ATTESTATION REPORT
OF THE
NEBRASKA FOSTER CARE REVIEW BOARD

JULY 1, 2003 THROUGH JUNE 30, 2004

Issued on March 24, 2005

NEBRASKA FOSTER CARE REVIEW BOARD

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BACKGROUND

The State Foster Care Review Board (Board) was established by the Legislature in 1982. The Board is responsible for conducting periodic reviews which meet the requirements of the Federal Adoption Assistance and Child Welfare Act of 1980, selecting local foster care review board (Local Board) volunteer members, developing procedures and training programs for Local Boards, maintaining a central registry of all children in out-of-home care, and studying and distributing data on children in foster care.

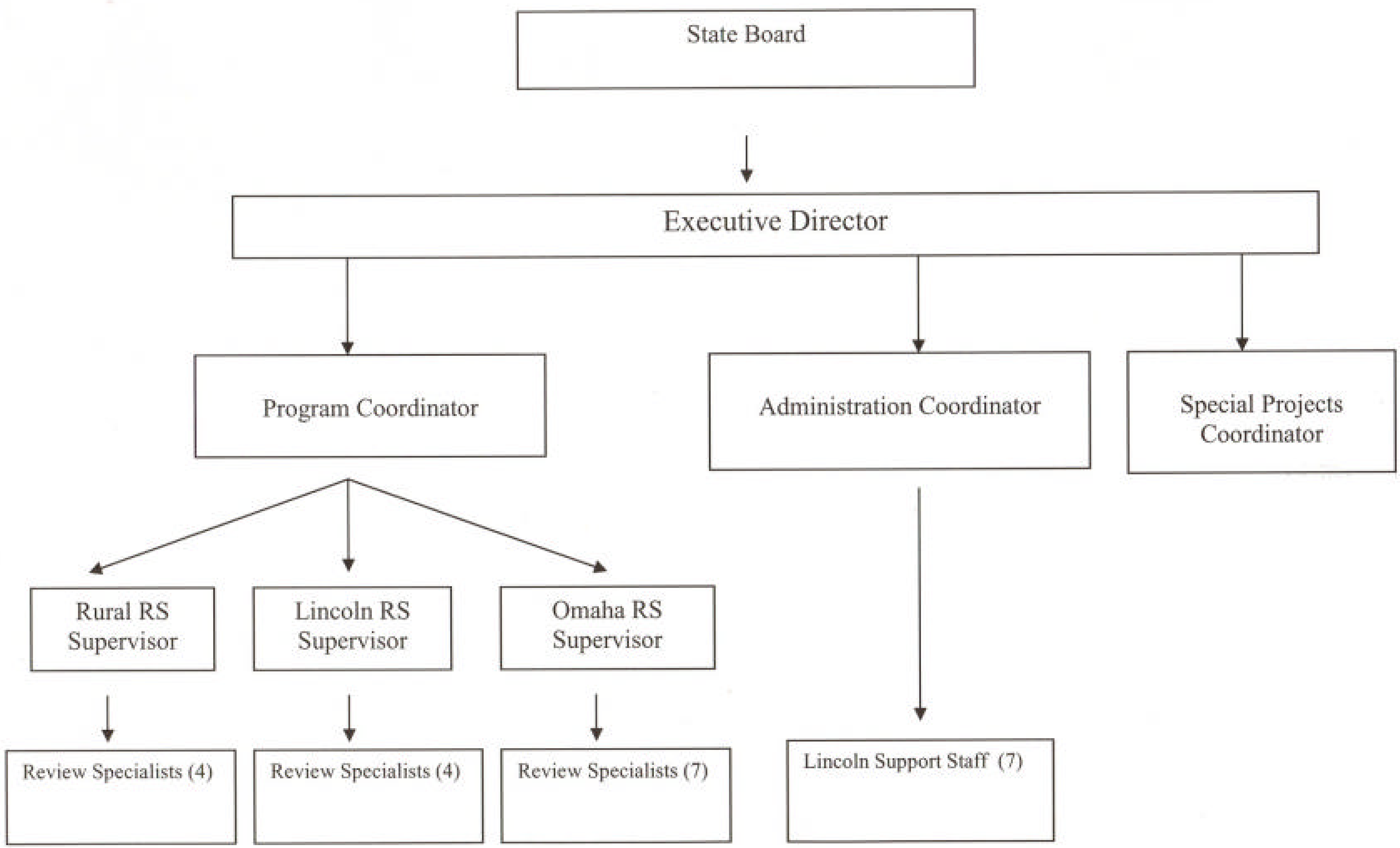
The State Foster Care Review Board has nine members, appointed by the Governor with approval of the Legislature. The Board reviews the activities of 63 Local Boards located in communities across the State. The Local Boards are responsible for reviewing cases of children placed in out-of-home care.

MISSION STATEMENT

The mission of the State Foster Care Review Board is to ensure the best interests of children in out-of-home care are being met through external citizen review, monitoring facilities that house children and youth, maintaining an up-to-date database on a statewide tracking system, and disseminating data and recommendations through an annual report.

NEBRASKA FOSTER CARE REVIEW BOARD

ORGANIZATIONAL CHART



EXIT CONFERENCE

An exit conference was held February 28, 2005 with the Board to discuss the results of our examination. Those in attendance for the Nebraska Foster Care Review Board were:

NAME	TITLE
Joellen McGinn	State Board Member
KayLynn Goldner	State Board Chair
Jim Ganz	State Board Member
Jim Gordon	State Board Member
Carol Stitt	Executive Director
Heidi Ore	Administrative Coordinator
Kathleen Stolz	Program Coordinator
Linda Cox	Special Projects Coordinator
Paul Carlson	State Accounting Administrator, DAS
Lynda Roesler	Financial Systems Coordinator, DAS-Accounting

SUMMARY OF COMMENTS

During our examination of the Nebraska Foster Care Review Board, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***State Resources Used for Personal Gain:*** One employee was paid $1,189 from State funds for the transportation of the Director for business and personal reasons from December 2003 through January 2005.

2. ***Lack of Segregation of Duties:*** There was a general lack of internal controls over the Board's processes. Two employees were capable of both preparing and approving their own batches in Nebraska Information System (NIS).

3. ***Leave Payoff, Balancing, and Accrual Procedures:*** We noted several variances in the calculation of leave payoffs, balances, and accruals. Underpayments for unused leave ranged from $61 to $265. Overpayments of unused leave ranged from $26 to $144.

4. ***Personal Phone Calls:*** The employees of the Board did not reimburse the State $95 for 817 personal phone calls totaling 1,995 minutes. This was noted in our 1996, 1998, and 2000 audit reports.

