



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
auditors.nebraska.gov

January 29, 2020

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 January 1, 2019, through January 15, 2020, the APA received corrective action plans for 79 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 January 1, 2019, through January 15, 2020.

The table below contains a summary of APA reports issued since January 1, 2019, applicable to LB 151 (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: <https://auditors.nebraska.gov/>.

Entity Type	FY/CY	Type	Entity/Program of Report	Released Final	# of findings	LB 151 Reporting Due	LB 151 Received
Court	2018	AE	Nance County Court	3/27/2019	2	9/24/2019	12/20/2019
Court	2018	AE	Adams County Court	4/11/2019	1	10/9/2019	12/20/2019
Court	2018	AE	Pawnee County Court	4/22/2019	1	10/20/2019	12/20/2019
Court	2018	AE	Sarpy County Court	4/23/2019	0	N/A	N/A
Court	2018	AE	Phelps County Court	4/24/2019	1	10/22/2019	12/20/2019
Court	2018	AE	Douglas County Court	4/30/2019	1	10/28/2019	12/20/2019
Court	2018	AE	Logan County Court	4/30/2019	1	10/28/2019	12/20/2019
Court	2018	AE	Lancaster County Court	5/2/2019	1	10/30/2019	12/20/2019
Court	2018	AE	Morrill County Court	5/3/2019	1	10/31/2019	12/20/2019
Court	2018	AE	Dundy County Court	5/6/2019	1	11/3/2019	12/20/2019

Entity Type	FY/CY	Type	Entity/Program of Report	Released Final	# of findings	LB 151 Reporting Due	LB 151 Received
Court	2018	AE	Cedar County Court	5/9/2019	1	11/6/2019	12/20/2019
Court	2018	AE	Chase County Court	5/10/2019	1	11/7/2019	12/20/2019
Court	2018	AE	York County Court	5/10/2019	4	11/7/2019	12/20/2019
Court	2018	AE	Merrick County Court	5/13/2019	1	11/10/2019	12/20/2019
Court	2018	AE	Gage County Court	5/14/2019	1	11/11/2019	12/20/2019
Court	2018	AE	Custer County Court	5/15/2019	1	11/12/2019	12/20/2019
Court	2018	AE	Fillmore County Court	5/15/2019	2	11/12/2019	12/20/2019
Court	2018	AE	Garfield County Court	5/15/2019	2	11/12/2019	12/20/2019
Court	2018	AE	Loup County Court	5/15/2019	1	11/12/2019	12/20/2019
Court	2018	AE	Saunders County Court	5/16/2019	1	11/13/2019	12/20/2019
Court	2018	AE	Boyd County Court	5/22/2019	1	11/19/2019	12/20/2019
Court	2018	AE	Platte County Court	5/22/2019	1	11/19/2019	12/20/2019
Court	2018	AE	Colfax County Court	5/23/2019	1	11/20/2019	12/20/2019
Court	2018	AE	Johnson County Court	5/23/2019	2	11/20/2019	12/20/2019
Court	2018	AE	Perkins County Court	5/28/2019	1	11/25/2019	12/20/2019
Court	2018	AE	Sioux County Court	5/28/2019	2	11/25/2019	12/20/2019
Court	2018	AE	Valley County Court	5/28/2019	2	11/25/2019	12/20/2019
Court	2018	AE	Hitchcock County Court	5/29/2019	1	11/26/2019	12/20/2019
Court	2018	AE	Clay County Court	6/5/2019	1	12/3/2019	12/20/2019
Court	2018	AE	Holt County Court	6/5/2019	1	12/3/2019	12/20/2019
Court	2018	AE	Keith County Court	6/6/2019	1	12/4/2019	12/20/2019
Court	2018	AE	Sheridan County Court	6/6/2019	3	12/4/2019	12/20/2019
Court	2018	AE	Furnas County Court	6/7/2019	1	12/5/2019	12/20/2019
Court	2018	AE	Dawes County Court	6/10/2019	1	12/8/2019	12/20/2019
Court	2018	AE	Deuel County Court	6/11/2019	3	12/9/2019	12/20/2019
Court	2018	AE	Wayne County Court	6/12/2019	2	12/10/2019	12/20/2019
Court	2018	AE	Hamilton County Court	6/17/2019	2	12/15/2019	12/20/2019
Court	2018	AE	Blaine County Court	6/20/2019	1	12/18/2019	12/20/2019
Court	2018	AE	Boone County Court	6/21/2019	1	12/19/2019	12/20/2019
Court	2018	AE	Dixon County Court	6/21/2019	2	12/19/2019	12/20/2019
Court	2018	AE	Harlan County Court	6/21/2019	1	12/19/2019	12/20/2019
Court	2018	AE	Cuming County Court	6/25/2019	1	12/23/2019	12/20/2019
Court	2018	AE	Dawson County Court	6/25/2019	3	12/23/2019	12/20/2019
Court	2018	AE	Gosper County Court	6/25/2019	2	12/23/2019	12/20/2019
Court	2018	AE	Thurston County Court	6/26/2019	1	12/24/2019	12/20/2019
			<b>Sub-Total Courts Only Subject LB 151 and LB 151 Received (Does not include N/A)</b>			<b>44</b>	<b>44</b>
State	2018	Audit	CAFR-Comprehensive Annual Financial Report - Statewide	1/4/2019	0	N/A	N/A
CAFR	2018	ML	Environmental Quality, Department of - CAFR Management Letter	1/23/2019	1	7/23/2019	7/22/2019
CAFR	2018	ML	Correctional Services, Department of - CAFR Management Letter	1/25/2019	2	7/25/2019	5/29/2019
CAFR	2018	ML	Energy Office - CAFR Management Letter	1/25/2019	1	7/25/2019	7/22/2019
CAFR	2018	ML	Motor Vehicles, Department of - CAFR Management Letter	1/25/2019	1	7/25/2019	7/2/2019
CAFR	2018	ML	Administrative Services, Department of - CAFR Management Letter	1/30/2019	12	7/30/2019	7/19/2019
CAFR	2018	ML	Economic Development, Department of - CAFR Management Letter	1/30/2019	1	7/30/2019	
CAFR	2018	ML	Education, Department of - CAFR Management Letter	1/30/2019	3	7/30/2019	9/12/2019
CAFR	2018	ML	Educational Lands and Funds, Board of - CAFR Management Letter	1/30/2019	1	7/30/2019	2/19/2019
CAFR	2018	ML	Health and Human Services, Department of - CAFR Management Letter	1/30/2019	11	7/30/2019	11/1/2019
CAFR	2018	ML	Investment Council - CAFR Management Letter	1/30/2019	1	7/30/2019	5/8/2019
CAFR	2018	ML	Labor, Department of - CAFR Management Letter	1/30/2019	2	7/30/2019	
CAFR	2018	ML	Transportation, Department of - CAFR Management Letter	1/30/2019	2	7/30/2019	11/22/2019
State	2018	Audit	Public Employees Retirement Systems - School Employees, Judges, and State Patrol	2/19/2019	0	N/A	N/A
State	2019	AE	State Treasurer - Change of Official	3/18/2019	0	N/A	N/A
Single	2018	S-Com.	Single - Administrative Services, Department of - SEFA and SWCAP	3/22/2019	2	9/19/2019	7/19/2019
Single	2018	S-Com.	Single - Economic Development, Department of - CDBG	3/22/2019	1	9/19/2019	
Single	2018	S-Com.	Single - Education, Department of	3/22/2019	5	9/19/2019	9/12/2019

Entity Type	FY/CY	Type	Entity/Program of Report	Released Final	# of findings	LB 151 Reporting Due	LB 151 Received
Single	2018	S-Com.	Single - Energy Office - LIHEAP	3/22/2019	1	9/19/2019	7/22/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - Aging Cluster	3/22/2019	1	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - CAP	3/22/2019	4	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - CCDF	3/22/2019	6	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - CDC, Chronic Disease, MCH	3/22/2019	3	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - Family Planning	3/22/2019	2	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - Foster Care and Adoption Assistance	3/22/2019	5	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - HIV	3/22/2019	4	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - LIHEAP	3/22/2019	1	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - Medicaid	3/22/2019	11	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - PHEP HPP	3/22/2019	1	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - Program 354	3/22/2019	1	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - SNAP	3/22/2019	1	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - TANF	3/22/2019	3	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Health and Human Services, Department of - WIC	3/22/2019	3	9/19/2019	11/1/2019
Single	2018	S-Com.	Single - Law Enforcement and Criminal Justice, Commission on (Crime Commission)	3/22/2019	5	9/19/2019	
Single	2018	S-Com.	Single - Transportation, Department of	3/22/2019	5	9/19/2019	11/19/2019
Single	2018	Audit	Single Audit Report - Statewide	3/22/2019	In S-Com	N/A	N/A
State	2018	Audit	Environmental Quality - Clean Water State Revolving Fund Program	4/16/2019	1	10/14/2019	7/22/2019
State	2018	Audit	Environmental Quality - Drinking Water State Revolving Fund Program	4/16/2019	1	10/14/2019	7/22/2019
State	2018	AE	Environmental Quality, Department of	4/16/2019	2	10/14/2019	7/22/2019
State	2018	AE	Charitable Gaming, Department of Revenue	4/24/2019	6	10/22/2019	10/17/2019
State	2018	AE	Brand Committee	5/17/2019	13	11/14/2019	
State	2018	AE	Natural Resources, Department of	6/6/2019	8	12/4/2019	12/6/2019
State	2018	AE	DHHS Program 262	6/28/2019	8	2/26/2020	12/20/2019
State	2018	AE	Transportation, Department of	8/9/2019	12	2/6/2020	
State	2019	AE	Public Advocacy, Commission on	8/29/2019	2	2/26/2020	
State	2018	Audit	Public Employees Retirement Systems - County Employees - GASB 68	8/29/2019	0	N/A	N/A
State	2018	Audit	Public Employees Retirement Systems - School Employees - GASB 68	8/29/2019	0	N/A	N/A
State	2018	Audit	Public Employees Retirement Systems - State and County Employees	8/29/2019	1	2/26/2020	1/15/2020
State	2019	AE	Veterans' Affairs, Department of - Program 36	8/29/2019	1	2/26/2020	
State	2019	Audit	Dairy Industry and Development Board	9/9/2019	0	N/A	N/A
State	2019	Audit	Lottery, Department of Revenue	10/22/2019	0	N/A	N/A
State	2019	Audit	CAFR-Comprehensive Annual Financial Report - Statewide	12/19/2019	0	N/A	N/A
			<b>Sub-Total Other-Not Courts Subject LB 151 and LB 151 Received (Does not include N/A)</b>			<b>43</b>	<b>35</b>
			<b>Total Reports Subject LB 151 and LB 151 Received (Does not include N/A)</b>			<b>87</b>	<b>79</b>
			<b>Only 5 (red) not received and 3 (green) not yet due.</b>			<b>To Be Received</b>	<b>8</b>

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

Sincerely,



Charlie Janssen  
Auditor of Public Accounts

**FY 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER – BOARD OF EDUCATIONAL LANDS AND FUNDS – ISSUED JANUARY 30, 2019.**

Received February 19, 2019 – Board of Educational Lands and Funds corrective action plan.

