

**ATTESTATION REPORT
OF THE
NEBRASKA HEALTH AND HUMAN
SERVICES SYSTEM – PROGRAM 316
COUNTY PREDISPOSITION DETENTION**

JULY 1, 2004 THROUGH JUNE 30, 2005

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on June 29, 2006

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 316 - COUNTY PREDISPOSITION DETENTION

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Mission Statements	1
Organizational Chart	2
Comments Section	
Exit Conference	3
Summary of Comments	4
Comments and Recommendations	5 - 7
Financial Section	
Independent Accountant's Report	8 - 9
Schedule of Revenues, Expenditures, and Changes in Fund Balance	10
Notes to the Schedule	11 - 12
Government Auditing Standards Section	
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 Balance Performed in Accordance with <i>Government Auditing Standards</i>	13 - 14
Statistical Section	15
Total Expenditures	16

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 316 - COUNTY PREDISPOSITION DETENTION

BACKGROUND

Program 316, Juvenile Predisposition, was implemented to reimburse counties for costs incurred while detaining court adjudicated juveniles who have been ordered to receive a Health and Human Services System (HHSS), Office of Juvenile Services (OJS), evaluation. This Program was begun after a Supreme Court ruling in “re Interest of Marie E., A child under 18 years of age,” in which the court ruled the State of Nebraska is responsible for costs of detention beginning from the date the judge orders an HHSS - OJS, evaluation until the evaluation begins. The ruling allowed counties to bill the State for pre-evaluation detention time that occurred in the two years prior to the Supreme Court ruling, with the two-year eligibility period moving forward up to June 1, 2003. Prior to the Supreme Court ruling, the State did not pay for any costs incurred before admission to an evaluation program.

With the passage of 2001 Neb. Laws LB 640, the State is responsible for (i) the costs incurred during an evaluation unless otherwise ordered by the court pursuant to section 43-290 and (ii) the pre-evaluation detention costs for any days over the first ten days from the date the evaluation is ordered by the court.

MISSION STATEMENTS

HEALTH AND HUMAN SERVICES SYSTEM MISSION STATEMENT

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

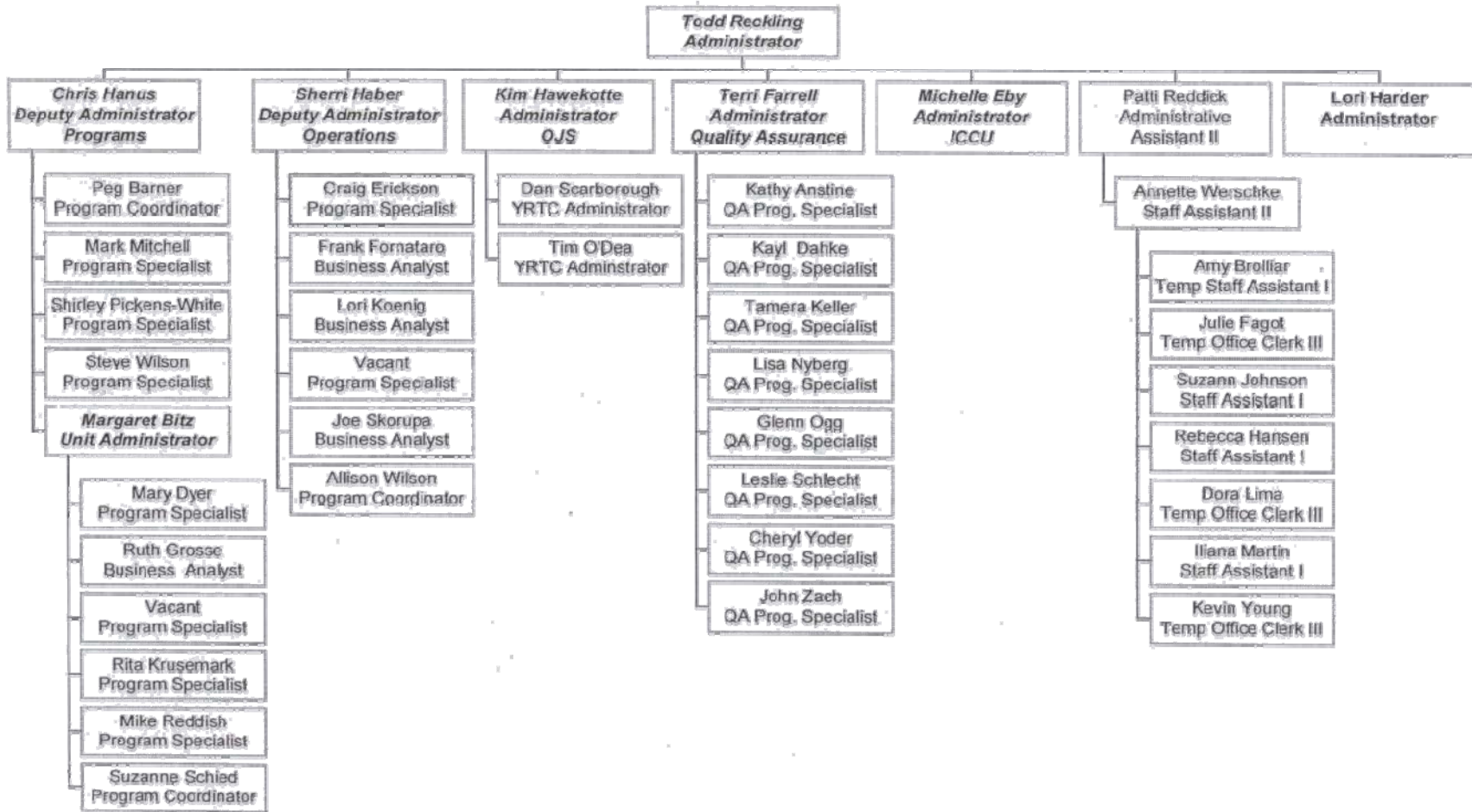
OFFICE OF JUVENILE SERVICES MISSION STATEMENT