5. ***Travel Expenses:*** There were 3 of 34 documents tested that contained reimbursements for meal expenses without adequate documentation, or for unreasonable expenses. One employee was reimbursed $11 for alcoholic beverages. There were 15 of 32 expense reimbursements that were not completed in accordance with State Statute.

6. ***Unreasonable Expenditures:*** Two of eight documents tested were unreasonable expenses for the Board. The Board overpaid $276 for meals at a training session, including $61 in sales tax. Additionally, internet access totaling $210 was provided at an employee's home.

7. ***Case Types:*** The Board receives Federal funding from the Nebraska Health and Human Services System (HHSS) based on a percentage of Federal foster care cases reviewed. The funding type per the Board for two of ten cases did not agree to HHSS' NFOCUS system.

8. ***Review of Foster Care Cases:*** As of February 28, 2005, only 81% of the foster care cases involving wards of the State had been reviewed by the Board as required by Federal regulations and State Statute.

SUMMARY OF COMMENTS
(Continued)

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

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

Draft copies of this report were furnished to the Board 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, the Board 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 examination.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

COMMENTS AND RECOMMENDATIONS

1. <u>State Resources Used for Personal Gain</u>

Neb. Rev. Stat. Section 49-14,101.01 R.R.S. 2004 states, "A public official or public employee shall not use or authorize the use of, for personal financial gain . . . (b) personnel, resources, property, or funds under that person's official care and control other than in accordance with prescribed constitutional, statutory, and regulatory procedures."

The Foster Care Review Board Work Rules Manual, Section 10-045, states, "Personal business shall be conducted on the employee's own time. Staff shall not ask other employees to use State resources or State time to do work of a personal nature."

From December 2003 through January 2005, one employee was paid from State funds for the transportation of the Director for business and personal reasons. There were 122 work hours recorded on the individual's timesheets related to the transportation of the Director. The employee was paid $9.75 per hour, for a total of $1,189 paid from State funds. We could not determine the exact number of business versus personal trips. This noncompliance with State statute results in the misuse of State funds. This matter has been forwarded to the Nebraska Accountability and Disclosure Commission.

> We recommend the Board implement policies and procedures to ensure State resources are not used for the personal gain of the Director. State employees should not be paid to drive the Director to personal meetings. The Board should implement a policy regarding transportation of the Director for business meetings.

Board's Response: The Auditor determined that state resources were used for personal gain because the Director's assistant was paid $1,189 (122 hours at $9.75 average per hour) with State Funds to transport the Director. The State Board would like to distinguish that 103 of these hours were unquestionably for business reasons. The State has been reimbursed for the remaining 19 hours.

1. *Frank Daley, Director of the Accountability and Disclosure Commission, states that in his opinion having an employee of the FCRB drive the Director to meetings and other official business does not appear to violate the Nebraska Political Accountability and Disclosure Act and that there would be no element of personal financial gain if two state employees travel together while on official business.*

2. *The State Board was aware that the Director has a recognized disability documented by a physician.*

3. *The State of Nebraska Motor Vehicle Policy states that agencies should accommodate employees who cannot drive safely due to injury, illness, seizures, disorders and medications.*

COMMENTS AND RECOMMENDATIONS
(Continued)

1. <u>State Resources Used for Personal Gain</u> (Concluded)

Board's Response, Concluded:
The State Board was aware that on two occasions the Director utilized the drive time to two doctor appointments in Kansas City to train her newly hired assistant on the Review Board's work. In addition, this staff person brought work to complete during the Director's appointments.

1. *Work on these trips included training on the Legislative process, agency specific operations, and issues faced by children in out-of-home care as outlined in the Review Board's Annual Report.*

2. *The Director reimbursed $190.82 (19 hours at $10.043 – the actual hourly wage) for the staff person's time.*

3. *The Director communicated with staff and State Board members during trips via telephone and through faxes.*

APA's Response: The Board did not receive notification from a doctor regarding the Director's medical condition until February 2005. Additionally, based on discussion with the Board Chair, there was no restriction on the Director's driver's license regarding her medical condition as of March 2005.

We do not feel reimbursement by the Director for staff time is an acceptable resolution. The Board should ensure State resources are not used for personal gain and should implement a policy requiring staff to use vacation leave when required to assist the Director with personal issues.

We did not verify the accuracy of the 19 hours reimbursed.

2. <u>Lack of Segregation of Duties</u>

Good internal control requires an adequate segregation of duties to ensure no one individual is able to both perpetrate and conceal errors or irregularities. Batch management in Nebraska Information System (NIS) is a process that allows agencies to segregate duties for certain functions.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. <u>Lack of Segregation of Duties</u> (Concluded)

We noted there was a general lack of internal controls as follows:

- There was nothing to prevent two employees from performing all the functions in the expenditures process, including the pre-audit process. The two employees had the capability to both prepare and approve their own batches in batch management. Batch management did not appear reasonable based on the size of the agency. There was an independent review of the general ledger; however, we do not feel that would be sufficient to compensate for the lack of controls.

- The reconciliation of payroll input to output is not documented. Two employees reviewed and compared the timesheets to the payroll register during the processing of payroll, but did not document their review. Batch management is not utilized in the payroll function in NIS.

- One individual was capable of performing all the functions relating to the receipting process. The employee was responsible for preparing the receipts, endorsing checks, preparing deposit documents, and could prepare and approve their own batches in NIS. An initial list of monies received was not prepared to ensure all money is receipted or accounted for in NIS. Additionally, two receipts could not be located and the amount deposited into NIS did not agree to the total cash receipts issued. The amount not deposit into NIS was $38.

- One individual is able to perform all functions relating to the capital assets process within NIS. There was no documented independent review of NIS capital asset integrity reports. Batch management is not utilized in the capital asset function in NIS.

Without an adequate segregation of duties or compensating controls there is an increased risk of loss or theft of State and Federal funds and State assets.

> We recommend the Board implement procedures to ensure adequate internal controls exist. We also recommend the Board review the current NIS batch management to ensure no individuals are capable of preparing and approving their own batches. We recommend the Board implement procedures to ensure receipts are properly accounted for and deposited to NIS.

Board's Response: The two employees as a matter of policy did not perform all the functions of the expenditures process. The NIS security levels for these individuals was altered on March 10, 2005 to assure that no one could initiate, approve, and post a particular document.

3. Leave Payoff, Balancing, and Accrual Procedures

Vacation Payoffs

Neb. Rev. Stat. Section 81-1328 R.R.S. 1999 states, "Each employee, upon retirement, dismissal, or voluntary separation from State employment, shall be paid for unused accumulated vacation leave."

