

**ATTESTATION REPORT
OF THE
NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM**

JULY 1, 2009, THROUGH JUNE 30, 2014

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Audit Staff Working On This Examination

Mary Avery, Assoc. CFE – Special Audits and Finance Manager

Cindy Janssen – Audit Manager

Craig Kubicek, CPA, CFE – Audit Manager

Joan Arnold – Auditor-In-Charge

Rachel Heeney, CFE – Auditor II

Emily Parker – Auditor

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Nebraska Auditor of Public Accounts

State Capitol, Suite 2303

P.O. Box 98917

Lincoln, Nebraska 68509

Phone: 402-471-2111

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EXECUTIVE SUMMARY

The Statewide Radio System (SRS), which was developed through a partnership between the Office of the Chief Information Officer (OCIO) and the Nebraska Public Power District (NPPD), covers 51 sites throughout the State and connects public power, Federal, State, and local public safety agencies in Nebraska. Since becoming operative in 2009, the SRS has been a fundamental component of Nebraska's emergency and public safety communications network.

The Auditor of Public Accounts (APA) sought permission from the Legislative Performance Audit Committee (Committee), as required by State statute, to undertake a performance audit of the SRS. The Committee denied the APA's request, claiming that a performance audit of the SRS is not warranted. The APA decided instead to conduct a financial attestation of the SRS.

In October 2008, a five-year contract was negotiated with Motorola, Inc., to provide a statewide land mobile radio system to the State of Nebraska. The infrastructure costs identified in that contract were \$13,930,777. Change order 35, dated January 18, 2013, listed the overall contract value at \$22,279,028. This overall value includes the contract price for infrastructure costs, as described in Motorola's best and final response, as well as all of the agency subscriber equipment, resulting in 29 amendments and 35 change orders. In addition, the original contract period was extended to December 2013.

A number of State agencies collaborated with the OCIO for the SRS project. The initial purchase of SRS assets was coordinated by the OCIO and later rebilled to the specific agency receiving the equipment. The OCIO retains title to the SRS assets, which are to remain on the State's accounting system (EnterpriseOne) fixed asset records.

The APA's overall summary of findings revealed the lack of adequate controls over the SRS equipment purchased and the accounting of such equipment.

- The State Patrol, the Game and Parks Commission, the Department of Corrections, and the Department of Roads spent \$277,000 on 57 pieces of equipment that have never been used, such as portable and mobile radios, some of which remained in unopened boxes. These were purchased as far back as August 2009, with the majority acquired in 2010 and 2011. Additionally, the APA identified 13 equipment assets whose costs had been recorded incorrectly, based upon the actual invoice amounts, for a total variance of \$256,997. Furthermore, almost half of the SRS assets tested either had no serial number, an incorrect serial number recorded, or they were not properly tagged as property of the State of Nebraska.
- During 2009, the Department of Roads obtained 10 portable radios and 10 digital repeaters, at a total cost of \$25,255, for use on the SRS. However, none of that equipment proved compatible with the SRS network. Subsequently, in September 2010, 10 additional repeaters were purchased, at a total cost of \$13,813, to replace the incompatible ones. Like their predecessors, though, the replacement digital repeaters were also incompatible.
- A portable radio valued at \$7,009 and listed as being in the possession of the OCIO did not, in fact, exist. Because of this error, the APA found that various agencies with SRS radio equipment do not perform an actual physical annual inventory of those assets, as required by law. Rather, they merely reviewed a list of assets and scanned duplicate or untagged bar codes that were maintained in notebooks or on sheets of paper.

