

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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March 8, 2006

**Kate Witek**  
State Auditor  
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Doug Christensen, Commissioner of Education  
Nebraska Department of Education  
301 Centennial Mall South, 6th Floor  
Lincoln, Nebraska 68509

**Deann Haeffner, CPA**  
Deputy State Auditor  
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Dear Mr. Christensen:

**Don Dunlap, CPA**  
Asst. Deputy Auditor  
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We have audited the basic financial statements of the State of Nebraska (the State) for the year ended June 30, 2005, and have issued our report thereon dated December 19, 2005. We have also audited the State's compliance with requirements applicable to major Federal award programs and have issued our report thereon dated February 2, 2006. In planning and performing our audit, we considered the State's internal controls in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements of the State and on the State's compliance with requirements applicable to major programs, and to report on internal control in accordance with the Federal Office of Management and Budget (OMB) Circular A-133 (the Single Audit); and not to provide assurance on internal control. We have not considered internal control since the date of our report.

**Pat Reding, CPA**  
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In connection with our audit described above, we noted certain internal control matters related to the activities of the Nebraska Department of Education (the Agency) or other operational matters that are presented below for your consideration. These comments and recommendations, which have been discussed with the appropriate members of Agency's management, are intended to improve internal control or result in other operating efficiencies.

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Our consideration of internal control included a review of prior year comments and recommendations. To the extent the situations that prompted the recommendations in the prior year still exist, they have been incorporated in the comments presented for the current year. All other prior year comments and recommendations (if applicable) have been satisfactorily resolved.

**Perry Pirsch, JD, MPA**  
Legal Counsel  
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Our comments and recommendations for the year ended June 30, 2005, are shown on the following pages.

## COMMENT RELATED TO THE SINGLE AUDIT

### 1. Program: CFDA 10.553, School Breakfast Program (SBP); part of the Child Nutrition Cluster (CNC), CFDA 10.553, 10.555, 10.556, and 10.559 - Eligibility

**Federal Grantor Agency:** United States Department of Agriculture (USDA)

**Criteria:** Title 7 CFR, Section 220.9(e), Severe Need Schools, states: “The State agency . . . shall determine whether a school is in severe need based on the following eligibility criteria . . . 40 percent or more of the lunches served to students at the school in the second preceding school year were served free or at a reduced price . . . State agencies shall maintain on file, and have available for review and audits, their eligibility criteria for determining the severe need of schools and the source of the data to be used in making individual determinations.”

**Condition:** Total free and reduced lunches served in the second previous school year and total student lunches served in the second previous school year listed on the current year school site applications are not verified by the Agency’s Nutrition Services staff. For one of four schools tested, the auditor verified the totals listed on the application were incorrect. Based on the correct data, the school did not meet the 40 percent eligibility requirement. In addition, we also noted two of four schools tested which the auditor could not verify individual site eligibility for those sites approved for Severe Need Breakfast.

**Questioned Costs:** \$114 known

**Context:** Nutrition Services does not have any policies or procedures in place to verify the data on the individual school site applications. Based on information currently being reported, it is not possible to verify eligibility for schools that have some sites qualifying for Severe Need and some sites that do not. Monthly claims submitted by schools are system-wide and do not contain any site specific data that could be used to verify Severe Need eligibility. We sampled 25 of 480 School Food Authorities (SFAs) participating in the Child Nutrition Cluster. Of the 25 sampled, 4 received Severe Need Breakfast reimbursements. Two SFAs had multiple sites receiving payments for Severe Need Breakfast that could not be verified. Of those, one SFA had 2 of 6 sites and the other had 24 of 59 sites receiving payments. The possible questioned costs for these two SFAs total \$87,288.

**Cause:** Nutrition Services does not verify information filled out by school sites to determine Severe Need eligibility for the School Breakfast Program. Nutrition Services relies on the schools to report accurate data as the schools have signed an agreement to report accurate data.

**Effect:** Increased risk of misappropriation of Federal funds.

**Recommendation:** We recommend the Agency’s Nutrition Services develop and implement policies and procedures to ensure all Severe Need Schools in the School Breakfast Program are eligible and documentation supporting this eligibility is maintained on file.

**Management Response:** There is no specific provision in the USDA-FNS School Breakfast Program regulations that requires the Agency to verify the total number of lunches served, and of free and reduced price lunches served, as reported by School Food Authorities prior to approving any school for Severe Need Breakfast reimbursement. School Food Authorities are required to comply with requirements, maintain documentation to support compliance, and make these records available for review when requested by the Agency.

However, the Agency is able to verify the lunches reported by single site districts by comparing the number of meals reported in the second previous year, to the number of lunches reported by the district when applying for severe need breakfast. The total lunches claimed as well as the total free and reduced lunches claimed in the second preceding year are automatically reported in the web-based application system. Approximately 70% of the participating school food authorities are single site districts.

**Corrective Action Plan:** For multiple site districts, Nutrition Services will review School Food Authority records to verify the accuracy of the figures reported for each site by the district when they apply for severe need reimbursement as part of the Coordinated Review Effort (CRE) administrative review process.

**Contact:** Connie Stefkovich, M.S., R.D.

**Anticipated Completion Date:** CRE is a year around activity. Single sight district applications will be verified during the approval process.

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Agency and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to you.

This report is intended solely for the information and use of the Agency, the Governor and State Legislature, Federal awarding agencies, pass-through entities, and management of the State of Nebraska. However, this report is a matter of public record and its distribution is not limited.

We appreciate and thank all of the Agency employees for the courtesy and cooperation extended to us during our audit.

Sincerely,

*Pat Reding, CPA*

Pat Reding  
Assistant Deputy Auditor