

STATE OF NEBRASKA

ATTESTATION REVIEW
OF THE
NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

MARCH 1, 2009 THROUGH FEBRUARY 28, 2010

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Issued on May 5, 2010

NEBRASKA COORDINATING COMMISSION FOR POSTSECONDARY EDUCATION
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Independent Accountant's Report

Citizens of the State of Nebraska:

We have reviewed the capital assets, revenues, and expenditures, including payroll, of the Nebraska Coordinating Commission for Postsecondary Education (Commission) for the period March 1, 2009, through February 28, 2010. The Commission's management is responsible for the capital assets, revenues, and expenditures, including payroll. 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 capital assets, revenues, and expenditures, including payroll. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the capital assets, revenues, and expenditures, including payroll, 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 capital assets, revenues, and expenditures, including payroll, 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 capital assets, revenues, and expenditures, including payroll, or on compliance and other matters; accordingly, we express no such opinion.

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. Although it should not be used by anyone other than these specified parties, this report is a matter of public record and its distribution is not limited.

Signed Original on File

Mike Foley
Auditor of Public Accounts

Timothy J, Channer, CPA
Assistant Deputy Auditor

May 5, 2010

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Background

The Nebraska Coordinating Commission for Postsecondary Education (Commission), in its current form, was created in 1991 following adoption of a constitutional amendment by the voters in 1990. The Commission is composed of 11 citizen members appointed by the Governor. Its purpose, powers, and duties were established and are defined by Article VII, Section 14, of the Constitution of Nebraska and the Coordinating Commission for Postsecondary Education Act.

The purpose of the Commission is to coordinate higher education within the State's public institutions by:

1. Developing a comprehensive statewide plan for the operation of an educationally and economically sound, vigorous, progressive and coordinated system of postsecondary education,
2. Identifying and enacting policies to meet the educational, research, and public service needs of the State, and
3. Effecting the best use of available resources through the elimination of unnecessary duplication of programs and facilities among Nebraska's public institutions.

The Commission is also vested with the authority to administer the State financial aid programs; the Leveraging Educational Assistance Partnership (LEAP), Catalog of Federal Domestic Assistance (CFDA) 84.069A, Special Leveraging Educational Assistance Partnership (SLEAP), CFDA 84.069B, and College Access Challenge Grant (CACG), CFDA 84.378, Federal financial aid programs, the Federal Improving Teacher Quality (ITQ), CFDA 84.367, program and two higher education data systems—the Integrated Postsecondary Education Data System (IPEDS) and the Nebraska Educational Data System (NEEDS).

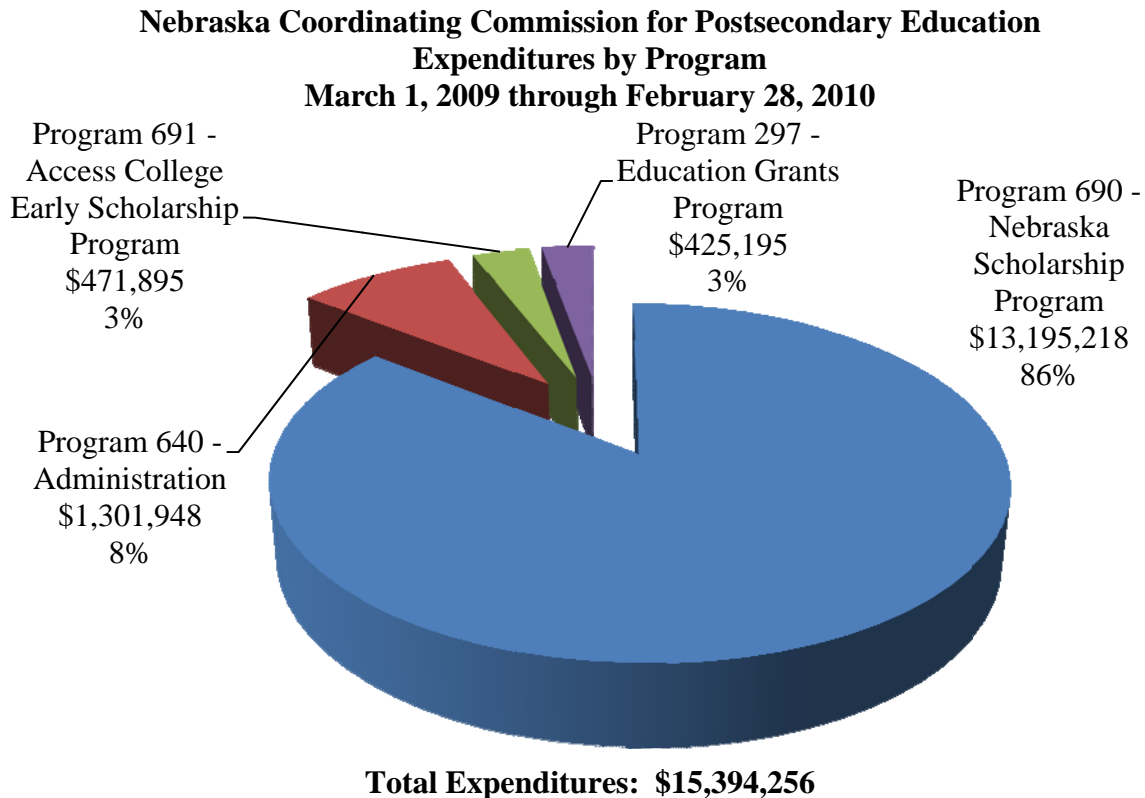
The Commission's responsibilities and goals are to:

1. Develop a comprehensive statewide plan and statewide facilities plan to coordinate higher education within the State's public institutions,
2. Review new and existing instructional programs to prevent unnecessary duplication,
3. Review capital construction and operating budget requests submitted by institutions to ascertain compliance with the comprehensive statewide plan,
4. Conduct studies and surveys it finds appropriate for the purposes of the Coordinating Commission for Postsecondary Education Act,
5. Review public institution participation in education centers and off-campus instruction,
6. Facilitate access to quality postsecondary education without unnecessary duplication,
7. Review requests of out-of-state institutions to offer classes and programs of study within the State,
8. Administer certain Federal and State student financial aid programs,
9. Maintain information systems to provide the Commission and others with information pertinent to the exercise of their duties, and
10. Recommend to the Governor and Legislature legislation it deems necessary or appropriate to change role and mission provisions.

