

**AUDIT REPORT  
OF THE  
NEBRASKA DEPARTMENT OF  
HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION**

**JULY 1, 2000 THROUGH JUNE 30, 2001**

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
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**BACKGROUND**

Program 33 is the operations budget of the Department of Health and Human Services (HHS). The primary objective is to develop, support, and manage the service delivery system and ensure that the needs of the people of Nebraska are met. In terms of service delivery, approximately 70 percent of all services are purchased through contracts of grants with various individuals and organizations. Currently, about 30 percent of the services are provided directly by HHS with State employees.

Program 33 contains funding to support the administrative responsibilities for HHS. The staff costs and operating expenditures in the following areas are currently included in this budget program: Self-sufficiency Services (Medicaid, KIDSCONNECT, Child Care Subsidy, Child Support Enforcement, Employment First, Food Stamps, and Economic Assistance); Aging and Disability Services (adult abuse, medically handicapped children, Title XX/Social Service Block grant programs, Medicaid waivers for persons with disabilities, Aging Services, Long Term Care Ombudsman, Care Management, and Pre-admission Screening); Protection and Safety (child abuse and neglect, adoption, foster care, and foster parent training); Family Health (Immunizations, newborn screening, prenatal child health, school and adolescent health, Commodity Supplemental Food Program, WIC, and reproductive health); Chronic Disease Prevention and Control (Breast/cervical cancer, diabetes, chronic renal program, HIV/AIDS prevention, and nutrition); Health Promotion and Education (Tobacco issues, injury prevention, cardiovascular disease prevention, and physical activity); the Office of Rural Health; the Office of Minority Health; the Office of Public Health; the Office of Women's Health; and Behavioral Health (mental health, substance abuse, addiction, and developmental disabilities).

Program 33 also includes all of the staff and operating costs of the six Service Areas. Service Areas are geographically based management areas responsible for the local delivery of individual and community services. Service areas provide the ability to manage, monitor, and evaluate all of the services provided within a specific boundary area.

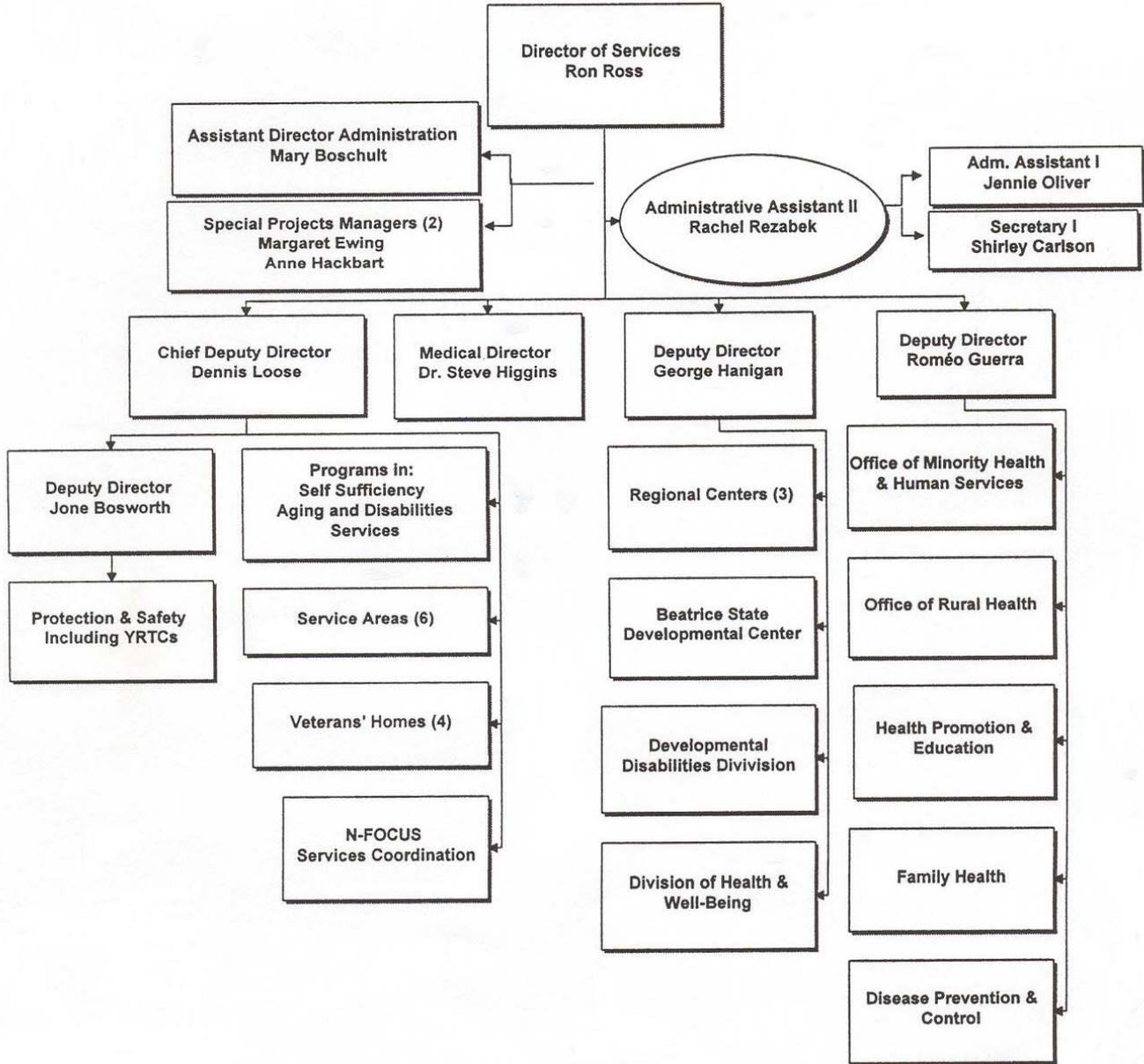
**MISSION STATEMENT**

We help people live better lives through effective health and human services.

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**ORGANIZATIONAL CHART**

As it Existed in Fiscal Year 2001



This organizational chart is the organization of the Health and Human Services Agency, of which Program 33 is a part. The Background Section of this report describes the objectives of this Program.

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**SUMMARY OF COMMENTS**

During our audit of the Nebraska Department of Health and Human Services (HHS) - Program 33 - Administration, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. **Transportation Services Bureau (TSB) Travel Logs:** During our testing of Account 4731, the Nebraska Accounting System account for travel, we noted 8 of 30 trips (4 of 16 drivers) where mileage was excessive. Excess mileage ranged from 35 to 131 miles per trip.
2. **Lack of Segregation of Duties:** We noted a lack of segregation of duties in the receipt area of the food distribution program. HHS recorded receipts in excess of \$3,653,680 in this Program for the fiscal year ended June 30, 2001. When there is a lack of segregation of duties there is an increased possibility of loss or misuse of State funds.
3. **Monitoring Budgets:** From our review of the Budget Status Report for Program 33 for the fiscal year ended June 30, 2001, we noted HHS did not have line item budgets. Instead, the Program budget was monitored for Personal Service Limitation (PSL) expenditures, payroll benefit expenditures, and all other expenditures. For fiscal year ended June 30, 2001, HHS budgeted the following for Program 33:

Personal Services	\$63,218,362
Benefits	\$15,584,210
Other	\$30,930,005

We believe sound business practices require multi-million dollar expenditures be monitored on an individual account/line item basis.

