

**ADVISORY LETTER OF THE  
NEBRASKA  
HEALTH AND HUMAN SERVICES SYSTEM  
STATE WARDS' GUARDIANSHIP ACCOUNTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
STATE WARDS' GUARDIANSHIP ACCOUNTS

**TABLE OF CONTENTS**

	<u>Page Number</u>
<b>Background Information Section</b>	
Background	1 - 2
Organizational Chart	3
<b>Advisory Letter</b>	4
<b>Schedule</b>	
Schedule of Guardianship Accounts For the Fiscal Year Ended June 30, 2001	5

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
STATE WARDS' GUARDIANSHIP ACCOUNTS

**BACKGROUND**

**General Information**

Neb. Rev. Stat. Section 43-905(1) R.R.S. 1998, states, "The Department of Health and Human Services shall be the legal guardian of all children committed to it." A child may become a ward of the State by means of:

1. **Judicial Determination** – a court order entered by a court of competent jurisdiction
2. **Voluntary Relinquishment** – the parent or guardian voluntarily relinquishes custody to the State
3. **Voluntary Placement** – similar to a voluntary relinquishment, but the legal status of the parent or guardian is not affected
4. **Law Enforcement Pickup** – any law enforcement official who takes a child who otherwise is not a ward of the State into temporary custody (not to exceed 48 hours) for the child's protection

Per Neb. Rev. Stat. Section 43-905(3) R.R.S. 1998, a child may remain a ward of the State and receive services until he or she reaches the age of majority (the ward's nineteenth birthday). However, the child may continue to receive services from the State until reaching the age of twenty-one if the child is a student regularly attending school, college, or university or regularly attending a course of vocational or technical training designed to prepare the child for gainful employment.

**Guardianship Accounts**

Neb. Rev. Stat. Section 43-907, R.R.S. 1998, instructs the Director of the Department of Health and Human Services to "take custody and exercise general control" of the assets owned by the children in the custody of the State. Assets of each child are maintained in a separate guardianship account under the control of the Financial Responsibility Division of the Department of Health and Human Services. Examples of assets include:

1. Cash on hand
2. Cash in savings or checking accounts
3. Stocks, bonds, CDs, and other investments
4. Trust or guardianship funds
5. Cash value of certain insurance policies

Assets are deposited in a checking account insured by the Federal Deposit Insurance Corporation (FDIC) for \$100,000 with the remaining balance secured by pledged collateral. Excess funds in the amount of \$425,000 were transferred into the State's Short Term Investment Pool (STIP) maintained by the State Investment Council. Accumulated interest since the funds were invested total \$122,931 as of June 30, 2001. The average monthly interest rate of the STIP for fiscal year 2001 was 5.74%.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
STATE WARDS' GUARDIANSHIP ACCOUNTS

**BACKGROUND**  
(Concluded)

All income received from the investment or deposit of assets is credited to the individual ward's guardianship account based on the lowest balance for the month. The Financial Responsibility Division is required to make and maintain detailed records showing all receipts, investments, and expenditures of assets owned by children in the custody of the State.

Not all wards have a guardianship account. Guardianship accounts are only established for children who have assets or who are receiving unearned income or benefits such as:

1. Retirement, Survivors, and Disability Insurance under the Social Security Act
2. Supplemental Security Income
3. Railroad Retirement, or
4. Veteran's benefits

Of the 7,062 wards in the custody of the State as of June 30, 2001, 900 wards had guardianship accounts with the Financial Responsibility Division for a combined total balance of \$1,238,414. In addition, there are wards that have guardianship accounts who are residents of the Youth Rehabilitation Treatment Centers at Geneva and Kearney. However, these accounts were not included in the scope of this engagement.

**Reimbursements to the State**

Per Neb. Rev. Stat. Section 43-907, R.R.S. 1998, "Assets over and above a maximum of one thousand dollars and current income shall be available for reimbursement to the state for the cost of care." Wards are first allowed to accumulate assets up to \$1,000 for certain authorized personal use before any funds are used to reimburse the State. This is established as the personal needs balance, which is considered part of the guardianship account. Any funds spent by the ward for personal use will reduce the \$1,000 balance. However, the balance cannot be replenished.