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The Commission is budgeted and appropriated through four Legislative programs:

- Program 297—Education Grants Program
- Program 640—Administration
- Program 690—Nebraska Scholarship Program
- Program 691—Access College Early Scholarship Program



Program 297 — Education Grants Program Description

The Commission administers the Federal ITQ program under which it conducts a competition, convenes a review panel, and then awards grants to partnerships comprised of teacher education and arts and sciences divisions at postsecondary institutions and high-need local educational agencies. Grants awarded are intended to support sustained and intensive high quality professional development programs to improve skills of in-service teachers, administrators, and other staff in any core academic subject area.

Program 297 — Education Grants Program Objectives

- To administer the higher education portion of the Federal ITQ Program and award related grants intended to strengthen teacher skills and quality of elementary and secondary instruction in core academic subjects.

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Program 640 — Administration Description

All operations associated with administration of the Coordinating Commission for Postsecondary Education Act and other duties and responsibilities of the Commission are accounted for in this budget program.

Program 640 — Administration Objectives

- Foster greater cooperation and collaboration among higher education institutions to promote efficiency and eliminate unnecessary duplication.
- Develop and update a Comprehensive Statewide Plan for Postsecondary Education.
- Review new and existing instructional programs and new colleges, schools, major divisions or institutes.
- Review capital construction and operating budget requests submitted by institutions to ascertain compliance with the Comprehensive Statewide Plan.
- Identify public policy issues relating to tuition and fees at the state's public postsecondary institutions.
- Review public institution participation in education centers and off-campus instruction.
- Review requests of out-of-state institutions to offer classes and programs of study within Nebraska.
- Administer student financial aid programs as prescribed by law.
- Maintain information systems to provide the Commission and others with pertinent information.
- Conduct studies on relevant higher education issues and policies.
- Review requests to establish new institutions in the State.

Program 690 — Nebraska Scholarship Program Description

The Nebraska Scholarship Program (Program) replaced three previous State grant programs effective with FY2003-2004. Under the Program, scholarship awards are provided to Nebraska residents who attend approved Nebraska postsecondary institutions and who are eligible to receive a Federal Pell grant. The Program is administered by the Commission in cooperation with financial aid officers at participating institutions. In accordance with relevant statutes and the rules and regulations of the Commission, identification of target fund levels to be allocated by participating institutions is based on prior year Pell grant activity. Institutions must submit the names of potential award recipients to the Commission for approval prior to award of the funds.

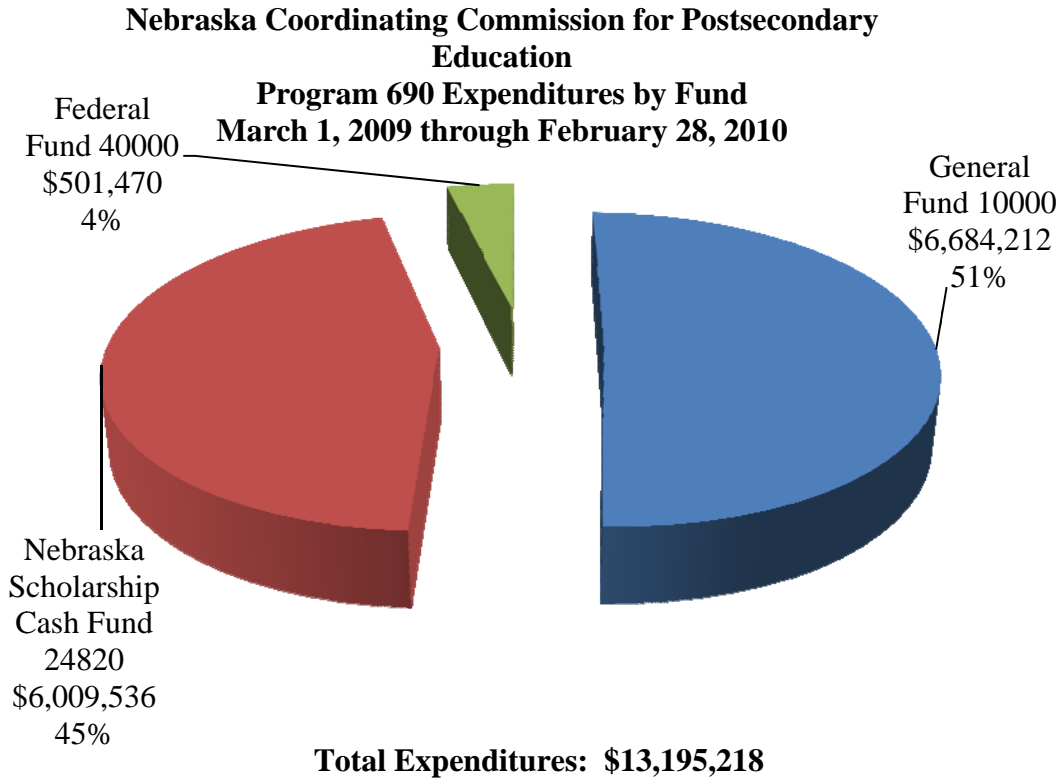
Program 690 receives State General Funds, Nebraska Lottery funds through the Nebraska Scholarship Cash Fund, and Federal funds through the LEAP and SLEAP programs.