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- Forty digital repeaters totaling \$423,796 and four control stations totaling \$17,259 were purchased and received in July 2010; however, over four years later and as of November 2014 they have not yet been paid. State statute requires, however, that agencies pay for goods or services within 45 calendar days of their receipt or billing.
- In comparing the list of SRS assets found on EnterpriseOne to individual agency listings of such assets, the APA found numerous inconsistencies. Of the 2,894 SRS assets listed on EnterpriseOne, the APA was unable to match 1,255 assets to the individual agency listings using either serial numbers or identification tag numbers. Additionally, between these two lists, there were 31 instances of assets with mismatched serial numbers, 29 incorrectly coded assets, 24 assets with duplicate tag numbers, and 69 assets with duplicate serial numbers.
- Between inaccurate estimates of user numbers and the lack of a periodic review to determine the actual cost of providing the service, there is nothing to support that the sharp increase in the SRS fund balance from \$936,331 on July 1, 2009 to \$4,127,733 at June 30, 2014, has been warranted. Furthermore, the OCIO performs no historical reviews to ensure the reasonableness of its base monthly retainer fee charged to agencies.
- Tower and related infrastructure costs of \$3,227,185 had been miscoded on the State's financial records in EnterpriseOne. Due to an incorrect allocation of costs between accounts, moreover, the OCIO's Construction in Progress Account was overstated by \$1,379,343 – potentially causing the State's financial statements to be misstated.
- There were \$3.5 million in unallocated and miscoded SRS revenues, which prevented the proper tracking and monitoring of SRS activity. Similarly, miscoding in relation to SRS equipment purchases for the State Fire Marshal under the State's master lease program resulted in errors totaling \$38,113.66 from 2012 to 2014.

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BACKGROUND INFORMATION

On January 30, 2014, the Auditor of Public Accounts (APA) sent a letter to the Legislative Performance Audit Committee (Committee), requesting authorization to conduct a performance audit relating to the Statewide Radio System (SRS). See **Attachment A** for a copy of that letter. On April 9, 2014, the Committee Chair responded, stating: “The Committee has been aware of the serious concerns about that system but at this time, we do not believe a performance audit is needed.” See **Attachment B** for this response. Subsequently, the APA contacted the Committee Chair and informed him the APA would be completing a financial attestation examination of the SRS.

The SRS is a partnership between the State’s Office of the Chief Information Officer (OCIO) and the Nebraska Public Power District (NPPD). The system is a Motorola VHF Astro digital trunked infrastructure covering 51 sites in the State and was developed for use to all public power, Federal, State, and local public safety agencies. The following is a brief history of the project.

History of Public Safety Communications in Nebraska

In 2004, State officials first outlined a plan for a new wireless radio network for State agency personnel that would also serve as a backbone to connect eight regional communications networks to achieve statewide interoperability. Over the next few years, State officials worked with city and county officials to develop regional communications networks.

In October 2005, a proposal for the statewide public safety communications system was in early discussions with State agencies.

The Governor and the Nebraska Legislature approved funding for a Statewide Public Safety Communications System in 2006. NPPD officials had explored options for replacing the utility’s aging radio system in years past and partnered with the State in the project in 2008.

In October 2008, a contract was negotiated with Motorola, Inc., to provide a statewide land mobile radio system to the State of Nebraska for the period effective October 10, 2008, through October 9, 2013. The contract price for the infrastructure portion of the system, according to Motorola’s best and final response, was \$13,930,777.

Change order 35, dated January 18, 2013, listed the overall contract value at \$22,279,028. This overall value includes the contract price for infrastructure costs, as well as all of the agency subscriber equipment, resulting in 29 amendments and 35 change orders. In addition, the original contract period was extended to December 2013. (See Comment and Recommendation Number 5 for more information related to the Motorola contract value.)

The Nebraska Wireless Interoperable Network (N-WIN) and the Nebraska Council of Regions (NCOR) were both established by the Governor on December 17, 2008, through Executive Orders No. 08-03 and No. 08-04, respectively. Those two entities served the following purposes:

N-WIN: Functioning as a council, N-WIN has nine purposes and charges. Among those are the following: 1) providing leadership regarding the development of public safety communications

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within Nebraska; 2) promoting interoperability for public safety communications; 3) providing oversight for the development of protocols, standard operating procedures, and guidelines for use of the network; 4) coordinating and providing planning, training, and exercise opportunities related to communications interoperability; 5) developing recommendations and strategies for the best utilization of public funds to improve public safety communications in Nebraska.

NCOR: Established to provide oversight and integration for the eight local public safety communications regions of Nebraska and to coordinate with N-WIN. NCOR is also responsible for developing and implementing the State Communications Interoperability Plan.

