

**AUDIT REPORT
OF THE
NEBRASKA HEALTH AND HUMAN
SERVICES SYSTEM - PROGRAM 345
OFFICE OF JUVENILE SERVICES
COMMUNITY-BASED PROGRAM**

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 345 – OFFICE OF JUVENILE SERVICES
COMMUNITY-BASED PROGRAM

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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 345 – OFFICE OF JUVENILE SERVICES
COMMUNITY-BASED PROGRAM

BACKGROUND

The Office of Juvenile Services was originally established in 1994 within the Department of Correctional Services. The programs and functions of the office were transferred to the Health and Human Services (HHS) System in 1997. The functions of the office include administration of the youth rehabilitation and treatment centers in Kearney and Geneva and juvenile community supervision services. The office is charged with providing a range of community-based services for juveniles and their families along with overall case management for juveniles committed to the Office's custody.

The Parole and Community-Based Juvenile Services Division, the Youth Rehabilitation and Treatment Centers, and the Children and Family Services Division are each a part of the Protection and Safety area of the HHS System. A central focus since the creation of the system has been the merger of child welfare and juvenile services into an integrated child, youth, and family service area. This merger brings together two entities that service a number of the same clients and that work with the same support systems. The merger was intended to overcome historic funding barriers; increase service capacity and maximize resources; improve service delivery; and produce efficiencies in management and operation of child welfare and juvenile services.

The Youth Rehabilitation Treatment Center (YRTC)-Geneva houses adjudicated female juveniles committed to the Office of Juvenile Services by the juvenile courts for staff-secure residential custody. Diagnostic and evaluation services also provided at the center for both male and female juveniles have been transitioned to contracted services that are geographically accessible statewide. The YRTC-Kearney houses adjudicated male juveniles committed to the Office by the juvenile courts for staff-secure residential custody. Both centers provide education and specialized treatment designed to meet the developmental needs of youth and to redirect their behavior.

The community service delivery system has been incorporated into six service areas of the HHS System. Community service staffs are responsible for case management of all juveniles committed to the Office and for direct supervision of juveniles paroled from the YRTC's and juveniles committed by the juvenile courts for direct community placement. The Program has contracts with a number of private sector service providers within each region. The program staff assist in management of these contracts and the coordination of services provided, such as community evaluations, community residential evaluations, tracker programs, and individual and family counseling.