In 2008-2009, awards were given to 14,106 students. Of those students, 51.4% were of families with incomes of less than \$20,000. Of the award recipients, 81.5% were of families with incomes below \$40,000.

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Program 690 — Nebraska Scholarship Program Objectives

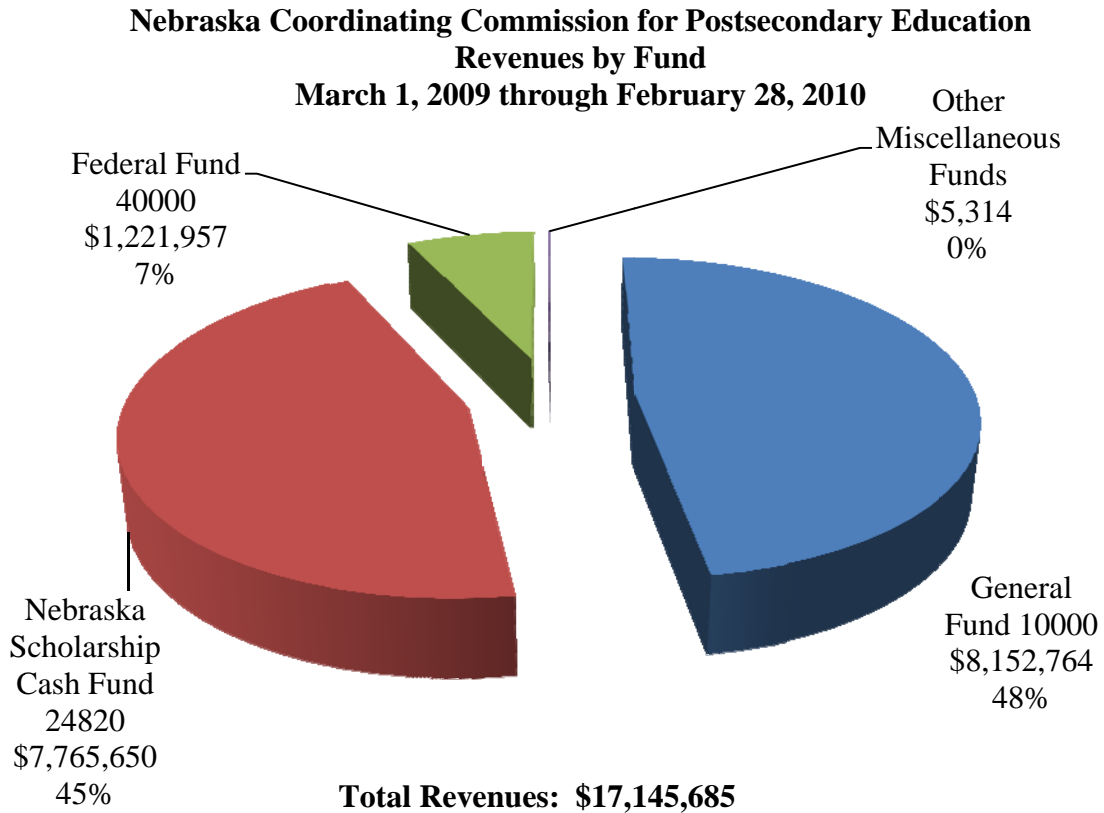
- To enhance access to the State's higher education institutions in the public, independent, and private career school sectors.
- To provide scholarships to eligible Nebraska residents who demonstrate substantial financial need by virtue of Pell grant eligibility and who attend approved Nebraska postsecondary institutions.



Fund 24820 — Nebraska Scholarship Cash Fund

Since fiscal year 2003-2004, amounts derived from net lottery receipts have been credited to the Nebraska Scholarship Fund (Fund) under provisions of Neb. Rev. Stat. § 9-812 (Supp. 2009). Under provisions of Neb. Rev. Stat. § 85-1920 (Reissue 2008), amounts are credited to the Fund and authorized to be expended for student financial aid and currently are to represent 24.75% of lottery receipts net of prizes, lottery operating expenses, and an amount credited to the Compulsive Gamblers Assistance Fund. Lottery receipts are credited to the Fund on a quarterly basis. As a result, not all related proceeds credited to the Fund for a given fiscal year are distributed as student financial aid in that year. Fourth quarter proceeds are carried forward and distributed as financial aid in the subsequent fiscal year.

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Program 691 — Access College Early Scholarship Program Description

This program is statutorily established under the Access College Early (ACE) Program Act. Under the Act, students must be low-income to be eligible to receive financial aid. Students receive financial aid to take one or more college courses while still enrolled in high school. Scholarship amounts are forwarded directly to the relevant postsecondary education institution as payment of tuition and mandatory fees for the eligible student.

The Commission funded the ACE Program with State General Funds and Federal funds from the CACG program. The Commission also conducted a competitive proposal process to select subgrantees to carry out some of the purposes of the CACG program. The majority of the CACG funds allocated to Nebraska are utilized in support of programs initiated by subgrantees.

The Federal CACG funds are to pay for the Federal share of costs to carry out specific activities intended to increase college access for low-income students. The Commission is the grantee and administers the allocation of funds under the grant.