Title 273 NAC 9-004.03, Vacation Leave Payment, states, "Employees who leave State government employment for any reason shall be paid for any unused accumulated vacation leave earned, calculated on their base hourly rate."

NAPE/AFSCME and State of Nebraska Labor Contract, Section 14.8, Vacation Leave Payment, states, "Employees who leave employment shall be paid for any unused accumulated vacation leave earned, calculated on their base hourly rate. Pay for the unused accumulated vacation leave shall be in a lump sum addition to the employee's last paycheck."

Good internal control requires procedures in place to ensure employee's termination pay and vacation balances are calculated correctly.

Five of six terminated employees tested did not receive the proper vacation payoff at termination. There was no secondary review of the termination payment calculation.

- Three employees were overpaid because their final vacation payoff was not calculated correctly. Variances noted in the calculation of the final vacation balance ranged from two to eight hours. Overpayments were $26, $98, and $144.

- One employee was not paid for the entire vacation balance owed. The employee was paid for 16 vacation hours. However, the employee's vacation balance was 45 hours. The amount underpaid was $265.

- One employee did not receive a vacation payoff at termination. The employee had a balance remaining of 6.5 hours for a total of $61.

Without adequate procedures to ensure employees' termination pay is correct and leave payments are in accordance with statute, there is an increased risk of loss or misuse of State funds.

> We recommend the Board implement procedures to ensure all employees are properly paid their vacation balance upon termination. We also recommend the Board determine whether further payment

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Leave Payoff, Balancing, and Accrual Procedures (Continued)

Vacation Payoffs (Concluded)

> is necessary for unpaid vacation leave. Finally, we recommend the Board consider further training for employees responsible for the vacation payoff calculation and an independent review of the calculation prior to payment.

Lapsing of Leave Balances

Title 273 NAC 9-004.02, Balancing of Vacation Leave, states, "All employees accumulated vacation time in excess of thirty-five days shall be forfeited as of December 31st of each calendar year."

NAPE/AFSCME and State of Nebraska Labor Contract, Section 14.7, Balancing of Vacation Leave, states, "An employee's accumulated vacation time in excess of thirty-five days shall be forfeited as of the end of business on December 31st of each calendar year."

Good internal control requires procedures to ensure employee leave balances in excess of the maximum are promptly lapsed.

Two employees tested with vacation leave balances in excess of thirty-five days were not lapsed at year-end. One employee's balance was 296 hours and the second individual had a balance of 284 hours. The balances were over the allowed maximum by 16 hours and 4 hours, respectively, and should have been lapsed on December 31, 2003. This was also noted in our prior audit.

Without adequate procedures to ensure leave balances are promptly lapsed in accordance with rules and regulations, there is an increased risk that employee's will be paid amounts for leave they should not have received.

> We recommend the Board implement procedures to ensure excess leave balances are properly lapsed in accordance with the Nebraska Administrative Code and the NAPE Contract. We also recommend the Board consider further training for employees responsible for the lapsing of leave balances.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Leave Payoff, Balancing, and Accrual Procedures (Concluded)

Calculation of Leave Accruals

Neb. Rev. Stat. Section 81-1320 R.R.S. 1999 states, sick leave will be earned in accordance with the schedule noted and "employees who are regularly employed less than forty hours a week shall be entitled to sick leave proportionate to their regular workweek."

Neb. Rev. Stat. Section 81-1328 R.R.S. 1999 states, vacation leave will be earned in accordance with the schedule noted and "employees who are regularly employed less than forty hours a week shall be entitled to vacation leave proportionate to their regular workweek."

Good internal control requires procedures be in place to ensure employee leave is accrued in accordance with applicable statutes.

One of six full-time employee's sick leave accrual tested was not accurate. The individual was promoted in August 2003 and changed benefit groups. Therefore, her sick leave earnings should have changed. This promotion was not changed in the accounting system timely and the employee earned sick leave at a lower rate. The employee should have earned an additional seven hours of sick leave.

The two part-time employees' vacation leave accruals tested were not properly calculated. Both employees were .67 full-time equivalent (FTE). The Board is required to adjust part-time leave earnings because NIS does not automatically calculate the proportionate amount. One employee earned an additional 1.04 hours; the other was shorted .88 hours of leave. The period tested was from July 2004 through January 2005.

Without adequate procedures to ensure leave accruals are in accordance with State Statutes, there is an increased risk that employee's will be paid amounts for leave they should not have received.

> We recommend the Board implement procedures to ensure leave is accrued properly in accordance with State Statute. Furthermore, we recommend the Board consider further training for employees responsible for ensuring leave accruals are accurate.

4. Personal Phone Calls

OMB Circular A-87 requires costs to be reasonable and necessary, be authorized or not prohibited under State regulations, and be consistent with policies and regulations that apply to other activities of the governmental unit.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Personal Phone Calls (Continued)

Neb. Rev. Stat. Section 81-1120.27(1) R.R.S. 1999 states, "The facilities of the State's telecommunications systems are provided for the conduct of State business . . . The use of the State's telecommunications systems for essential personal business shall be kept to a minimum and shall not interfere with the conduct of State business. Essential personal long-distance calls shall be either collect, charged to a third-party, non-state number, or charged to a personal credit card."

Good internal control requires monitoring procedures to ensure the State's telecommunications system is used only to conduct State business. Sound business practice also requires charges for personal phone calls be reimbursed in a timely manner.

There were a total of 817 calls for 1,995 minutes that were personal in nature and charged to the Board. The amount of these calls was $95 and was not reimbursed. This includes long distance calls from office phones and cell phones. This finding was also noted in our audits for fiscal years 1996, 1998, and 2000.

- A Review Specialist Supervisor made 495 calls from a State cell phone for 1,100 minutes at a cost of $57. Calls were made to the employee's family and personal bank.

- Another Review Specialist Supervisor made 142 personal calls for a total of 437 minutes at a cost of $3. Of the 142 personal calls, 80 were from a State cell phone and did not incur any charges.

- A Staff Assistant made 104 personal calls for 278 minutes at a cost of $21. Calls were made to a family member and an unidentified number.

- The Director made 68 personal calls for 116 minutes at a cost of $10. The Director reimbursed the State $8 for the calls. However, 26 calls for $2 were not reimbursed.

- Fifty other personal calls were made from the Board's office phone and a former employee's cell phone. The total cost of the calls was $12.

This use of the State's telecommunications system is in violation of the statutes and results in misuse of State and Federal funds.

> We recommend the Board develop policies and procedures to ensure the use of the State's telecommunications system is in accordance with statutes and does not interfere with the conduct of State business.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. <u>Personal Phone Calls</u> (Concluded)

We also recommend the Board implement procedures to properly monitor the use of the telecommunications systems by its employees. Finally, we recommend the Board require all past personal long distance phone calls be reimbursed by all employees of the Board.