After the \$1,000 personal needs account balance is reached, the ward is allowed to receive the first \$50 per month from unearned income sources for personal needs. If the ward chooses not to spend the \$50, it accumulates until the ward spends it and it cannot be used for maintenance costs.

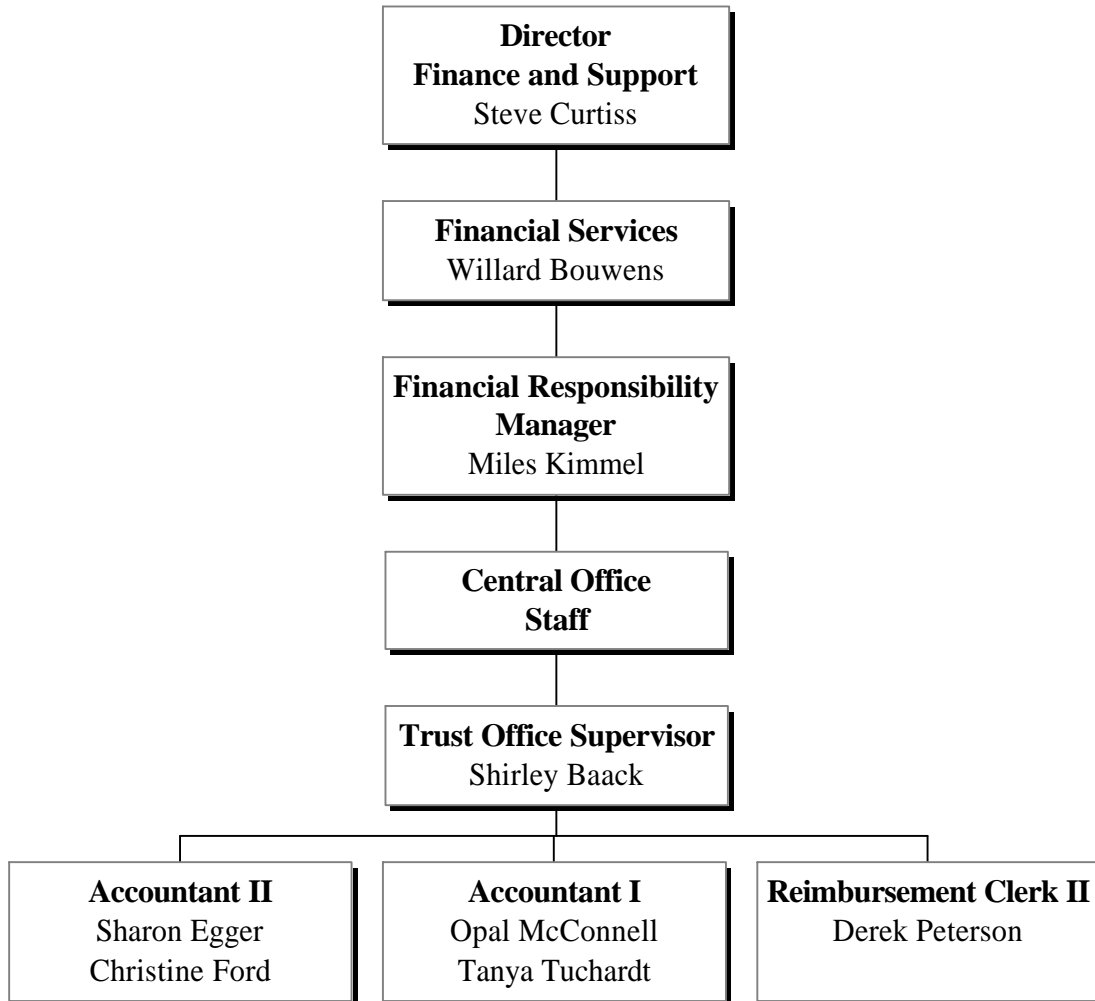
After the ward has accumulated \$1,000 in assets, and has received the \$50 monthly amount, any excess is used to reimburse the State. Generally, the cost of care for the ward exceeds the benefits received by the ward. If the ward's benefits received exceed the maintenance costs, the funds remain in the guardianship account until the ward is no longer receiving care from the State.