4. **A-133 Audits on File for Subrecipients at Nebraska Volunteer Service Commission (NVSC):** During our testing of disbursements we noted the NVSC did not have A-133 Single Audits on file for 4 of 12 applicable subrecipients. Without obtaining and reviewing these reports NVSC was not in compliance with OMB Circular A-133, and cannot, as effectively, monitor pass-through funds to their subrecipients to ensure all funds were spent in accordance with all federal and State requirements.
5. **The Audit Firm of KPMG LLP Findings in the Statewide Single Audit for the Fiscal Year Ended (FYE) June 30, 2001 for Child Support Enforcement (CSE) Program:** The audit firm of KPMG annually performs a Statewide Single Audit for the State of Nebraska. During our review of the FYE June 30, 2001 Statewide Single Audit, which was dated December 7, 2001, we noted comments in the report which relate to Health and Human Services (HHS) – Program 33, specifically the CSE program.

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**SUMMARY OF COMMENTS**  
(Concluded)

The comments are summarized as follows:

- A. Single audit reports and related documentation indicating follow up on findings were not obtained for any of the subrecipients.
- B. Caseworkers were not consistently initiating action within the 20 days of determining the non-custodial parent in another state and the responding state was not notified within 10 days upon receipt of new information in some cases. For the cases reviewed by the Self Assessment Division only 69 percent indicated the State followed the required procedures.
- C. Caseworkers were not consistently taking steps to follow up on all leads and services, some of which were not processed within the 90 days. For the cases reviewed by the Self Assessment Division only 69 percent indicated the State followed the required procedures.
- D. Caseworkers were not consistently taking steps to verify if health insurance was available through the non-custodial parent, and a petition for medical assistance was not obtained in some cases. For the cases reviewed by the Self Assessment Division only 51 percent indicated the State followed the required procedures.

6. ***Administrative Authority over the Nebraska Volunteer Service Commission:*** The Auditor of Public Accounts performed an audit of the Nebraska Volunteer Service Commission (NVSC) for the fiscal year ended June 30, 1998. In that audit report we reported there were no clear lines of administrative authority over the operations of the Commission. This issue remains unresolved as we found no documentation that clear lines of administrative authority over the operations of the Commission has been established.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to HHS to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, HHS declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

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**COMMENTS AND RECOMMENDATIONS**

**1. Transportation Services Bureau (TSB) Travel Logs**

Neb. Rev. Stat. Section 81-1025(1) R.R.S. 1999 requires operators of state-owned vehicles to “report the points between which the motor vehicle traveled each time used, the odometer readings at such points, the time of arrival and departure, the necessity and purpose for such travel, the license number of such motor vehicle, and the department to which such motor vehicle belongs.” In addition, good internal control would require procedures to ensure compliance with this statute.

During our testing of Account 4731, the Nebraska Accounting System account for travel, we noted 8 of 30 trips (4 of 16 drivers) where mileage was excessive. Per discussion with supervisory staff, the reason the logs did not reflect accurately the miles driven was because employees were listing their starting point for the day, and their final destination, but not including on the log the location of other stops they made. We could not verify this, and as a result, we were unable to determine if mileage was reasonable. Before the mileage was considered unreasonable we used an excess of ten percent variance of map mileage compared to mileage recorded on the travel log. Our test revealed the following:

Trip	Miles Traveled Per Log	Actual Distance Per Map	Excess Mileage
Bridgeport to Alliance to Scottsbluff and return	219	122	97
Bridgeport to Alliance to Scottsbluff and return	253	122	131
Bridgeport to Alliance and return	107	72	35
Gering to Norfolk	482	381	101
Norfolk to Lincoln	228	122	106
Lincoln to Kearney	199	129	70
Gering to Sidney	125	73	52
Arcadia to Broken Bow	134	28	106

The effect of having inadequate records to support the mileage driven is it is not possible to tell if State vehicles are being used only for official State business.

We recommend HHS develop monitoring procedures to ensure all travel logs are properly completed in accordance with State Statute, and to ensure mileage driven in State owned vehicles was only for official State business.

*HHS’s Response: HHS will review current practices and take steps to improve record-keeping for mileage in travel logs to ensure proper use of state vehicles and meet the requirements of state law and policy.*

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**COMMENTS AND RECOMMENDATIONS**

**2. Lack of Segregation of Duties**

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal control should include a segregation of duties so no one individual can be involved in all phases of a transaction from beginning to end.

We noted one individual opened the mail, prepared deposits, posted payments to the receivable accounts, and prepared the general document to deposit the payments to HHS's food distribution accounts. We also noted no independent reconciliation of accounts receivable was being performed, the program supervisor did not review system adjustments on a regular basis, and the system used to record the activity was not designed to allow for a proper segregation of duties. HHS reported receipts in this Program in excess of \$3,653,680 for the fiscal year ended June 30, 2001.

A lack of segregation of duties increases the possibility of loss or misuse of State funds.

We recommend HHS implement procedures to promote a segregation of duties, such as having the administrative assistant receive the mail and prepare a tape of the checks, the supervisor reconciling documents to the posted transactions report, and a reconciliation of accounts receivable on a regular basis (beginning balance, plus billing, less collections, equal current accounts receivable) by a person separate from the person recording the transactions. We also recommend the program supervisor review system adjustments on a regular basis and document this review. We further recommend when, and if, reprogramming of the system is planned, the plan includes programming changes to allow for a proper segregation of duties.

*HHS's Response: Based on this finding, HHS Food Programs Unit instituted an "Incoming Check Log" register and has separated the duties among the four staff in the unit effective May 1, 2002.*

**3. Monitoring Budgets**

From our review of the Budget Status Report for Program 33 for the fiscal year ended June 30, 2001, we noted HHS did not have line item budgets. Instead, the Program budget was monitored for Personal Service Limitation (PSL) expenditures, payroll benefit expenditures, and all other expenditures. In addition, based on inquiry and observation of other program budget documents, HHS may be budgeting other programs in a similar manner.

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**COMMENTS AND RECOMMENDATIONS**

**3. Monitoring Budgets (Concluded)**

For fiscal year ended June 30, 2001, HHS budgeted the following for Program 33:

Personal Services	\$63,218,362
Benefits	\$15,584,210
Other	\$30,930,005

We believe sound business practices require multi-million dollar expenditures be monitored on an individual account/line item basis at an appropriate level. Without this level of detail there is less information available to explain where the variances between budget and actual expenditures may have occurred, and thus less information available for management to make sound business decisions.

We recommend HHS develop and maintain an individual account/line item budget for Program 33 and for all other programs.

*HHS's Response: HHS shares the concern of the auditor for responsible monitoring of expenditures. The 033 budget is organized into 156 subprograms within 26 divisions to monitor the variety of programs, functions and funding streams within it. Expenditures in 033 are monitored at the line item, major account and total levels by the division and program administrators responsible for the area. The FY-01 budget was allocated at the subprogram level with amounts for PSL, benefits and all other operating. Some divisions and subprograms allocate to the line item level. The Director's office monitors 033 total expenditures at the PSL, benefit, and operating levels, and division total expenditures on a monthly basis. Division and 033 expenditures for operations, travel, equipment and aid are monitored on a periodic basis and compared to the prior year(s) history. In addition, certain line items such as printing, rent, contractual services, data processing, travel, equipment, and hardware/software are reviewed at the detail expenditure level on a periodic basis by the Assistant Director. The 033 budget program has a short history of only 4 fiscal years. It was established as the budget for the Services agency administration in the 1997 merger of HHSS.*

**4. A-133 Audits on File for Subrecipients at Nebraska Volunteer Service Commission (NVSC)**

OMB Circular A-133, Compliance Supplement (a federal government requirement) states a pass-through entity is responsible for monitoring a subrecipient's activity to provide reasonable assurance the subrecipient administers its federal awards in compliance with federal requirements. This circular further states monitoring activities can take various forms; including reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, and reviewing the subrecipient's single audit results.