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 316 - COUNTY PREDISPOSITION DETENTION

ORGANIZATIONAL CHART



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 316 - COUNTY PREDISPOSITION DETENTION

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 316 - County Predisposition Detention were:

NAME	TITLE
Willard Bouwens	Administrator – Financial Services
Todd Reckling	Administrator – Office of Protection & Safety
Kim Hawekotte	Administrator – Office of Juvenile 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 316 - COUNTY PREDISPOSITION DETENTION

SUMMARY OF COMMENTS

During our examination of the Nebraska Health and Human Services System - Program 316 - County Predisposition Detention, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***Expenditures:*** Expenditure documents were not supported by adequate documentation to ensure the appropriate amount was being paid, a detention facility was overpaid for detention costs, and expenditures were charged to the wrong object account.
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 316 - COUNTY PREDISPOSITION DETENTION

COMMENTS AND RECOMMENDATIONS

1. Expenditures

Good internal control requires procedures be in place that ensure all expenditure documents are supported by adequate documentation to ensure the appropriate amount is being paid, no facility is overpaid for detention costs, and expenditures are charged to the correct object account.

For expenditure documents tested, we noted the following:

- Adequate supporting documentation was not present for one of seven documents tested. There were no court documents to substantiate youth detention costs for one payment made.
- One of seven documents tested included an overpayment (total overpayment of \$123.60) of detention costs. Costs were paid for a youth stay of 13 days when the State was only obligated to pay for 12 days.
- Expenditures on one of seven documents tested were charged to a Government Aid object account and should have been charged to an Operating Expense (either 554900 - Other Contractual Services or 547400 - Juvenile Services) object account. All expenditures for Program 316 should have been coded to Operating Expense object accounts and the Schedule of Revenues, Expenditures and Changes in Fund Balance was adjusted for these miscodings. Total Government Aid object account miscodings for the Program were \$98,926.

There is an increased risk of misuse or loss of State funds when there are not proper internal controls in place.

We recommend HHSS implement procedures for Program 316 to ensure payments are properly supported, the correct amount, and coded to the correct object account.

HHSS's Response: We agree that procedures needed to be improved and HHSS had begun to change this process prior to the audit. Effective April 1, 2006, the Office of Juvenile Services Administrator or designee is now responsible to approve all payments for detention costs. All requests for payments must go through the approval process and supporting documentation must be attached or be available in the Nebraska Family On-line Client User System (N-FOCUS). All of the service costs for Juvenile Services have now been added to the Nebraska Family On-line Client User System (N-FOCUS). This move to N-FOCUS will automate the payment and budget expenditure processes. It allows us to ensure that payments for specific services to specific youth are paid out of the correct fund codes and assigned to the correct budget. N-FOCUS service authorization and claim processes have internal edits that prevent expenditures from being made if there is a miscalculation of dates, rates, incorrect service, incorrect client or incorrect provider.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 316 - COUNTY PREDISPOSITION DETENTION

