

**ATTESTATION REPORT  
OF THE  
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES**

**JULY 1, 2004 THROUGH JUNE 30, 2005**

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**Issued on June 29, 2006**

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES

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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES

**BACKGROUND**

The objective of Program 136, County Legal Procedures is to, “Provide for legal proceedings for parental rights termination in order to establish permanent living arrangements for children who can be adopted, and to expedite completion of adoptions. All funds from this program are distributed to Douglas and Lancaster counties for staff to facilitate the legal filings in parental rights termination cases necessary to precede with adoptions of HHSS wards.”

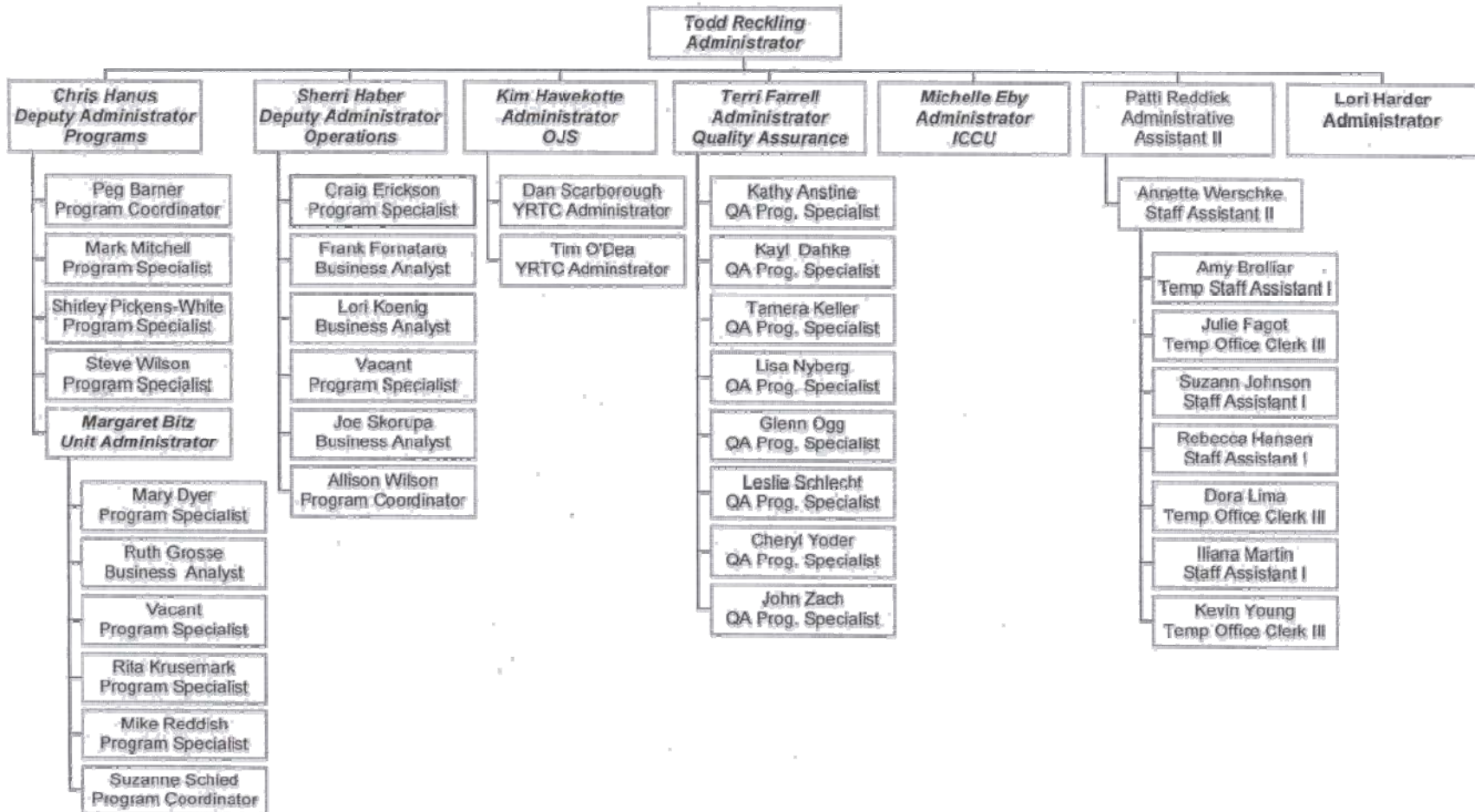
**MISSION STATEMENT**

To provide individualized supervision, care, accountability, and treatment in a manner consistent with public safety to those youth committed or referred for evaluation.