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**COMMENTS AND RECOMMENDATIONS**

**4. A-133 Audits on File for Subrecipients at Nebraska Volunteer Service Commission (NVSC) (Concluded)**

During our testing of disbursements, we noted the NVSC did not have A-133 Single Audits on file for 4 of 12 applicable subrecipients. Without obtaining and reviewing these reports NVSC was not in compliance with OMB Circular A-133, and cannot, as effectively, monitor pass-through funds to their subrecipients to ensure all funds were spent in accordance with all federal and State requirements.

We recommend NVSC ensure, where applicable, all subrecipients have a single audit report filed with the Commission annually. In addition, we recommend NVSC review these reports to help them monitor all pass-through funds to ensure they are spent in accordance with all federal and State requirements.

**5. The Audit Firm of KPMG LLP Findings in the Statewide Single Audit for the Fiscal Year Ended (FYE) June 30, 2001 for Child Support Enforcement (CSE) Program**

The audit firm of KPMG annually performs a Statewide Single Audit for the State of Nebraska. During our review of the FYE June 30, 2001 Statewide Single Audit, which was dated December 7, 2001, we noted comments in the report which related to Health and Human Services (HHS) – Program 33, specifically the CSE program. Per discussion with management of HHS, the Department is in the process of providing KPMG with the follow up status of the comments. The comments are summarized as follows:

- A. Single audit reports and related documentation indicating follow up on findings were not obtained for any of the subrecipients. (Finding #01-26-11 below)
- B. Caseworkers were not consistently initiating action within the 20 days of determining the non-custodial parent in another state and the responding state was not notified within 10 days upon receipt of new information in some cases. For the cases reviewed by the Self assessment Division only 69 percent indicated the State followed the required procedures. (Finding #01-26-12 below)
- C. Caseworkers were not consistently taking steps to following up on all leads and services, some of which were not processed within the 90 days. For the cases reviewed by the Self Assessment Division only 69 percent indicated the State followed the required procedures. (Finding #01-26-13 below)
- D. Caseworkers were not consistently taking steps to verify if health insurance was available through the non-custodial parent, and a petition for medical assistance was not obtained in some cases. For the cases reviewed by the Self Assessment Division only 51 percent indicated the State followed the required procedures. (Finding #01-26-14 below)

These findings were also present in KPMG's Statewide Single Audit for FYE June 30, 2000 and finding A above was present for FYE June 30, 1999 as well.

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**COMMENTS AND RECOMMENDATIONS**

**5. The Audit Firm of KPMG LLP Findings in the Statewide Single Audit for the Fiscal Year Ended (FYE) June 30, 2001 for Child Support Enforcement (CSE) Program**  
(Continued)

The findings, as reported in the Statewide Single Audit, were as follows:

**Finding: #01-26-11**

**Program:** CFDA #93.563 – Child Support Enforcement – Subrecipient Monitoring

**Federal Grantor Agency:** U.S. Department of Health and Human Services

**Criteria:** OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, states that the pass-through entity is responsible for identifying to the subrecipient the federal award information and applicable compliance requirements, monitoring the subrecipients' activities to provide reasonable assurance that the subrecipients administer federal awards in compliance with requirements, and ensuring required audit reports are performed and requiring the subrecipient to take prompt corrective action on any finding, and evaluating the impact of subrecipient activities on the pass-through ability to comply with applicable federal regulations.

45 CFR Section 302.12(a)(3) states that if the IV-D agency delegates any of the functions of the IV-D program to any other State or local agency or official, or any official with whom a cooperative agreement has been entered into, the IV-D agency shall have responsibility for securing compliance with the requirements of the State plan by such agency or officials.

**Condition:** Single audit reports and related documentation indicating follow-up on findings were not obtained for any of the subrecipients.

**Questioned Costs:** None.

**Context:** Distributions to the counties account for over half of total expenditures during the fiscal year, which amounted to \$21,670,370.

**Cause:** The Agency does not have a process in place and/or personnel designated to perform monitoring procedures related to single audit reports.

**Effect:** Since the Agency does not ensure that the counties are in compliance, the counties may not be properly and efficiently processing cases, accurately recording transactions, nor aware of any possible performance weaknesses that could be improved upon. As a result, the amount of collections processed by the counties may not be of its fullest potential or may be recorded inaccurately.

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**5. The Audit Firm of KPMG LLP Findings in the Statewide Single Audit for the Fiscal Year Ended (FYE) June 30, 2001 for Child Support Enforcement (CSE) Program**  
(Continued)

**Recommendation:** We recommend the Agency develop policies and procedures to ensure required single audit reports are obtained; for example, by utilizing a monitoring list. In addition, we suggest the Agency develop a checklist to be completed during the review process to ensure consistent and complete procedures are performed.

*Corrective Action Plan by State Agency: CSE Finance agrees with this finding. An "Audit Requirement Certification" will be sent to all counties under cooperative agreement receiving child support expense reimbursement from Federal funds. The certifications will be received and monitored by the Grants and Cost Management Unit of HHS. The Grants and Cost Management Unit will follow up with and A-133 single audits needed (as stated on the Audit Requirement Certification) and received, along with reviewing and follow up on audit findings and questioned costs. CSE Finance will contact the Grants and Cost Management Unit periodically to ensure the counties are complying with OMB Circular A-133. This is effective August 30, 2001.*

Contact Person  
John Kwiatek

**Finding: #01-26-12**

**Program:** CFDA #93.563 – Child Support Enforcement – Special Tests and Provisions

**Federal Grantor Agency:** U.S. Department of Health and Human Services

**Criteria:** The State IV-D agency must provide the appropriate child support services needed for interstate cases (cases in which the child and custodial parent live in one State and the responsible relative lives in another State), establish an interstate central registry responsible for receiving, distributing, and responding to inquiries on all incoming interstate IV-D cases, and meet required time frames pertaining to provision of interstate services. The case requiring action may be an initiating interstate case (a case sent to another State to take action on the initiating State's behalf) or a responding interstate case (a request by another State to provide child support services or information only). Specific time frame requirements for responding and initiating interstate cases are at 45 CFR sections 303.7(a) and 303.7(b)(2), (4), (5) and (6), respectively (45 CFR sections 302.36 and 303.7).

Interstate Services – A State must have and use procedures required under this paragraph in at least 75 percent of the cases reviewed. For all interstate cases requiring services during the review period, determine the last required action was taken during the appropriate timeframes (45 CFR Section 308.2(g)).

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**5. The Audit Firm of KPMG LLP Findings in the Statewide Single Audit for the Fiscal Year Ended (FYE) June 30, 2001 for Child Support Enforcement (CSE) Program**  
(Continued)

**Condition:** Caseworkers are not consistently initiating action within the 20 days of determining the non-custodial parent in another State and the responding State was not notified within 10 days upon receipt of new information in some cases. For the cases reviewed by the Self Assessment Division only 69 percent indicated the State used the above procedures.

**Questioned Costs:** None.

**Context:** Of the 36 cases tested by the Self Assessment division, 11 were not in compliance. Seven errors were caused by action not initiated within 20 days of determining the non-custodial parent in another State. Four errors were caused by the responding State was not notified within 10 days upon receipt of new information.