Board's Response: The majority of the 817 calls which cost the Board $95 were to the Review Board's family members, day care providers, and/or children at home and were considered essential personal business. This type of call is allowable per State Statute 81-1120.27.

APA's Response: The Board should implement a policy so that essential personal phone calls to only the immediate family are allowed.

5. <u>Travel Expenses</u>

<u>Meal and Lodging Expenses</u>

Nebraska State Accounting Manual AM-005, Travel Expense Policies, states "Under our accountable plan, the Internal Revenue Service requires employees to substantiate the cost for travel, lodging, meals and other expenses. Adequate accounting generally requires the use of a documentation record such as an accounting book, expense diary or log, or similar record near the time of incurrence of the expense. Such log should list the date, amount, place (e.g. city) or description, and purpose for **<u>each</u>** expense or meal/food cost. A combination of receipts and detailed itemization is permitted."

Good internal control requires procedures to ensure requirements of the State's accountable plan are met and that reimbursements are in compliance with guidelines set through the Federal Travel Regulation.

There were 3 of 34 travel documents tested that contained reimbursements for meal expenses without adequate documentation, or for unreasonable expenses, as follows:

- One employee was reimbursed unreasonable amounts for meals. Amendment 109 of the Federal Travel Regulation provided $24 as a reasonable breakdown for dinner at the location of the conference. The employee was reimbursed for dinner on two days in the amounts of $33 and $31. The employee was also reimbursed $18 for lunch when a lunch was provided that day by the conference. The Board paid for the costs of the meal in the conference registration and also reimbursed the employee for the same meal.

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Travel Expenses (Continued)

Meal and Lodging Expenses (Concluded)

- One employee did not have adequate documentation to support meal expenses in accordance with the State's accountable plan. The employee was reimbursed $15 for one meal, but did not have a detailed receipt or adequate log of the meal.

- Amounts paid for lodging in Lincoln were unreasonable. The Federal Guideline for lodging in Nebraska is $55. The Board paid $104 for one night for three Board members to attend the Board meeting the following day.

Without an adequate accounting of meal expenses from the employee to the employer, the State could lose its accountable plan status. If the State does not have an accountable plan, the amounts reimbursed to employees for meal expenses would be considered as taxable income. When the Federal guidelines are not followed there is an increased risk of reimbursement for unreasonable expenses.

> We recommend the Board implement procedures to ensure provisions of the State's accountable plan are met and that amounts reimbursed for meals and lodging are reasonable.

Reimbursement of Alcoholic Beverages

Office of Management and Budget (OMB) Circular A-87, which establishes principles for determining costs for Federal awards, states the cost of alcoholic beverages are not allowed. Nebraska State Accounting Manual AM-005, Travel Expense Policies, also states that no reimbursement may be made for alcoholic beverages.

Good internal control requires procedures be in place to ensure the amount requested for reimbursement is in compliance with Federal and State regulations and agrees to the supporting documentation.

One employee was reimbursed meal expenses that did not agree to the receipt provided. The employee was reimbursed $29 and $24 for two meals. It appeared the employee reduced the total meals to account for the purchase of alcoholic beverages. However, we could not recalculate the amounts reimbursed based on the actual cost of the alcohol. The employee should have been reimbursed $22 and $20 for the meals, for total questioned costs of $11. The reimbursement of alcoholic beverages results in noncompliance with Federal and State regulations.

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Travel Expenses (Concluded)

Reimbursement of Alcoholic Beverages (Concluded)

> We recommend the Board implement procedures to ensure no reimbursements are made for alcoholic beverages.

Incomplete Expense Reimbursement Documents

Neb. Rev. Stat. Section 81-1174 R.S.Supp., 2004, requires expense reimbursements to be submitted each month and be fully itemized, including, the points between which the travel occurred, the times of arrival and departure, and the purpose of the travel.

OMB Circular A-87 requires costs to be reasonable and necessary, be authorized or not prohibited under State regulations, and be consistent with policies and regulations that apply to other activities of the governmental unit.

Good internal control requires procedures be in place to ensure expense reimbursements are completed in accordance with State Statute.

There were 15 of 32 expense reimbursements tested that were not completed in accordance with Statute 81-1174. Four documents were missing start and stop times; five were not submitted each month; four did not include the purpose for the travel; one did not include the location of the travel; and one was missing start and stop times and locations of the travel. This was also noted in our three previous audits.

Without adequate procedures to ensure expense reimbursements are properly completed there is an increased risk of loss or misuse of Federal funds.

> We recommend the Board implement procedures to ensure expense reimbursement documents are completed in detail in accordance with State Statute.

6. Unreasonable Expenditures

OMB Circular A-87 requires costs to be reasonable and necessary, be authorized or not prohibited under State regulations, and be consistent with policies and regulations that apply to other activities of the governmental unit. Good internal control requires procedures be in place to ensure the amount paid to a vendor agrees to supporting documentation. Sound business practice requires expenses be reasonable and necessary for the agency's purpose. The Nebraska Accounting Manual states agencies are exempt from Nebraska sales tax.

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Unreasonable Expenditures (Concluded)

During our testing of eight expenditure documents, we noted the following:

- Meals at a training session exceeded the number of attendees. There were 77 attendees listed for the morning session and 37 attendees listed for the afternoon session. The Board paid for 100 breakfasts and 50 lunches, resulting in questioned costs of $215. Additionally, the Board was charged and paid $61 in sales tax. Both issues were noted in our previous audit reports.

- Internet access was provided at an employee's home. The employee previously worked from home, but then began working from the Omaha office. The service was not cancelled until ten months after the employee moved into the office. Total paid during the year was $210.

The Board's lack of proper internal controls over the expenditure process and noncompliance with Federal regulations results in an increased risk of loss or misuse of Federal funds.

> We recommend the Board implement procedures to ensure adequate documentation is maintained to support all expenses of the Board. We also recommend the Board implement procedures to ensure amounts paid are reasonable and necessary.

Board's Response: The State Board would like to note that the Board paid $276 for meals ordered in advance to a Board sponsored training. This amount was based on persons who had RSVP'd to the training. The persons who actually attended the training were documented.

7. Case Types

The Board receives its Federal funding through a contract with the Nebraska Health and Human Services System (HHSS). The amount the Board is eligible to receive is based on the percentage of Federal foster care cases reviewed.