The purposes of the grant are to:

1. Provide information to students and families regarding the benefits of postsecondary education,
2. Provide information of financing options for postsecondary education,

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3. Provide outreach activities for students who may be at risk of not enrolling in or completing college,
4. Provide need-based grant aid to students,
5. Provide professional development for counselors, aid administrators, and admissions counselors, and
6. Provide assistance in completing the Free Application for Federal Student Aid (FAFSA).

Postsecondary institutions, non-profit organizations, and philanthropic organizations are eligible to receive funding as subgrantees of the funding provided to the Commission as the grantee. The organization must submit a proposal and the recipients are chosen by a review panel. Subgrantees must demonstrate that they will accomplish at least one of the purposes of the grant established by the U.S. Department of Education.

Program 691 — Access College Early Scholarship Program Objectives

- To provide financial assistance to low-income Nebraska students taking courses for credit from postsecondary education institutions in the State while still enrolled in high school.

Commission’s Personal Leave Policy

The Commission grants its employees annual sick and vacation leave in accordance with the provisions of Neb. Rev. Stat. § 81-1320 (Reissue 2008) and Neb. Rev. Stat. § 81-1328 (Reissue 2008), respectively. In addition, as provided in its own personnel manual, the Commission gives its employees “personal leave” (administrative leave), as follows:

“A full-time employee has 16 hours of personal leave per calendar year. Part-time permanent employees are granted personal leave on a prorata share based on time worked. Employees requesting personal leave shall complete a form citing this request, amount of time desired, and proposed date of leave. It is not necessary for employees to indicate the purpose of the personal business on the form. Personal leave is not cumulative from calendar year to calendar year.”

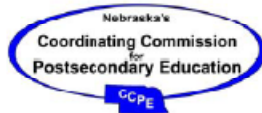
For the period tested, Commission employees used a total of 199.5 hours of personal leave, at a combined cost of \$6,274 in gross wages.

Commission’s Vision Statement

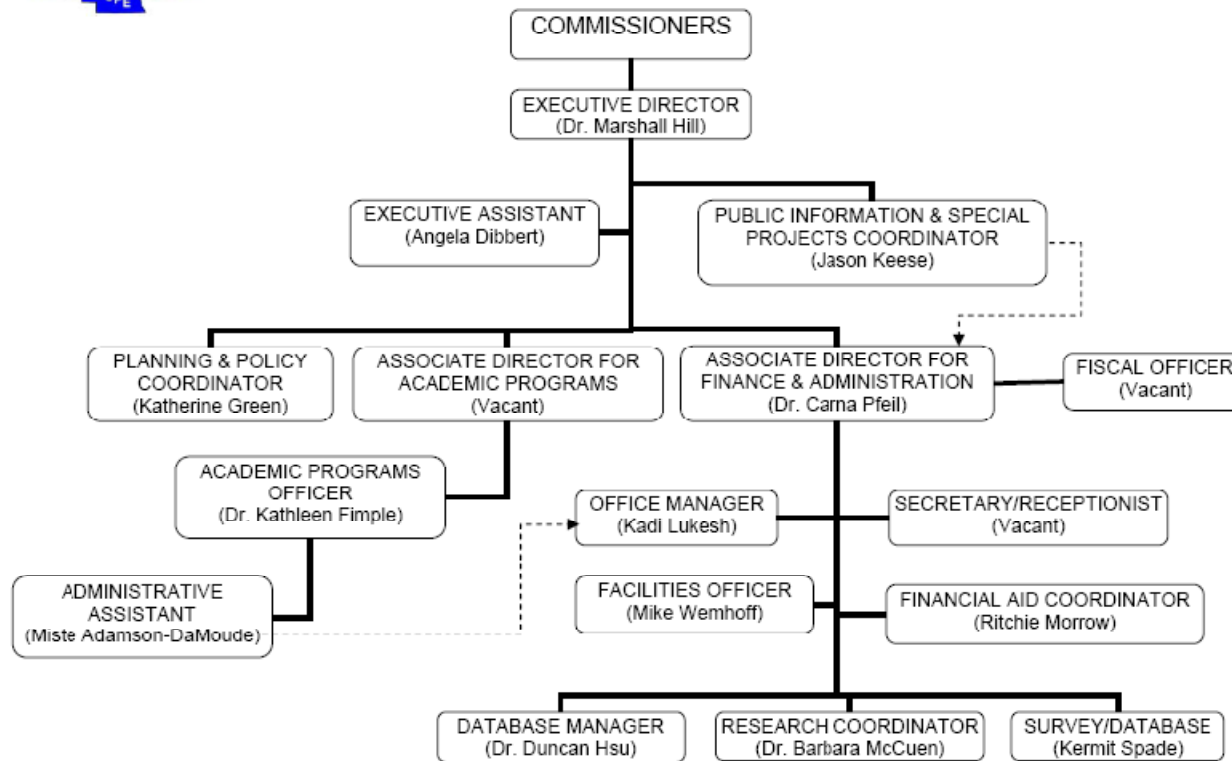
Nebraskans will reap many benefits from affordable, accessible, and high-quality higher education. Nebraska’s people will value and support higher education institutions that are vital, vigorous, and visionary. Each higher education institution will fulfill its role and mission with distinction by being responsive to changing academic, workforce, societal, economic, and community development needs. Together, Nebraska’s institutions will provide access to educational opportunities that meet the diverse needs of students and citizens while exercising careful and creative stewardship of available resources.

