

STATE OF NEBRASKA
Auditor of Public Accounts



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March 7, 2007

Mr. Michael E. Behm, Executive Director
Nebraska Commission on Law Enforcement and Criminal Justice
301 Centennial Mall South; 5th Floor
Lincoln, NE 68509-4946

Dear Mr. Behm:

We have audited the basic financial statements of the State of Nebraska (the State) for the year ended June 30, 2006, and have issued our report thereon dated December 21, 2006. We have also audited the State's compliance with requirements applicable to major federal award programs and have issued our report thereon dated February 6, 2007. 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-1 33 (the Single Audit) and not to provide assurance on internal control. We have not considered internal control since the date of our report.

In connection with our audit described above, we noted a certain internal control matter related to the activities of the Nebraska Commission on Law Enforcement and Criminal Justice (the Commission) or other operational matters that is presented below for your consideration. The comment and recommendation, which has been discussed with the appropriate members of the Commission's management, is intended to improve internal control or result in other operating efficiencies.

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.

Draft copies of this letter were furnished to the Commission to provide them an opportunity to review the letter and to respond to the comment and recommendation included in this letter. The formal response received has been incorporated into this letter. The response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time, but will be verified in the next audit.

Our comment and recommendation for the year ended June 30, 2006, is shown on the following pages.

COMMENT RELATED TO THE SINGLE AUDIT

Finding #06-78-01

Program: CFDA 16.523 Juvenile Accountability Incentive Block Grants, CFDA 16.540 Juvenile Justice and Delinquency Prevention Allocation to States, 16.548 Title V Delinquency Prevention Program, CFDA 16.550 State Justice Statistics Program for Statistical Analysis Centers, CFDA 16.575 Crime Victim Assistance, CFDA 16.579 Edward Byrne Memorial Formula Grant Program, and CFDA 16.588 Violence Against Women Formula Grants.

Grant Number & Year: All grants were open during the fiscal year ended June 30, 2006, for the programs noted above.

Federal Grantor Agency: Department of Justice and Department of Transportation.

Criteria: Per OMB Circular No. A-87, Attachment B, Section 8(h)(4), where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation unless a substitute system has been approved by the cognizant Federal agency.

Condition: Payroll costs charged to various grants was not based on personnel activity reports and the substitute system the Commission used had not been approved, in writing, by the cognizant Federal agency. The Commission indicated personnel from the Federal Department of Justice approved the system verbally; however, no written approval had been obtained. The Commission has been in the process of obtaining this written approval for the past several years.

Questioned Costs: \$414,147

Context: Without written documentation of the approval to use a substitute system, questions relating to the appropriateness of the substitute system may arise resulting in questioned costs and Federal sanctions. Payroll costs were charged during the fiscal year in the following amounts to the relevant CFDA's: \$20,526 (16.523), \$92,887 (16.540), \$5,000 (16.548), \$68,765 (16.550), \$48,743 (16.575), \$125,161 (16.579), and \$53,065 (16.588).

Cause: Unknown.

Effect: Noncompliance with Federal regulations.

Recommendation: We recommend the Commission allocate salaries based on actual activity reports or obtain written approval from the cognizant Federal agency for the system in use.

Management Response:

Corrective Action Plan: We utilize a system whereby employees paid with Federal monies periodically track their hours worked on particular Federal programs. They accomplish this by completing a time log for a two week period. We then compare the time log to the coding on our payroll and adjust the payroll coding as needed. We have found that any adjustments we make are minor in nature.

We have received verbal approval from our contact at the Office of the Comptroller to utilize the system. However, we have not received written approval. We will contact the cognizant Federal agency and request written approval for our time log system.

Contact: Bruce Ayers

Anticipated Completion Date: June 30, 2007

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 Commission 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 Commission, 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 Commission employees for the courtesy and cooperation extended to us during our audit.



Pat Reding
Assistant Deputy Auditor



Don Dunlap
Assistant Deputy Auditor