We compared the current funding type per the Board's system to HHSS' NFOCUS system for 10 cases from March 2004. Two cases listed as Federal were actually State funded. The Board reported a total of 417 Federal and 228 State cases reviewed in March 2004. This was also noted in our prior audit report. Inaccurate reporting of case types to HHSS could result in inaccurate Federal funding.

> We recommend the Board implement procedures to ensure all case types are properly reported to HHSS.

COMMENTS AND RECOMMENDATIONS
(Continued)

7. Case Types (Concluded)

Board's Response: The auditor found two cases where the IV-E designation did not match between the FCRB and HHS systems. The following issues need to be considered:

1. *The auditor compared the IVE funding type reported on cases reviewed in March of 2004 to the current N-FOCUS system. Each child's IVE status could have changed between March 2004 and the date the status was checked in 2005.*

2. *The Review Board continues to be concerned about the significant error rate of basic information, including IVE status, reported to the Review Board from N-FOCUS[1]. The Board has worked to make HHS, Senators and the Governor aware of this situation. The Board will continue to work with HHS to improve the accuracy of the reporting of essential information including IVE status.*

The State Board notes that the Board has not been funded to verify IVE designation and that HHSS determines and reports IVE status to the Review Board.

APA's Response: We compared the status on the Foster Care Review Board's system and NFOCUS as of the same date. The cases were selected from the March 2004 report; however, the status was reviewed as of the current date of the APA testing.

8. Review of Foster Care Cases

42 U.S.C. Section 675(5)(B) (2003) states "the status of each child is reviewed periodically but no less frequently than once every six months by either a court or by administrative review."

Neb. Rev. Stat. Section 43-1308 R.R.S. 2003 states the Board shall "Review at least once every six months the case of each child in a foster care placement."

As of February 28, 2005, only 81% of the foster care cases involving wards of the State had been reviewed by the Board. We obtained documentation to support the figure but we did not perform detailed testing of the cases. For this reason, we are providing no assurance on the accuracy of the information.

When foster care cases are not reviewed every six months the Board is not in compliance with Federal regulations and State Statutes.

[1] In 2003, 53.1% or 32,678 of the 61,542 status change reports given to the Review Board contained major errors or omissions in critical areas such as the child's name, date of birth, placement location and date, and/or identification of parents.

COMMENTS AND RECOMMENDATIONS
(Continued)

8. **Review of Foster Care Cases** (Concluded)

> We recommend the Board implement procedures to ensure all foster care cases are reviewed at least every six months as required by Federal regulations and State Statute.

Board's Response: The State Board would like to note that the Board is not funded to Review all children in out-of-home care as required by Federal regulations and State Statute.

During the budget cuts over the past three years, the Foster Care Review Board's annual budget from state sources has been cut by $208,772 per year. In addition there are over 300 more children in out-of-home care, from 5,600 to over 5,900. This situation has resulted in:

- *The loss of 5 review positions, which means that 1000 children are not receiving a citizen review,*
- *The loss of 2/3 of a supervisor position,*
- *Inactivation of 14 local boards, (5 in Omaha, 2 in Papillion, 1 in Alliance, 1 in Elkhorn, 1 in Grand Island, 1 in Kearney, 1 in Lincoln, 1 in North Platte, 1 in Seward), and*
- *Reducing meeting frequency for 7 local boards, (Auburn, Beatrice, Columbus, Ogallala, O'Neill, Pierce, York).*

The State Board has responded to this situation by:

1. *Requesting additional funding in its Biennium Budget request as well as working with the Appropriations Committee to replace the staff lost in the Budget Cuts.*
2. *Adopting a policy whereby children who are IVE eligible are prioritized for review so the state will remain compliant with federal regulations. In addition the State Board has prioritized the review of children birth to age five due to the vulnerability of these children. The Board is currently reviewing at least 95 percent of these cases every six months.*

9. **Nebraska Information System and Accounting Procedures**

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Without adequate training, written procedures, and controls, there is a risk that employees may unintentionally corrupt critical data and that errors could occur and go undetected.

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Nebraska Information System and Accounting Procedures (Continued)

During the fiscal year ended June 30, 2003, the State of Nebraska implemented significant components of a new information system called the Nebraska Information System (NIS). Three major components were the Payroll, Fixed Asset, and Financial components, which went live during the fiscal year ended June 30, 2003. During the fiscal year ended June 30, 2004, the Procurement and Employee Self-Service components were partially implemented. NIS affects all Nebraska State agencies.

A consultant hired by the Auditor of Public Accounts (APA) with expertise in studying large computer systems performed a study of NIS processes and controls prior to June 30, 2003. The APA also performed a preliminary examination of internal controls as of June 30, 2003, at all State agencies in July and August of 2003. In addition, while performing examination procedures the APA obtained a further understanding of NIS.

From these studies and examinations, the APA has identified concerns and areas where improvement to NIS is needed. During the fiscal year ended June 30, 2004, the Department of Administrative Services (DAS) Accounting Division addressed some areas of concern previously reported. However, the following are the more significant concerns or areas where improvement is still needed to ensure NIS integrity and operational efficiency:

a. The reconciliation between the State Treasurer's actual bank statements and records, the Nebraska Accounting System (NAS-the previous accounting system before NIS), NIS accounting records, and the related disposition of reconciling items was not completed for November 2002 through December 2003 in a timely manner. Subsequent to December 2003, the DAS Accounting Division performed some reconciliation procedures. As of July 2004, the June 30, 2003, reconciliation indicates an unknown variance between the bank records and the accounting records of $3,654,783, with the bank being short compared to the accounting records.

   During the fiscal year ended June 30, 2004, DAS Accounting Division began performing a daily reconciliation of activity recorded on NIS compared to the activity recorded in the bank on a limited test basis. For those days tested, the activity recorded on NIS can be reconciled to the activity in the bank. The monthly reconciliations for the months of July 2003 through February 2004 for the fiscal year ended June 30, 2004 have been performed and indicate fluctuations in the variance amounts. The latest monthly reconciliation performed, February 2004, indicates an unknown variance between the bank records and the accounting records of $5,112,201, with the bank being short compared to the accounting records. This variance was provided to us by DAS Accounting Division and its accuracy has not been verified by the APA.