COMMENTS AND RECOMMENDATIONS

(Continued)

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:

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 316 - COUNTY PREDISPOSITION DETENTION

COMMENTS AND RECOMMENDATIONS

(Continued)

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

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.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
Kate.Witek@apa.ne.gov

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM PROGRAM 316 - COUNTY PREDISPOSITION DETENTION

INDEPENDENT ACCOUNTANT'S REPORT

Deann Haeffner, CPA
Deputy State Auditor
Deann.Haeffner@apa.ne.gov

Nebraska Health and Human Services System
Lincoln, Nebraska

Don Dunlap, CPA
Asst. Deputy Auditor
Don.Dunlap@apa.ne.gov

Pat Reding, CPA
Asst. Deputy Auditor
Pat.Reding@apa.ne.gov

Tim Channer, CPA
Asst. Deputy Auditor
Tim.Channer@apa.ne.gov

Mary Avery
SAE/Finance Manager
Mary.Avery@apa.ne.gov

Dennis Meyer, CGFM
Subdivision Budget
Coordinator
Dennis.Meyer@apa.ne.gov

Mark Avery, CPA
Subdivision Audit
Review Coordinator
Mark.Avery@apa.ne.gov

Perry Pirsch, JD, MPA
Legal Counsel
Perry.Pirsch@apa.ne.gov

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Health and Human Services System - Program 316 - County Predisposition Detention (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 balance. 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 balance 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 balance of the Nebraska Health and Human Services System - Program 316 - County Predisposition Detention 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.

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 316 - County Predisposition Detention'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.

A handwritten signature in black ink that reads "Timothy J. Chamber CPA". The signature is written in a cursive style with a large, sweeping initial "T".

Assistant Deputy Auditor

June 1, 2006

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 316 - COUNTY PREDISPOSTION DETENTION
**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2005

	<u>General Fund</u> <u>10000</u>
REVENUES:	
Appropriations	\$ 190,899
TOTAL REVENUES	<u>190,899</u>
EXPENDITURES:	
Operating	<u>190,899</u>
TOTAL EXPENDITURES	<u>190,899</u>
Net Change in Fund Balance	-
FUND BALANCE, JULY 1, 2004	<u>-</u>
FUND BALANCE, JUNE 30, 2005	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the schedule.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 316 - COUNTY PREDISPOSITION DETENTION

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 316 - County Predisposition Detention 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 type established by NIS that is used by the Program is:

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

The major revenue object account code established by NIS used by the Program is:

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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 316 - COUNTY PREDISPOSITION DETENTION

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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

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

2. State Agency

The Nebraska Health and Human Services System - Program 316 - County Predisposition Detention (Program) is a State agency 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 316 - County Predisposition Detention is part of the primary government for the State of Nebraska.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
Kate.Witek@apa.ne.gov

**NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 316 - COUNTY PREDISPOSITION DETENTION
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 BALANCE
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Deann Haeffner, CPA
Deputy State Auditor
Deann.Haeffner@apa.ne.gov

Don Dunlap, CPA
Asst. Deputy Auditor
Don.Dunlap@apa.ne.gov

Nebraska Health and Human Services System
Lincoln, Nebraska

Pat Reding, CPA
Asst. Deputy Auditor
Pat.Reding@apa.ne.gov

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Health and Human Services System - Program 316 - County Predisposition Detention 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.

Tim Channer, CPA
Asst. Deputy Auditor
Tim.Channer@apa.ne.gov

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Health and Human Services System - Program 316 - County Predisposition Detention'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 balance, 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 316 - County Predisposition Detention's ability to record, process, summarize, and report financial data consistent with the

Mary Avery
SAE/Finance Manager
Mary.Avery@apa.ne.gov

Dennis Meyer, CGFM
Subdivision Budget
Coordinator
Dennis.Meyer@apa.ne.gov

Mark Avery, CPA
Subdivision Audit
Review Coordinator
Mark.Avery@apa.ne.gov

Perry Pirsch, JD, MPA
Legal Counsel
Perry.Pirsch@apa.ne.gov

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 316 - County Predisposition Detention'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 an additional item that we reported to management of the Nebraska Health and Human Services System - Program 316 - County Predisposition Detention in the Comments Section of this report as Comment Number 1 (Expenditures).

