

**STATE OF NEBRASKA
ATTESTATION REVIEW
OF THE
NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED**

APRIL 1, 2008 THROUGH MARCH 31, 2009

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Issued on July 8, 2009

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED
ATTESTATION REVIEW

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Independent Accountant's Report

Citizens of the State of Nebraska:

We have reviewed the expenditures, revenues, and fixed assets of the Nebraska Commission for the Blind and Visually Impaired (Commission) for the period April 1, 2008, through March 31, 2009. The Commission's management is responsible for the expenditures, revenues, and fixed assets. We did not obtain a written assertion regarding such matters from management.

Our review 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. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Commission's expenditures, revenues, and fixed assets. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the Commission's expenditures, revenues, and fixed assets are not presented, in all material respects, in conformity with the criteria set forth in the Criteria section.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Commission's expenditures, revenues, and fixed assets and any fraud and illegal acts that are more than inconsequential that come to our attention during our review. We are also required to obtain the views of management on those matters. We did not perform our review for the purpose of expressing an opinion on the internal control over the Commission's expenditures, revenues, and fixed assets or on compliance and other matters; accordingly, we express no such opinions.

Our review disclosed no findings that are required to be reported under *Government Auditing Standards*. However, we noted certain other matters, and those findings, along with the views of management, are described below in the Summary of Results.

This report is intended solely for the information and use of the Citizens of the State of Nebraska, management of the Commission, others within the Commission, and the appropriate Federal and regulatory agencies; however, this report is a matter of public record, and its distribution is not limited.

Signed Original on File

Mike Foley
Auditor of Public Accounts

Pat Reding, CPA
Assistant Deputy Auditor

July 8, 2009

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED
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Background

The Nebraska Commission for the Blind and Visually Impaired (Commission) created on July 1, 2000, is the State's vocational rehabilitation agency for the blind. The Commission was created to increase economic opportunities for blind persons and to assist the blind and visually impaired in becoming self-supportive and gaining employment.

The Commission is headquartered in Lincoln with offices in Kearney, Scottsbluff, North Platte, Norfolk, and Omaha. A variety of comprehensive services are provided to help blind and visually impaired persons achieve fuller and more rewarding lives. Through these services the Commission promotes a positive understanding of blindness and the potential abilities of blind people. The following programs and services provide the means by which blind persons can regain or retain a productive role in society:

- Vocational Rehabilitation Program
A program designed to train blind/visually impaired individuals to enter or to retain employment in the labor market. Through this program, the Commission provides training and placement in quality jobs and also works with businesses and public entities to educate them about the potential of the blind.
- Technology Program
The Technology Program provides assessments, training, and consultation to blind consumers and employers. The program utilizes adaptive software for consumers' on-the-job settings including speech systems for Windows, applications with speech and magnification and voice recognition systems.
- Nebraska Center for the Blind
The Nebraska Center for the Blind is a comprehensive and intensive eight hour a day program which provides training in areas such as independent travel using a white cane, homemaking, apartment living, community access, Braille, and woodworking. Students reside in downtown Lincoln apartments provided by the Commission while participating in this program.
- Independent Living-Older Blind Program
The Older Blind program serves individuals who are 55 or older, blind or have an eye disease leading to blindness and are no longer seeking employment. The Independent Living program serves individuals who are under the age of 55, blind, and do not have a vocational goal. The Older Blind-Independent Living programs are designed to provide training and encouragement to live more independently in their homes and communities.
- Deaf-Blind
A program aimed at assisting individuals who are deaf-blind achieve full participation within their home communities, use of American Sign Language and other forms of communication and utilization of available resources. The program also assists deaf-blind individuals obtain other services related to employment, independent living and education.

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- Nebraska Business Enterprise (NBE)
This program provides blind individuals with the opportunity to manage their own small businesses in vending facilities. The Commission provides support, equipment, supplies, initial stock, training in business management skills, and constant follow up. The purpose is to demonstrate to the public the abilities of the blind, improve attitudes regarding hiring blind persons, and to provide self-employment opportunities to blind individuals.