**BOARD OF EDUCATIONAL LANDS AND FUNDS**

KELLY L. SUDBECK  
CEO/Executive Secretary

ROXANNE SUESZ  
Executive Assistant

CINDY S. H. KEHLING  
Executive Assistant



CORT DEWING  
Director of  
Field Operations

LAURA B. BAHR-FREW  
Minerals Administrator

www.belf.nebraska.gov

February 14, 2019

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



RE: Corrective Action for Fiscal Year 2017-18 Audit Report

Dear Mr. Janssen:

Pursuant to Audit requirements, the auditee is to prepare a corrective action plan for findings. Please see below the corrective action taken on points presented in the Fiscal Year 2017-18 Audit Report:

**1. Outside Bank Account:**

All funds in the outside bank account were deposited into a Trust Account (Fund 6321) with the State Treasurer on August 7, 2018, and the outside bank account was closed.

**2. Land Not Reported As An Investment:**

The market value of the School Trust Lands, as determined annually since the 1980's, was reported on the State CAFR Audit Report and CEO Kelly Sudbeck, Cindy Kehling and Donita From met on July 17, 2018, with then Accounting Administrator Gary Broz and Sheryl Hesseltine, to discuss the inclusion of the land values in the CAFR Report and in the State Accounting System. Cindy Kehling, Sheryl Hesseltine and Ron Carlson are working together to set up the land values in the State Accounting System.



Mr. Charlie Janssen  
Page 2  
February 14, 2019

**3. University Land Coding:**

Ron Carlson in State Accounting was contacted to establish liability account codes for University, University-Agricultural and State Colleges rental receipts. Due to the planned conversion from NIS to Fusion, there were limited liability accounts available and these were never established. Since Fusion has been abandoned, Cindy Kehling has created liability accounts within Fund 63320 for rental receipts from these entities so University, University-Agricultural and State College income does not appear on the State Accounting system as 'income' to the State.

**4. Lack of Controls Over Receipts – State Surveyor:**

The State Surveyor's Office has partnered with Nebraska Interactive, LLC and the State Treasurer's Office to receive payments electronically for renewals of licenses and Repository filing fees and will utilize this service for more payments in the future. This will greatly reduce funds received in the physical office and eliminate the problem of segregation of duties. Mail is opened by a minimum of 2 employees every day, checks are logged as received immediately, and deposits are completed immediately.

**5. Payroll Issues:**

All payroll issues have been addressed, corrected and documentation implemented to support split salaries.

**6. Inadequate Support for Mileage:**

The Field Staff has been informed to be more specific on travel and mileage on activity logs will be randomly checked throughout the year.

**7. Capital Asset Issues:**

Staff has been instructed to timely review and remove assets from inventory. A separate review of assets has been implemented.

Mr. Charlie Janssen  
Page 3  
February 14, 2019

**8. Allocation of Costs – General Fund:**

A liability account has been established for the "reimbursement" to the General Fund so as not to overstate expenditures for the Agency. Allocation of time by employees has been updated to determine the correct amount for reimbursement. Documentation has always been on file for quarterly reimbursements.

**9. Deposit Timeliness:**

The Board was under the assumption that when funds were received in the Lincoln Office (and not in the Field) was when the time constraints began. The State Treasurer has now granted the Board 8 days for deposits to allow for mail time from the Field to the Lincoln Office.

**10. Contracts Not on the State's Accounting System or the State's Contracts Database:**

Funds, held by the Board of Educational Lands and Funds (hereinafter referred to as "Board") and contracts entered into by the Board, are not subject to Neb. Rev. Stat. §86-602.04. Past Attorneys General have repeatedly acknowledged that the Board has the constitutional authority to manage its own affairs relatively free from legislative interference, as a constitutional agency.

**Statutes which generally apply to state agencies cannot direct the Board as to matters that are a central function of Board government, and those functions cannot be delegated to another agency.**

Subjecting this Board to these statutes would unconstitutionally intrude on the Board's government. The Supreme Court determined that the production of income for the support of the common schools of the state, is one of the primary fiduciary responsibilities of the Board. See: *State ex rel. Ebke v. Board of Educational Lands and Funds, et al.*, 154 Neb. 244, 250, (1951). The Attorney General agreed in Opinion No. 178, (January 17, 1984), when he determined that another similar statute of general application, requiring all agencies to obtain written approval of the central data processing administrator pursuant to Section

Mr. Charlie Janssen  
Page 3  
February 14, 2019

**8. Allocation of Costs – General Fund:**

A liability account has been established for the "reimbursement" to the General Fund so as not to overstate expenditures for the Agency. Allocation of time by employees has been updated to determine the correct amount for reimbursement. Documentation has always been on file for quarterly reimbursements.

**9. Deposit Timeliness:**

The Board was under the assumption that when funds were received in the Lincoln Office (and not in the Field) was when the time constraints began. The State Treasurer has now granted the Board 8 days for deposits to allow for mail time from the Field to the Lincoln Office.

**10. Contracts Not on the State's Accounting System or the State's Contracts Database:**

Funds, held by the Board of Educational Lands and Funds (hereinafter referred to as "Board") and contracts entered into by the Board, are not subject to Neb. Rev. Stat. §86-602.04. Past Attorneys General have repeatedly acknowledged that the Board has the constitutional authority to manage its own affairs relatively free from legislative interference, as a constitutional agency.

**Statutes which generally apply to state agencies cannot direct the Board as to matters that are a central function of Board government, and those functions cannot be delegated to another agency.**

Subjecting this Board to these statutes would unconstitutionally intrude on the Board's government. The Supreme Court determined that the production of income for the support of the common schools of the state, is one of the primary fiduciary responsibilities of the Board. See: *State ex rel. Ebke v. Board of Educational Lands and Funds, et al.*, 154 Neb. 244, 250, (1951). The Attorney General agreed in Opinion No. 178, (January 17, 1984), when he determined that another similar statute of general application, requiring all agencies to obtain written approval of the central data processing administrator pursuant to Section



Mr. Charlie Janssen  
Page 5  
February 14, 2019

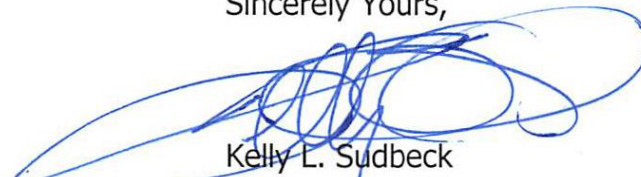
The Board as Trustee, is charged with a fiduciary duty to its beneficiaries which duties cannot be delegated. Therefore, the Board cannot delegate the approval or disapproval of our expenditures, nor any authority over our funds. The attempted transfer of these responsibilities would be a violation of the Board's fiduciary duty and a breach of trust. The Supreme Court ruled that a breach of trust can be, "*in effect a violation of the constitutional provision and has the effect of invalidating the legislation authorizing the breach.*" *Id.* at 254-255. Therefore, by requiring the Board to delegate, and thereby breach, its fiduciary duty, this statute is invalid as it applies to the Board.

Further, Neb.Rev.Stat. section 81-2403 requires that goods or services be paid, depending upon certain circumstances, in full within either 15 days, or 45 days, of this agency's receipt of the services or goods, or our receipt of the bill. Requiring this agency to utilize the State's contract database to pay for contracted services and goods would delay payment to such an extent that this Agency would routinely violate this statute, putting this Agency in the position of choosing between which statute to violate. In addition, the resulting delays in payment could cause vendor's payments to be delayed to such an extent that they will refuse our business, which compromises our ability to manage our property, since in some areas of the State, only one vendor provides the services we need. This would result in a violation of our fiduciary duty to property manage the land.

Requiring this Agency to comply with section 84-602.04 would necessitate the hiring of an additional employee, thereby increasing expenses, and decreasing the funds provided to the beneficiaries of the School Land Trust, which violates our fiduciary duty to maximize the amount of funds paid for our beneficiaries.

This letter should fulfill the requirement for the corrective action plan response to the State Auditor's Office for the audit completed for Fiscal Year 2017-2018.

Sincerely Yours,



Kelly L. Sudbeck  
CEO and Executive Secretary

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



**FY 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
INVESTMENT COUNCIL – ISSUED JANUARY 30, 2019.**

Received May 8, 2019 – Nebraska Investment Council corrective action plan.



