

**ATTESTATION REPORT
OF THE
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 324 - COUNTY JUVENILE SERVICES AID**

JULY 1, 2004 THROUGH JUNE 30, 2005

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Issued on June 30, 2006

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 324 - COUNTY JUVENILE SERVICES AID

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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 324 - COUNTY JUVENILE SERVICES AID

BACKGROUND

Program 324, County Juvenile Services Aid, was started in 2001 by Neb. Rev. Stat. Section 43-2404.02(1) R.R.S. 2004 stating, “There is created a separate and distinct budgetary program within the Office of Juvenile Services to be known as the County Juvenile Services Aid Program.” The purpose of this Program is to prevent the increasing number of juveniles in secure or more restrictive settings by:

1. Developing community-based non-secure juvenile services that will prevent inappropriate placements in more restrictive settings distant from a juvenile’s family and community; and
2. Increasing capacity for non-secure community-based services to juveniles.

This Program was also created to assist in the provision of appropriate preventive, diversionary, and dispositional alternatives for juveniles, encourage coordination of the elements of the juvenile services system, and provide an opportunity for local involvement in developing community programs for juveniles. This Program was transferred to the Nebraska Commission on Law Enforcement and Criminal Justice effective July 1, 2005, per 2005 Neb. Laws LB 193 stating Neb. Rev. Stat. Sections 43-2404.01 and 43-2404.02 R.R.S. 2004 were amended to transfer oversight of the County Juvenile Services Aid Program to the Nebraska Commission on Law Enforcement and Criminal Justice.

MISSION STATEMENTS

HEALTH AND HUMAN SERVICES SYSTEM MISSION STATEMENT

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

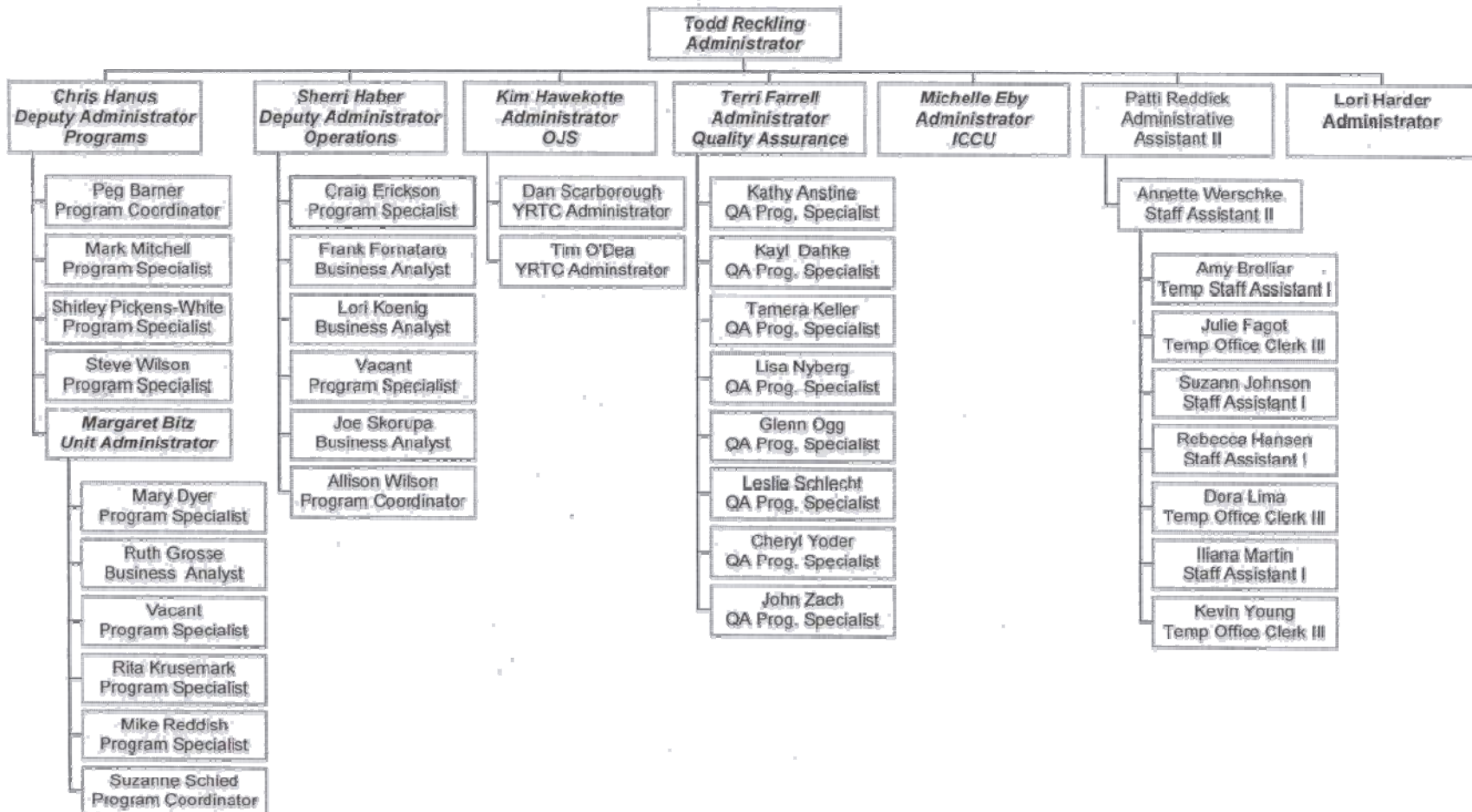
OFFICE OF JUVENILE SERVICES MISSION STATEMENT

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 324 - COUNTY JUVENILE SERVICES AID

ORGANIZATIONAL CHART



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 324 - COUNTY JUVENILE SERVICES AID

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 324 - County Juvenile Services Aid were:

NAME	TITLE
Willard Bouwens	Administrator – Financial Services
Todd Reckling	Administrator – Office of Protection and 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 324 - COUNTY JUVENILE SERVICES AID

COMMENT AND RECOMMENDATION

During our examination of the Nebraska Health and Human Services System - Program 324 - County Juvenile Services Aid, we noted a certain matter involving the internal control over financial reporting and other operational matters which is presented here.