- Digital Voice Newspaper Delivery System (NFB-NEWSLINE®)
A computer-based system that allows blind, visually or reading impaired persons to access local and national newspapers. The system is accessible by a touch-tone phone and is free of charge, 24 hours a day, seven days a week. The system also has an option of allowing readers to receive their papers via email if they have compatible speech software to read it.

- Referral Services
The Commission provides ongoing referral services to consumers. Some services available but not provided in a direct manner by the Commission are the Nebraska Visually Impaired Peer Support Groups, Nebraska Talking Book and Braille Services, and the Radio Talking Book Network.

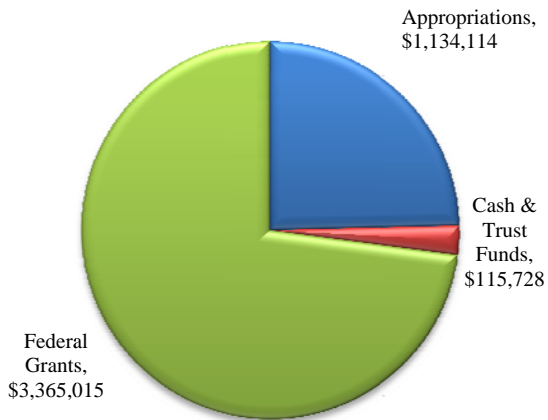
These services are available to individuals if they have a visual condition which may lead to blindness, or if their sight is "so defective as to seriously limit their ability to engage in the ordinary vocations and activities of life." This usually means persons who experience difficulties in visually pursuing day-to-day activities and obtaining or maintaining employment.

The Board has five members appointed by the Governor. Board members must have reasonable knowledge or experience in issues related to blindness and are appointed for four year terms, for no more than two consecutive terms. At least three Board members shall be blind persons. One member shall be a member or designee of the National Federation of the Blind of Nebraska; one member shall be a member or designee of the American Council of the Blind of Nebraska; one member may be a member of another consumer organization for the blind. Board members receive a per diem of \$70 for each day spent in the performance of their official duties and are reimbursed for expenses.

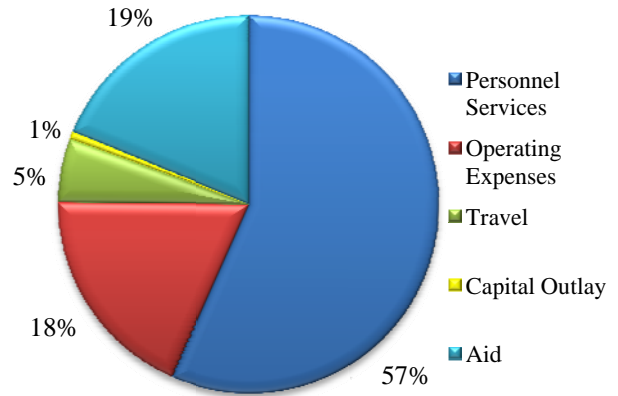
We reviewed the expenditures and revenues of the Commission for the period of April 1, 2008, through March 31, 2009. Total expenditures for the time period were \$4,634,024. The areas reviewed included aid, payroll, operating expenses, travel, and capital outlay. Total revenues for the time period were \$4,614,857 and consisted of appropriations, Federal grants, donations, interest, supply, and material proceeds and NBE receipts.

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Revenues by Funding Source



Expenditures by Major Account



Criteria

The criteria used in this attestation review were Nebraska State Statutes, Commission Rules and Regulations, the Nebraska State Accounting Manual, Contracts, and Commission Policies.

Summary of Procedures

Pursuant to Neb. Rev. Stat. § 84-304 (Reissue 2008), the Auditor of Public Accounts (APA) conducted an attestation review of the Commission's expenditures, revenues, and fixed assets for the period April 1, 2008, through March 31, 2009, in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The APA's attestation review consisted of the following procedures:

1. Gained and documented an understanding of the processes and procedures related to the Commission's expenditures, revenues, and fixed assets.
2. Followed up and assessed status of prior year attestation examination findings.
3. Performed analytical procedures of the changes in revenues and expenditures.
4. Reviewed operating expenditures and revenues and selected certain transactions for detailed testing.
5. Performed detail testing of the Commission's payroll.
6. Performed detail testing of aid payments.
7. Reviewed and tested fixed asset transactions.
8. Reviewed transactions for Federal match requirements and tested Federal reports.
9. Compared NBE revenues entered into the Nebraska Information System (NIS) to spreadsheets prepared by the Commission and vendors supporting documentation.