1526 K Street, Suite 420  
Lincoln, NE 68508  
Phone: 402-471-2043  
Fax: 402-471-2498  
www.nic.nebraska.gov

TO: Auditor of Public Accounts  
FROM: Michael W. Walden-Newman, State Investment Officer  
DATE: May 8, 2019

A handwritten signature in blue ink, appearing to read "Michael", is written over the "FROM:" line of the header.

**SUBJ: FY 18 CAFR MGT LETTER RESPONSE PER NEB. REV. STAT §84-304(3)**

The APA issued a Management Letter to the Nebraska Investment Council (Council) in conjunction with the FY CAFR, finding in part:

*The Nebraska Investment Council (Council) contracted with State Street Bank (SSB) to perform custodial banking services of the State's investments for the fiscal year ended June 30, 2018. SSB ensured the State's investments were properly recorded, including investment balances, sales and purchases, investment classifications, ratings, etc. The Council was responsible for reviewing the activity to ensure investments held by the custodian were accurate and complete.*

*The Department of Administrative Services – State Accounting (DAS) utilized the SSB investment holdings report to generate the investment classifications contained in the financial statements, and Deposits and Investments Portfolio note disclosure, for the Comprehensive Annual Financial Report (CAFR). During testing of the SSB investment holdings report, we noted two securities were not properly presented at June 30, 2018.*

*We recommend the Council work with DAS to review the accuracy of CAFR investment classifications.*

In compliance with Neb. Rev. Stat. § 84-304(3), I am happy to report that the Council does and will continue to assist when classifications are questioned by other state agencies or state auditors merging the bank classifications into the state's established classifications. This practice is outlined in the most recent APA Cash & Investment Presentation & Disclosure Memo dated 6.30.18, section titled "DAS Procedures for Preparation of Footnote." The Council will continue to assist agencies whenever asked to help ensure they meet GASB investment codification standards. Furthermore, the Council will continue to educate agencies about the State's various investment portfolios as requested.

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


**FY 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER – DEPARTMENT OF CORRECTIONAL SERVICES – ISSUED JANUARY 25, 2019.**

Received May 29, 2019 – Department of Correctional Services corrective action plan.



DATE: May 29, 2019

TO: Charlie Janssen, Auditor of Public Accounts

FROM: Robin Spindler, Deputy Director, Administrative Services 

RE: Corrective Action Plan

- January 25, 2019 CAFR Management Letter for FY 2018

Below is the Nebraska Department of Correctional Services' Corrective Action Plan for the January 25, 2019 Management Letter for FY 2018.

1. Inmate Trust Fund  
As indicated in the response to the January 25, 2019 Management Letter for FY 2018, procedures were updated so individuals who are back-up writers do not have access to blank checks, the signatory machine and the ability to change inmate accounts in the corrections Information and Tracking (CIT) application. The procedures were reviewed and continue to be in compliance.  
  
NDCS Accounting continues to strive to complete journal entries as timely as possible. The Controller or designee has reviewed the status of the applicable journal entries.
2. Timesheet Approval  
As indicated in the NDCS' Agency response, based on the Fair Labor Standards Act, exempt employees must receive the full salary for any week in which the employee performs any work without regard to the number of days or hours worked, unless exceptions are met. The exception reporting of leave is an appropriate process for exempt employees. They are expected to work 40 hours per week, except when taking leave, and they often work more than 40 hours per week.

No corrective action is necessary on the part of NDCS.

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

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)

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

**FY 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
DEPARTMENT OF MOTOR VEHICLES – ISSUED JANUARY 25, 2019.**

Received July 2, 2019 – Department of Motor Vehicles corrective action plan.

NEBRASKA

Good Life. Great Future.

DEPARTMENT OF MOTOR VEHICLES



Pete Ricketts, Governor

July 1, 2019

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

Dear Mr. Janssen,

The Department of Motor Vehicles is in receipt of the January 16, 2019 final management letter for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. The report indicates the audit did not identify any deficiencies in internal control considered to be material weaknesses or significant deficiencies.

Please accept this document indicating the corrective actions taken to abate the comments titled Application Change Management in the report.

**Application Change Management**

- **MCS Application:** One developer was responsible for the change management process. This developer was able to perform all change management functions and could develop a change and move it to production without involving anyone else.

The DMV has implemented compensating controls to manage this situation. Upon the completion of development and testing by MCS users or administration, the application is approved for implementation into production. This approval is denoted by the MCS Administrator’s signature on the weekly meeting notes.

The DMV continues to monitor and manage the programmer requirements for the IRP, IFTA and UCR applications. In the event that additional resources are required, the DMV will utilize the State’s Convendis contract to provide needed resources.

Rhonda K. Lahm, Director  
**Department of Motor Vehicles**  
P.O. Box 94789  
301 Centennial Mall South  
Lincoln, Nebraska 68509  
[dmv.nebraska.gov](http://dmv.nebraska.gov)

OFFICE 402-471-3900  
FAX 402-471-3920



- **VTR Application:** The Department used the Implementer tool to track and implement changes to the application. We noted three Department user IDs had move and checkout access to the VTR development, test, and production environments.

The DMV incorporated the OCIO change management process into the VTR development and implementation process during the 4th quarter of 2017.

The DMV currently has two developers and has requested a third to be assigned to the application development team for the VicToRy (VTR) project.

- **TSI Application:** The Department used the Implementer tool to track and implement changes to the application. We noted two Department user IDs had move and checkout access to the TSI development, test, and production environments. The Department used the Change Control Facility/Migration Management Facility (CCF/MMF) tool for tracking changes made to the TSI application. During a review of access to the CCF/MMF tool, four users were identified who had access to check out code, develop a change, promote the change, and move the change into production.

The DMV implemented the OCIO administrative approval process into the TSI application development and implementation process during the 4th quarter of 2018. All application changes are now approved by OCIO management prior to moving to production.

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.

Sincerely,



Rhonda K. Lahm, Director  
Nebraska Department of Motor Vehicles

cc: Bart Moore, DMV Controller

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



**FY 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
DEPARTMENT OF ADMINISTRATIVE SERVICES – ISSUED JANUARY 30, 2019.  
AND FY2018 NEBRASKA STATEWIDE SINGLE AUDIT – ISSUED MARCH 22, 2019.**

Received July 19, 2019 – Department of Administrative Services corrective action plan.

**NEBRASKA**

Good Life. Great Service.

DEPT. OF ADMINISTRATIVE SERVICES

July 19, 2019

Honorable Charlie Janssen  
Auditor of Public Accounts  
State Capitol, Suite 2303  
Lincoln, NE 68509

Dear Mr. Janssen:

In accordance with Neb. Rev. Stat. § 84-304(3)(b), please find below the Department of Administrative Services written description of corrective action taken, or to be taken, in response to comments and recommendations found in reports issued by the State Auditor from the period January 1, 2019, through June 30, 2019.

Entity Type	FY/ CY	Type	Entity/Program of Report	Released Final	Number of Findings
CAFR	2018	ML	Administrative Services, Department of - CAFR Management Letter	1/30/2018	12

**1. CAFR Preparation**

*DAS Response: State Accounting agrees that additional staffing is necessary, and has secured internal resources to increase the number of staff that will be assigned to CAFR preparation. State Accounting will also continue implementing new processes and training for 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.*

**2. Internally Generated Computer Software**

*DAS Response: State Accounting agrees that fixed asset policies and procedures need review and updated to provide agencies the proper guidance for expensing or capitalizing internally generated software. State Accounting has started a review of the current policies and procedures for recording capital assets in accordance with GASB.*

**3. Improper Payable**

*DAS Response: State Accounting agrees with the importance of recording expenditures in the proper fiscal year for accurate reporting in the CAFR. State Accounting will continue to develop and present training*

Philip J. Olsen, CPA, CISA

Administrator

Department of Administrative Services | STATE ACCOUNTING

P.O. Box 94664  
Lincoln, Nebraska 68509-4664

1526 K Street, Ste. 240  
Lincoln, Nebraska 68508

OFFICE 402-471-2581  
FAX 402-471-2583

[das.nebraska.gov](http://das.nebraska.gov)

materials at Business User Group meetings that will address prior period obligations and the process to determine correct recording of these expenditures.

#### **4. Master Lease Financing Period**

*DAS Response: State Accounting agrees that fixed assets purchased in the Master Lease program should be properly recorded as per the Program policy. State Accounting will address this issue in the training of new staff responsible for fixed asset reporting and in the Business User Group training presentations. A review of computer hardware estimated useful life is in progress, and changes will be made if deemed necessary.*

#### **5. E1 Pay Rate Override**

*DAS Response: DAS concurs with this finding and will research actions that could be implemented to establish compensating controls to monitor this E1 function.*

#### **6. E1 Timesheets**

*DAS Response: Timesheet images are maintained in the system of record (E1) until the payroll is processed; however, the electronic data is maintained in E1 indefinitely. Agencies will be reminded to retain any information they may receive, generate or create outside of the E1 system in support of an agency's payroll to be done in accordance with Nebraska Records Retention and Disposition Schedule 124.*

#### **7. E1 Special Handle a Voucher**

*DAS Response: State Accounting will continue to review compensating control processes and procedures related to Payee Control and Special Handle a Voucher functions and will assure they are in place and functioning. All changes to payee information through Special Handle a Voucher must be approved by an employee in DAS State Accounting.*

#### **8. E1 Terminated User Access**

*DAS Response: DAS will continue to provide multiple training events during which agency personnel are reminded to deactivate a terminated user's EnterpriseOne access on a timely basis. Training was held March 27, 2019, and May 23, 2019. Timely employee termination in Workday drives the E1 role termination process. Workday instructions were provided to State Accounting contacts to assist agencies with the process.*

#### **9. Changes to Vendor and Banking Information**

*DAS Response: DAS continues to review and improve procedures for vendor set-up and maintenance including accuracy of vendor records and review and identification of duplicate bank accounts and vendor addresses.*

