



KATE WITEK, AUDITOR OF PUBLIC ACCOUNTS
STATE CAPITOL, SUITE 2303
LINCOLN, NEBRASKA 68509
(402) 471-2111

Advisory Letter of the Nebraska Health and Human Services System—Fixed Assets

Statewide Inventory System (SWIS) for the Period

July 1, 2000 through November 20, 2001

Computer Asset Management System (CAMS) for the Period

July 1, 2000 through February 15, 2002

Advisory Letter Highlights

Issued May 9, 2002

Comments and Recommendations

- Internal Controls
- Physical Inspection of Assets
- Additions to the Inventory Lists
- Items Traced from the Location to the List
- Items Less than \$750 on SWIS and Fund of Origination

The Legislature passed 1996 Neb. Laws LB 1044, the Nebraska Partnership for Health and Human Services Act, in April 1996. LB 1044 created a unified system of three new functionally organized agencies beginning January 1, 1997. The agencies are the Department of Health and Human Services, the Department of Health and Human Services Regulation and Licensure, and the Department of Health and Human Services Finance and Support, collectively referred to as the Health and Human Services System (HHSS).

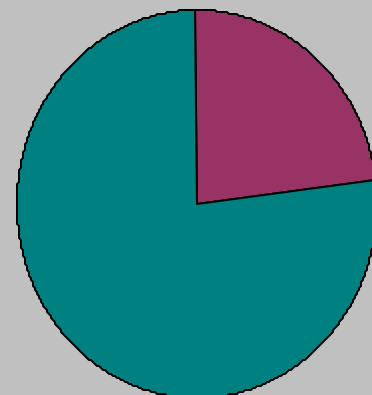
HHSS utilized two systems to maintain a record of its fixed assets. The Statewide Inventory System (SWIS) is a mainframe computer program used by many State agencies. HHSS uses SWIS to record capital assets with a cost of \$750 or more, excluding computer assets. As of November 20, 2001, HHSS reported \$8,768,854 for the total non-computer capital assets on SWIS. HHSS uses a separate database system, the Computer Asset Management System (CAMS), to record computer assets from the time they are purchased through the life of the asset to the time the equipment is disposed. As of February 15, 2002, there were 26,993 capital assets totaling \$29,096,198 recorded on CAMS.

Our letter included twelve Comments and Recommendations relating to internal controls and compliance with State laws. Specific areas of concern included:

- There was a lack of segregation of duties over SWIS and CAMS. There was not an adequate monitoring of changes made to either SWIS or CAMS. There were 139 HHSS employees statewide with access to CAMS. There were not adequate procedures to ensure a statewide annual physical inventory of SWIS and CAMS assets was performed.
- HHSS removed 1,972 computer assets from SWIS in fiscal year 2001. HHSS did not verify those assets were recorded in CAMS. There were 14 of 24 assets with a total cost of \$1,063,098 removed from SWIS that could not be located in CAMS. Ten assets were traced to CAMS but were recorded at a total of \$131,196 less than the amount recorded in SWIS.
- HHSS did not have a policy in place regarding the capitalization of improvements to buildings. Two of five documents tested were improperly coded as improvements to buildings. The total of the two documents was \$484,551.
- 26 of 103 assets tested in CAMS totaling \$42,288 could not be located. 9 of 50 assets tested in SWIS totaling \$13,142 could not be located.
- 117 items were not accurately recorded in CAMS. The result was an understatement of CAMS asset costs of \$16,435.
- 31 documents tested included assets that were not properly added to SWIS. The total cost of these items was \$238,530.
- 21 of 71 items, valued at \$22,172, had a different location on CAMS than the location the items were actually observed. 2 of 17 items also were not located in SWIS.
- HHSS had an unwritten policy to record items greater than \$750 as capital assets. There were 195 items, totaling \$45,035, with a cost of less than \$750 still on SWIS.

We have detailed our findings, the System's responses, and our responses in the Comments and Recommendations section of the letter. See our website at www.auditors.state.ne.us.

**Total Assets Reported
SWIS and CAMS**



■ SWIS \$8,768,854 ■ CAMS \$29,096,198