**Termination of Ward's Status**

When a child's status as a ward is terminated, funds in the child's guardianship account in excess of the child's personal needs balance are used to reimburse remaining debts to the State. The child is entitled to any remaining balance from the \$1,000 personal needs balance and the remaining sum of the \$50 monthly personal needs payments.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
STATE WARDS' GUARDIANSHIP ACCOUNTS

**ORGANIZATIONAL CHART**



# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

---



Steve Curtiss, Director  
Finance and Support  
Nebraska Health and Human Services System  
P.O. Box 95026  
Lincoln, NE 68509-5026

P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

Kate Witek  
State Auditor  
[kwitek@mail.state.ne.us](mailto:kwitek@mail.state.ne.us)

Deann Haeffner, CPA  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

Don Dunlap, CPA  
Asst. Deputy Auditor  
[aud1010@vmhost.cdp.state.ne.us](mailto:aud1010@vmhost.cdp.state.ne.us)

Pat Reding, CPA  
Asst. Deputy Auditor  
[aud1008@vmhost.cdp.state.ne.us](mailto:aud1008@vmhost.cdp.state.ne.us)

Mary Avery  
SAE/Finance Manager  
[MaryJAvery@aol.com](mailto:MaryJAvery@aol.com)

Dennis Meyer  
Budget Coordinator  
[dmeyer@mail.state.ne.us](mailto:dmeyer@mail.state.ne.us)

Mark Avery  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

Robert Hotz, JD  
Legal Counsel  
[robhotz@mail.state.ne.us](mailto:robhotz@mail.state.ne.us)

Dear Mr. Curtiss:

We have studied the policies and procedures related to the Nebraska Health and Human Services System – State Wards' Guardianship Accounts for the fiscal year ended June 30, 2001. Our study was made under the authority of Neb. Rev. Stat. Section 84-304, R.S. Supp., 2000, which authorizes the examination of agency records. This advisory letter provides the results of that study and is intended for the information of the Nebraska Health and Human Services System; however, this letter is a matter of public record and its distribution is not limited.

We performed the following procedures:

1. Determined whether internal controls were adequate and in place.
2. Reconciled bank activity to guardianship account activity for the fiscal year ended.
3. Reconciled the bank statement as of June 30, 2001.
4. Compiled guardianship account information as of June 30, 2001.
5. Tested receipts to determine whether they were properly recorded in the guardianship accounts.
6. Tested disbursements to determine whether they were properly authorized and recorded in the guardianship accounts.
7. Tested maintenance reimbursements paid to Health and Human Services for the cost of the wards' care to determine whether they were correct.
8. Determined whether all funds were adequately covered by Federal Deposit Insurance Corporation and pledged collateral.

The scope of this study was less than would have been required to issue an audit or review report. We have not audited or reviewed the accompanying data and, accordingly, do not express an opinion or any other form of assurance on this data.

As a result of our study of the State Wards' Guardianship Accounts, we noted no specific issues which the Nebraska Health and Human Services System should consider relative to those procedures.

A handwritten signature in dark ink, reading "Timothy J. Channer CPA".

Manager

August 24, 2001

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
STATE WARDS' GUARDIANSHIP ACCOUNTS  
**SCHEDULE OF GUARDIANSHIP ACCOUNTS**  
Fiscal Year Ended June 30, 2001

	<u>Trust Fund</u>
RECEIPTS:	
Direct Deposits	\$ 3,388,500
Other Deposits	210,532
Interest	<u>51,113</u>
TOTAL RECEIPTS	<u>3,650,145</u>
DISBURSEMENTS:	<u>3,268,517</u>
Excess of Receipts over Disbursements	381,628
BALANCE JULY 1, 2000	<u>856,786</u>
BALANCE JUNE 30, 2001	<u><u>\$ 1,238,414</u></u>
BALANCE CONSISTS OF:	
Cash in Bank	\$ 690,483
Investment Council - Principal	425,000
Investment Council - Accumulated Interest	<u>122,931</u>
TOTAL	<u>\$ 1,238,414</u>