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Summary of Results

The summary of our attestation review noted the following findings and recommendations:

1. Medical Documentation

Neb. Rev. Stat. § 71-8609 (Reissue 2003) states, “(1) For a person to qualify for blindness-related services from the commission, the commission shall find such person to be a (a) a blind person as defined in subdivision (1)(a) of section 71-8603 or (b) a person who is experiencing a deteriorating condition which is expected to result in blindness. A person seeking to qualify for blindness-related services may obtain an eye examination from a licensed ophthalmologist or optometrist of his or her choice or provide other certifying evidence of existing or potential visual impairment as required by the rules and regulations of the Commission.”

Per OMB Circular A-87 (C)(1)(a), to be allowable under Federal awards, costs must meet the following general criteria: Be authorized or not prohibited under State or local laws or regulations.

Good internal control requires the Commission to obtain and maintain documentation from a medical professional which provides an indication of client disability.

Of the 35 clients tested, 12 received aid but did not have medical documentation indicating the level of disability in their client file. The Commission did not require medical documentation for the clients of the Independent Living program. Of these clients, 5 received services under the Independent Living program and 7 received services under the Vocational Rehabilitation program.

Without medical documentation on file there is an increased risk the Commission will serve clients who are not eligible for services.

We recommend the Commission obtain medical evidence of client disability for all clients to document eligibility regardless of the program in which they are participating.

Commission’s Response: Agency recognizes the need for medical evidence in Vocational Rehabilitation (VR) cases. We will work to make sure that all VR cases have medical documentation or other certifying evidence of existing or potential visual impairment as required (i.e., evidence of being a recipient of Social Security Disability Benefits based on blindness).

Independent Living (IL) cases do not require medical evidence by State Statute or Federal Regulation. State statute uses a functional definition of a blind person. NCBVI personnel are authorized to certify individuals as visually impaired for programs such as Talking Books, Radio Talking Book, Newline for the Blind, and transportation programs, as well as for NCBVI’s own services.

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Agency will review its' processes and assure that all cases have documentation that certifies individuals as eligible before providing services. We will consider a Certification Form, similar to that used by the Library of Congress Talking Books, to be completed by agency staff and to be placed in each client file.

2. Board Review of Transactions

The Board's job description indicates "Commissioners shall receive and read NCBVI (Nebraska Commission for the Blind and Visually Impaired) budgetary information and monitor that process, asking for follow-up materials and/or clarification as needed." A control environment conducive to fair and complete financial reporting includes effective monitoring and review of processes related to policies, procedures, and accounting functions of the Commission.

There was an overall lack of monitoring of the accounting activities of the Commission by the Board. The Board is not involved in the day-to-day operations of the Commission and Commission staff did not provide detailed information to the Board. A comparison of expenditures between years was provided to the Board on a monthly basis but this comparison did not include detailed information for expenditures and revenues to ensure transactions were appropriate. This was also noted in our prior report.

Without a control environment conducive to fair and complete financial reporting, there is a significant risk for fraud or mistakes to occur and remain undetected. Failure to review detailed transactions of the Commission increases the risk Board objectives are not being met.

We recommend the Board establish a strong control environment which includes effective monitoring of the activities of the Commission, effective communication between management and staff, and effective segregation of duties or compensating controls. Specifically, we recommend the Board implement a periodic review of all the detailed transactions of the Commission to ensure all transactions are authorized.

Commission's Response: Agency Board will be made aware of this recommendation, discuss, and decide its' position at a Board Meeting. Agency will also make the Board aware of options it has for monitoring agency financial information. Board will be made aware of AS State Accounting function and website. Any training determined to be desirable will be provided to Board Members.

