good internal control plan requires that an adequate segregation of duties or compensating controls be in place to ensure no one individual is able to perpetrate and/or conceal errors and/or irregularities. A good internal control plan also requires procedures to ensure the number of permits issued agrees to permits recorded in the Board's records.

As one individual was able to handle the monies received and process the licenses and permits without compensating controls, there was an increased risk monies could be misappropriated, and the misappropriation would remain undetected. During the period from July 1, 2015, through December 31, 2016, the Board deposited a total of \$1,269,760 in license and permit revenue.

We recommend the Board implement procedures to segregate duties over receipts to ensure monies received are properly deposited.

**PLAN TO ADDRESS ISSUE:**

*The Nebraska Motor Vehicle Industry Licensing Board is an agency consisting of an Executive Director, three office positions and five investigator positions. While I agree that the segregation of office duties is a prudent policy, it cannot be easily implemented without additional employees. No single employee has the sole responsibility for opening the mail, especially during the license renewal period when all three office employees share that responsibility with additional assistance provided by investigators, who may be called upon to assist in processing the mail.*



*As for processing renewal applications, the checks are kept with the renewal application until the license is printed and only then will they be deposited. One employee tallies all the check amounts by hand and then runs a reconciliation report to verify the total amount. A second employee tallies all the check amounts to verify the first employee's tally. The second employee also counts the physical licenses by type to verify the totals on the reconciliation report. The second employee also records the beginning and ending control numbers (each license has a unique control number identifying it) and verifies that none are missing.*

*As for the issues regarding the Agency's licensing system, we are in the planning process for developing a new licensing software system called OnBase that we expect will be operational towards the end of calendar year 2019. That licensing software will allow the Agency to replace its current antiquated system with a licensing system that will be much more user-friendly and will feature reporting capabilities that should address the specific issues raised by the Auditor regarding the tracking and issuing of licenses and special permits.*

## **2. Legal Counsel Contract**

During testing of the Board's contract with outside legal counsel, we noted the following:

- The Board was charged \$2,000 each month for a retainer to have legal services available for 10 to 15 hours, as outlined in the contract. However, the Board did not receive detailed billings for the time spent during the month. The Board paid the law firm \$36,000 during the period from July 1, 2015, through December 31, 2016.
- There was no documentation on file to support the basis for the selection of the law firm.
- The contract was not reviewed by independent legal counsel.
- The contract was not entered into the State's accounting system, as required by State statute.
- The contract did not contain a termination clause.
- The contract was not reported on the State Contracts Database.

Neb. Rev. Stat. § 73-505 (Reissue 2009) provides the following:

*State agency directors shall be responsible for maintaining accurate documentation of the process used for selection of all contracts for services and for ensuring and documenting that services required under the contract are being performed in compliance with the terms of the contract for services. Such documentation shall be kept with each contract for services.*

Neb. Rev. Stat. § 73-503(1) (Cum. Supp. 2016) states, in part, "All state agencies shall process and document all contracts for services through the state accounting system."

A good internal control plan and good business practice requires a contract to contain a termination clause and to be reviewed by independent legal counsel to ensure the terms of the contract are in accordance with all applicable State statutes and rules and regulations. Furthermore, a good internal control plan and sound accounting practice require documentation to support services provided.

Neb. Rev. Stat § 84-602.04(1) (Cum. Supp. 2016) states, in relevant part, "The State Treasurer shall develop and maintain a single, searchable web site with information on state receipts, expenditures of state funds, and contracts which is accessible by the public . . ." Subsection (4)(a)(i) of that same statute requires the Treasurer's web site to link to the web site of the Department of Administrative Services, which must contain a "data base that includes a copy of each active contract that is a basis for an expenditure of state funds, including any amendment

to such contract and any document incorporated by reference in such contract.” That subsection also requires the following:

*The data base shall be accessible by the public and searchable by vendor, by state entity, and by dollar amount. All state entities shall provide to the Department of Administrative Services, in electronic form, copies of such contracts for inclusion in the data base beginning with contracts that are active on and after January 1, 2014 . . . .*

Without adequate policies and procedures to ensure contracted services are reasonable and proper, there is an increased risk for misuse of State funds. When contracts are not scanned into the State’s contract database, valuable information is not available to the Legislature or the general public, as intended by State statute.