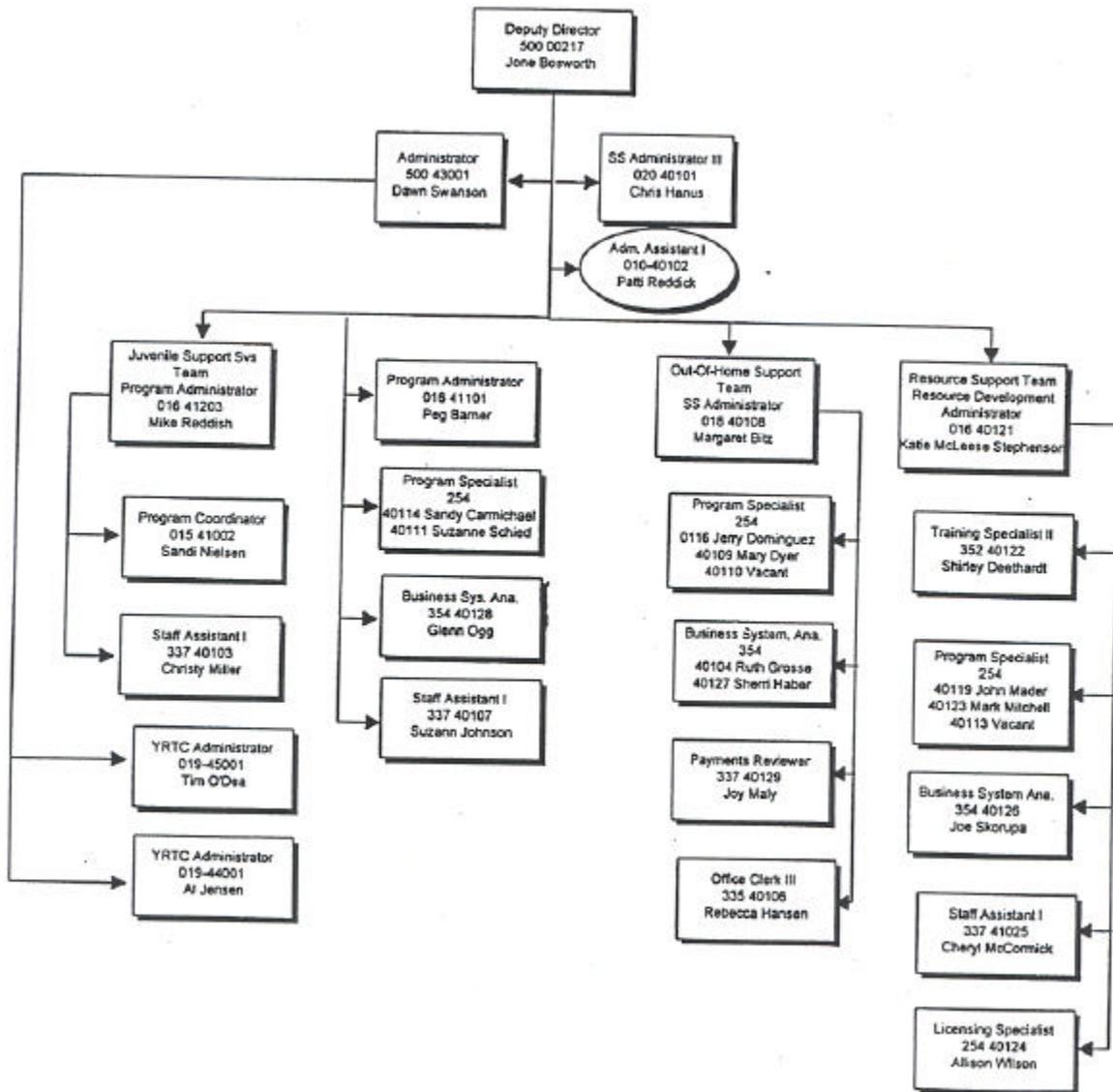
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 345 – OFFICE OF JUVENILE SERVICES
COMMUNITY-BASED PROGRAM

MISSION STATEMENT

The mission of the HHS System is to create and sustain a unified, accessible, caring, and competent health and human services system for each Nebraskan that maximizes local determination to achieve measurable outcomes. To this end, the state will work in partnership with communities and their public and private sector entities.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 PROGRAM 345 – OFFICE OF JUVENILE SERVICES
 COMMUNITY-BASED PROGRAM

ORGANIZATIONAL CHART



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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 345 – OFFICE OF JUVENILE SERVICES
COMMUNITY-BASED PROGRAM

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Health and Human Services System Program 345 – Office of Juvenile Services Community-Based Program as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also as discussed in Note 1, the financial statements present only the Nebraska Health and Human Services System Program 345 – Office of Juvenile Services Community-Based Program, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Health and Human Services System Program 345 – Office of Juvenile Services Community-Based Program as of June 30, 2000, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 24, 2001, on our consideration of the Nebraska Health and Human Services System Program 345 – Office of Juvenile Services Community-Based Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Handwritten signature of Timothy J. Chamber CPA in black ink.

Manager

May 24, 2001

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 345 - OFFICE OF JUVENILE SERVICES
COMMUNITY-BASED PROGRAM
STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES
June 30, 2000

	<u>Governmental</u> <u>Fund Types</u> Special Revenue HHS-OJS-Federal Fund 4252
<u>Assets</u>	
Cash in State Treasury	\$ <u>338,738</u>
Total Assets	\$ <u><u>338,738</u></u>
<u>Fund Balances</u>	
Fund Balances:	
Unreserved, Undesignated	\$ <u>338,738</u>
Total Fund Balances	\$ <u><u>338,738</u></u>