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Nebraska Information System and Accounting Procedures (Continued)

Although some reconciliation procedures have been performed (daily reconciliation of activity going through NIS to the activity recorded through the bank), the monthly reconciliation for the months March 2004 through June 2004 are still in the preliminary stages and are not complete as of July 2004. Complete and timely reconciliation procedures between bank records and accounting records provide control over cash and accurate financial information. The reconciliation procedures should be completed timely and on at least a monthly basis to ensure all financial information is correct in NIS.

b. During the early implementation months of NIS, DAS Accounting Division did not have a comprehensive written NIS policy and procedures manual available for users. During the fiscal year ended June 30, 2004, DAS Accounting Division made progress in this area and significant policies and procedures can be found by users on the DAS Accounting Division website. However, the APA, after reviewing the old accounting procedures manual, did note some procedures still being performed under those policies that have not been incorporated as NIS policies. We recommend DAS Accounting Division continue to update their NIS policies and procedures to include all policies and procedures in place to help ensure consistent and accurate accounting of the State's financial transactions.

c. During the early implementation of NIS it was determined the NIS Payroll application was not allocating salaries and benefits appropriately to salaried employees who incur hours that are distributed across multiple business units. This would apply to many State agencies' funds, programs, and grants. During the fiscal year ended June 30, 2004, agencies developed "work around" solutions to this problem, however, there has been no system change to resolve this problem. The "work around" solutions can be very time consuming. We recommend DAS Accounting Division consider obtaining a system change to allocate salaries and benefits appropriately for salaried employees who incur hours that are distributed across multiple business units.

d. During the first year of NIS implementation an outside consultant noted a detailed analysis had not been performed to determine whether users received adequate training to enable them to appropriately perform their job functions. The APA is not aware of any detailed analysis of user training conducted by the DAS Accounting Division during the fiscal year ended June 30, 2004, but does acknowledge a significant training effort by the DAS Accounting Division during this period. We recommend the DAS Accounting Division continue their training efforts as well as identifying user training needs.

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Nebraska Information System and Accounting Procedures (Continued)

e. Since the implementation of NIS, DAS Accounting Division has not updated their records retention and disposition schedule with the Records Management Division of the Secretary of State. The records retention schedule on file with the Secretary of State covers the records under the old accounting system and was last updated in 1986.

Neb. Rev. Stat. Section 84-1207 R.R.S. 1999 states the head of any State agency shall make, and submit to the State Records Administrator schedules proposing the length of time each record series warrants retention for administrative, legal, historical or fiscal purposes, after it has been made in or received by the agency, and lists of records in the custody or under the control of the agency which are not needed in the transaction of current business, and do not possess sufficient administrative, legal, historical or fiscal value to warrant their further retention.

Since many of the records (and their titles) are significantly different under NIS than they were under the old accounting system we do not believe the DAS Accounting Division is in compliance with the above statute with the current retention schedule on file with the Secretary of State. In addition, for legal purposes and for good business practices we believe a comprehensive DAS Accounting Division records retention schedule is imperative. We recommend the DAS Accounting Division work with the Secretary of State to develop a comprehensive records retention schedule for all records they maintain.

f. The payroll component is not designed to promote an effective segregation of duties. We recommend the DAS Accounting Division consider implementing the compensating control as identified in the k. section of this comment.

g. During the first year of NIS implementation an outside consultant noted access to sensitive General Accounting functions had been provided to individuals who may not require such access as a part of their job responsibilities. Based on our inquiries, DAS Accounting Division management noted, “All critical function access rights have been secured down to the appropriate high level matrix codes.” We could not verify the accuracy of this statement as requested information and documentation have not been provided to us.

h. During the first year of NIS implementation an outside consultant noted the State had not documented or formalized comprehensive information security procedures for NIS. Based on our inquiries, DAS Accounting Division management noted, “The NIS CNC's and the NIS Security team have developed a comprehensive security policy.” We could not verify the accuracy of this statement as requested information and documentation have not been provided to us.

COMMENTS AND RECOMMENDATIONS
(Continued)

9. <u>Nebraska Information System and Accounting Procedures</u> (Continued)

i. During the first year of NIS implementation an outside consultant noted the State had not implemented a formal, comprehensive business continuity or disaster recovery plan that comprehends both NIS and its supporting infrastructure. Based on our inquiries, DAS Accounting Division management noted, "We have now contracted with an outside vendor for business continuity planning." Documentation provided to us by DAS management indicates the State has a disaster recovery plan, however, it is not complete and the business continuity plan is in the draft stage but has not yet been tested. We recommend the State continue to implement formal, comprehensive business continuity and disaster recovery plans.

j. The APA reviewed certain data in the NIS address book in July 2004. We noted the following related vendor information:

1. Duplicate Name and Address – Our review noted a total of 4,435 duplicate records. However, all have different address book numbers.

2. Duplicate Bank Information – 4,118 vendors had duplicate bank information.

3. Vendors with no Federal Tax Identification Number (FTIN) in NIS and Vendors with an FTIN of 000000000 – 3,789 vendors either had no FTIN or an FTIN with all zeros. The vendors with zeros as their FTIN were all PW (welfare) vendor types. Out of the 3,789 records 3,408 had no FTIN at all.

When duplicate records are in the NIS address book database there is a greater risk of duplicate payments being made and not being detected and queries of the database for vendor information may not be complete because the queries may not include all vendor information. In addition, when the database does not include FTIN numbers for all vendors there is a greater risk of payments to a fictitious vendor. DAS Accounting Division should correct the database for duplicate records and ensure all vendors included in the database have an FTIN.

k. DAS Accounting Division payroll procedures require each State agency to certify its payroll for each pay period to ensure payroll is processed accurately and completely. This certification is to be in writing, either through an email or letter to the DAS Accounting Administrator. In our review of the final payroll notification and certification procedures processed in July 2003 and May of 2004 and discussion with DAS Accounting Division personnel, the certification procedures were not always performed. Our review also noted that the DAS Accounting

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Nebraska Information System and Accounting Procedures (Continued)

Division did not have a policy on the information that should be included in the written certification. We noted during our testing, when there was a certification, there was no consistency in the information provided by State agencies.

DAS Accounting Division should establish a policy on detailing the information to be included in the certification, should ensure all State agencies consistently follow this policy, and ensure all payroll expenditures are certified.

The issues identified above are the responsibility of the DAS Accounting Division and NIS Functional Team as they relate directly to NIS; however, they directly affect all Nebraska State agencies' financial information and must be disclosed in this report. The results of the consultant's study of NIS were communicated in a separate report to DAS, who is responsible for NIS. Letters to each State agency communicated the results of the APA's preliminary examination of internal controls at the State agency level. Additional concerns identified by the APA were communicated to the appropriate State officials.

Board's Response: The State Board notes that during the time frame of this Audit, the State implemented NIS and the Board's budget was cut by 16.5%. Both of these events significantly changed how the agency and staff did their work since the last audit in 2000.