#### **10. Human Resource User Role 65**

*DAS Response: DAS will establish compensating controls to incorporate procedures to review the activity of those DAS employees assigned User Role 65 who also have responsibility for processing internal payroll batches.*

#### **11. E1 Timeout Controls**

*DAS Response: DAS has reviewed the NITC standards and is evaluating options available to comply with those security standards in the EnterpriseOne System.*

**12. OCIO Service Center Ticket Controls**

*DAS Response: The Service Portal is an enterprise ticketing system, which is being used by multiple state agencies. Thus, being open and accessible to all agencies is critical to the effectiveness and the efficiency of such tool. As such, we have disclaimer permanently displayed on the Service Portal that stated confidential or restricted information must not be entered into the Service Portal or tickets.*

Entity Type	FY/ CY	Type	Entity/Program of Report	Released Final	Number of Findings
Single	2018	S-Com.	Single - Administrative Services, Department of - LOC & SWCAP	3/22/2019	3
Single	2018	S-Com.	Single - Administrative Services, Department of - SEFA	3/22/2019	1

**1. Finding 2018-001 CAFR Preparation**

*Management Response: State Accounting agrees that additional staffing is necessary, and has secured internal resources to increase the number of staff that will be assigned to CAFR preparation. State Accounting will also continue implementing new processes and training for 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.*

**2. Finding 2018-008**

*Management Response: The development of assessments, rates and surcharges for the next biennium – FY21-23 will begin in January 2020. The estimated costs used are based on historical costs and estimated increases during the final fiscal year of the current biennium and then the estimated costs for the new biennium. At that time DAS will begin a review of its various rate setting procedures including the Building Division indirect cost allocations, work order rate, etc.*

*Central Finance has contacted the JDE Upgrade Team regarding the Print Shop's needs. It has not been determined at this time what data can be pulled from JDE. Central Finance will continue to work with the Upgrade Team. DAS Central Finance will continue to work the various Divisions to ensure that rates are applied consistently.*

**3. Finding 2018-009**

*Management Response: DAS will review procedures to ensure the SEFA is complete and accurate. DAS will continue training the reporting team and agencies on accurate reporting of their SEFA amounts, including instruction on using the account code established for aid to subrecipients.*

Please let me know if you have any questions or concerns.

Sincerely,



Philip J. Olsen

State Accounting Administrator

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



**FY 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
DEPARTMENT OF ENVIRONMENT AND ENERGY – ISSUED JANUARY 25, 2019.**

Received July 22, 2019 – Energy Office corrective action plan.

NEBRASKA

Good Life. Great Resources.

DEPT. OF ENVIRONMENT AND ENERGY



Pete Ricketts, Governor

July 19, 2019

Honorable Charlie Janssen  
Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, Nebraska 68509-8917

Dear Mr. Janssen,

This letter is to serve as the Agency’s Corrective Action Plan to the CAFR Management Letter of the Nebraska Energy Office for the fiscal year ended June 30, 2018.

Upon review, the attestation report noted certain deficiencies and other operational matters the agency has taken corrective action intended to improve the internal controls over financial reporting.

1. **Lack of Controls Over Revenues:** The Agency lacked an adequate segregation of duties over repayments received for the Loan Program, as one individual was able to perform the following procedures:
  - Open mail containing cash receipts without a second staff member being present;
  - Process the loan repayments in the loan system;
  - Process write-offs or forgive balances in the loan system;
  - Prepare deposits and journal entries in EnterpriseOne; and
  - Perform the monthly reconciliation between the loan system and EnterpriseOne.

**Agency Corrective Action:** The Nebraska Energy Office acknowledges a lack of adequate segregation of duties over repayments received for the Loan Program. To correct this deficiency, we are adopting a plan to adequately segregate duties so no one individual is in a position to perpetrate or conceal errors when recording monies received and deposited. The plans calls for leveraging the fiscal infrastructure of my former agency (Environmental Quality) to allow for the opening of mail, handling of receipts, entry of loan program information, secondary review, and posting of transactions to be carried out by separate individuals. A new security structure within E1 so the staff can perform these duties for both agencies.

Sincerely,

Jim Macy  
Director

Nebraska Department of Environment and Energy

Department of Environment and Energy  
P.O. Box 98922  
Lincoln, Nebraska 68509-8922

Jim Macy, Director  
OFFICE 402-471-2186 FAX 402-471-2009  
ndeq.moreinfo@nebraska.gov

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



**ATTESTATION REPORT OF THE NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
– JANUARY 1, 2018, THROUGH DECEMBER 31, 2018, AND  
FY 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
DEPARTMENT OF ENVIRONMENT AND ENERGY – ISSUED JANUARY 23, 2019.**

Received July 22, 2019 – Department of Environment and Energy corrective action plan.

NEBRASKA

Good Life. Great Resources.

DEPT. OF ENVIRONMENT AND ENERGY



Pete Ricketts, Governor

July 19, 2019

Honorable Charlie Janssen  
Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, Nebraska 68509-8917

Dear Mr. Janssen,

This letter is to serve as the Agency’s Corrective Action Plan to the attestation report of the Nebraska Department of Environmental Quality for the calendar year ended December 31, 2018.

Upon review, the attestation report noted certain deficiencies and other operational matters the agency has taken corrective action intended to improve the internal controls over financial reporting.

- 1. **Revenue Coding:** Revenue items were incorrectly recorded in the accounting system. Two of these items were recorded to an incorrect fund, and one was incorrectly recorded as a negative revenue than an expenditure.

**Agency Corrective Action:** Correcting entries were made with the following batch numbers: 5685037 and 5551793. In addition, the agency will be handling the deposits for the Remedial Action Plan Monitoring Fund (RAPMA) program (fund 28350) differently. The program receives deposits from private citizens and business that are a fee for service and federal funds from EPA/USDA. The agency set up a separate BU and federal cash fund for the handling of federal deposits. In addition, the agency’s management team will review each week’s deposits and corresponding credited cash funds.

- 2. **Subrecipient Monitoring Issues and Lack of Supporting Documentation:** The Department lacks adequate procedures for monitoring subrecipients.

**Agency Corrective Action:** The implementation of electronic records storage has reduced the misfiling of paper documents and batches. The team also reviewed pre-audit procedures when paying reimbursements and approving managers were made aware of the requirements for government aid.

Sincerely,

Jim Macy  
Director

Nebraska Department of Environment and Energy

Department of Environment and Energy  
P.O. Box 98922  
Lincoln, Nebraska 68509-8922

Jim Macy, Director  
OFFICE 402-471-2186 FAX 402-471-2909  
ndeqmoreinfo@nebraska.gov

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

**AUDIT REPORT OF THE NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM  
JULY 1, 2017, THROUGH JUNE 30, 2018.**

Received July 22, 2019 – Department of Environment and Energy corrective action plan.

**NEBRASKA**

Good Life. Great Resources.

DEPT. OF ENVIRONMENT AND ENERGY



Pete Ricketts, Governor

July 19, 2019

Honorable Charlie Janssen  
Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, Nebraska 68509-8917

Dear Mr. Janssen,

This letter is to serve as the Agency's Corrective Action Plan to the audit report of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program for the fiscal year ended June 30, 2018.

Upon review, the audit report noted certain deficiencies and other operational matters the agency has taken corrective action intended to improve the internal controls over financial reporting.

1. **Financial Statement Errors:** Incorrect beginning fiscal year balances, inaccurate accruals, missing short-term bond transactions, and inaccurate entries of Facility Planning Grants.

**Agency Corrective Action:** The agency has outlined a timeline for the construction of the financial statements that will ease a laborious process. The timeline includes a financial review in mid-September with the Agency's Budget Officer. During this review, the Budget Officer and team will use a checklist of historical findings to prevent past mistakes from occurring. Semi-annual financial statements will be used in future years to reduce the time to produce these statements. In addition, the agency created a process map for the short-term bond transaction. This process map also allows for transactions to be recorded so fund balances are easily determined. Thus, eliminating the possibility of entries being missed.

Sincerely,

Jim Macy  
Director

Nebraska Department of Environment and Energy

Department of Environment and Energy  
P.O. Box 98922  
Lincoln, Nebraska 68509-8922

Jim Macy, Director  
OFFICE 402-471-2186 FAX 402-471-2909  
ndeqmoreinfo@nebraska.gov

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

**AUDIT REPORT OF THE NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
DRINKING WATER STATE REVOLVING FUND PROGRAM  
JULY 1, 2017, THROUGH JUNE 30, 2018.**

Received July 22, 2019 – Department of Environment and Energy corrective action plan.

**NEBRASKA**

Good Life. Great Resources.

DEPT. OF ENVIRONMENT AND ENERGY



Pete Ricketts, Governor

July 19, 2019

Honorable Charlie Janssen  
Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, Nebraska 68509-8917

Dear Mr. Janssen,

This letter is to serve as the Agency’s Corrective Action Plan to the audit report of the Nebraska Department of Environmental Quality – Drinking Water State Revolving Fund Program for the fiscal year ended June 30, 2018.

Upon review, the audit report noted certain deficiencies and other operational matters the agency has taken corrective action intended to improve the internal controls over financial reporting.

- 1. **Financial Statement Errors:** Incorrect beginning fiscal year balances, inaccurate accruals, and missing short-term bond transactions.

**Agency Corrective Action:** The agency has outlined a timeline for the construction of the financial statements that will ease a laborious process. The timeline includes a financial review in mid-September with the Agency’s Budget Officer. During this review, the Budget Officer will use a checklist of historical findings to prevent past mistakes from occurring. Semi-annual financial statements will be used in future years to reduce the time to produce these statements. In addition, the agency created a process map for the short-term bond transaction. This process map also allows for transactions to be recorded so fund balances are easily determined. Thus, eliminating the possibility of entries being missed.

