

**MANAGEMENT LETTER OF THE
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM -
FINANCE AND SUPPORT – CENTRAL OFFICE CONTROLS
AS OF AND FOR THE PERIOD
JULY 1, 2005 THROUGH JUNE 30, 2006**

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November 8, 2006

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Dick Nelson, Director
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Dear Mr. Nelson:

We have reviewed the Nebraska Information System (NIS) security of the Nebraska Health and Human Services System (HHSS). We also reviewed HHSS's internal control structure over Payroll, Expenditures, Revenue, and Capital Assets for the central office Finance and Support area, and the Control Environment.

In connection with our review described above, we noted a certain internal control matter related to the activities of HHSS. This comment and recommendation, which has been discussed with the appropriate members of HHSS's management, is intended to improve internal control or result in other operating efficiencies.

The following is our comment and recommendation.

COMMENT AND RECOMMENDATION

NIS Security

Good internal control requires a segregation of duties so no one individual can prepare and approve/post their own batches, employees do not have NIS security to prepare transactions when no one is set up on NIS for batch approval of these transactions, employees are not set up in batch management but have no functional authorization in NIS security for modules requiring batch management, and an authorized individual is not able to approve/post transactions prepared by their spouse.

Our review of NIS security authorizations at June 30, 2006, noted the following:

- Five employees had NIS security to prepare transactions, but no one was set up on NIS for batch approval of these transactions.
- Two employees were set up in batch management, but had no functional authorization in NIS security for modules requiring batch management.
- One individual was set up in batch management which allowed that individual's spouse to approve and post batches they prepared.

When individuals are set up in batch management with the ability to prepare documents, but there is no one set up to approve and post any documents they prepare, there is an increased risk documents may be posted if a statewide approval was processed. When individuals are set up in batch management, but have no functional authorization there is no purpose for the authority. When an individual can approve/post transactions prepared by their spouse, there is an increased risk of inappropriate transactions.

We recommend HHSS review NIS security to ensure no individuals can prepare and approve/post their own batches, everyone authorized to prepare batches has a second individual authorized to approve/post the batches, no individuals are set up in batch management that do not have functional authorization in modules requiring batch management, and individuals are not authorized to approve/post batches prepared by their spouse.

HHSS's Response: HHS Finance and Support agrees and has made these changes.

It should be noted this letter is critical in nature since it contains only our comment and recommendation on the area noted for improvement. Draft copies of this letter were furnished to HHSS to provide them an opportunity to review the letter and to respond to the comment and recommendation included in this letter. All formal responses received have been incorporated into this letter. Responses have been objectively evaluated and recognized, as appropriate, in the letter. Responses that indicate corrective action has been taken were not verified at this time.

This letter is intended for the information of the Nebraska Health and Human Services System. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.



Timothy J. Channer
Assistant Deputy Auditor

November 8, 2006