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ORGANIZATIONAL CHART



Coordinating Commission for Postsecondary Education



Updated 01/13/10

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Criteria

The criteria used in this attestation review were Nebraska State Statutes, Nebraska Rules and Regulations, the Nebraska Accounting Manual, Code of Federal Regulations (CFR), Federal Office of Management and Budget (OMB) Circulars, 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 capital assets, revenues, and expenditures, including payroll, for March 1, 2009, through February 28, 2010, 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:

- Review of internal controls over capital assets, revenues, and expenditures, including payroll.
- Follow-up of findings from the APA's prior examination.
- Review of the Commission's capital asset listing for missing assets.
- Analytical procedures for revenues and expenditures, including payroll.
- Testing of payroll expenditures.
- Review of journal entries and negative records for revenues and expenditures, including payroll.
- Testing of material Federal compliance requirements for expenditures, including payroll.
- Detail testing of travel expenditures for Commissioners and employees.
- Testing of aid expenditures.
- Testing of operating expenditures.
- Review of Legislative appropriations.
- Review of fees and rates charged.
- Testing of miscellaneous adjustments.
- Review of material Federal revenues.
- An exit conference was held on April 29, 2010, to discuss the results of this attestation review. Those in attendance from the Commission were:
 - Marshall Hill, Executive Director
 - Carna Pfeil, Associate Director
 - Kadi Lukesh, Office Manager

Summary of Results

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

1. Time Worked Not Adequately Documented

Neb. Rev. Stat. § 84-1001(1) (Reissue 2008) states, "All state officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary

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employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur.”

In addition, good business practices as well as a good internal control plan, requires hours actually worked to be adequately documented, for example, via timesheets, time logs, or certifications, etc., and such documentation be kept on file to provide evidence of compliance with the requirements of Neb. Rev. Stat. § 84-1001(1) (Reissue 2008). Furthermore, a good internal control plan also requires that whenever employees accrue vacation and sick leave, adequate documentation must be maintained to support the employee having “earned” the amounts recorded in the leave records by documenting not less than forty hours of work each week.

During testing we noted all four employees tested did not have timesheets to trace to hours paid per the Nebraska Information System (NIS). We also noted employees exempt from the Fair Labor Standards Act (FLSA) were not required to complete timesheets or certify they rendered not less than forty hours of labor each week. This was a comment in the prior report.

Commission employees not exempt from the FLSA were required to keep timesheets; however, exempt employees only have to submit leave request approval forms, no timesheets or certifications are required. For payroll purposes, employee leave for FLSA exempt employees is entered into NIS, and sufficient additional regular hours entered to result in a total of 173.33 hours worked by the employee for the month.

There is an increased risk of unearned benefits being accrued and noncompliance with State statute when timesheets or certifications are not completed each pay period.

We recommend the Commission develop policies and procedures which ensure adequate supporting documentation of time worked be retained. This could be accomplished by having FLSA exempt employees complete an approved timesheet or sign a certification monthly that states “I certify that I have rendered not less than forty hours of labor each week this month except any week in which a paid holiday may have occurred or paid leave was taken.”

Commission’s Response: The Commission follows the Fair Labor Standards Act (FLSA) requirements for exempt employees and believes those requirements also satisfy Nebraska law. The Commission is a small agency with thirteen full-time staff all located in the same office. The Executive Director, Associate Director, and Office Manager are well aware when employees are not working and the reason for them not being in the office. We believe there is little to be gained from instituting a practice not required by the FLSA and that could result in potential unintended consequences.

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APA Response: The fact timesheets are not required by the FSLA does not have a bearing on whether or not the Commission should document compliance with the stated criteria in the finding, Neb. Rev. Stat. § 84-1001(1) (Reissue 2008). We continue to recommend the Commission document compliance with State statute by requiring all employees to certify they worked not less than full-time each week during the pay period.

2. Support for Federal Payroll Distribution

OMB Circular A-87 Appendix B 8.h. states:

- “(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 which meets the standards in subsection 8.h.(5)...
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.
 - (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”

A good internal control plan requires procedures to ensure all payroll costs charged to Federal grants are in compliance with OMB Circular A-87.

For one of one employees paid with Federal funds, we noted the Commission coded the labor distribution on NIS as an estimated percentage, instead of actual hours worked for the current period per timesheets or personal activity reports.

Per review of monthly personal activity reports maintained by the Commission's Academic Programs Officer, actual hours worked on the ITQ grant were 227, or 11% of her total hours worked of 2,080 during the review period. Actual hours charged to the ITQ grant per NIS were 437, or 21% of her total hours worked during the review period. As a result, payroll costs charged to the ITQ grant for the Academic Programs Officer were overstated \$9,576, or 48%. We also noted the labor distribution percentage had not been reviewed by the Commission's Associate Director in more than a year.

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Unallowable payroll costs were charged to the ITQ grant by the Commission.

We recommend the Commission develop policies and procedures which ensure all Federal payroll costs have adequate supporting documentation, such as timesheets or personal activity reports, and the labor distribution percentage be reviewed and documented in compliance with OMB Circular A-87. We also recommend the Commission consult with the Federal granting agency to determine if any prior period adjustments are required.

Commission's Response: The Commission does have policies and procedures for allocating federal payroll and other costs to appropriate federal grants. These policies and procedures will be reviewed and tightened where appropriate.

3. Support for Federal Administrative Costs

OMB Circular A-87 Appendix A C.1.j. states, costs charged to Federal awards must be adequately documented to be allowable.

A good internal control plan also requires procedures to ensure adequate supporting documentation is on file for all administrative costs charged to Federal awards.

During our review of expenditure journal entries, we noted the Commission charged administrative costs of \$10,217 to the CACG program as of February 28, 2010. The Commission did not have adequate supporting documentation on file for \$7,285 of the administrative costs charged to the grant.