Sincerely,

Jim Macy  
Director

Nebraska Department of Environment and Energy

Department of Environment and Energy  
P.O. Box 98922  
Lincoln, Nebraska 68509-8922

Jim Macy, Director  
OFFICE 402-471-2186 FAX 402-471-2909  
ndeq.moreinfo@nebraska.gov

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

**FY 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
DEPARTMENT OF EDUCATION – ISSUED JANUARY 30, 2019.**

**AND FY2018 NEBRASKA STATEWIDE SINGLE AUDIT – ISSUED MARCH 22, 2019.**

Received September 12, 2019 – Department of Education corrective action plan.

### Submission Info

Name of Agency	Dept. of Education
Name of Report	2018 CAFR
First Name	Bryce
Last Name	Wilson
Start Date	9/12/2019 3:32:59 PM
Completed Date	9/12/2019 3:35:32 PM
IP Address	164.119.5.144

### 1. Incorrect Information Used in Payable Calculations

Each year before July 1, Pre-Auditors will be reminded to review the batches to determine if the document should be a prior year or current year batch. If an error in posting a batch occurs, NDE will notify DAS of the error so that the CAFR report can be adjusted.

The Title V grant has been included in the 2019 CAFR. Fiscal staff have been given a second opportunity to review the report to make sure all grants are included before it is submitted to DAS.

### 2. CNP/GMS User Access

For CNP user access the state employee access to the CNP system policy was updated to require a quarterly review to ensure users have appropriate access to the system. The reviewed report is saved for review.

For GMS user access when NDE staff terminate, HR sends an email with the termination date. GMS security is updated with the end date and access is removed in security.

When Superintendents/Administrators contact the NDE helpdesk with changes, they are sent to the GMS Grant Designer, Cathy Von Kaenel, for updating or creating a new account in security.

When district staff changes are needed the Superintendent/Administrator can revise staff business roles, however, any name or email changes are sent to the GMS Grant Designer, Cathy Von Kaenel, for revisions in security.

### 3. Information Technology Risk Assessment

The risk assessment policy has been updated to reflect our planned process for vulnerability assessment and impact analysis. Additional work has been done to compile a comprehensive and complete inventory list of our applications, which will allow us to proceed with risk evaluation and vulnerability management procedures. This inventory is reviewed and updated by the Security and Audit team for accuracy and risk and vulnerability assessment on a monthly basis.

The Department continues to develop the Continuity of Operation Plan and the disaster recovery plan. We are currently in the process of gathering the BPA (Business Process Analysis) information from various programs and offices across the department. NDE was working with DAS's AmyLynn Creaney who was assisting us with project management, but she has been reassigned to other projects so the Department is handling the management of the COOP/DRP project internally.

All of Department's applications which were hosted at NSOB have been migrated to OCIO's DataCenter in the 501 building.

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



**ATTESTATION REPORT OF THE NEBRASKA DEPARTMENT OF REVENUE  
PROGRAM 165 – CHARITABLE GAMING AND ATHLETIC COMMISSION –  
JULY 1, 2017, THROUGH DECEMBER 31, 2018**

Received October 17, 2019 – Department of Revenue corrective action plan.

**NEBRASKA**

Good Life. Great Service.

**DEPARTMENT OF REVENUE**

October 15, 2019

Charlie Janssen  
State Auditor  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509

Dear Auditor Janssen:

This letter is to serve as the corrective action response to the Nebraska Department of Revenue Program 165 – Charitable Gaming and Athletic Commission attestation report for the period July 1, 2017 through December 31, 2018.

***1. Charitable Gaming Lack of Controls Over Revenues:*** The Department lacked an adequate segregation of duties over receipts and monies due to the Department to ensure no one individual was in a position both to perpetrate and conceal errors or irregularities. The Department did not restrictively endorse checks immediately upon receipt, did not make timely deposits, lacked adequate documentation to support penalty and interest calculations on late taxes, and did not maintain a list of unused pickle card dispensing device decals or complete a reconciliation of the total number of decals issued to the amount collected in the accounting system.

*Corrective action:* The Revenue Operations Clerk II (ROC II) is opening all the Gaming mail. Checks are then entered into an Excel spreadsheet which tracks date received, state ID, licensee name, check number, amount, postmark date, date deposited, date returned and reason. The ROC II endorses the checks before giving them to the Revenue Senior Agent (RSA).

The applications, returns, and checks are given to the RSA who processes the checks on Salesforce. Checks less than \$500 are deposited within seven business days, and checks over \$500 are deposited within three business days by accounting. For any past due tax returns, envelopes are kept with the returns.

All penalty abatement forms are first approved by the RSA. The RSA ensures the licensee fills out the appropriate explanation. The manager also signs off on requests. The ROC II receives the notices for late filings and reviews/compares to the licensing system. The RSA then double checks the amounts due.

All pickle card dispensing device decals are returned to the RSA at the end of the calendar year. These are then sent to the Revenue-Special Services for destruction and proper documenting of decals.

**Charitable Gaming Division**  
Brian Rockey, Director  
[revenue.nebraska.gov/gaming](http://revenue.nebraska.gov/gaming)

137 NW 17th Street, PO Box 94855  
Lincoln, Nebraska 68509-4855  
PHONE 402-471-5937 FAX 402-471-5600

Charitable Gaming and Athletic Commission attestation report; Corrective Action  
October 15, 2019  
Page 2

**2. State Athletic Commission Lack of Controls Over Revenues:** The Department lacked procedures and controls over receipts to ensure the correct amount was reported, collected, and deposited into the State's accounting system. Furthermore, two of four receipts lacked support to ensure the deposits were timely. Finally, fees charged were not properly documented, and the fees were not set by or did not agree to the Department's rules and regulations.

*Corrective action:* Athletic commission staff are obtaining the needed documentation at each event to support the correct reporting of fees and tax receipts. Documentation is retained to prove deposits are timely or clarifying notes are retained when the deposits appear late. All fees and taxes have been properly documented and agree with Department Rules and Regulations.

**3. Incorrect Coding of Transfers:** The Department transferred sixty percent of taxes collected from the Charitable Gaming Operations Cash Fund to the General Fund, totaling \$5,235,639, as required by State statute; however, the Department did not code the transfers correctly in the State's accounting system.

*Corrective action:* As of July 1, 2019, the monthly journal entry used for the transfers has been changed to use the accounts as noted by the APA.

**4. Accounts Receivable Not Reported for the CAFR:** Program 165 had an estimated receivable balance for the collection of Bingo, Lottery and Raffle, County-City Lottery, and Pickle Card Distributor taxes, totaling \$1,635,762, as of June 30, 2018, which was not reported to the Department of Administrative Services for inclusion in the State of Nebraska's Comprehensive Annual Financial Report (CAFR).

*Corrective action:* For the fiscal year ending June 30, 2019, the receivable balance for charitable game taxes has been reported to Revenue-Finance so it can be included in the amounts reported to DAS for inclusion in the CAFR. This will be completed for future years as well.

**5. Inspector Travel Logs:** The Department lacked procedures to ensure employee mileage was reasonable, and the Auditor of Public Accounts (APA) was unable to recalculate mileage for two of five trips tested.

*Corrective action:* The security supervisor or designee reviews the car logs on a regular basis to watch for inaccuracies or unreasonable amounts. New technology may also be researched to see if an efficient and effective solution can be utilized.

**6. Mechanical Amusement Device (MAD) Decal Receipting Process:** The Department lacked controls to ensure all money due to the State was received for MAD decals, as a count of decals

Charitable Gaming and Athletic Commission attestation report; Corrective Action  
October 15, 2019  
Page 3

issued and decals not used for the year compared to the receipts in the accounting system was not performed in calendar year 2018. Additionally, unused decals were not required to be returned or accounted for by the Department. Furthermore, during testing of three decal receipts, it was noted that two were not deposited timely.

*Corrective action:* All mechanical amusement device decals (MAD) are returned to the RSA at the end of the calendar year. These are then sent to the Revenue-Special Services for destruction and proper documenting of decals. Checks less than \$500 are deposited within seven business days, and checks over \$500 are deposited within three business days.

For the Tax Commissioner

  
Brian Rockey  
Lottery and Charitable Gaming Director

cc: Tony Fulton, Tax Commissioner  
Aaron Hendry, Athletic Commissioner  
Dennis Nelson, Finance Director

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

**FY 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
DEPARTMENT OF HEALTH AND HUMAN SERVICES – ISSUED JANUARY 30, 2019.  
AND FY2018 NEBRASKA STATEWIDE SINGLE AUDIT – ISSUED MARCH 22, 2019.**

Received November 1, 2019 – Department of Health and Human Services corrective action plan.