**Cause:** The Agency has not taken corrective action to ensure the above procedures are performed.

**Effect:** Noncompliance with the special test requirement and 75 percent minimum compliance requirement.

**Recommendation:** We recommend the Agency review the cause of the errors and implement procedures to help eliminate them in the future.

*Corrective Action Plan by State Agency: Tentative findings for FY 2001 show an increase from 69% to 75%. This meets compliance standards.*

Contact Person  
Jan Overmiller

**Finding #01-26-13**

**Program:** CFDA #93.563 – Child Support Enforcement – Special Tests and Provisions

**Federal Grantor Agency:** U.S. Department of Health and Human Services

**Criteria:** The State IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock. The State IV-D agency must establish a support obligation when paternity is not an issue. These services must be provided for any children in cases referred to the IV-D agency or to individuals applying for services under 45 CFR section 302.33 for whom

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**5. The Audit Firm of KPMG LLP Findings in the Statewide Single Audit for the Fiscal Year Ended (FYE) June 30, 2001 for Child Support Enforcement (CSE) Program**  
(Continued)

paternity or a support obligation had not been established (45 CFR sections 303.4 and 303.5). These services must be provided within the time frames specified in 45 CFR sections 303.3(b)(3) and (b)(5), 303.3(c) and 303.4(d).

Establishment of Paternity and Support Order – The State must have and use procedures required in this paragraph in at least 75 percent of the cases reviewed (45 CFR Section 308.2 (b)).

**Condition:** Caseworkers are not consistently taking steps to following up on all leads and services were not processed within the 90 days in some cases. For the cases reviewed by the Self Assessment Division only 69 percent indicated the State used the above procedures.

**Questioned Costs:** None.

**Context:** Of the 41 cases tested by the Self Assessment division, 14 were not in compliance. Nine errors were due to service of process was not initiated within 90 days. Five errors were due to that not all leads were exhausted by the Title IV-D agency.

**Cause:** The State has not taken corrective action to ensure the above procedures are performed.

**Effect:** Noncompliance with the special test requirement and the 75 percent minimum requirement.

**Recommendation:** We recommend the Agency review the cause of the errors and implement procedures to help eliminate them in the future.

*Corrective Action Plan by State Agency: Tentative findings for FY 2001 show increase from 76% to 93%. Based on recommendations from Feds, Self Assessment combined the paternity and court order sample. There will no longer be a separate paternity sample.*

Contact Person  
Jan Overmiller

**Finding #01-26-14**

**Program:** CFDA #93.563 – Child Support Enforcement – Special Tests and Provisions

**Federal Grantor Agency:** U.S. Department of Health and Human Services

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**5. The Audit Firm of KPMG LLP Findings in the Statewide Single Audit for the Fiscal Year Ended (FYE) June 30, 2001 for Child Support Enforcement (CSE) Program**  
(Continued)

**Criteria:** The State IV-D agency must attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for services under 45 CFR section 302.33. Specifically, the State IV-D agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid. If not, the agency must petition the court or administrative authority to include medical support in the form of health insurance coverage in all new or modified orders for support. The agency is also required to establish written criteria to identify cases not included above, where there is a high potential for obtaining medical support based on: (1) available evidence that health insurance may be available to the absent parent at reasonable cost, and (2) facts which are sufficient to warrant modification of an existing support order to include health insurance coverage for a dependent child(ren). For cases meeting the established criteria, the agency shall petition the court or administrative authority to modify support orders to include medical support in the form of health insurance coverage (45 CFR 303.31(b)(1)-(4)).

Securing and Enforcing Medical Support Order – A State must have and use procedures required under this paragraph in at least 75 percent of the cases reviewed (45 CFR Section 308.2 (e)).

**Condition:** Caseworkers are not consistently taking steps to verify if health insurance is available through the non-custodial parent and a petition for medical assistance was not obtained in some cases. For the cases reviewed by the Self Assessment Division only 51 percent indicated the State used the above procedures.

**Questioned Costs:** None.

**Context:** Of the 49 cases tested by the Self Assessment division, 24 were in not in compliance. Twenty-one errors were due to steps not taken to verify if the health insurance was available through the non-custodial parent. Three errors were noted that no petition for medical assistance was obtained by the Title IV-D agency.

**Cause:** The Agency has not taken corrective action to ensure the above procedures are performed.

**Effect:** Noncompliance with the special test requirement and the 75 percent minimum requirement.

**Recommendation:** We recommend the Agency continue to develop and improve the reporting process to help ensure compliance with the above requirements. We encourage the Agency to develop written instructions for preparing the report and to review the report prior to submission.

We agree with the recommendations made by KPMG LLP.

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**5. The Audit Firm of KPMG LLP Findings in the Statewide Single Audit for the Fiscal Year Ended (FYE) June 30, 2001 for Child Support Enforcement (CSE) Program**  
(Concluded)

*Corrective Action Plan by State Agency: Tentative findings for FY 2001 show decrease from 51% to 28%. 2 cases are pending a review. 50% of errors are in Douglas County. Child Support Services initiated self-assessment program in July. They are focusing on medical support. Review period is not over.*

*Corrective Action Plan by State Agency, Concluded:*

Contact Person

*Jan Overmiller*

**6. Administrative Authority over the Nebraska Volunteer Service Commission**

The Auditor of Public Accounts performed an audit of the Nebraska Volunteer Service Commission (NVSC) for the fiscal year ended June 30, 1998. In that audit report we reported the following:

In July of 1994, the Governor signed Executive Order 94-5, which established the Nebraska Commission for National and Community Service. The Executive Order included the following:

- Determination of the 25 Governor appointed Commission members.
- A Statement that the Commission members will be eligible for reimbursement of necessary expenses as provided under State law for members of boards and commissions.
- Establishment of the seven responsibilities of the Commission.
- Requiring the Commission to report to the Governor.

The Executive Order did not specify whether the Commission could or could not hire staff to carry out their responsibilities. In addition, the Commission is not established under State Statutes. Further, it is our understanding when the Executive Order was signed the decision was made to use three open positions in the then Nebraska Department of Social Services (now the Department of Health and Human Services).

During our review of the Commission's operating procedures, we noted the normal day-to-day operating activities were the responsibility of the Commission Executive Director who was appointed by the Commission. This included the approval of all disbursements, but not the processing of the disbursements. HHS Personnel and Accounting division staff handled all processing of the disbursements. In fact, only HHS Accounting and Personnel staff has final approval authority for processing transactions on the Nebraska Accounting System. This means

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**6. Administrative Authority Over the Nebraska Volunteer Service Commission**  
(Concluded)

the Commission could not issue any warrants without the approval of HHS Personnel and Accounting staff. We also noted the Commission members themselves had performed no review or approval of the disbursements, and while the Commission did report their activity to the Governor's Office, the Governor's Office took no active role in the administration of the Commission.

While the Commission staff is technically HHS employees and HHS has the final and official approval of all Commission disbursements, the management of HHS state they have no formal administrative responsibilities or authority over the Commission. Also, the Commission themselves and the Governor's Office exert no formal administrative authority over the Commission staff. Therefore, no clear lines of administrative authority existed over the Commission, and the unofficial administrative authority of the Commission rested with the Executive Director who was not even included in the original Governor's Executive Order.

In our 1998 audit we recommended the Governor, the Commission, and HHS establish and document clear lines of administrative authority over the operations of the Commission.