The Commission generally used journal entries to transfer administrative costs to the CACG program. These journal entries did not have supporting documentation to substantiate they were allowable costs to be charged to the CACG program. The costs transferred to the CACG program were generally the Commission's entire postage bill or rent for a month, not just the portion of these bills attributable to the CACG program. The Commission initially had supporting documentation for only three transactions, totaling \$2,932. The Commission was able to review other costs paid with State General Funds and substantiate \$7,328 of these were allowable costs to be charged to the CACG program, an amount greater than the unsubstantiated costs noted above, therefore the costs were allowable, just initially lacking supporting documentation.

There is an increased risk of unallowable costs being charged to Federal grants when adequate supporting documentation is not maintained to substantiate them.

We recommend the Commission develop policies and procedures which ensure adequate supporting documentation per OMB Circular A-87 is maintained for all administrative costs charged to Federal grants.

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Commission's Response: The Commission does have policies and procedures for allocating federal grant administrative costs. The policies and procedures will be reviewed and changes will be made where appropriate or procedures will be tightened to strengthen compliance with Circular A-87.

4. Subrecipient Monitoring

During our review of the Commission's compliance with Federal grant requirements, we noted the following exceptions related to the Commission's monitoring of subrecipients' use of Federal funds passed through to them by the Commission:

- a. OMB Circular A-133 §___.400(d) states, "A pass-through entity shall perform the following for the Federal awards it makes: (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency."

A good internal control plan also requires policies and procedures which ensure subrecipients' A-133 audits properly reflect Federal funds passed through to the subrecipients for their audit period.

For both subrecipients tested for the ACE program, the required information was not communicated to the subrecipients at the time of the award. The ACE program is funded by both State and Federal funds. The Federal funds are from the CACG program.

Central Community College (CCC) and Northeast Community College (NECC) were not informed of the CFDA title and number, award year, or Federal awarding agency of the CACG program. As a result of not being properly notified they were receiving Federal funds, these amounts were not included in their Schedule of Expenditures of Federal Assistance as part of their A-133 audits for the Fiscal Year Ended June 30, 2009. The Commission passed through \$16,981 and \$26,520 in Federal funds to CCC and NECC, respectively, for this period.

- b. OMB Circular A-133 §___.400(d)(4) states a pass-through entity shall ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipients' fiscal year have met the audit requirements.

For two of eleven applicable expenditures tested, the Commission did not ensure the subrecipients' A-133 audits were completed. The Commission did not obtain or review A-133 audits for two subrecipients of the ITQ program. Educational Service Unit No. 1 (ESU 1) and Educational Service Unit No. 6 (ESU 6) both received ITQ funds during the period tested. We reviewed the Federal Audit Clearinghouse website and determined ESU 1 had an A-133 audit completed for the fiscal year ended August 31, 2009, with no audit findings noted. ESU 6 had an A-133 audit completed for the fiscal year ended August 31, 2008, with no audit findings noted.

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The Commission was unaware Educational Service Units were required to have A-133 audits.

- c. OMB Circular A-87 Appendix A C.1.j. states, costs charged to Federal awards must be adequately documented to be allowable.

A good internal control plan also requires adequate supporting documentation be maintained for reimbursement of subrecipient expenditures.

For one of fifteen aid expenditures tested, adequate supporting documentation was not on file. Payment made to ESU 6 on September 28, 2009, was for reimbursement of \$42,351 of actual expenditures, including administrative costs of \$2,999, from the federally funded ITQ program. ESU 6 submitted a spreadsheet detailing the costs being reimbursed, along with supporting documentation for all costs except administrative costs of \$2,999.

For one of six operating expenditures tested, the Commission did not obtain adequate supporting documentation for a subrecipient payment made from the ITQ program. ESU 1 submitted a request for payment of \$21,138 along with invoices/receipts to support the request. During testing the APA noted the full amount was not supported. Subrecipient requested reimbursement of \$625 for payment to Chefs on the Go and also \$4 to the Fair Store. These amounts were not supported by invoices/receipts. The Commission accepted the subrecipient's internal accounting documents which showed coding and amounts as support instead of actual invoices.

- d. 34 C.F.R. 80.20(b)(2) (July 1, 2008) states "...Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

A good internal control plan requires procedures which ensure Federal funds passed through to subrecipients are properly coded on NIS.

For four of fifteen expenditures tested, transactions were not coded to the correct fund. The Nebraska Scholarship Grant Program consists of funds from the State General Fund, proceeds from the Nebraska Lottery, and two federally funded programs, Leveraging Educational Assistance Partnership (LEAP) and Special Leveraging Educational Assistance Partnership (SLEAP). The Commission allocates these funds to all participating postsecondary institutions based on the institutions' number of Federal Pell grant eligible students from the prior year. The institutions are notified of the allocation by the Commission and use these amounts to report the Federal funds passed through to them by the Commission in their A-133 audits. We noted the following when reviewing the coding of payments made out of the Nebraska Scholarship Program:

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- Southeast Community College (SCC) was allotted \$748,892 for the 2009-2010 school year, \$27,127 of which was from LEAP and SLEAP. The total amount paid to SCC as of February 28, 2010, per NIS, for the 2009-2010 school year, was \$748,892, none of which was paid out of Federal funds. \$27,127 should have been coded to the LEAP and SLEAP programs on NIS.
- ITT Technical Institute (ITT) was allotted \$272,986 for the 2008-2009 school year, \$10,586 of which was from LEAP and SLEAP. The total amount paid to ITT for the 2008-2009 school year was \$272,986, none of which was paid out of Federal funds. \$10,586 should have been coded to the LEAP and SLEAP programs on NIS.
- Vatterott College was allotted \$475,965 for the 2008-2009 school year, \$18,457 of which was from LEAP and SLEAP. The total amount paid to Vatterott for the 2008-2009 school year was \$450,000, \$58,602 of which was paid out of Federal funds. Thus \$40,145 was coded to the LEAP and SLEAP programs on NIS, when it should not have been.
- Omaha School of Massage was allotted \$43,021 for the 2008-2009 school year, \$1,669 of which was from LEAP and SLEAP. Total amount paid to Omaha School of Massage for the 2008-2009 school year was \$43,021, \$23,500 of which was paid out of the Federal fund. Thus \$21,831 was coded to the LEAP and SLEAP programs on NIS, when it should not have been.