1. *The State has changed the accounting software to NIS, an integrated payroll/disbursement/inventory system, which has had implementation challenges and required a heavy staff commitment for training.*

    a. *Key staff persons attended at least 250 hours NIS training collectively on how to use the NIS to do their work. This included training on the following topics; accounts payable, budget management, cash deposits, fixed assets, general accounting, grants, human resources, payroll, NIS security, and procurement.*

2. *Budget cuts forced the elimination of 26% of the review positions (5 review specialists and 67% of a supervisor position) and eliminated some support staff.*

Board's Overall Response: The State Board will meet on March 25, 2005, to review the findings of the audit. At that time the Board will complete a review of the Board's current policies and will adopt additional policies and procedures in compliance with DAS Accounting, as necessary. The results of this meeting will be recorded in the minutes.

COMMENTS AND RECOMMENDATIONS
(Continued)

Board's Overall Response, Concluded:
The State Board is pleased that the reportable conditions found during the routine audit of the Foster Care Review Board would not be considered material weaknesses.

APA's Response: Although no material weaknesses were identified, two of the findings are considered reportable conditions. Reportable conditions are matters relating to significant deficiencies in the design or operation of the internal control over financial reporting.

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NEBRASKA FOSTER CARE REVIEW BOARD

INDEPENDENT ACCOUNTANT'S REPORT

Foster Care Review Board
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Foster Care Review Board (Board) for the fiscal year ended June 30, 2004. The Board's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Foster Care Review Board for the fiscal year ended June 30, 2004, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards,* we have also issued our report dated February 28, 2005, on our consideration of the Nebraska Foster Care Review Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of the Board and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Don Dunlap CPA

February 28, 2005 Assistant Deputy Auditor

NEBRASKA FOSTER CARE REVIEW BOARD

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2004

	General Fund 10000	FCRB Cash Fund 27010	Federal Letter of Credit Fund 40000	FCRB Donations Trust Fund 67010	**Total (Memorandum Only)**
REVENUES:					
Appropriations	$ 1,051,303	$ -	$ -	$ -	$ 1,051,303
Intergovernmental	-	-	721,522	-	721,522
Miscellaneous	-	2,187	-	3,986	6,173
TOTAL REVENUES	1,051,303	2,187	721,522	3,986	1,778,998
EXPENDITURES:					
Personal Services	1,051,303	-	356,953	-	1,408,256
Operating	-	2,446	292,250	-	294,696
Travel	-	41	68,397	-	68,438
Capital Outlay	-	-	3,922	-	3,922
TOTAL EXPENDITURES	1,051,303	2,487	721,522	-	1,775,312
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(300)	-	3,986	3,686
OTHER FINANCING SOURCES (USES):					
Sales of Assets	-	855	-	-	855
TOTAL OTHER FINANCING SOURCES (USES)	-	855	-	-	855
Net Change in Fund Balances	-	555	-	3,986	4,541
FUND BALANCES, JULY 1, 2003	991	9,008	-	-	9,999
FUND BALANCES, JUNE 30, 2004	$ 991	$ 9,563	$ -	$ 3,986	$ 14,540
FUND BALANCES CONSIST OF:					
General Cash	$ -	$ 9,563	$ -	$ 3,986	$ 13,549
Deposits with Vendors	991	-	-	-	991
TOTAL FUND BALANCES	$ 991	$ 9,563	$ -	$ 3,986	$ 14,540

The accompanying notes are an integral part of the schedule.

NEBRASKA FOSTER CARE REVIEW BOARD

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2004

1. Criteria

The accounting policies of the Nebraska Foster Care Review Board are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107(2) R.R.S. 1999, the State of Nebraska Director of Administrative Services duties include "The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes."

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in NIS manuals and Nebraska Accounting System Concepts published by DAS and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Board was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2004 includes only those payables posted to NIS before June 30, 2004 and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2004 **does not** include amounts for goods and services received before June 30, 2004 which had not been posted to NIS as of June 30, 2004.

The Board had no accounts receivable at June 30, 2004. The NIS system does not include liabilities for accrued payroll and compensated absences.

The fund types established by NIS that are used by the Board are:

10000 – General Fund – accounts for all financial resources not required to be accounted for in another fund.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

40000 – Federal Funds – account for all federal grants and contracts received by the State. Expenditures must be made in accordance with applicable federal requirements.

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

The major revenue object account codes established by NIS used by the Board are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and donations.

The major expenditure object account titles established by NIS used by the Board are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Board.

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

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

Capital Outlay – Expenditures which result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Other significant object account codes established by NIS and used by the Board include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts and deposits with vendors. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded on NIS.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions increase expenditures and decrease fund balance.

Other Financing Sources – Proceeds of fixed asset dispositions.

NOTES TO THE SCHEDULE
(Continued)

2. State Agency

The Nebraska Foster Care Review Board (Board) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The schedule includes all funds of the Board.

The Nebraska Foster Care Review Board is part of the primary government for the State of Nebraska.

3. 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 because interfund balances and transactions have not been eliminated.

4. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The Board values all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of $500 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Equipment is depreciated using the straight-line method with estimated useful lives of three to ten years.

Capital asset activity of the Board for the fiscal year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets				
Equipment	$ 111,416	$ 3,922	$ -	$ 115,338
Less accumulated depreciation for:				
Equipment				94,382
Total capital assets, net of depreciation				$ 20,956

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NEBRASKA FOSTER CARE REVIEW BOARD

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Foster Care Review Board
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Foster Care Review Board for the fiscal year ended June 30, 2004, and have issued our report thereon dated February 28, 2005. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Foster Care Review Board's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Foster Care Review Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. Reportable conditions are described in the Comments Section of the report as Comment Number 2 (Lack of Segregation of Duties) and Comment Number 9 (Nebraska Information System and Accounting Procedures).

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial schedule being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Foster Care Review Board's schedule of revenues, expenditures, and changes in fund balances, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional items that we reported to management of the Nebraska Foster Care Review Board in the Comments Section of this report as Comment Number 1 (State Resources Used for Personal Gain), Comment Number 3 (Leave Payoff, Balancing, and Accrual Procedures), Comment Number 4 (Personal Phone Calls), Comment Number 5 (Travel Expenses), Comment Number 6 (Unreasonable Expenditures), Comment Number 7 (Case Types), and Comment Number 8 (Review of Foster Care Cases).