1. 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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 324 - COUNTY JUVENILE SERVICES AID

COMMENT AND RECOMMENDATION
(Continued)

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

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.

It should be noted this report is critical in nature as it contains only our comment and recommendation on the area 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 comment and recommendation included in this report. The Program declined to respond.

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

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 324 - COUNTY JUVENILE SERVICES AID

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 324 - County Juvenile Services Aid (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 324 - County Juvenile Services Aid 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 324 - County Juvenile Services Aid'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. Chamber CPA in black ink.

Assistant Deputy Auditor

June 1, 2006

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 324 - COUNTY JUVENILE SERVICES AID
**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2005

	General Fund <u>10000</u>
REVENUES:	
Appropriations	<u>\$ 1,135,743</u>
TOTAL REVENUES	<u>1,135,743</u>
EXPENDITURES:	
Government Aid	<u>1,135,743</u>
TOTAL EXPENDITURES	<u>1,135,743</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 324 - COUNTY JUVENILE SERVICES AID

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 324 - County Juvenile Services Aid 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 324 - COUNTY JUVENILE SERVICES AID

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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 324 - County Juvenile Services Aid (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 324 - County Juvenile Services Aid is part of the primary government for the State of Nebraska.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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

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

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

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

**NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 324 - COUNTY JUVENILE SERVICES AID
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**

Nebraska Health and Human Services System
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Health and Human Services System - Program 324 - County Juvenile Services Aid 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 324 - County Juvenile Services Aid'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 324 - County Juvenile Services Aid's 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 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 324 - County Juvenile Services Aid's schedule of revenues, expenditures, and changes in fund balance, 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*.

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. Chamber CPA in black ink.

June 1, 2006

Assistant Deputy Auditor

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 324 - COUNTY JUVENILE SERVICES AID

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 324 - COUNTY JUVENILE SERVICES AID
DISTRIBUTION OF JUVENILE SERVICES AID TO COUNTIES
For the Fiscal Year Ended June 30, 2005

County	State Distribution
Buffalo	\$ 37,850.80
Butler	\$ 8,879.38
Chase	\$ 3,977.90

Deuel	\$ 2,090.22
Garden	\$ 2,025.41
Kimball	\$ 3,726.75
Cheyenne	\$ 9,243.96
Total Deuel, Garden, Kimball, & Cheyenne	\$ 17,086.34

Custer	\$ 10,791.37
Blaine	\$ 591.42
Valley	\$ 4,042.71
Greeley	\$ 2,600.62
Sherman	\$ 2,884.18
Total for Custer, Blaine, Valley, Greeley, & Sherman	\$ 20,910.30

Webster	\$ 3,200.14
Clay	\$ 7,477.80
Adams	\$ 25,568.73
Nuckolls	\$ 4,877.18
Total for Webster, Clay, Adams, & Nuckolls	\$ 41,123.85

Colfax	\$ 9,900.19
Cuming	\$ 9,851.58
Dakota	\$ 18,892.99
Dawes	\$ 8,263.66
Douglas	\$ 384,973.10
Gage	\$ 19,484.41

Garfield	\$ 1,733.75
Loup	\$ 745.35
Wheeler	\$ 866.87
Total for Garfield, Loup, & Wheeler	\$ 3,345.97

County	State Distribution
Hamilton	\$ 9,446.50
Holt	\$ 11,787.87
Jefferson	\$ 6,967.40
Knox	\$ 8,709.25
Lancaster	\$ 191,643.98
Lincoln	\$ 30,899.60
Merrick	\$ 7,761.36
Otoe	\$ 13,983.41

Franklin	\$ 3,208.24
Harlan	\$ 3,289.26
Kearney	\$ 6,505.61
Phelps	\$ 8,782.16
Total for Franklin, Harlan, Kearney, & Phelps	\$ 21,785.27

Platte	\$ 31,507.23
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Nemaha	\$ 6,862.08
Johnson	\$ 4,002.20
Pawnee	\$ 2,414.28
Richardson	\$ 9,098.13
Total for Nemaha, Johnson, Pawnee, & Richardson	\$ 22,376.69

Sarpy	\$ 113,657.72
Saunders	\$ 18,868.69
Scottsbluff	\$ 32,357.90
Seward	\$ 15,717.16
York	\$ 13,732.26

GRAND TOTAL	\$ 1,135,742.76
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NOTE: Counties or groups of counties are eligible for funds under Program 324 based on the number of juveniles their county has based on the most current census (2000). The above schedule shows the total amount of funds each county in Nebraska received based on the formula (total number of juveniles 12-18/total State population 12-18 x \$1,500,000). Certain counties such as Nemaha, Johnson, Pawnee, and Richardson chose to combine their funding and implement a group Comprehensive Plan in order to obtain more funding for one central facility. In this case, the facility was located in Richardson County and payments were issued to this county based on the eligible total for the four counties. Some counties did not participate in this Program.