Since we issued the 1998 report nothing has really changed, except the Commission has developed some operational guidelines. Per discussion with management of HHS, the Governor, and the Commission, clear lines of administrative authority over the operations of the Commission still have not been established and documented. The only things HHS has to do with NVSC are: 1) the NVSC appropriation, which occurs through HHS; 2) Vouchers which get passed through HHS; and 3) the draw down of their Federal funds.

The Commission's response to the comment in 1998 report was, "The executive director of the Nebraska Volunteer Service Commission has been meeting and will continue to meet regularly with staff from Health and Human Services (the Financial Services Administrator and the Assistant Director for Administration) to plan the Commission's budget and to review expenditures and match for the Commission. The Commission's annual operating budget will be given to the Governor's Budget Director for his review."

Again per discussion with management of HHS, this happened for a while, but they quit because NVSC was no longer requesting they meet.

It remains unclear who is ultimately responsible for the financial activity of the Commission and its office.

We again recommend the Governor, the Commission, and HHS establish and document clear lines of administrative authority over the operations of the Commission.

# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

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### NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM 33 - ADMINISTRATION

#### INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the Nebraska Department of Health and Human Services - Program 33 - Administration as of and for the fiscal year ended June 30, 2001, as listed in the Table of Contents. These financial statements are the responsibility of the Nebraska Department of Health and Human Services' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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**Pat Reding, CPA**  
Asst. Deputy Auditor  
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

**Tim Channer, CPA**  
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**Mary Avery**  
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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.

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

Also as discussed in Note 1, the financial statements present only the Nebraska Department of Health and Human Services - Program 33 - Administration, 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.

**Robert Hotz, JD**  
Legal Counsel  
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In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Department of Health and Human Services - Program 33 - Administration as of June 30, 2001, 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 10, 2002, on our consideration of the Nebraska Department of Health and Human Services - Program 33 - Administration'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.

The accompanying combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Nebraska Department of Health and Human Services - Program 33 - Administration. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

May 10, 2002

  
Assistant Deputy Auditor

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION  
**COMBINED STATEMENT OF ASSETS AND FUND BALANCES**  
**ARISING FROM CASH TRANSACTIONS**  
**ALL FUND TYPES**  
June 30, 2001

	<u>Governmental Fund Types</u>		<b>Totals</b> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Assets</b>			
Cash in State Treasury	\$ -	\$ 10,346,452	\$ 10,346,452
Deposit with Vendors	158,561	-	158,561
Petty Cash	2,900	-	2,900
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 161,461</u>	<u>\$ 10,346,452</u>	<u>\$ 10,507,913</u>
<b>Fund Balances</b>			
Reserved For Postage	\$ 158,561	\$ -	\$ 158,561
Unreserved, Undesignated	2,900	10,346,452	10,349,352
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>\$ 161,461</u>	<u>\$ 10,346,452</u>	<u>\$ 10,507,913</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2001

	<u>Governmental Fund Types</u>		<b>Totals</b> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>RECEIPTS:</b>			
Appropriations	\$ 44,454,485	\$ -	\$ 44,454,485
Intergovernmental (Note 8)	1,629	69,800,110	69,801,739
Sales and Charges	2,809	1,076,001	1,078,810
Miscellaneous	71,428	2,501,110	2,572,538
<b>TOTAL RECEIPTS</b>	<u>44,530,351</u>	<u>73,377,221</u>	<u>117,907,572</u>
<b>DISBURSEMENTS:</b>			
Personal Services	28,659,505	50,995,275	79,654,780
Operating	13,870,230	11,786,410	25,656,640
Travel	1,607,932	499,243	2,107,175
Capital Outlay	176,130	305,131	481,261
Government Aid	140,688	1,613,583	1,754,271
<b>TOTAL DISBURSEMENTS</b>	<u>44,454,485</u>	<u>65,199,642</u>	<u>109,654,127</u>
Excess of Receipts Over Disbursements	<u>75,866</u>	<u>8,177,579</u>	<u>8,253,445</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sales of Assets	6,630	-	6,630
Operating Transfers In (Note 7)	-	1,645,137	1,645,137
Operating Transfers Out (Note 7)	-	(17,024,564)	(17,024,564)
Deposits to State General Fund	(82,496)	-	(82,496)
Adjustments to Fund Balance	-	18,170	18,170
Distributive Activity:			
Ins (Notes 5 and 8)	-	28,304,469	28,304,469
Outs (Notes 5 and 8)	-	(28,834,023)	(28,834,023)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(75,866)</u>	<u>(15,890,811)</u>	<u>(15,966,677)</u>
Excess of Receipts and Other Financing Sources (Under) Disbursements and Other Financing Uses	-	(7,713,232)	(7,713,232)
<b>FUND BALANCES, JULY 1, 2000 (Note 8)</b>	<u>161,461</u>	<u>18,059,684</u>	<u>18,221,145</u>
<b>FUND BALANCES, JUNE 30, 2001</b>	<u>\$ 161,461</u>	<u>\$ 10,346,452</u>	<u>\$ 10,507,913</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES**  
BUDGET AND ACTUAL  
GENERAL, CASH, AND FEDERAL FUNDS  
For the Fiscal Year Ended June 30, 2001

	GENERAL FUND			CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ 44,454,485			\$ -	
Intergovernmental		1,629			425,411	
Sales and Charges		2,809			437,661	
Miscellaneous		71,428			327,326	
TOTAL RECEIPTS		<u>44,530,351</u>			<u>1,190,398</u>	
DISBURSEMENTS:						
Personal Services		28,659,505			670,451	
Operating		13,870,230			263,412	
Travel		1,607,932			41,665	
Capital Outlay		176,130			11,038	
Government Aid		140,688			81,000	
TOTAL DISBURSEMENTS	\$ 44,527,156	44,454,485	\$ 72,671	\$ 1,071,403	1,067,566	\$ 3,837
Excess of Receipts Over Disbursements		<u>75,866</u>			<u>122,832</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		6,630			-	
Operating Transfers In		-			710,964	
Operating Transfers Out		-			(2,004,108)	
Deposit to State General Fund		(82,496)			-	
Adjustments to Fund Balance		-			-	
Distributive Activity:						
Ins		-			-	
Outs		-			(53,480)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(75,866)</u>			<u>(1,346,624)</u>	
Excess of Receipts and Other Financing Sources (Under) Disbursements and Other Financing Uses		-			(1,223,792)	
FUND BALANCES, JULY 1, 2000		<u>161,461</u>			<u>2,569,925</u>	
FUND BALANCES, JUNE 30, 2001		<u>\$ 161,461</u>			<u>\$ 1,346,133</u>	

The accompanying notes are an integral part of the financial statements.