**Nebraska Department of Health and Human Services**

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-017 Since 2015	Various, 93.658 Allowable Costs	<b>Status:</b> Complete
2018-018 Since 2013	Various, 10.561, 93.558, 93.568, 93.575, 93.596, 93.778 Allowable Costs	<b>Status:</b> Complete
2018-019 Since 2016	Various, 93.778, 17.235 Allowable Costs	<b>Status:</b> Complete
2018-020	Various, 10.557, 10.561, 93.778 Allowable Costs	<b>Status:</b> Complete
2018-021	10.551 Special Tests	<b>Status:</b> Complete
2018-022	10.557 Reporting	<b>Status:</b> Complete
2018-023	10.557 Special Tests	<b>Status:</b> Complete
2018-024	10.557 Allowability/ Subrecipient Monitoring	<b>Status:</b> Complete
2018-025 Since 2010	93.044, 93.045 Allowability/ Subrecipient Monitoring	<b>Status:</b> Complete
2018-026 Since 2014	93.069, 93.889 Allowability/ Subrecipient Monitoring	<b>Status:</b> Complete
2018-027 Since 2015	93.217 Allowability/ Subrecipient Monitoring	<b>Status:</b> Complete
2018-028 Since 2015	93.217 Reporting	<b>Status:</b> Complete
2018-029	93.283, 93.898 Allowability/ Subrecipient Monitoring	<b>Status:</b> Complete
2018-030	93.556, 93.671 Subrecipient Monitoring	<b>Status:</b> Complete
2018-031 Since 2011	93.558 Allowability	<b>Status:</b> Complete
2018-032 Since 2013	93.558 Allowability	<b>Status:</b> Complete
2018-033 Since 2013	93.558 Allowability/ Subrecipient Monitoring	<b>Status:</b> Complete
2018-034	93.568 Reporting	<b>Status:</b> Complete
2018-035 Since 2007	93.575, 93.596 Allowability/ Eligibility	<b>Status:</b> Complete
2018-036 Since 2013	93.575, 93.596 Reporting	<b>Status:</b> Complete



2018-037 Since 2011	93.575, 93.596, 93.778 Special Tests	<p><b>Status:</b> Partially Complete</p> <p><b>Reasons for Recurrence:</b> The Agency did not devote adequate resources, including an adequate number of staff, to ensuring Medicaid fraud cases were worked in a timely manner.</p> <p><b>Corrective Action Planned:</b> Updated SOP's have been implemented in the Special Investigations Unit to ensure all cases are reviewed and assigned as a top priority within two days of referral. Tracking is being done separately to monitor the timeliness of all ongoing Childcare and Medicaid investigations and ensure they are completed within the mandated amount of time. A process improvement project is currently in the data collecting phase of the investigative process to improve timeliness. DHHS Accounting is in the process of working with our Process Improvement team to revise childcare collection policy and improve efficiencies on this process. The process is currently ongoing.</p>
2018-038 Since 2017	93.575, 93.596 Special Tests	<b>Status:</b> Complete
2018-039 Since 2017	93.575, 93.596 Allowability/ Monitoring	<b>Status:</b> Complete
2018-040 Since 2016	93.575 Allowability/Earmarking	<b>Status:</b> Complete
2017-049 Since 2003	93.658 Allowability	<b>Status:</b> Complete
2017-050 Since 2016	93.658 Allowability	<b>Status:</b> Complete
2018-041	93.658 Allowability/ Eligibility	<p><b>Status:</b> Partially Complete</p> <p><b>Reasons for Recurrence:</b> Worker error and inadequate review.</p> <p><b>Corrective Action Planned:</b> All corrective actions are complete except the Standard work instruction for Bridge to Independence staff. A draft form is done and the final version is estimated to be completed by 11/30/19.</p>
2018-042 Since 2016	93.658 Subrecipient Monitoring	<b>Status:</b> Complete
2018-043	93.658 Reporting	<b>Status:</b> Complete
2018-044	93.658 Matching/ Period of Performance	<b>Status:</b> Complete
2017-052 Since 2011	93.659 Allowability	<b>Status:</b> Complete
2018-045 Since 2015	93.659 Reporting	<b>Status:</b> Complete
2017-054	93.758 Allowability/ Subrecipient Monitoring	<b>Status:</b> Complete
2017-056 Since 2013	93.778 Allowability	<b>Status:</b> Complete

2018-046 Since 2006	93.778 Reporting	<b>Status:</b> Not Complete <b>Reasons for Recurrence:</b> Errors were due to inadequate review and clerical errors. Reconciliations were not complete due to staffing changes. <b>Corrective Action Planned:</b> The agency will have all reconciliations current within 90 days of each quarter end starting with the 9/30/19 quarter.
2018-047 Since 2014	93.778 Allowability	<b>Status:</b> Complete
2018-048 Since 2009	93.778 Allowability/ Eligibility	<b>Status:</b> Complete
2018-049 Since 2015	93.778 Allowability	<b>Status:</b> Complete
2018-050 Since 2016	93.778 Allowability	<b>Status:</b> Complete
2018-051 Since 2017	93.778 Allowability/ Eligibility	<b>Status:</b> Complete
2018-052 Since 2017	93.778 Special Tests	<b>Status:</b> Complete
2018-053 Since 2017	93.778 Allowability	<b>Status:</b> Complete
2018-054	93.778 Special Tests	<b>Status:</b> Complete
2018-055	93.778 Subrecipient Monitoring	<b>Status:</b> Complete
2018-056 Since 2017	93.917 Allowability/ Cash Management/ Subrecipient Monitoring	<b>Status:</b> Complete
2018-057	93.917 Eligibility/ Subrecipient Monitoring	<b>Status:</b> Complete
2018-058	93.917 Reporting	<b>Status:</b> Complete
2018-059	93.917 Earmarking	<b>Status:</b> Complete
2018-060 Since 2017	93.945, 93.757 Allowable Costs/ Subrecipient Monitoring	<b>Status:</b> Complete
2018-061 Since 2017	93.994 Allowable Costs/ Subrecipient Monitoring	<b>Status:</b> Complete

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

**FY 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
DEPARTMENT OF TRANSPORTATION – ISSUED JANUARY 30, 2019.**

**AND FY2018 NEBRASKA STATEWIDE SINGLE AUDIT – ISSUED MARCH 22, 2019.**

Received November 19 & 22, 2019 – Department of Transportation corrective action plan.

**Dept. of Transportations responses to CAFR audit 2018¶**

**Management Letter Findings:¶**

¶

**1. Capital Asset Acquisitions¶**

Recommendation: We recommend the Department ensure asset acquisition dates are properly recorded in the State's accounting system, and all costs are entered timely for assets placed into service.¶

*NDOT's Response:* NDOT concurs and will improve processes to ensure capital asset acquisition dates are properly recorded and costs are entered timely.¶

¶

**Follow-up response:** NDOT is in the process of developing a Standard Operating Procedure (SOP) for the procuring and processing of fixed assets for NDOT. ....¶

¶

¶

**2. Risk Assessment¶**

Recommendation: We recommend the Department complete its IT Security Plan and implement procedures to ensure the periodic performance of an IT risk assessment that addresses application-specific risk information.¶

¶

*NDOT's Response:* BTSD continues to work toward completion of an application-specific risk assessment for NDOT. BTSD had previously delayed completion of its specific IT Security Plan until revisions to the NITC Security Policy were complete. Recent consolidation of BTSD's network resources having moved to OCIO and the subsequent role of network security coverage and responsibilities provided by OCIO remains unclear at this time. BTSD has, in the past, reached out to OCIO's State Security Officer for direction and in doing so continues to address and implement appropriate changes to applications to mitigate security vulnerability risk for NDOT. BTSD anticipates completion of an IT Security Plan by 2nd quarter of this calendar year.¶

¶

**Follow-up response:** NDOT has not yet completed the IT Security Plan. ... The NITC standards that are associated with what is required from a security standpoint are currently being edited. NDOT is a part of that process via the Security Architecture Workgroup (SAW).¶

¶

NDOT is also working with the OCIO to determine responsibilities for vulnerability scanning in general and on establishing an Application Portfolio Management, which is part of the IT Security Plan.¶

¶

Dept. of Transportations responses to the Single Audit for 2018¶  
 Schedule of Federal Expenditures¶

¶

Management Letter Findings:¶

¶

- 1.→Program: CFDA 20.505—Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research—Allowability & Subrecipient Monitoring¶

¶

**Recommendation:** We recommend the Agency implement procedures to monitor subrecipients. Additionally, we recommend the Agency obtain and maintain adequate documentation to support that costs are allowable and in accordance with Federal requirements. ¶

¶

**Management Response:** NDOT does not concur with the questioned costs. NDOT Transit reviews each invoice for allowable costs and contacts the MPO for additional information as needed. ¶

¶

**Corrective Action Plan:** NDOT Transit will require additional supporting documentation for expenses incurred during the billing period. Documentation will be kept on site and provided to auditors upon request. ¶

¶

**Anticipated Completion Date:** Completed¶

¶

**Follow up response:** NDOT has implemented for each MPO to undergo a financial desk Review on one invoice each year. The documentation required during that review may include time sheets, copies of all vendor invoices and proof of payments. Depending on the expenditures claimed, additional supporting documentation may be requested. ¶

¶

- 2.→Program: CFDA 20.509—Formula Grants for Rural Areas—Allowability & Subrecipient Monitoring¶

**Recommendation:** We recommend the Agency improve procedures to ensure subrecipient expenditures are allowable and in accordance with Federal regulations. We further recommend the Agency implement procedures to ensure all required information is communicated to its subrecipients. Finally, we recommend the Agency implement procedures to ensure site visit follow-up reports are issued timely. ¶

¶

**Management Response:** NDOT Transit does not concur with the questioned costs. NDOT Transit conducts in depth reviews of subrecipients during the fiscal year. A notation is made on each worksheet of every monthly reimbursement invoice that includes information regarding questionable costs requiring follow up and justification to determine if the expense is allowable. NDOT Transit will continue to conduct in depth reviews of subrecipient monthly invoices per the established criteria. ¶

NDOT Transit does not analyze reported fares due to the number of variables that affect the amount collected. Fares are determined locally and could vary by passenger age, distance traveled, in-county versus out-of county destination, type of service, etc. Fares are reported monthly by source (regular, reduced, sponsored, etc.). ¶



Listed below are the findings for NDOT on the CAFR FY18 Voyager Card Audit and a response for the follow up:

¶

### 3) Agency Testing—Unreasonable and Unsupported Transactions ¶

We recommend agencies implement procedures to prevent or detect in a timely manner, the improper use of both State-owned motor vehicles and Voyager purchasing cards. When using State-owned vehicles, employees should be required to provide all documentation mandated by State statute and policies. ¶

#### Follow-up response: ¶

- 1)→ Voyager transactions for all state agencies are limited to vehicle fuel tank capacity, with weekly volume and dollar limits. Declined transactions can be overridden if the driver calls the Voyager 1-800 number. An override is allowed for soft declines due to driver number/PIN errors, and over-limit errors (card was charged for max-\$ limit of fuel during multiple transactions). The soft decline just requires human contact to re-authorize the card. Transactions for each agency are restricted for use in other states. This means that a state (say Kansas) is blocked for use, no Voyager transactions are allowed with a vendor in that state. NDOT can open or block any state at the request of an agency. This limit ensures that transactions are only allowed in geographical areas each agency does business in. ¶
- 2)→ Drivers are required to save receipts from transactions for one year. ¶
- 3)→ A vehicle usage manual is being written to provide guidance to all NDOT drivers and will be made available to other agencies. We expect to have the manual reviewed by April 1, 2020. ¶
- 4)→ A weekly bill includes individual transactions, which may be flagged for restricted purchases. Drivers are contacted for more information on these transactions, and may be required to reimburse the state. ¶

¶

¶

### 4) Agency Testing—Odometer Issues ¶

We recommend agencies require every employee to accurately document the odometer reading of a State vehicle whenever a fuel purchase is made for it. Further, Agencies should investigate the specific examples identified to ensure the Voyager Cards are not being used for personal purchases. ¶

#### Follow-up response: ¶

- 1)→ All vehicle cards issued by Voyager require an odometer or hour meter entry to dispense fuel. ¶
- 2)→ Vehicle usage manual is being written to provide guidance to all NDOT Drivers, and will be made available to other agencies. ¶

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

**ATTESTATION REPORT OF THE NEBRASKA DEPARTMENT OF NATURAL RESOURCES –  
JULY 1, 2017, THROUGH DECEMBER 31, 2018**

Received December 6, 2019 – Department of Natural Resources corrective action plan.