3. Client Allowance Policies

Good internal control and sound business practices require policies for allowance payments to be specific and enforceable.

Grocery allowances were distributed on a monthly basis at a rate of \$100 per month to clients who live in the Commission's apartments and attend the Nebraska Center for the Blind. The amount was used to help them purchase groceries for the meals they did not eat at the center.

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Activity allowances were given to clients before the activity takes place and varies with the activity. Meal allowances were issued to clients at a rate of two-thirds the U.S. General Services Administration (GSA) guideline amount for meals. Additional maintenance payments are also issued to clients for additional spending money.

Written policies and procedures for money provided to clients as an allowance for groceries, meals, activities, and maintenance were not adequate in regards to distribution and restriction of use. Clients were not required to submit receipts or meal logs to determine allowances were spent properly. A similar comment was noted in our prior report.

Distributing cash allowances without regulations as to how these are to be handled increases the risk for possible loss or misuse of State and Federal funds.

We recommend the Commission formulate written policies for the distribution and use of grocery, meal, activity, and maintenance allowances. These policies should include regulations for who is to receive the allowances, how the amount is determined, procedures for documenting the distribution, and procedures for monitoring the use of the allowance. Specific documentation regarding the activity and meal allowances, including description, dates, participants, and rates should be attached with the allowance distribution.

Commission's Response: Agency is currently developing a written policy regarding the use of maintenance support, when reimbursement is necessary and when allowance is acceptable. Policy will include agency philosophy that client personal responsibility is a cornerstone of agency training.

4. Internal Control Over Revenues

Neb. Rev. Stat. § 84-710 (Reissue 2008) states, "It shall be unlawful for any executive department, state institution, board or officer acting under or by virtue of any statute or authority of the State...to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without paying the same into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars."

Good internal control also requires an adequate segregation of duties to ensure no one person is in a position to both perpetrate and conceal errors or irregularities. Good internal control requires amounts received to be deposited timely in accordance with State statute.

We noted the following related to revenues:

- Field office staff were responsible for receipting money, entering the amount received into NIS, and depositing the money in the bank. Money was received at the field offices for items sold such as canes and sleep shades.

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- An inventory of the items sold at field offices was not maintained so the Commission could not determine if all money was receipted for items sold.
- Thirteen of sixteen Commission receipts were not deposited timely. The total receipts for all of the days were over \$500 and were deposited from four to fifteen business days from receipt.

Without procedures to ensure an adequate segregation of duties over revenues, there is an increased risk of loss or misuse of State funds.

We recommend the Commission develop procedures to establish adequate controls over receipts to ensure all monies are received for items sold and deposited. We also recommend the Commission implement an inventory method and perform a reconciliation between items sold and money received. Furthermore, we recommend the Commission ensure all receipts are deposited timely and in accordance with State statute.

Commission's Response: Agency has changed internal practice and procedures to insure compliance with statute on deposit timeliness. With regard to controls over inventory, agency will be implementing a system to account for items over \$50.00 each.

5. Internal Control Over Fixed Assets

Good internal control requires an adequate segregation of duties to ensure no one person handles all phases of a transaction from beginning to end.

The Commission did not maintain an adequate segregation of duties over fixed assets as one individual maintained, added, reviewed, and deleted fixed assets. The same individual also performed the annual inventory. Furthermore, there was not a documented review of the fixed asset integrity reports or the additions and retirements report. One fixed asset purchased was on the Unposted Fixed Asset Listing for at least four months without being posted to a fixed asset tag number. A similar comment was noted in our prior report.

Without procedures to ensure an adequate segregation of duties over fixed assets there is an increased risk of loss or misuse of the Commission's fixed assets. Also, without a review of the integrity reports there is an increased risk of inaccurate fixed asset records.

We recommend the Commission implement a segregation of duties over fixed assets by having a separate individual perform the annual inventory and document a review of the fixed asset integrity reports and the additions and retirements report.