In October 2009, the OCIO and the NPPD entered into an interlocal agreement for the sharing of infrastructure and the joint maintenance of the Nebraska Statewide Radio Network Project. The purpose of the agreement was to integrate the two radio communications systems then owned separately by the OCIO and the NPPD into one Nebraska Statewide Radio Network Project. The following activities were set out in the interlocal agreement:

- a. Procure the infrastructure that will be incorporated into the shared radio network using the State's procurement process for joint purchasing activities.
- b. Establish the support system and service levels required to jointly operate and maintain the Network.
- c. Operate and maintain the network services to provide connectivity to the tower sites and the networks owned by each party.
- d. Share costs for related responsibilities necessary to the operation, maintenance, management, and support of the network.
- e. Optimize the radio network and technology life cycles by adding users or agencies to the network.
- f. Review, advise, and approve additions, revisions, and changes to the network.
- g. Evaluate and make determinations for connecting the network with other systems and uses that impact the network.

Pursuant to Article III of the agreement, which addresses cost sharing for the statewide radio network, the NPPD provided a fixed outlay of \$6,600,000 for the start-up expense of the project. Funding for any expenditure after procurement of the initial system must be negotiated between the NPPD and the OCIO. The cost split was 50/50 for the Motorola contracted portion of the infrastructure between the OCIO and NPPD. The contract amount for infrastructure was \$13,200,000. The State Patrol and NPPD console systems were paid outside of the infrastructure project.

Attachment B of the agreement provides for the ownership of the infrastructure assets purchased for the network, as follows:

Type of Asset	Infrastructure Asset	Location	Owner
System Control	Primary System Controller	Lincoln	OCIO
Asset Sites	Redundant System Controller	Kearney	NPPD

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Type of Asset	Infrastructure Asset	Location	Owner
Base Station Asset Sites	25 Base Station Equipment Systems with OCIO Radio Network Equipment Locations	Harrison, Rushville, Mitchell, Angora, Kimball, Huntsman, Wolbach, Garden, Oshkosh, Arthur, Whitman, Merriman, Atlanta, Citadel, McCook, Crookston, Norden, Arnold, Bassett, Niobrara, Cozad, Lincoln, Falls City, Douglas, Platte Center	OCIO
	25 Base Station Equipment Systems with NPPD Radio Network Equipment Locations	Chadron, Ogallala, O'Neill, Superior, Osceola, Milford, Sterling, Hartington, Jones Creek, Norfolk, Craig, Custer, Cedar Bluffs, Imperial, Franklin, Pleasanton, Naper, Ord, Hayes Center, Beaver City, Giltner, North Platte, Plattsmouth, Beatrice, Nebraska City	NPPD
Base Station Equipment System	1 Base Station Equipment System with OCIO Radio Network Equipment Location	White Clay	OCIO
FCC License Ownership	Upon final implementation, 50% of the FCC Licenses shall be transferred from OCIO to NPPD.	N/A	Both

The statewide radio network was installed in four phases. In September 2009, the first phase of the network was launched in western Nebraska. The network used radio towers and upgraded dispatch consoles at the Nebraska State Patrol's (State Patrol) Troop E dispatch center, along with radios installed in first responders' vehicles to provide an enhanced radio network for State public safety officials in the panhandle.

Phase II of the radio network was activated in March 2010 and included radio towers and upgraded dispatch consoles at the State Patrol's Troop D dispatch center, along with newly installed radios in State Patrol vehicles. The first two phases covered 38 western counties.

Phase III was completed for a 30-county area in central and eastern Nebraska in October 2010. This phase entailed the installation of new dispatch consoles at the NPPD's York Operations Center, new radios for NPPD utility trucks, upgrades and equipment installation on 12 radio towers in the 30-county area, and new radios for the State Patrol and Fire Marshal.

In January 2011, the final phase of the statewide radio network was activated, which included installations across the final 25 counties in eastern Nebraska. Dispatch console installations were completed at the six State Patrol communications centers and the NPPD operations center. Along with the construction of two new radio towers, equipment was also installed on 51 radio towers across the State. Additionally, more than 1,300 radios were installed for use by the State Patrol, Fire Marshal, Department of Roads, and the NPPD.