**NEBRASKA**

Good Life. Great Water.

**DEPT. OF NATURAL RESOURCES**

December 5, 2019

Honorable Charlie Janssen  
Auditor of Public Accounts  
State Capitol, Suite 2303  
PO Box 98917  
Lincoln, Nebraska 68509-8917



Dear Mr. Janssen:

We have reviewed the attestation report draft prepared by the Office of the Auditor of Public Accounts (APA) regarding its examination of the Nebraska Department of Natural Resources (Department) financial records and control procedures for July 1, 2017 through December 31, 2018. We have reviewed and considered your comments and recommendations for improving our internal control over financial reporting and/or for increasing operational efficiencies. We have initiated the following to address those recommendations.

1. Department's Outside Account
  - a. **APA Recommendation** – "We recommend the Department seek guidance from the Attorney General regarding the legality of transferring Water Resource Cash Fund monies to the Fund – and, should such activity be deemed inappropriate under the current statutory provisions, take the appropriate remedial action."
  - b. **Department Action** – The Department sought guidance from the Attorney General's office. The AGO determination was that the Department did have the authority to obligate and expend Water Resources Cash Fund (WRCF) funds in support of the Water Services Agreement (WSA). As determined by the Attorney General's Office, "pursuant to Neb. Rev. Stat. § 61-218, the Department has authority to administer the WRCF and expend those funds for the purposes set forth in subsection (3)." In support of that determination, the Attorney General's office noted that "under the various agreements entered into by the Department in support of the WSA, the Department transferred (expended) money to the Fund and subsequently received a 10,200 AF annual water credit for the State of Nebraska to help meet our obligations incurred through the federal/state cooperative agreement entered into with Colorado and Wyoming for Endangered Species Act compliance."

In further follow up in response to this recommendation, on October 15, 2019, the Department's HR/Finance Manager Tim Freed forwarded the determination of the Attorney General's office to Kris Kucera of the APA. Later, Justin Lavene, Bureau Chief of the Nebraska Attorney General's Office assigned to the Department's legal issues, provided further explanation to an APA attorney, Mr. Lance Lambdin in an October 28, 2019 email. Subsequently, Director Fassett summarized the Department's views in a November 18, 2019 email to Ms. Pat Reding, indicating that the Department had sought the opinion of the Attorney General's Office as recommended by the APA,

Gordon W. "Jeff" Fassett, P.E., Director

**Department of Natural Resources**

301 Centennial Mall South  
P.O. Box 94676  
Lincoln, Nebraska 68509

OFFICE 402-471-2363  
FAX 402-471-2900

[dnr.nebraska.gov](http://dnr.nebraska.gov)

Charlie Janssen  
 December 5, 2019  
 Attestation Report Response  
 Page 2 of 5

and that the funds had been obligated and expended in full accordance with state law. Further, Director Fassett indicated that the Department remains ready to assist or visit further with the APA regarding this matter.

2. Questionable Director Travel

- a. **APA Recommendation** – “We recommend the Department implement procedures to ensure compliance with both administrative polices and related statutes prohibiting the personal use of State-owned motor vehicles, reimbursing the correct rate for personal automobile use, and disallowing unauthorized use of State “Voyager” purchasing cards, payment of Nebraska lodging taxes, and reimbursing for meals that included inadequate documentation. We also recommend those same procedures ensure TSB travel logs are filled out completely and with the correct information (ask Karen). We recommend such procedures include a review of personnel timesheets and meal expenses to ensure their accuracy. Finally, we recommend the Department work with the Director to recoup any costs to the State associated with both his personal use of a government vehicle and any overpayments or improper reimbursement payments made to him.

Because “Questionable Trip #1” and “Questionable Trip #2” herein point to possible violations of State law, including the Nebraska Political Accountability and Disclosure Act, we are forwarding this information to both the Nebraska Attorney General and the Nebraska Accountability and Disclosure Commission for further review.”

- b. **Department Action** – The Department travel policy for personal vehicle use has been revised so that all personal vehicle travel mileage is reimbursed at the IRS mileage rate. The expense reimbursement procedures were revised to provide operational consistency as well as to reduce potential errors. An educational session was held with all field office employees. The same policy guidance information has been shared with the rest of the agency staff as well as proper guidance for the completion of forms. Personnel timesheets are being reviewed and approved by supervisors. The Director fully reimbursed the State \$708.26 in May 2019 for all overpayments identified in the APA attestation audit.

3. Revenue Issues

a. Receipt Process

- i. **APA Recommendation** - “We recommend that the Department implement procedures to ensure an initial receipt listing is created when the mail is opened. Those same procedures should ensure also that the number of individuals who have access to funds received is limited to decrease the possibility of loss. Additionally, such procedures should ensure appropriate documentation of returned checks and review of deposits. Furthermore, such procedures should ensure that all monies due to the Department are received. Finally, the procedures should ensure the general ledger is reviewed to confirm that deposits are correctly recorded to the Department’s various funds.”
- ii. **Department Action** - Receipt processing procedures are being reevaluated and will be revised, where appropriate, to ensure that there is one initial listing of money received, the number of individuals with access is limited, and will assure that the disposition of all receipts are initially documented, verified and controlled, and that deposits are posted to the appropriate funds in EnterpriseOne.



Charlie Janssen  
 December 5, 2019  
 Attestation Report Response  
 Page 3 of 5

- b. Dam Safety Revenue
  - i. **APA Recommendation** – “We recommend the Department set up the Dam Safety Cash Fund in the State’s accounting system and deposit dam safety revenue to this fund, as directed by State statute.”
  - ii. **Department Action** – The Department submitted a request to DAS State Accounting to create a Dam Safety Cash Fund and creation of the fund is underway. We will deposit applicable future revenues into this fund.
  
- c. Well Fee Split
  - i. **APA Recommendation** – “We recommend the Department document how the split of registration fees was determined to ensure compliance with State statute.”
  - ii. **Department Action** – The Department has documented and the Director has determined, consistent with state law that the appropriate split for well registration fees will continue to be \$21.50 to the Water Well Decommissioning Fund and \$18.50 to the Natural Resources Cash Fund.
  
- d. Pesticide Fees
  - i. **APA Recommendation** – “We recommend the Department establish procedures to ensure the Department receives all funds due to it from receipts processed by the Department of Agriculture. Additionally, we recommend the Department work with the Department of Agriculture and Nebraska.gov to ensure that such receipts are collected and deposited in the amounts specified by State statute.”
  - ii. **Department Action** – The Department Director Jeff Fassett met with Director Steve Wellman of the Department of Agriculture (NDA) and they discussed the recommendation regarding Pesticide Fees. It was agreed that the NDA will provide the Department with a report twice a year explaining the details of the pesticide fees collected by the NDA and deposited to the Natural Resources Water Quality Fund, and the agencies will meet as necessary, to discuss any questions related to these NDA fees. To address APA concerns regarding amounts deducted by Nebraska.gov for online applications, the NDA contacted and discussed the matter with DAS-State Accounting. They agreed and reported to the Department that the appropriate way to handle the Nebraska.gov access fees was to receive and deposit the respective statutory license fees of \$25 for commercial applicator licenses and \$90 for private applicator licenses, and then expense the \$2 and \$3 Nebraska Interactive access.
  
- 4. Capital Asset Issues
  - a. **APA Recommendation** – “We recommend the Department implement procedures to ensure an adequate segregation of duties over capital assets. This includes both reviewing all asset reports and implementing a secondary review of these reports. We also recommend the Department’s procedures properly address items on the capital asset integrity reports, remove capital assets timely, track significant assets that are not capitalized, and ensure all assets are tagged ‘Property of the State of Nebraska’.”
  - b. **Department Action** – The surplus property, fixed asset tagging, and fixed asset reporting procedures are being updated, consistent with the recommendations. These revised procedures are in addition to those identified in the State Accounting Manual. Under the procedures, monthly reports will be reviewed by separate staff member.