Commission's Response: Agency has limited personnel to distribute these duties over, and relatively few fixed assets; however agency will do more to incorporate agency personnel officer and Accounting Clerk into this process.

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6. Excessive Access to Accounting Systems

Good internal control requires access to functions in NIS be limited to only those staff who require the access to perform their job duties.

There were six employees with access to the fixed asset records in NIS. Three of these individuals were not involved in the fixed asset process. In addition, two staff members had access to the accounts payable and accounts receivables functions in NIS, which was not required for performance of their job duties.

With excessive access to NIS, there is an increased risk of loss or misuse of the Commission's assets and an increased risk inappropriate transactions could be processed.

We recommend the Commission limit access in NIS to those functions individuals require to perform their job duties.

Commission's Response: Agency will review its' access to NIS.

Overall Conclusion

The Commission's Board did not adequately monitor the accounting activities of the Commission. The Commission should implement a periodic review of the detailed transactions of the Commission to ensure all transactions are appropriate.

We also noted the Commission should improve controls over fixed assets and revenues, limit access to functions in NIS, maintain medical documentation for eligibility, and improve accountability for clients' allowances.

The APA staff members involved in this attestation review were:

Pat Reding, CPA, Assistant Deputy Auditor
Cory Miller, CPA, Auditor-In-Charge
Kris Kucera, CPA, CFE, Auditor-In-Charge
Stephanie Todd, Auditor
Christina Wusk, Auditor

If you have any questions regarding the above information, please contact our office.

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

EXHIBIT A

TOP 20 AID PAYEES

FOR THE PERIOD APRIL 1, 2008 THROUGH MARCH 31, 2009

PAYEE	AMOUNT	PAYMENTS FOR:
Accessibility Dot Net Inc.	\$ 159,170.95	Readers Only, Services to Groups, Adaptive Equipment, Computers & Computer Deicing, Adaptive Software, Computer Software, Independent Living Assistive Deicing, Low Vision Aids, Miscellaneous Care Services
Magnification Resources Inc.	58,742.76	Services to Groups, Adaptive Equipment, Computers & Computer Deicing, Adaptive Software, Low Vision Aids
University of Nebraska - Lincoln	55,626.06	Transportation, Post Secondary Associates Degree & Above, Adjustment & Augmentative Skills Training
National Federation of the Blind	54,410.11	Newsline, Adjustment & Augmentative Skills Training, Independent Living Assistive Deicing, Miscellaneous Care Services, Subgrants
University of Nebraska - Omaha	36,425.50	Post Secondary Associates Degree & Above
Helen Keller National Ctr	30,468.39	Vocational, Maintenance, Adjustment & Augmentative Skills Training, Computers & Computer Deicing, Adaptive Software, Computer Software, Independent Living Assistive Deicing, Low Vision Aids
Indiana University	25,126.44	Post Secondary Associates Degree & Above
Panhandle Independent Living	19,375.00	Subgrants
Skiles, Cindy M.	10,640.00	Interpreters
Doane College	8,903.87	Post Secondary Associates Degree & Above
Myotherapy Institute	8,832.28	Post Secondary Associates Degree & Above & Vocational Training Diploma
Ideal Grocery	8,096.08	Maintenance In Center
Leadership Center	8,037.89	Maintenance
State Colleges - Chadron	7,985.45	Post Secondary Associates Degree & Above
Ihrig, Sid	7,620.00	Interpreters
Dana College	7,379.75	Post Secondary Associates Degree & Above
Metropolitan Community College	7,199.58	Post Secondary Associates Degree & Above
Lincoln Electric System	7,171.49	Maintenance In Center
Dell Marketing	7,124.71	Computers & Computer Deicing
Creighton University	7,113.20	Post Secondary Associates Degree & Above
Top 20 Total	\$ 535,449.51	

CLIENT INDIVIDUAL PAYMENTS 46,206.59

OTHER PAYMENTS 286,822.14

TOTAL AID PAYMENTS \$ 868,478.24

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED
AID PAYMENTS BY OBJECT ACCOUNT
FOR THE PERIOD APRIL 1, 2008 THROUGH MARCH 31, 2009