The following summary details the timing of each entity's activation on the SRS:

Entity Using SRS	Timeframe for Joining SRS
Nebraska State Patrol (State Patrol)	September 2009 to December 2010
Nebraska Game and Parks Commission (Game and Parks)	September 2009 to December 2010
State Fire Marshal (Fire Marshal)	September 2009 to December 2010

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Entity Using SRS	Timeframe for Joining SRS
Department of Correctional Services (Corrections)	September 2009 to December 2010 (a few remaining radios to program)
Department of Roads (Roads)	September 2009 to December 2010 (ongoing migration planning)
Nebraska Public Power District (NPPD)	September 2009 to December 2010
Lincoln County Sheriff	June 2011
Lincoln Electric System	July 2011
US Fish and Wildlife Service	November 2011
Nebraska Emergency Management Agency (Military)	December 2011
US Marshals Service	December 2011
Department of Agriculture (Agriculture)	January 2012
Federal Bureau of Investigation	March 2012
Burt County Public Power District	March 2013
Bureau of Alcohol, Tobacco, Firearms and Explosives	June 2013
Drug Enforcement Administration	January 2014
Department of Environmental Quality (Environmental Quality)	March 2014
Gage County Sheriff	July 2014 (migration planning in process)

In October 2010, the N-WIN council approved the SRS Standard Operating Procedures, which provided written instructions for all subscriber organizations regarding the proper use of the SRS and directions for achieving optimum interoperability.

The first installation, testing, and demonstrations of SRS consolettes were conducted in November 2011. Installed at a local dispatch center, a consolette is a stationary radio that permits a local dispatcher to communicate directly with State Patrol dispatch, SRS users, and neighboring counties. Fifty-six local dispatch centers, covering 76 counties, currently use consolettes. Because consolettes are paid for by the local entities, the timeline for their use with the SRS is determined by funding and the schedules of the local service shops.

On October 18, 2012, the Governor issued Executive Order No. 12-01, which established the Nebraska Public Safety Communications Council (NPSCC) to operate under the guidance and direction of the State Homeland Security Director/State Wireless Interoperability Coordinator. In doing so, the Governor rescinded prior Executive Orders No. 08-03 and No. 08-04, effectively replacing both N-WIN and NCOR with the NPSCC.

At that same time, in October 2012, the State completed work to change out certain antennas on SRS radio towers. The OCIO and NPPD investigated occurrences of storm related interference at certain towers and determined the vendor provided antennas were the cause of the problem. Motorola agreed to replace the antennas at their cost. The following locations received new antennas:

Lincoln	Osceola	O'Neill	Hayes Center	Merriman	Kimball	Rushville
Beatrice	Wolbach	North Platte	Custer PP	Harrison	Ogallala	Arthur
Milford	Humphrey	Sargent	Bassett	Mitchell	Oshkosh	Whitman
Giltner	Norfolk	Atlanta	Crookston	Angora	Huntsman	Arnold

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Further coverage enhancements were made in December 2013, when one channel was added at the Lincoln tower and one channel was added at the Giltner tower. In May and June of 2014, three new towers were activated at Benkelman, York, and Cheney for a total of 54 SRS towers.

Statewide Radio System Funding

The OCIO provided the following initial funding and costs for the infrastructure project:

Project Funding	Amount
State Funding	\$9,000,000
Federal Homeland Security Grants	\$1,700,000
NPPD Funding	\$6,600,000
Total Project Funding	\$17,300,000

Project Costs	Amount
State Funding for Infrastructure	\$4,900,000
Federal Homeland Security Grants	\$1,700,000
NPPD Funding for Infrastructure	\$6,600,000
Total Infrastructure Costs	\$13,200,000
State Funding for Tower Development	\$3,000,000
NPPD Funding for Tower Development	\$1,100,000
Total Tower Development Costs	\$4,100,000
Total Project Costs	\$17,300,000

Through LB 320 (2007), section 46, the Legislature approved the following master lease financing:

The Chief Information Officer is authorized to enter into a seven-year master lease financing agreement through the Department of Administrative Services for costs of radio towers and network equipment associated with implementing the Nebraska Public Safety Communication System. The total project cost, including financing, shall not exceed \$10,680,754.