See Notes to Financial Statements.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 345 - OFFICE OF JUVENILE SERVICES
COMMUNITY-BASED PROGRAM
**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	Totals (Memorandum Only)
		HHS-OJS-Federal Fund 4252	
RECEIPTS:			
Appropriations	\$ 5,231,375	\$ -	\$ 5,231,375
Intergovernmental	-	421,500	421,500
Miscellaneous	280	-	280
TOTAL RECEIPTS	<u>5,231,655</u>	<u>421,500</u>	<u>5,653,155</u>
DISBURSEMENTS:			
Operating	5,232,359	83,800	5,316,159
Government Aid	(984)	-	(984)
TOTAL DISBURSEMENTS	<u>5,231,375</u>	<u>83,800</u>	<u>5,315,175</u>
Excess of Receipts Over Disbursements	<u>280</u>	<u>337,700</u>	<u>337,980</u>
OTHER FINANCING SOURCES (USES):			
Deposits to State General Fund	(280)	-	(280)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(280)</u>	<u>-</u>	<u>(280)</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	-	337,700	337,700
FUND BALANCE, JULY 1, 1999	<u>-</u>	<u>1,038</u>	<u>1,038</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ -</u>	<u>\$ 338,738</u>	<u>\$ 338,738</u>

See Notes to Financial Statements.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 345 - OFFICE OF JUVENILE SERVICES
COMMUNITY-BASED PROGRAM
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2000

	GENERAL FUND	
	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGET		
RECEIPTS:		
Appropriations	\$ 5,231,375	
Intergovernmental	-	
Miscellaneous	280	
TOTAL RECEIPTS	5,231,655	
DISBURSEMENTS:		
Operating	5,232,359	
Government Aid	(984)	
TOTAL DISBURSEMENTS	5,242,641	11,266
Excess of Receipts Over Disbursements	280	
OTHER FINANCING SOURCES (USES):		
Deposit to State General Fund	(280)	
TOTAL OTHER FINANCING SOURCES (USES)	(280)	
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	-	
FUND BALANCES, JULY 1, 1999	-	
FUND BALANCES, JUNE 30, 2000	\$ -	

See Notes to Financial Statements.

FEDERAL FUND			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
	\$ -			\$ 5,231,375	
	421,500			421,500	
	-			280	
	<u>421,500</u>			<u>5,653,155</u>	
	83,800		5,776,641	5,316,159	460,482
	-		-	(984)	984
<u>534,000</u>	<u>83,800</u>	<u>450,200</u>	<u>5,776,641</u>	<u>5,315,175</u>	<u>461,466</u>
	<u>337,700</u>			<u>337,980</u>	
	-			(280)	
	-			(280)	
	337,700			337,700	
	<u>1,038</u>			<u>1,038</u>	
	<u>\$ 338,738</u>			<u>\$ 338,738</u>	

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 345 – OFFICE OF JUVENILE SERVICES
COMMUNITY-BASED PROGRAM

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Health and Human Services System Program 345 – Office of Juvenile Services Community-Based Program are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. Reporting Entity.** The Nebraska Health and Human Services System Program 345 – Office of Juvenile Services Community-Based Program (Program) is a Program within the Nebraska Health and Human Services. The Nebraska Health and Human Services System is a State agency established under and governed by the laws of the State of Nebraska. As such, the Program is exempt from State and Federal income taxes. The financial statements include all funds of the Program.

The Nebraska Health and Human Services System Program 345 – Office of Juvenile Services Community-Based Program is part of the primary government for the State of Nebraska's reporting entity.

- B. Basis of Accounting.** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounting records of the Program are maintained and the Program's financial statements were prepared on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Combined Statements of Assets and Fund Balances for all funds of the Program. This differs from governmental generally accepted accounting principles (GAAP), which require all governmental funds to be accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the cash receipts and disbursements basis of accounting, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP), which requires the use of the modified accrual basis for the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 345 – OFFICE OF JUVENILE SERVICES
COMMUNITY-BASED PROGRAM

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

- C. Fund Accounting.** The accounts and records of the Program are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which record receipts, disbursements, and the fund balance. The fund type presented on the financial statements are those required by GAAP and include:

General Fund. Reflects transactions related to resources received and used for those general operating services traditionally provided by state government which are not accounted for in any other fund.

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

This fund type classification differs from the budgetary fund types used by the Nebraska Accounting System.

The fund types established by the Nebraska Accounting System that are used by the Program are:

1000 - General Fund - accounts for all financial resources not required to be accounted for in another fund.

4000 – Federal Funds – account for all federal grants and contracts received by the State.

- D. Budgetary Process.** The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Nebraska Health and Human Services System and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium. The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor can

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 345 – OFFICE OF JUVENILE SERVICES
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NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency/program, the Legislature may provide funding from one to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled “Annual Budgetary Report” shows the detail of this legal level of control. This publication is available from the Department of Administrative Services Accounting Division.