Furthermore, the Office of Juvenile Services promotes prevention efforts through the support of programs and services designed to meet the needs of youth identified as being at risk of violating the law or endangering themselves or others. To accomplish this, the Office of Juvenile Services will offer programs through a balanced delivery system which provides youth the opportunity to become law-abiding and productive citizens.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES

ORGANIZATIONAL CHART



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES

**EXIT CONFERENCE**

An exit conference was held June 1, 2006, with the Program to discuss the results of our examination. Those in attendance for the Nebraska Health and Human Services System - Program 136 - County Legal Procedures were:

| <b>NAME</b>     | <b>TITLE</b>                                       |
|-----------------|--|
| Willard Bouwens | Administrator – Financial Services                 |
| Todd Reckling   | Administrator – Office of Protection<br>and Safety |
| Kim Hawekotte   | Administrator – Office of Juvenile<br>Services     |
| Dan Albrecht    | Budget Manager                                     |
| Larry Morrison  | Cost Accounting Manager                            |
| Tom Jurgens     | Accounting and Finance Manager                     |
| Elmer Meiler    | Budget Analyst                                     |
| Duane Singsas   | Performance Measurement                            |

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES

**SUMMARY OF COMMENTS**

During our examination of the Nebraska Health and Human Services System - Program 136 - County Legal Procedures, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. **Reporting Errors:** Amounts reported to the Federal Department of Health and Human Services for the quarter, January 1, 2005, through March 31, 2005, for CFDA 93.658 – Foster Care Title IV-E were incorrect. State general funds expended of \$15,438 for Program 136 were not included in the amount reported. Federal fund expenditures of \$15,438 were included in foster care maintenance costs reported and should have been reported in adoption assistance administrative costs.
2. **Reconciliation of Bank Records to the Nebraska Information System:** The Department of Administrative Services' reconciliation process is still not done in a timely manner and continues to reflect unknown variances.

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 Program 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 Program 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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES

**COMMENTS AND RECOMMENDATIONS**

**1. Reporting Errors**

Title 45 CFR 92.20 requires accurate, current, and complete disclosure of financial results and accounting records which adequately identify the source and application of funds. Good internal control requires HHSS have procedures in place to report totals for Federal and State expenditures to the Federal grantor accurately each quarter.

We tested amounts reported for the quarter, January 1, 2005, through March 31, 2005, for CFDA 93.658 – Foster Care Title IV-E. State general funds expended of \$15,438 for Program 136 were not included in the amount reported. Federal fund expenditures of \$15,438 were included in foster care maintenance costs reported and should have been reported in adoption assistance administrative costs.

Amounts reported to the Federal grantor are not accurate when all expenditures of the Program are not included and expenditures are not included in the correct categories.

We recommend HHSS implement procedures which ensure the correct totals for State and Federal expenditures are reported in the correct categories to the Federal government each quarter.

*HHSS's Response: We agree with the finding and will implement procedures to include this item with the Children and Family Services cost center for processing through the established cost allocation methodology to be included in the Title IV-E administrative claim.*

**2. Reconciliation of Bank Records to the Nebraska Information System**

During the audit of the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska, the Auditor of Public Accounts (APA) noted the absence of reconciliation between the Nebraska State Treasurer's actual bank statements and Nebraska accounting records (in both the Nebraska Information System (NIS) and the Nebraska Accounting System (NAS), system before NIS). This has been an issue for the Department of Administrative Services Accounting Division (State Accounting) for many years. The APA's previous comments noted monthly reconciliations have not been completed in a timely manner and reconciliations performed have shown significant unknown variances between the bank records and the accounting records, with the bank being short compared to the accounting records. Although State Accounting continues to work on correcting the reconciliation of bank records to NIS, the APA continues to note areas where improvement is still needed in the reconciliation process to ensure NIS integrity and operational efficiency. Specifically, the APA noted the status of the reconciliation process as of December 19, 2005, to be as follows:

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
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**COMMENTS AND RECOMMENDATIONS**

(Continued)

**2. Reconciliation of Bank Records to the Nebraska Information System (Concluded)**

State Accounting has worked on the reconciliation process, but continued progress is needed. State Accounting's reconciliation process has developed into a very detailed process of analyzing bank activity, compared to activity recorded on NIS, to identify reconciling items. State Accounting has completed their reconciliation process for the months of July of 2004 and May, June, and July of 2005. The APA has reviewed these reconciliations. The months of May, June, and July show variances of \$3,425,381, \$3,405,702, and \$3,405,862, respectively. Again, the reconciliations show the bank being short compared to the accounting records. Per inquiry of management, State Accounting has started the reconciliation process for various months of the fiscal year ended June 30, 2006; however, the reconciliation process has not been a continuous monthly process and no monthly reconciliation has been completed since July of 2005.

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial information. Without a timely and complete reconciliation of bank records to the NIS, there is a greater risk for fraud and errors to occur and to remain undetected.