(Continued)

NEBRASKA DEPARTMENT HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES**  
BUDGET AND ACTUAL  
GENERAL, CASH, AND FEDERAL FUNDS  
For the Fiscal Year Ended June 30, 2001

	FEDERAL FUND		TOTAL	TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL (BUDGETARY BASIS)		VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)
RECEIPTS:						
Appropriations		\$ -		\$ 44,454,485		
Intergovernmental		69,374,699		69,801,739		
Sales and Charges		638,340		1,078,810		
Miscellaneous		2,173,784		2,572,538		
TOTAL RECEIPTS		<u>72,186,823</u>		<u>117,907,572</u>		
DISBURSEMENTS:						
Personal Services		50,324,824	\$ 78,802,573	79,654,780	\$ (852,207)	
Operating		11,522,998	26,093,088	25,656,640	436,448	
Travel		457,578	2,431,547	2,107,175	324,372	
Capital Outlay		294,093	476,513	481,261	(4,748)	
Government Aid		1,532,583	1,928,857	1,754,271	174,586	
TOTAL DISBURSEMENTS	\$ 64,134,019	<u>64,132,076</u>	\$ 109,732,578	<u>109,654,127</u>	\$ 78,451	
Excess of Receipts Over Disbursements		<u>8,054,747</u>		<u>8,253,445</u>		
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-		6,630		
Operating Transfers In		409,141		1,120,105		
Operating Transfers Out		(15,020,456)		(17,024,564)		
Deposit to State General Fund		-		(82,496)		
Adjustments to Fund Balance		18,170		18,170		
Distributive Activity:						
Ins		2,092,801		2,092,801		
Outs		(2,364,297)		(2,417,777)		
TOTAL OTHER FINANCING SOURCES (USES)		<u>(14,864,641)</u>		<u>(16,287,131)</u>		
Excess of Receipts and Other Financing Sources (Under) Disbursements and Other Financing Uses		(6,809,894)		(8,033,686)		
FUND BALANCES, JULY 1, 2000		<u>13,552,015</u>		<u>16,283,401</u>		
FUND BALANCES, JUNE 30, 2001		<u>\$ 6,742,121</u>		<u>\$ 8,249,715</u>		

The accompanying notes are an integral part of the financial statements.

(Concluded)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**NOTES TO FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2001

**1. Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Department of Health and Human Services - Program 33 - Administration are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. Reporting Entity.** The Nebraska Department of Health and Human Services - Program 33 - Administration (Program) is a Program within the Nebraska Health and Human Services System. The Nebraska Health and Human Services System consists of three State agencies 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 Department of Health and Human Services - Program 33 - Administration 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 Statement 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 disbursement 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 governmental fund types. 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 DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**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 records receipts, disbursements, and the fund balance. The fund types 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 and 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.

**2000 - Cash Funds** - account for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

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

**7000 - Distributive Funds** - account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds. No appropriation control is established for this fund type.

**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 Department of Health and Human Services and all other State agencies must submit their budget request for the biennium beginning the following July 1. There are no annual budgets prepared for Distributive funds. The requests are submitted on forms that show estimated funding requirements by programs, sub-

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

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 may: a) approve the appropriations 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 vote of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency. The central accounting system maintains this control. A separate publication entitled "Annual Budgetary Report" shows the detail of this 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, cash, and federal fund types are made pursuant to the appropriations which 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 and cash 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.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

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 Program's current procedure is to include in the budget columns, Total Disbursement line, of the Statement of 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 Program'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, 2001, 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. They 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. Therefore, there are no budgeted amounts shown on the Budget and Actual Statement.

There are no annual budgets prepared for Distributive Funds, and, as a result, no budgetary comparisons are presented.

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 2001 follows:

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCES	
		PRIMARY GOVERNMENT	
	Total	General	Special Revenue
PERSPECTIVE DIFFERENCES:			
Classifications of budgetary fund balances into			
Financial Statement fund structure:			
General	\$ 161,461	\$ 161,461	\$ -
Cash	1,346,133	-	1,346,133
Federal	6,742,121	-	6,742,121
Budgetary fund balances classified into Financial Statement fund structure	<u>\$ 8,249,715</u>	161,461	8,088,254
Entity Difference:			
Record funds not budgeted		-	2,258,198
Financial Statement Fund Balances, June 30, 2001		<u>\$ 161,461</u>	<u>\$ 10,346,452</u>

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

- E. Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. Under GAAP, the cost of general fixed assets would be recorded in the General Fixed Asset Account Group. The Program does not have fixed asset records to support amounts at the program level.
- F. 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 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 2001.
- G. Adjustments to Fund Balance.** Adjustments to Fund Balance transactions are those recorded directly to a fund's asset account or equity account rather than through a receipt or disbursement account.
- H. Distributive Activity.** Distributive Activity transactions are those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the Program which are owed to some individual, organization, or other government agency, or are deposits which will be returned on completion of some specified requirement.
- I. Compensated Absences.** All permanent employees working for the Program earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP, the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the receipts and disbursements basis of accounting, the balances which would otherwise be reported in the Long Term Debt Account Group are not reported since they do not represent balances arising from Cash Transactions.
- J. 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 DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**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. Included was \$67,849,523 in Federal Grants and Contracts, which are receipts from the Federal government in fulfillment of an agreement to provide assistance for a specific program.

**Sales and Charges.** Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Included was \$1,060,228 in Revenues from Services.

**Miscellaneous.** Receipts from sources not covered by other major categories. Included were \$527,469 in Investment Interest, which is earned on investments made by the State Investment Officer, and \$568,304 in Grant Offset Collections.

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

**Personal Services.** Salaries, wages, and related employee benefits provided for all persons employed by a government.

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

**Travel.** All travel disbursements for any state officer, employee, or member of any commission, council, committee, or board of the State.

**Capital Outlay.** Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character, owned or held by the government.

**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.

**L. Fund Balance Reservations.** Reservations of fund balances are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balances are also established for assets, which are not current in nature, such as postage.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**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 Department of Health and Human Services is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Nebraska Department of Health and Human Services, 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:

- A. 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. State Agencies have the option to purchase coverage for physical damage to vehicles.
- B. The DAS-Personnel Division maintains health care and life insurance for eligible employees.
- C. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
- D. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly-acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company. The perils of flood and earthquake are covered up to \$10,000,000.
- E. State Agencies have the option to purchase building contents and inland marine coverage.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Compensation Insurance Trust Fund through a combination of employee and State contributions. Workers' compensation is

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**3. Contingencies and Commitments** (Concluded)

funded in the Workers' Compensation Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or 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 Program's financial statements.

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

**4. State Employees Retirement Plan (Plan)**

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service. Full time employee is defined as an employee who is employed to work one-half or more of the regularly scheduled hours during each pay period. Voluntary membership is permitted for all permanent full-time or permanent part-time employees upon reaching age twenty and completion of twelve months of permanent service within a five-year period. Any individual appointed by the Governor may elect to not become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Program matches the employee's contribution at a rate of 156% of the employee's contribution.

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the fiscal year ended June 30, 2001, employees contributed \$2,470,239 and the Program contributed \$3,853,573.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**5. Distributive Activity**

The Program's net distributive activity for the audit period consists mainly of Child Support Incentive Offset, Food Distribution Program, and Child Support Operations. The Food Distribution Program consists of collections from schools and daycares for Federal commodity foods received and State payments for costs of warehousing, transporting, and processing the commodity foods. Child Support Operations collections consist of support payments for custodial parents receiving public assistance, tax intercept money from non-custodial parents, and support payments for selected custodial parents. Child Support Operations payments consist of repayments to the State when the custodial parent receives State assistance, distributions to the custodial parents, Child Support Incentive Offset, and refunds to the non-custodial parent. The following is a summary of distributive activity.

Description	Payments	Collections
Child Support Operations	\$ 22,624,796	\$ 22,542,136
Food Distribution Program	3,791,450	3,669,532
Child Support Incentive Offset	817,373	2,085,000
Other	61,281	7,801
Total	\$ 27,294,900	\$ 28,304,469

**6. Full Accountability of the General**

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 schedule reflects appropriations. Appropriations do not represent cash transactions.

