



# Attestation Report of the Nebraska Department of Roads July 1, 2003 through June 30, 2004

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

## Report Highlights

*Issued May 2005*

The Department of Roads (Department) is responsible for the construction and maintenance of Nebraska's roads and highways. The Department is also involved in the planning of transportation in the State and in assisting rural and urban public transportation systems. Highway maintenance and construction operations are administered from eight district offices located in Omaha, Lincoln, Norfolk, North Platte, Grand Island, Bridgeport, McCook, and Ainsworth.

The Director-State Engineer is the Department's chief executive officer. The Director's responsibilities include: (1) Implementing objectives established by the Legislature and the Governor consistent with an integrated State highway system; (2) Recommending short and long range highway needs and revenue needs; and (3) Communicating policies and programs to the public, Governor, and Legislature.

The Department's remaining responsibilities are divided among two deputy directors and eight field districts. The two deputy directors and eight field district engineers report to the Director.

The State Highway Commission (Commission) was created by the Legislature to advise the Director on policies to carry out the Department's duties and responsibilities. The Governor, with legislative approval, appoints Commission members to six-year terms. Members represent Nebraska's eight highway commission districts, with the Director-State Engineer serving as an ex officio member. Commission members are paid \$20 a day while conducting Commission business. The Commission holds public hearings throughout the State to advise the public of Department policies, activities, and future highway construction projects.

Our report included 15 Comments and Recommendations as summarized below.

**1. Reconciliation of Systems:** Reconciliation procedures between the Department's system and the State accounting system should be improved. We recommend the Department review and

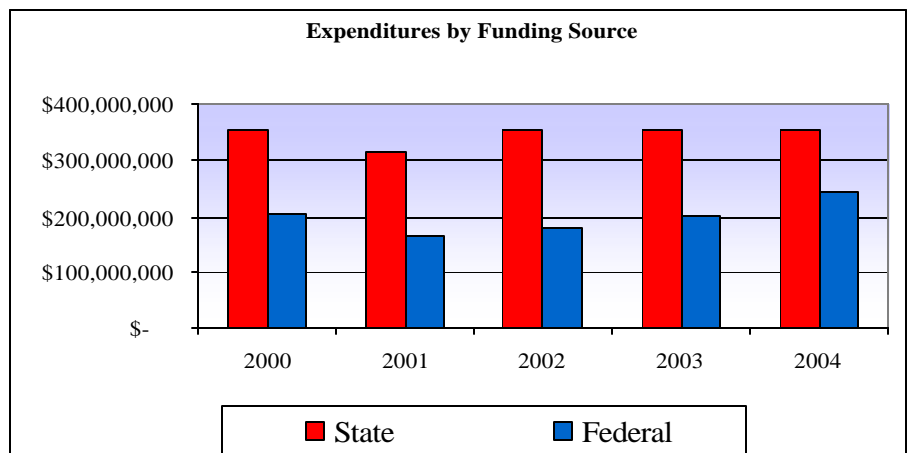
strengthen reconciliation procedures of the Department's system to NIS.

**2. Allocation of Funds for Road Purposes:** Highway allocation match requirements were not adequately monitored. We recommend the Department implement procedures to ensure matching requirements are met. We further recommend the Department forfeit funds and distribute forfeited funds per State Statute.

**3. Employee Recognition:** Employee recognition expenses were not in accordance with State regulations. We recommend the Department implement procedures to ensure employee recognition expenses are reasonable, necessary, and in accordance with State requirements.

**4. Travel Expenses:** Travel expenses tested had costs which appeared unreasonable or were not in accordance with State policy. We recommend the Department implement procedures to ensure disbursements are reasonable, necessary, and in accordance with State guidelines.

**5. Interest Paid to Contractors:** During fiscal year 2004, the Department paid \$101,770 to contractors because of delays in making final contract payments. Interest was paid for more than 100 days for 7 of 24 projects tested. We recommend the Department implement procedures to ensure final contract payments are made in a timely manner.



**6. Construction Contract Controls:** Controls over change orders on construction projects could be improved. We recommend the Department implement procedures to ensure contract change orders and contract estimates are properly prepared, approved, and documented.

**7. State Property Damage:** Procedures were not adequate to ensure costs were accurate and charged in a timely manner. We recommend the Department ensure costs charged are accurate and billed in a timely manner. We also recommend the Department implement procedures to ensure billing rates are uniformly calculated.

**8. Control Over Receipts:** There was a lack of segregation of duties over receipts in the Highway Safety Division. We recommend the Department have separate individuals involved in the processing of Highway Safety receipts to ensure an adequate segregation of duties.

**9. Vehicle and Equipment Usage Logs:** Vehicle usage was not adequately recorded and variances were not adequately investigated. We recommend the Department implement procedures to ensure vehicle usage is properly recorded on timesheets and crew cards. We further recommend the Department strengthen procedures to ensure adequate explanations are received and to investigate variances.

**10. Allocation of Costs:** Documentation to support distribution of real property costs was not adequate. We recommend the Department maintain adequate documentation to support distribution of costs to programs.

**11. Nebraska Information System and Accounting Procedures:** Significant concerns or areas where improvement to the Nebraska Information System (NIS) is needed to ensure NIS integrity and operation efficiency were noted.

**The following items were noted during the 2004 Comprehensive Annual Financial Report (CAFR) audit:**

**12. System Development Methodology:** Written standards have not been established for System development. We recommend the Department formalize a documented system development life cycle procedure.

**13. Program Maintenance and Development Authorization:** The current program maintenance and development procedure does not include written user and other management approval of new system or program changes. We recommend the following procedures be evaluated for compliance with existing practices: (1) User's written approval on all requested

changes and new programs, if not already available; (2) Programming supervisor's approval and inspection of coding changes with a comparison to original specifications. During this process, the program should be unalterable by the programmer or supervisor, preferably under access control by a software protection system; and (3) Operations manager's approval for transfer from test to production status and only operations' approval allows a changed program to move to production status.

**14. No Business Continuity Plan:** While the Department is documenting a disaster recovery plan, currently, there is no plan to recover from a significant incident. Divisions, including the IS area, do not have documented plans on how to recover from a different location. We recommend, at a minimum, the Department outline a business resumption plan. Additionally, key departments may want to also outline a business resumption plan to further reduce the risk. At a minimum, the plan should consider the following: (1) Objectives and scope of the plan; (2) Assumptions and recovery strategies including: (a) A business interruption impact assessment; (b) Critical application analysis; (c) Recovery timing; (d) Procedures for damage assessments; (e) Plan activation procedures; (f) Notification procedures; (g) Emergency recovery teams roles and responsibilities; (h) Insurance coverage; (i) User interim operating procedures; (j) Testing procedures; and (k) Plan maintenance responsibilities.

**15. Service Level Agreement with IMS:** No formal service level agreements appear to exist between the Department and the Information Management Services (IMS), which provides the majority of the Department's computer operations. We recommend the Department and IMS develop and implement formalized service level agreements between the groups to set the benchmark for IS to meet the expectations of users.