Although State Accounting has worked on the reconciliation process, the process is still not done in a timely manner. The reconciliation continues to reflect unknown variances and shortages. Complete and timely reconciliation procedures between bank records and accounting records are required to provide control over cash and accurate financial information.

We recommend State Accounting continue their reconciliation process, in a more timely manner, and on at least a monthly basis, to ensure all financial information is correct on NIS. We also recommend, when a consistent cash variance between the bank records and the accounting records is obtained (based on at least six months of reconciliations), DAS submit their plan for adjusting NIS to the Governor and the Legislature so they may take appropriate action to correct NIS and resolve the variances noted.

This issue is the responsibility of State Accounting; however, as the variances have not been identified by fund or agency, this issue directly affects all Nebraska State agencies' financial information and must be disclosed in this report.



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## NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM PROGRAM 136 - COUNTY LEGAL PROCEDURES

### INDEPENDENT ACCOUNTANT'S REPORT

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Nebraska Health and Human Services System  
Lincoln, Nebraska

Don Dunlap, CPA  
Asst. Deputy Auditor  
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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Health and Human Services System - Program 136 - County Legal Procedures (Program) for the fiscal year ended June 30, 2005. The Program'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.

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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.

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In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Health and Human Services System - Program 136 - County Legal Procedures for the fiscal year ended June 30, 2005, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

Perry Pirsch, JD, MPA  
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In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2006, on our consideration of the Nebraska Health and Human Services System - Program 136 - County Legal Procedures'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 Program and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Timothy J. Channer CPA in black ink.

Assistant Deputy Auditor

June 1, 2006

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2005

|                              | 10000<br>General Fund | 40000<br>Federal Fund | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|------------------------------|-----------------------|-----------------------|---|
| <b>REVENUES:</b>             |                       |                       |   |
| Appropriations               | \$ 102,701            | \$ -                  | \$ 102,701                              |
| Intergovernmental            | -                     | 102,701               | 102,701                                 |
| <b>TOTAL REVENUES</b>        | <u>102,701</u>        | <u>102,701</u>        | <u>205,402</u>                          |
| <b>EXPENDITURES:</b>         |                       |                       |   |
| Government Aid               | 102,701               | 102,701               | 205,402                                 |
| <b>TOTAL EXPENDITURES</b>    | <u>102,701</u>        | <u>102,701</u>        | <u>205,402</u>                          |
| Net Change in Fund Balances  | -                     | -                     | -                                       |
| FUND BALANCES, JULY 1, 2004  | <u>-</u>              | <u>-</u>              | <u>-</u>                                |
| FUND BALANCES, JUNE 30, 2005 | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>                             |

The accompanying notes are an integral part of the schedule.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES

**NOTES TO THE SCHEDULE**

For the Fiscal Year Ended June 30, 2005

**1. Criteria**

The accounting policies of the Nebraska Health and Human Services System - Program 136 - County Legal Procedures 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.S.Supp., 2004, 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 Program 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, 2005, includes only those payables posted to NIS before June 30, 2005, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2005, **does not** include amounts for goods and services received before June 30, 2005 which had not been posted to NIS as of June 30, 2005.

The Program had no accounts receivable at June 30, 2005. The NIS system does not include liabilities for accrued payroll and compensated absences.

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

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

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Concluded)

The major revenue object account codes established by NIS used by the Program 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.

The major expenditure object account title established by NIS used by the Program is:

**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.

**2. State Agency**

The Nebraska Health and Human Services System - Program 136 - County Legal Procedures (Program) is a State program 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 schedule includes all funds of the Program.

The Nebraska Health and Human Services System - Program 136 - County Legal Procedures 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.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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**NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES  
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**

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Nebraska Health and Human Services System  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Health and Human Services System - Program 136 - County Legal Procedures for the fiscal year ended June 30, 2005, and have issued our report thereon dated June 1, 2006. 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 Health and Human Services System - Program 136 - County Legal Procedures' 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Health and Human Services System - Program 136 - County Legal Procedures' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. A reportable condition is described in the Comments Section of the report as Comment Number 2 (Reconciliation of Bank Records to the Nebraska Information System).

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 the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Health and Human Services System - Program 136 - County Legal Procedures' 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 a certain additional item that we reported to management of the Nebraska Health and Human Services system - Program 136 – County Legal Procedures in the Comments Section of this report as Comment Number 1 (Reporting Errors).

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

Handwritten signature of Timothy J. Channer CPA in black ink.

Assistant Deputy Auditor

June 1, 2006

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
PROGRAM 136 - COUNTY LEGAL PROCEDURES

**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 HEALTH AND HUMAN SERVICES SYSTEM  
 PROGRAM 136 - COUNTY LEGAL PROCEDURES

**LEGAL COSTS PAID**

For the Fiscal Years Ended June 30, 2002, 2003, 2004, and 2005