<b>General Fund</b>	
Beginning (Reappropriated) Balance July 1, 2000	\$ 158,331
New Appropriations	44,368,825
Total Appropriations	44,527,156
Disbursements	(44,454,485)
Ending (Appropriations) Balance June 30, 2001	\$ 72,671

**7. Operating Transfers In and Operating Transfers Out**

Operating Transfers In and Out were adjusted by the Program's management to properly reflect fund balances. The adjustments were made to match receipts and prior fund balances to disbursement activity. The following is a summary of adjustments made:

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**7. Operating Transfers In and Operating Transfers Out (Continued)**

Fund	Agency	Program	Balance Per Agency Records	Transfers In (Out)	Adjusted Balance
2175	26	34	\$ (809,416)	\$ 1,152,605	\$ 343,189
	25	33	1,152,605	(1,152,605)	-
	Total Cash		343,189	-	343,189
2260	26	341	(703,992)	703,992	-
	25	33	1,129,874	(703,992)	425,882
	26	347	835	-	835
	Total Cash		426,717	-	426,717
2263	26	341	(285,709)	285,709	-
	25	33	147,511	(147,511)	-
	20	177	300,734	(138,198)	162,536
	Total Cash		162,536	-	162,536
4202	26	341	2,330,943	(914,310)	1,416,633
	20	177	(898,678)	898,678	-
	26	514	(15,632)	15,632	-
	25	33	783,906	-	783,906
	Total Cash		2,200,539	-	2,200,539
4260	26	341	162,669	(190)	162,479
	25	33	(190)	190	-
	26	347	352,372	-	352,372
	26	348	1,123,144	-	1,123,144
	Total Cash		1,637,995	-	1,637,995
4261	26	341	(772,155)	772,155	-
	25	33	1,186,994	(772,155)	414,839
	Total Cash		414,839	-	414,839
4264	26	341	408,951	(408,951)	-
	25	33	(206,687)	408,951	202,264
	25	35	24,450	-	24,450
	Total Cash		226,714	-	226,714

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**7. Operating Transfers In and Operating Transfers Out (Concluded)**

Fund	Agency	Program	Balance Per Agency Records	Transfers In (Out)	Adjusted Balance
4268	26	341	(10,009,384)	10,009,384	-
	26	339	(1,334,929)	1,334,929	-
	25	33	15,544,424	(11,344,313)	4,200,111
	Total Cash		4,200,111	-	4,200,111
4812	26	341	(2,903,988)	2,903,988	-
	25	33	3,699,091	(2,903,988)	795,103
	25	361	1,279,078	-	1,279,078
	25	362	589,360	-	589,360
	25	363	850,715	-	850,715
	25	365	40,801	-	40,801
	26	366	2,590,712	-	2,590,712
	25	379	(1,158,637)	-	(1,158,637)
	25	421	8,242,925	-	8,242,925
	26	424	(756,254)	-	(756,254)
	Total Cash		12,473,803	-	12,473,803
	7261	26	341	525,032	(525,032)
25		33	(225,983)	525,032	299,049
Total Cash		299,049	-	299,049	

**Reconciling Transfers In and Out for Program 33 to Financial Statements**

	Transfers In	Transfers Out
Adjusting Transfers In above for Program 33	\$ 934,173	\$ -
Adjusting Transfers Out above for Program 33	-	17,024,564
Other Transfers In	710,964	-
Total Transfers In and Out	<u>\$ 1,645,137</u>	<u>\$ 17,024,564</u>

**8. Intergovernmental, Distributive Activity, and Fund Balance July 1, 2000**

Special Revenue Intergovernmental receipts were decreased by \$6,315,520, Distributive Activity In was decreased by \$8,400,520, Distributive Activity Out was decreased by \$9,189,284, and Fund Balance, July 1, 2000, was decreased by \$5,526,756 to properly reflect child support incentive transactions posted in the current fiscal period that were related to a prior fiscal year.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**9. GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. The State of Nebraska is planning to implement the Statement for the fiscal year ending June 30, 2002. The new accounting and reporting standards will impact the State’s revenue and expenditure recognition, and assets, liabilities, and fund equity reporting. The financial statements will be reformatted to reflect the new standards.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION  
**COMBINING STATEMENT OF ASSETS AND FUND BALANCES**  
**ARISING FROM CASH TRANSACTIONS**  
**ALL SPECIAL REVENUE FUNDS**  
June 30, 2001

<b>Assets</b>	Organ/Tissue Donor Awareness Fund 2201	Regulation & Licensure Cash Fund 2208	Institution Cash Fund 2252	Finance & Support Cash Fund 2260	Federal Cash Fund 4202	USDA Food Stamp Fund 4261	Federal Project Grant Fund 4264
Cash in State Treasury	\$ 23,758	\$ 673,495	\$ 222,998	\$ 425,882	\$ 783,906	\$ 414,839	\$ 202,264
Total Assets	<u>\$ 23,758</u>	<u>\$ 673,495</u>	<u>\$ 222,998</u>	<u>\$ 425,882</u>	<u>\$ 783,906</u>	<u>\$ 414,839</u>	<u>\$ 202,264</u>
<b>Fund Balance</b>							
Unreserved, Undesignated	\$ 23,758	\$ 673,495	\$ 222,998	\$ 425,882	\$ 783,906	\$ 414,839	\$ 202,264
Total Fund Balance	<u>\$ 23,758</u>	<u>\$ 673,495</u>	<u>\$ 222,998</u>	<u>\$ 425,882</u>	<u>\$ 783,906</u>	<u>\$ 414,839</u>	<u>\$ 202,264</u>

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION  
**COMBINING STATEMENT OF ASSETS AND FUND BALANCES**  
**ARISING FROM CASH TRANSACTIONS**  
**ALL SPECIAL REVENUE FUNDS**  
June 30, 2001

<b>Assets</b>	Child Support Collection Incentive Fund 4268	Federal Cash Award Fund 4810	Title XIX Medicaid Fund 4812	Food Distribution Program Fund 7261	Child Support Operations Fund 7263	<b>Total Special Revenue Funds</b>
Cash in State Treasury	\$ 4,200,111	\$ 345,898	\$ 795,103	\$ 299,049	\$ 1,959,149	\$ 10,346,452
Total Assets	<u>\$ 4,200,111</u>	<u>\$ 345,898</u>	<u>\$ 795,103</u>	<u>\$ 299,049</u>	<u>\$ 1,959,149</u>	<u>\$ 10,346,452</u>
<b>Fund Balance</b>						
Unreserved, Undesignated	\$ 4,200,111	\$ 345,898	\$ 795,103	\$ 299,049	\$ 1,959,149	\$ 10,346,452
Total Fund Balance	<u>\$ 4,200,111</u>	<u>\$ 345,898</u>	<u>\$ 795,103</u>	<u>\$ 299,049</u>	<u>\$ 1,959,149</u>	<u>\$ 10,346,452</u>

(Concluded)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES**  
**ALL SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended June 30, 2001