Charlie Janssen  
December 5, 2019  
Attestation Report Response  
Page 4 of 5

5. Federal Receipts
  - a. **APA Recommendation** – “We recommend the Department implement procedures to ensure all Federal revenue reimbursements have traceable, adequately documented support for expenditures. We also recommend the Department reconcile Federal fund balances to ensure excess receipts were for actual expenditures of Federal grants.”
  - b. **Department Action** - We will ensure all Federal revenue reimbursements have traceable, adequately documented support for expenditures. In the past year, the Department underwent a process improvement Kaizen event where a new process was developed, adopted and procedures will be drafted. We now have a designated Federal Aid Administrator that is receiving and processing all traceable documentation, and coordinating with our grant managers, prior to expense reimbursement. Grant work flow is being restructured to ensure timely and accurate documentation processing. Along with this process, the Federal Aid Administrator reconciles receipts to ensure they are actual expenditures of the Federal grants. We have reconciled all current grants, and will conduct a comprehensive review of prior grants.
6. Expenditure Issues
  - a. **APA Recommendation** – “We recommend the Department implement procedures to ensure that the Department receives the NRD rates timely, the NRD rates agree to the rates actually used, and costs are eligible. Those same procedures should ensure also that adequate supporting documentation is obtained for all Department expenditures, and invoices received are accurate. Finally, the procedures should ensure that payments are coded correctly for financial statement presentation.”
  - b. **Department Action** – The Department internal Required Actions List has been updated to identify an item to notify NRDs in January of the need to send Department updated cost-share rates to be utilized for reimbursement for the upcoming year. We also have an NRD checklist for ensuring expenditures and invoices are accurate. We have conducted a staff refresher on the need to be sure that payments are coded correctly.
7. Employee Travel
  - a. **APA Recommendation** – “We recommend the Department implement procedures to ensure mileage logs are completed correctly and reviewed. Those same procedures should ensure also that the Department reimburses only for allowable expenditures and the most direct route of travel. Finally, those procedures should ensure that expense reimbursements are completed correctly, and expenses claimed are adequately reviewed and approved before reimbursement.”
  - b. **Department Action** – A training session regarding travel expenses was held with all of the Field Office staff, during their annual training meeting. The same information has been communicated to the rest of the agency employees and is a part of onboarding for new employees to the agency.
8. Incorrect Transfer
  - a. **APA Recommendation** – “We recommend the Department implement procedures to ensure that fund transfers are completed as directed by statute.”
  - b. **Department Action** – The Department will continue to work closely with the Legislative Fiscal Office, DAS Budget Division, and the Policy Research Office when interpreting legislation and transferring funds as directed by statute.

Charlie Janssen  
December 5, 2019  
Attestation Report Response  
Page 5 of 5

Should you have questions or suggestions regarding the corrective actions we are implementing, please contact me or Tim Freed at 402-471-1696 or [tim.freed@nebraska.gov](mailto:tim.freed@nebraska.gov).

Sincerely,

A handwritten signature in blue ink that reads "Gordon W. Fassett". The signature is written in a cursive style with a large, looping initial 'G'.

Gordon W. "Jeff" Fassett, P.E.  
Director

Cc: Steve Wellman, Director Nebraska Department of Agriculture  
Tim Freed, Nebraska Department of Natural Resources

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

**ATTESTATION REPORT OF THE NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM 262 – PUBLIC HEALTH ADMINISTRATION – JULY 1, 2017, THROUGH DECEMBER 31, 2018**

Received December 6, 2019 – Department of Health and Human Services corrective action plan.

**NEBRASKA**

Good Life. Great Mission.

DEPT. OF HEALTH AND HUMAN SERVICES



Pete Ricketts, Governor

December 20, 2019

Honorable Charlie Janssen  
Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, Nebraska 68509-8917

Dear Mr. Janssen:

We are providing this letter pursuant to statutory requirements to provide updates on the status of audit findings noted in the examination of the Department of Health and Human Services (Department) Program 262 *Public Health Administration* for the period July 1, 2017, through December 31, 2018. Below are status updates organized by the eight summary areas of findings included in the attestation report issued June 28, 2019.

1. **Internal Control Over Revenues:** Vital Records front line staff no longer have the ability to waive fees. Checks are restrictively endorsed and deposited timely, in accordance with state statute. EnterpriseOne permissions have been updated within the Environmental Health Laboratory to remove unnecessary accounts receivable roles from staff profiles.
2. **Vital Records Petty Cash:** Petty cash authorized users have been updated and maintained in a timely fashion. Issues with the petty cash book balance have been resolved. The petty cash account has been reconciled to the authorized amount of \$1,000. Unclaimed property has been remitted to the State Treasurer.
3. **Fees and Fund Balances:** No further update.
4. **Contract Payments:** The Department has received deliverables in full related to the \$210,000 prepayment to state vendor Netsmart, in accordance with contract provisions. The Department and the University of Nebraska Medical Center (UNMC) are working toward resolution of questioned costs on a contractual payment related to the statewide infection control assessment and promotion program (ICAP). UNMC and the Department have reached an agreement on \$1,695.96 in unallowable costs. Repayment is pending and will take place via IBT.
5. **Journal Entries:** The Department is now able to request supporting documentation for review from the Department of Administrative Services related to postage, copy services, and printing services billings attributed to Department programs.

Helping People Live Better Lives



6. **Travel Expenditures:** The Department has drafted new travel and reimbursement policies, which better align with federal regulations. Once implemented, revisions will address differences between Department policy and federal guidelines.
7. **State Vehicle Usage:** Clarifying instructions have been presented to staff to ensure future vehicle logs are completed in compliance with state statute.
8. **Payroll Issues:** Miscalculated vacation leave balances have been corrected.



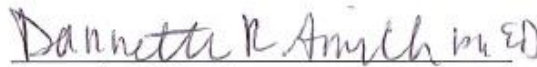
---

Ryan Daly  
Financial Officer Division of Public Health



---

Gary Anthone, MD  
Chief Medical Officer,  
Director Division of Public Health



---

Dannette R. Smith  
Chief Executive Officer



Helping People Live Better Lives

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



**AUDIT REPORT OF THE NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS –  
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS –  
JANUARY 1, 2018, THROUGH DECEMBER 31, 2018**

Received January 15, 2020 – Nebraska Public Employees Retirement Systems corrective action plan.



1526 K Street, Suite 400  
P.O. Box 94816  
Lincoln, NE 68509-4816  
Phone 402-471-2053  
Toll Free 800-245-5712  
Fax 402-471-9493  
[npers.ne.gov](http://npers.ne.gov)

January 15, 2020

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

Auditor Janssen,

Per Neb. Rev. Stat. § 84-304(3)(b), the Nebraska Public Employees Retirement System (NPERS) is providing you a “detailed written description of any corrective action taken or to be taken in response to the comment{s} and recommendation{s}” that were communicated to our agency in the audit report for the NPERS State and County Employees Retirement Plans, issued August 29, 2019.

The corrective action for the report comment for the State and County Plans is summarized below.

**Fund 51 Balance Follow-up Procedures** – the Auditor of Public Accounts (APA) recommended NPERS “strengthen its procedures for reviewing Fund 51 balances to ensure balances that need to be transferred to the Fund 50 are transferred in a timely manner”.

Our procedures for reviewing the Fund 51 report that is received from Ameritas have been revised and strengthened. We have cross-trained additional benefit staff to aid in the review of the report.

NPERS will continue to review the Fund 51 report in a timely manner. Please let us know if there are any additional questions.

Respectfully,

Randy Gerke, Director  
Nebraska Public Employees Retirement Systems

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

**ATTESTATION REPORTS OF 44 COUNTY COURTS  
JANUARY 1, 2018, THROUGH DECEMBER 31, 2018 –  
ISSUED MARCH 27, 2019, THROUGH JUNE 26, 2019.**

Received Response December 24, 2019 – Judicial Branch corrective action plan.

**Corey R. Steel**  
State Court Administrator



**Deborah A. Minardi**  
State Probation Administrator



December 19, 2019

Charlie Janssen  
Nebraska Auditor of Public Accounts  
State Capitol, Suite 2303  
Lincoln, NE 68509-8917

Dear Auditor Janssen:

Neb. Rev. Stat. § 84-304(3)(b) requires entities to describe the corrective actions taken or to be taken in response to audits conducted by the Auditor of Public Accounts. This letter is intended to meet that requirement for the 45 county court audits conducted in CY2019.

**Recommendation: Segregation of Duties**

Action: This finding was stated in 42 audits and as the only finding in 15 audits. It is a long standing audit point for smaller county courts. The Judicial Branch does not have the financial resources and personnel to provide sufficient support to remove this finding from many audits. However, the risks from lack of segregation have been reduced over time. In 2013, the position of Accounting Audit Specialist was created. There are currently four Specialists that review financial records and provide assistance on all financial matters to the Clerk Magistrates who operate each county court. For those courts that have sufficient resources, in many cases, the finding stated that one person was able to process all parts of a financial transaction. No instances were reported that this was done. The Judicial Branch will continue to work with those courts to reduce the need for one person to have this ability.

**Recommendation: Timely Review of Reports**

Action: A finding or statement recommending more frequent review of financial actions was made in 22 audits. Many courts have since implemented procedures and are now reviewing, for example, the Monthly Case Balance Report and the Overdue Case Balance Report on a regular basis. In addition, several courts received assistance from the Accounting Audit Specialists and other Clerk Magistrates to resolve specific cases and receive guidance on procedures.

**Recommendation: Miscellaneous Issues**

Action: Audit findings and statements were also made regarding use of signature stamps, non-monetary receipts, reporting of unclaimed property, bank reconciliation, and payment or receipt issues. In most of

Administrative Office of the Courts & Probation  
P. O. Box 98910, Lincoln, Nebraska 68509-8910  
www.supremecourt.nebraska.gov  
Phone (402) 471-3730  
Fax (402) 471-2197

Charlie Janssen  
December 19, 2019  
Page 2

the county courts, the specific issue has been resolved. In the remainder of the courts, the Accounting Audit Specialists as well as other Administrative Office of the Courts/Probation personnel are working on or are implementing new plans to improve court performance.

Sincerely,

A handwritten signature in black ink that reads "Corey R. Steel". The signature is written in a cursive style with a large, sweeping flourish at the end.

Corey R. Steel  
State Court Administrator

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