This report is intended solely for the information and use of the Board and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Don Dunlap CPA

February 28, 2005 Assistant Deputy Auditor

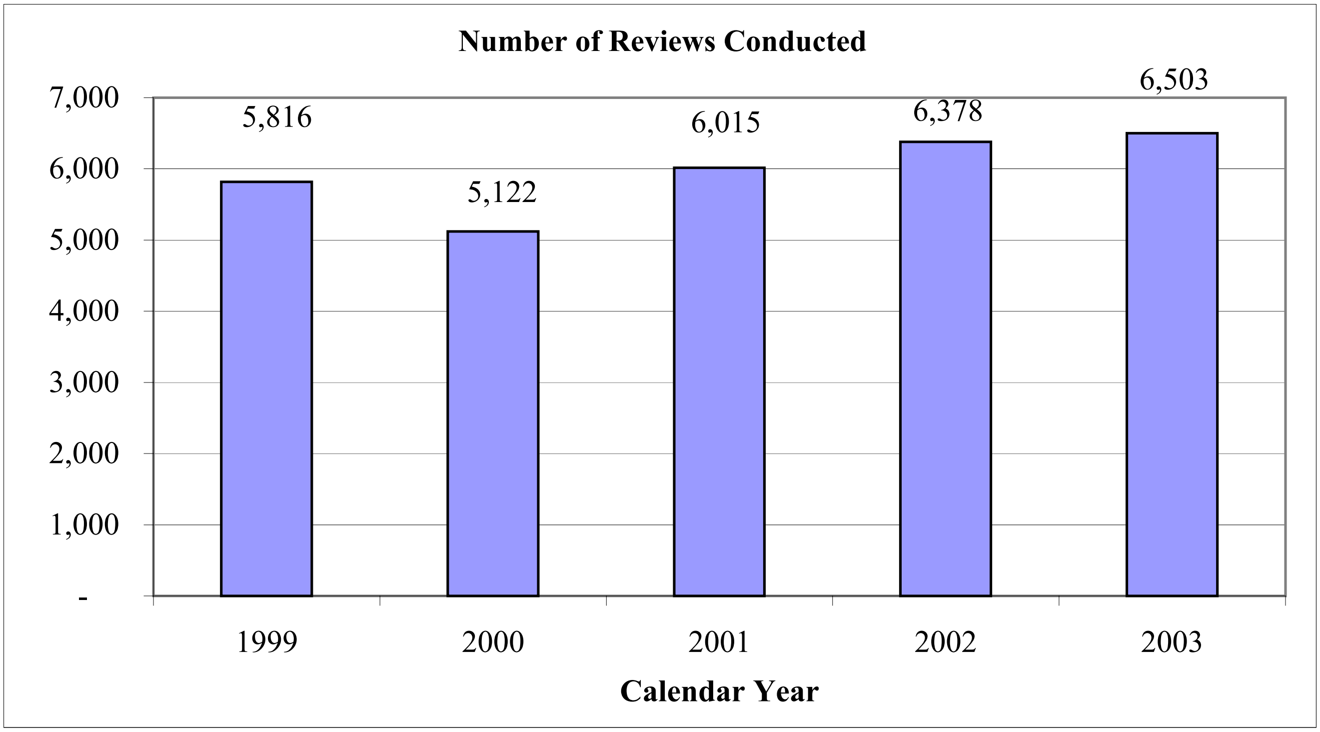
STATISTICAL SECTION

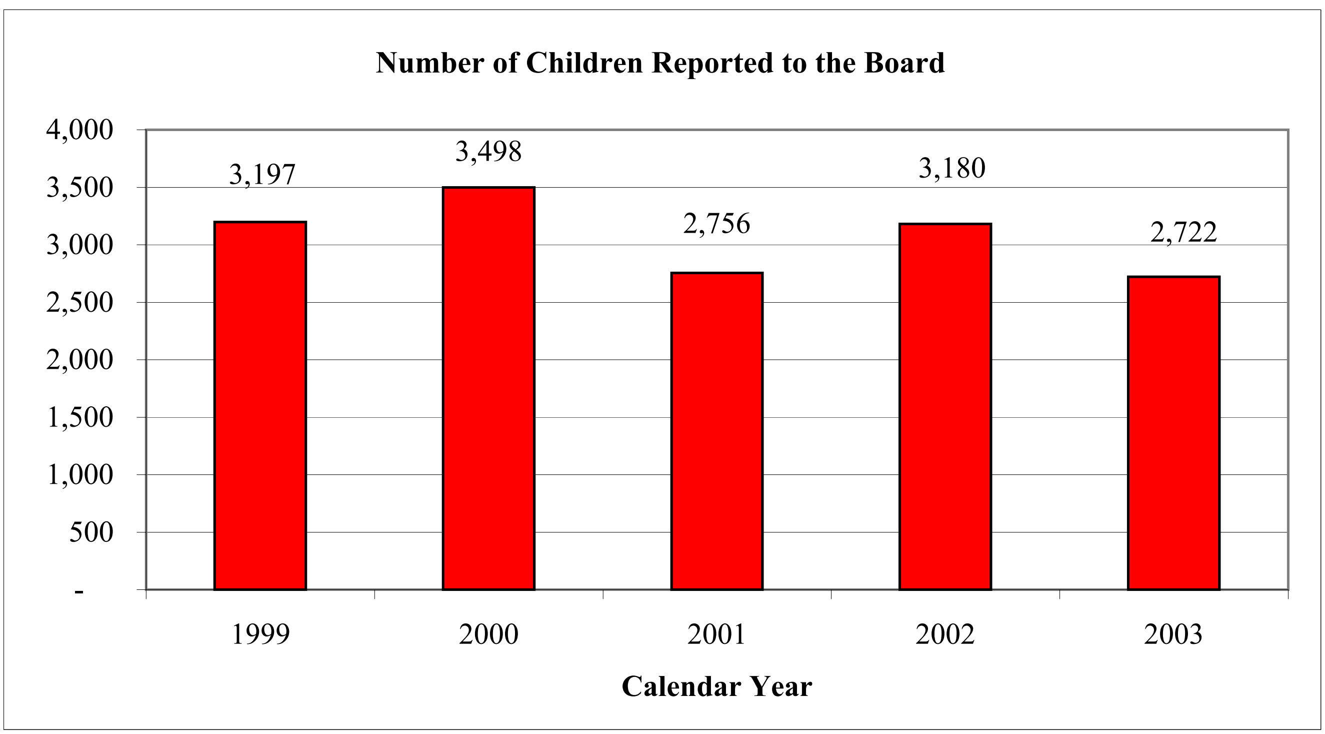
Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

NEBRASKA FOSTER CARE REVIEW BOARD

NUMBER OF REVIEWS CONDUCTED AND CHILDREN REPORTED TO THE BOARD

Calendar Years 1999 through 2003





NOTE 1: Figures were obtained from the Annual Reports of the Nebraska State Foster Care Review Board.

NOTE 2: The number of children reported to the Board is the number of children that were placed in out-of-home care during the year.

NEBRASKA FOSTER CARE REVIEW BOARD
AVERAGE COST PER REVIEW
Fiscal Years 2000 through 2004