The Commission typically does not split out Nebraska Scholarship Grant payments made to each institution between Federal and State funds. The Financial Aid Coordinator stated he generally only ensures the amounts for State General funds, Nebraska Lottery funds, and Federal funds is correct in total for the Program, not for each institution.

There is an increased risk of noncompliance with Federal requirements when policies and procedures are not properly designed and implemented to ensure all Federal funds passed through to subrecipients are correctly coded on NIS.

We recommend the Commission develop policies and procedures which ensure required information is communicated to the subrecipients and that A-133 audits are complete when a subrecipient expends more than \$500,000 in Federal awards. Additionally, we recommend the Commission develop policies and procedures which ensure adequate support is on file for expenditures. Finally, we recommend the Commission develop policies and procedures which ensure Federal funds passed through to subrecipients are properly coded on NIS.

Commission's Response: The Commission has policies and procedures for payment of federal funds to sub-recipients. The Commission will review the policies and procedures with all employees involved with federal grants. Further, it will make necessary changes to comply more fully with Circular A-87, where appropriate.

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Overall Conclusion

The Commission should improve its policies and procedures related to recording FLSA exempt employee hours worked and administering any Federal grants for which they receive funding. The Commission did not maintain employee time records that adequately complied with State statute for all FLSA exempt employees and Federal compliance requirements for employees working on the ITQ and CACG programs. The Commission also did not initially prepare adequate supporting documentation for administrative costs charged to the CACG program. Furthermore, the Commission had several exceptions related to their monitoring of subrecipients which had Federal grant funds passed through to them. Lastly, the Commission provides its employees an additional 16 hours of paid personal leave annually.

The APA staff members involved in this attestation review were:

Stephanie Todd, CFE, Auditor II

Shane T. Rhian, CPA, CFE, Auditor-In-Charge

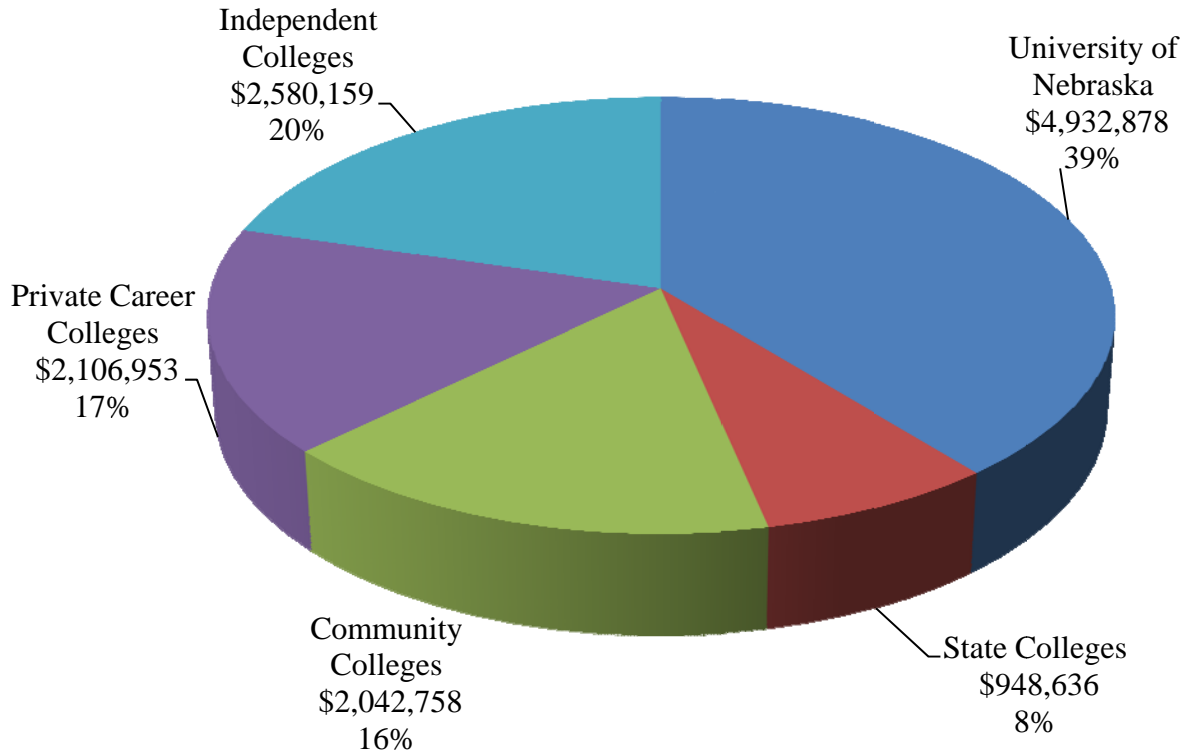
Timothy J. Channer, CPA, Assistant Deputy Auditor

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

NEBRASKA COORDINATING COMMISSION FOR POSTSECONDARY EDUCATION
ATTESTATION REVIEW

Exhibit A

Nebraska Coordinating Commission for Postsecondary Education
Nebraska Scholarship Program - Aid by Sector
For the Fiscal Year Ended June 30, 2009



Note: Additional aid was expended in Programs 297 and 691.

