The Nebraska Health and Human Services System (HHSS) operates four Veterans Homes which provide domiciliary care, nursing care, physical and occupational therapy, group activities, crafts, and social and spiritual activities. To live in one of these facilities, veterans must have served in active duty during the war, lived in Nebraska at least two years, be disabled, and satisfy certain income requirements. The federal Veterans Administration provides per diem federal fund reimbursements for the Nebraska Veterans Homes and the Homes’ members’ pay maintenance fees based upon their ability to pay. The Thomas Fitzgerald Veterans’ Home (Home) is located in Omaha on property which HHSS leases from Douglas County. Our audit report included two Comments and Recommendations.

■ **Negative Fund Balance.** Sound business practices require the Home be operated so negative fund balances do not result. The Special Revenue Fund Type for the Home had a negative fund balance of $406,638 at June 30, 2000. An accounting subsystem was used to record transactions and maintain fund balances for each of the four Veterans Homes. The Institution Cash Fund and the Federal Cash Award Fund were used by all four Homes. The negative fund balance consisted of negative balances in the Institution Cash Fund of $134,603 and in the Federal Cash Award Fund of $272,035. These negative balances were only the Home’s portion of these two Funds. These two Funds were not negative on a combined basis for all four Homes. The Nebraska Accounting System would not allow disbursements to be made in excess of the actual fund balance. Each Home was budgeted separately and appropriations were allocated to each Home based on this budget. Based on discussion with management, the Home had difficulty hiring and retaining nursing staff because of the economic climate in Omaha. The Home had difficulty competing with other employers. The main reason given by management was that the wages paid by the Home were not competitive. In order to have enough staff on duty to care for residents the Home had to resort to temporary staffing companies. These temporary staffing companies charged substantially higher rates than the cost of employees. We noted rates for temporary staff were twice as much or more than the rates for employees. This increased cost was a major contributing factor for the negative fund balance.

■ **Pledged Collateral.** Sound business practices require bank accounts be adequately collateralized with pledged securities. Federal Depository Insurance Corporation (FDIC) coverage is $100,000. The member’s trust bank account balance exceeded $100,000 every month during the fiscal year. The bank account was over $500,000 every quarter for a short amount of time. The FDIC insured accounts up to $100,000. Although the bank provided documentation of pledged collateral of up to $500,000 for all State of Nebraska accounts, there was no documentation to support this amount covered the members trust account.

We have detailed our findings and the agency’s responses in the Comments and Recommendations section of the report. See the report at [www.auditors.state.ne.us](http://www.auditors.state.ne.us).