A similar finding has been noted since 2008.

We recommend the Board ensure documentation is obtained and maintained to support billings. Documentation should be maintained to support the basis for selection of contractors, and all contracts should be reviewed by independent legal counsel. All service contracts should be properly recorded in the State’s accounting system and contain a termination clause. We also recommend the Board implement procedures to ensure all contracts are viewable on the State Contracts Database website.

**PLAN TO ADDRESS ISSUE:**

- A. As for billing documentation, the Legal Counsel has detailed billing available upon request, but given the attorney-client privilege and the confidential nature of the work product, it would not be prudent for such a document to be made public.*
- B. Since becoming this Agency’s Executive Director at the end of July, I have updated the engagement letter with the Board’s Legal Counsel and have it on file for inspection and review.*
- C. I am unaware of whether the original contract between the Agency and Legal Counsel was reviewed by an independent legal counsel. My understanding is that the Board and the previous Executive Director were satisfied with the Legal Counsel’s performance and contract terms. With that said, I would recommend to the Board that an independent legal counsel review be performed of any proposed contracts in the future.*
- D. Moving forward, all contracts will be entered into the State’s accounting system and will be reported on the State Contracts Database.*
- E. While the engagement letter does not have a termination date, it is understood by the parties that the contract for services with Legal Counsel may be terminated by either party at any time.*

**3. Vehicle Mileage**

During testing of one billing from the Department of Administrative Services – Transportation Services Bureau (TSB), we noted the mileage claimed appeared excessive for one of five vehicles reviewed. We reviewed three total trips for the vehicle and noted the mileage claimed did not appear reasonable for any of the trips. All three trips were for round trip travel between Bennington, Nebraska, and various dealerships in Omaha, Nebraska. The Auditor of Public Accounts calculated reasonable mileage based on mileage per MapQuest to visit each dealership listed. A total of 203 miles reported appeared excessive. Below is a summary of the three trips that appeared excessive:

Date	Mileage Claimed	Mileage per MapQuest	Variance
May 9, 2016	127	56	71
May 19, 2016	126	54	72
May 26, 2016	106	46	60

Board staff members review and initial the travel logs for reasonableness but do not recalculate the mileage based on the destinations listed. Per the Board, motor vehicle investigators often stop at multiple dealerships in a given location but do not always indicate all dealerships visited. The mileage log should include all points of travel and contain sufficient detail for a reviewer to ensure the mileage is necessary and reasonable.

TSB Policies and Procedures, Section 7, Official Travel Log, states the following:

*State statutes mandate all travel in state-owned vehicles to be recorded and reported in detail (§81-1025).*

*An entry is defined as a record of the following information required each time the vehicle is stopped and started: date, beginning and ending mileage, number of miles traveled, start time, finish time, from and to destinations, purpose of trip, and the driver's signature.*

Neb. Rev. Stat. § 81-1025(1) (Reissue 2014) states the following:

*Each operator of a bureau fleet vehicle shall report the points between which the bureau fleet vehicle traveled each time used, the odometer readings at such points, the time of arrival and departure, the necessity and purpose for such travel, the license number of such vehicle, and the department to which such vehicle is assigned.*

A good internal control plan requires procedures to ensure mileage claimed is reasonable and adequately documented.

When mileage recorded on TSB travel logs is not reasonable, there is an increased risk of misuse of State equipment and loss of State funds.

We recommend the Board implement procedures requiring staff to record each specific destination to support the mileage claimed for the vehicle.

**PLAN TO ADDRESS ISSUE:**

*I have discussed, and will periodically discuss, with investigators the importance of keeping detailed travel and activity records and instruct the office staff to conduct spot checks to verify the accuracy of mileage and other reported information.*