University of Nebraska: UNL, UNO, UNMC, UNK, NCTA-Curtis

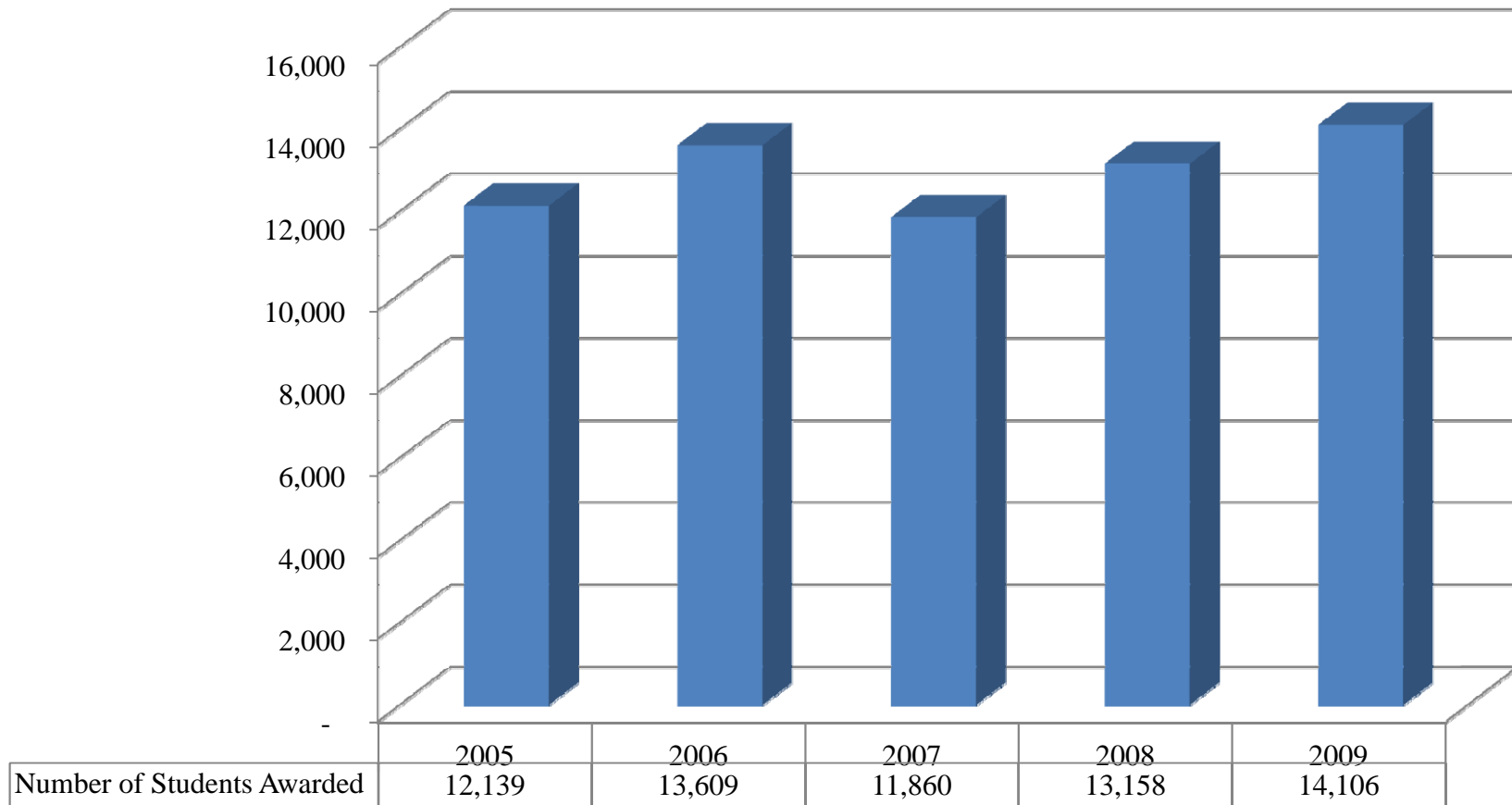
State Colleges: Chadron, Peru, Wayne

Community Colleges: Central, Metropolitan, Mid-Plains, Northeast, Southeast, Western NE

Private Career Colleges: Capitol School of Hairstyling, College of Hair Design, The Creative Center, ITT Educational Services, Inc., Joseph's College of Beauty, Kaplan University-Lincoln, Kaplan University-Omaha, La'James International College, Myotherapy Institute, Omaha School of Massage Therapy, Vatterott College, Xenon International School of Hair

Independent Colleges: Bellevue University, Bryan School of Nursing, Clarkson College, College of Saint Mary, Concordia University, Creighton University, Dana College, Doane College, Grace University, Hastings College, Little Priest Tribal College, Midland Lutheran College, Nebraska Christian College, Nebraska Methodist College, Nebraska Wesleyan University, Union College, York College

**Nebraska Coordinating Commission for Postsecondary Education
 Number of Students Awarded Nebraska Scholarship Grants
 For the Fiscal Years Ended June 30, 2005, 2006, 2007, 2008, and 2009**



**Nebraska Coordinating Commission for Postsecondary Education
 Average Nebraska Scholarship Grant Awards per Student
 For the Fiscal Years Ended June 30, 2005, 2006, 2007, 2008, and 2009**