Appropriations are usually made for each year of the biennium with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium.

All State budgetary disbursements for the general and federal fund types are made pursuant to the appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts except that the Legislature’s approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total general, cash, construction, and revolving fund appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

The Program utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State’s centralized accounting system and as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Agency’s current procedure is to include in the budget columns, Total Disbursement line, of the Statement of

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Receipts, Disbursements and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Nebraska Department of Health and Human Services System's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report, and are budgeted at the program level and not within separate budgetary fund types for the program. As a result, for financial reporting purposes, budget amounts for object of expenditure accounts are shown only for total budgeted funds.

Receipts are not budgeted and therefore there are no budgeted amounts shown on the Budget and Actual Statement.

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The Federal fund on the Budgetary Statement is appropriately classified as a Special Revenue fund for Financial Statement purposes.

- E. Cash in State Treasury.** Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer on a daily basis based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether or not a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Program were designated for investment during fiscal year 2000.

Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Program are:

Appropriations. Appropriations are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

Intergovernmental. Receipts from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements. These receipts are grant monies passed through the Nebraska Commission On Law Enforcement and Criminal Justice for Federal Grant-98-JA-614.

Miscellaneous. Receipts from sources not covered by other major categories. These receipts consist mainly of investment interest.

F. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Program are:

Operating. Disbursements directly related to a program's primary service activities.

Government Aid. Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

2. Totals

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information since interfund balances and transactions have not been eliminated.

3. Contingencies and Commitments

Risk Management. The Nebraska Health and Human Services System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and health care insurance. The System, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability and workers compensation. The State has chosen to purchase insurance for:

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

1. Motor vehicle liability which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage and uninsured and underinsured motorists with various limits and deductibles.
2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.
3. Crime coverage with a limit of \$1 million for each loss with a \$10,000 retention per incident.
4. Real and personal property on a blanket basis for losses up to \$250,000,000 with a self-insured retention of \$100,000 per loss occurrence. The perils of Flood and Earthquake are covered up to \$9,000,000. Newly acquired properties are only covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Risk Management Internal Service Fund through a combination of employee and State contributions. Worker's compensation is also funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Health and Human Services Program 345 – Office of Juvenile Services Community-Based Program's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Agency, if any, could not be determined at this time. However, it is the System's opinion that final settlement of those matters should not have an adverse effect on the System's ability to administer current programs. Any judgement against the System would have to be processed through the State Claims Board and be approved by the Legislature.

4. Full Accountability of the General Fund

Only the cash transactions are reported on the financial statements for this fund. They do not show appropriations. To show the full accountability over this fund the following schedules reflect appropriations. Appropriations do not represent cash transactions.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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NOTES TO FINANCIAL STATEMENTS

(Continued)

4. Full Accountability of the General Fund (Concluded)

General Fund	
Beginning (Reappropriated) Balance July 1, 1999	\$ 260,347
New Appropriations	4,982,294
Total Appropriations	<u>5,242,641</u>
Disbursements	<u>(5,231,375)</u>
Ending (Appropriations) Balance June 30, 2000	<u>\$ 11,266</u>

5. Pooled Costs

The Nebraska Health and Human Services (HHS) System pools certain operating costs incurred. HHS determined it was more cost efficient to account for these operating costs in a pooled fashion rather than on an individual program basis. The pooled operating costs included accounting and auditing, communications, data processing, employee assistance program, freight, office supplies, postage, printing/publications, rent/building, rent/office equipment, repairs and maintenance, state owned vehicles, and unemployment and workers compensation expenses. The financial statements of Program 345 do not include any allocation of these pooled costs.



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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 345 – OFFICE OF JUVENILE SERVICES
COMMUNITY-BASED PROGRAM
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Nebraska Health and Human Services Program 345 – Office of Juvenile Services Community - Based Program as of and for the year ended June 30, 2000, and have issued our report thereon dated May 24, 2001. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Health and Human Services Program 345 – Office of Juvenile Services Community-Based Program. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Health and Human Services Program 345 – Office of Juvenile Services Community-Based Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Health and Human Services Program 345 – Office of Juvenile Services Community-Based Program’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Program, the appropriate Federal and regulatory agencies and citizens of the State of Nebraska and is not intended to be and should not be used by anyone other than these specified parties.

May 24, 2001


Manager