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

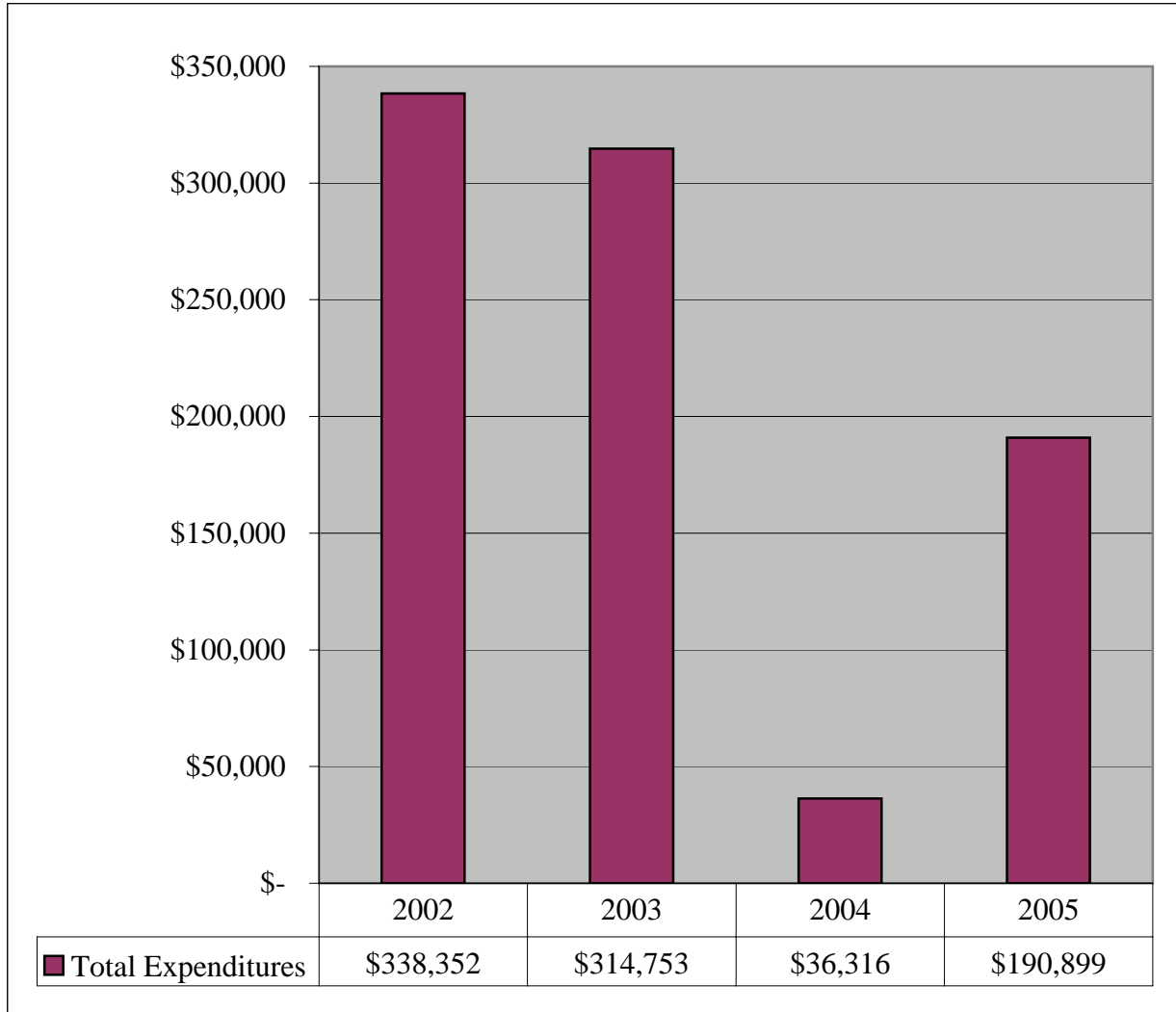
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 316 - COUNTY PREDISPOSITION DETENTION

STATISTICAL SECTION

Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balance. 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 balance, and, accordingly, we express no opinion on it.

**NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 316 - COUNTY PREDISPOSITION DETENTION
TOTAL EXPENDITURES**

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



These amounts represent expenditures paid by HHSS each fiscal year. Counties were able to submit requests for two prior years when the Program began in fiscal year 2002. The larger totals in 2002 and 2003 were due to this. Payments are made based on requests of the counties. Less requests were made for reimbursement of costs in Fiscal Year 2004.