	Compulsive Gamblers Assistance Fund 2175	Organ/Tissue Donor Awareness Fund 2201	Regulation & Licensure Cash Fund 2208	Institution Cash Fund 2252	Finance & Support Cash Fund 2260	Childhood Care Fund 2263
RECEIPTS:						
Intergovernmental	\$ -	\$ -	\$ 68,198	\$ -	\$ 357,213	\$ -
Sales and Charges	1,150	-	294,800	38,364	103,097	250
Miscellaneous	25,836	27,585	235,210	1,094	32,521	5,080
<b>TOTAL RECEIPTS</b>	<b>26,986</b>	<b>27,585</b>	<b>598,208</b>	<b>39,458</b>	<b>492,831</b>	<b>5,330</b>
DISBURSEMENTS:						
Personal Services	24,418	-	182,377	94,835	368,821	-
Operating	9,326	15,640	222,332	-	14,360	1,754
Travel	7,251	-	34,306	-	108	-
Capital Outlay	3,373	-	1,310	-	6,355	-
Government Aid	-	-	81,000	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>44,368</b>	<b>15,640</b>	<b>521,325</b>	<b>94,835</b>	<b>389,644</b>	<b>1,754</b>
Excess of Receipts Over (Under) Disbursements	(17,382)	11,945	76,883	(55,377)	103,187	3,576
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	710,964	-	-	-	-	-
Operating Transfers Out	(1,152,605)	-	-	-	(703,992)	(147,511)
Adjustments to Fund Balance	-	-	-	-	-	-
Distributive Activity:						
Ins	-	-	-	-	-	-
Outs	(50,000)	-	-	-	-	(3,480)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(491,641)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(703,992)</b>	<b>(150,991)</b>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(509,023)	11,945	76,883	(55,377)	(600,805)	(147,415)
FUND BALANCES, JULY 1, 2000	509,023	11,813	596,612	278,375	1,026,687	147,415
FUND BALANCES, JUNE 30, 2001	\$ -	\$ 23,758	\$ 673,495	\$ 222,998	\$ 425,882	\$ -

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 33 - CENTRAL OFFICE/OPERATIONS  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES**  
**ALL SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended June 30, 2001

	Letter of Credit Fund 4000	Federal Cash Fund 4202	Federal Clearing Fund 4260	USDA Food Stamp Fund 4261	Federal Project Grant Fund 4264	Child Support Collection Incentive Fund 4268
<b>RECEIPTS:</b>						
Intergovernmental	\$ 57,554,107	\$ 958,667	\$ -	\$ -	\$ -	\$ 6,796,004
Sales and Charges	-	37,228	-	310,772	280,246	-
Miscellaneous	420,057	-	-	11,692	1,075,749	616,087
<b>TOTAL RECEIPTS</b>	<b>57,974,164</b>	<b>995,895</b>	<b>-</b>	<b>322,464</b>	<b>1,355,995</b>	<b>7,412,091</b>
<b>DISBURSEMENTS:</b>						
Personal Services	46,455,191	54,334	-	-	347,170	-
Operating	10,268,509	85,338	-	-	184,409	-
Travel	279,051	15,131	-	-	32,527	-
Capital Outlay	265,916	-	-	-	11,378	-
Government Aid	705,497	-	-	(103)	797,389	-
<b>TOTAL DISBURSEMENTS</b>	<b>57,974,164</b>	<b>154,803</b>	<b>-</b>	<b>(103)</b>	<b>1,372,873</b>	<b>-</b>
Excess of Receipts Over (Under) Disbursements	-	841,092	-	322,567	(16,878)	7,412,091
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating Transfers In	-	-	190	-	408,951	-
Operating Transfers Out	-	-	-	(772,155)	-	(11,344,313)
Adjustments to Fund Balance	-	-	-	-	-	-
Distributive Activity:						
Ins	7,801	-	-	-	-	2,085,000
Outs	(7,801)	-	-	-	-	(2,356,496)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>190</b>	<b>(772,155)</b>	<b>408,951</b>	<b>(11,615,809)</b>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	841,092	190	(449,588)	392,073	(4,203,718)
<b>FUND BALANCES, JULY 1, 2000</b>	<b>-</b>	<b>(57,186)</b>	<b>(190)</b>	<b>864,427</b>	<b>(189,809)</b>	<b>8,403,829</b>
<b>FUND BALANCES, JUNE 30, 2001</b>	<b>\$ -</b>	<b>\$ 783,906</b>	<b>\$ -</b>	<b>\$ 414,839</b>	<b>\$ 202,264</b>	<b>\$ 4,200,111</b>

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 33 - CENTRAL OFFICE/OPERATIONS  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES**  
**ALL SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended June 30, 2001

	Federal Cash Award Fund 4810	Title XIX Medicaid Fund 4812	Food Distribution Program Fund 7261	Child Support Operations Fund 7263	<b>Total Special Revenue Funds</b>
RECEIPTS:					
Intergovernmental	\$ 226,872	\$ 3,839,049	\$ -	\$ -	\$ 69,800,110
Sales and Charges	10,000	94	-	-	1,076,001
Miscellaneous	5,641	44,558	-	-	2,501,110
<b>TOTAL RECEIPTS</b>	<b>242,513</b>	<b>3,883,701</b>	<b>-</b>	<b>-</b>	<b>73,377,221</b>
DISBURSEMENTS:					
Personal Services	-	3,468,129	-	-	50,995,275
Operating	165,983	818,759	-	-	11,786,410
Travel	998	129,871	-	-	499,243
Capital Outlay	12,929	3,870	-	-	305,131
Government Aid	-	29,800	-	-	1,613,583
<b>TOTAL DISBURSEMENTS</b>	<b>179,910</b>	<b>4,450,429</b>	<b>-</b>	<b>-</b>	<b>65,199,642</b>
Excess of Receipts Over (Under) Disbursements	62,603	(566,728)	-	-	8,177,579
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	-	-	525,032	-	1,645,137
Operating Transfers Out	-	(2,903,988)	-	-	(17,024,564)
Adjustments to Fund Balance	-	18,170	-	-	18,170
Distributive Activity:					
Ins	-	-	3,669,532	22,542,136	28,304,469
Outs	-	-	(3,791,450)	(22,624,796)	(28,834,023)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(2,885,818)</b>	<b>403,114</b>	<b>(82,660)</b>	<b>(15,890,811)</b>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	62,603	(3,452,546)	403,114	(82,660)	(7,713,232)
FUND BALANCES, JULY 1, 2000	283,295	4,247,649	(104,065)	2,041,809	18,059,684
FUND BALANCES, JUNE 30, 2001	<b>\$ 345,898</b>	<b>\$ 795,103</b>	<b>\$ 299,049</b>	<b>\$ 1,959,149</b>	<b>\$ 10,346,452</b>

# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM 33 - ADMINISTRATION  
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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We have audited the financial statements of the Nebraska Department of Health and Human Services - Program 33 - Administration as of and for the year ended June 30, 2001, and have issued our report thereon dated May 10, 2002. 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 Department of Health and Human Services - Program 33 - Administration. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Department of Health and Human Services - Program 33 - Administration'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 instances of noncompliance that are required to be reported under Government Auditing Standards, and are described in the Comments Section of our report as Comment Number 5 (The Audit Firm of KPMG LLP Findings in the Statewide Single Audit for the Fiscal Year Ended (FYE) June 30, 2001 for Child Support Enforcement (CSE) Program). We also

noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Department of Health and Human Services - Program 33 - Administration in the Comments Section of this report as Comment Number 1 (Transportation Services Bureau (TSB) Travel Logs) and Comment Number 4 (A-133 Audits on File for Subrecipients at Nebraska Volunteer Service Commission (NVSC)).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Health and Human Services - Program 33 - Administration'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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Nebraska Department of Health and Human Services - Program 33 - Administration in the Comments Section of this report as Comment Number 1 (Transportation Services Bureau (TSB) Travel Logs) and Comment Number 2 (Lack of Segregation of Duties).

This report is intended solely for the information and use of the Health and Human Services, 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 10, 2002

  
Assistant Deputy Auditor