In addition, the OCIO entered into other master lease agreements for the purchase of radio equipment for other State agencies. The following master leases were associated with the SRS:

Master Lease	Trustee Bank	Description	Lease Period	SRS Principal Amount	Remaining Principal Balance
2009A.6.1 closed out and re-issued as 2014R.3.1	Union Bank & Trust	For the purchase of SRS subscriber equipment, such as radios. Monthly master lease payments were made by both the Nebraska State Patrol and the State Fire Marshal.	84 Months	\$4,689,830	\$1,530,000
2009C.1.1	Union Bank & Trust	For the purchase of SRS towers. Monthly master lease payments were made by the OCIO.	48 Months	\$3,939,796	\$0
2010A.5.1	Union Bank & Trust	For the purchase of SRS subscriber equipment, such as radios. Monthly master lease payments were made by the State Fire Marshal.	84 Months	\$391,080	\$178,400
2010B.1.1	Union Bank & Trust	For the purchase of SRS subscriber equipment, such as radios. Monthly master lease payments were made by the Nebraska State Patrol.	84 Months	\$7,524,150	\$4,371,062
Totals				\$16,544,856	\$6,079,462

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In master lease purchases of equipment, the State enters into a master lease agreement with a bank. That bank issues certificates of participation, which are sold to buyers and generate funds for the equipment purchase. From the proceeds, the bank makes the payments to vendors from the invoices for the equipment, as they are received. The OCIO and the agencies pay State Accounting monthly, according to an amortization schedule, for the total principal and interest on the master lease issues. State Accounting then makes semi-annual payments to the bank for the master lease issues.

Additionally, the OCIO charges users of the SRS network a monthly retainer fee to cover the ongoing costs of the network. Each year, the Nebraska Legislature has appropriated funds to specific agencies to cover the cost of the retainer fees. The current retainer fee for each user is \$173.73 per month, or \$2,084.76 annually, which is billed to the corresponding agencies on a quarterly basis.

Fixed Asset Information

A number of State agencies collaborated with the OCIO for the SRS project. Neb. Rev. Stat. § 81-1120.17(1) (Reissue 2014) authorized the OCIO, specifically the Communications Division therein, “[t]o coordinate the purchase, lease, and use of communications services equipment and facilities for state government[.]” Consequently, the initial purchase of SRS assets was coordinated by the OCIO and later rebilled to the specific agency receiving the equipment.

The OCIO retains title to the SRS assets, which remain on the State’s accounting system (EnterpriseOne) fixed asset records. Nevertheless, the receiving agencies are responsible for reimbursing the OCIO for the purchase of the radio equipment, assisting with the annual inventory of such equipment, and performing all maintenance on it. The following information was provided by the OCIO to these agencies in support of this ascertain.

*In compliance with State Statutes, the Office of the CIO/Network Services retains title to all telecommunications equipment purchased on behalf of the State. This means that if the equipment is over \$1,500, we are required to adhere a pre-numbered Fixed Asset tag (bar code label) to the equipment and track it in the NIS Fixed Assets System. If the equipment is under \$1,500, but is portable or technical test equipment, it will have a pre-numbered Fixed Asset tag (bar code label) on it. This equipment could be tagged with a silver engraved inventory tag, a gold inventory tag with the tag number written on it, or a red and white bar code label with the inventory number printed on it. Otherwise, if the equipment is under \$1,500, you will see a gold State identification tag on the equipment. **Because we retain title to the equipment, your agency is not required to add this equipment to your Fixed Assets.** Your only responsibility is to assist our Division in physically locating this equipment if necessary at a future date. When you have a piece of equipment that no longer works or you no longer want, please return this equipment back to us to surplus or replace for you. If you have any questions regarding this issue, please contact the Office of the CIO . . .*

The APA ran a report, from EnterpriseOne, of all OCIO SRS capital assets as of June 30, 2014. All of these fixed assets records are under the control of the OCIO. The following is a summary of those assets by location and total cost, as of June 30, 2014, as entered into EnterpriseOne.

Location	Total Cost	Number of Assets With Tag Numbers
State Patrol	\$13,601,609.75	1,870
OCIO Public Safety	\$12,307,766.82	449
Game and Parks	\$1,369,189.01	189
Corrections	\$744,812.84	165
Fire Marshal	\$957,885.64	148
Roads	\$136,091.67	30
Military	\$80,784.13	22

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Location	Total Cost	Number of Assets With Tag Numbers
Motor Vehicles	\$51,013.79	12
Agriculture	\$22,918.52	6
Environmental Quality	\$15,846.70	3
TOTALS	\$29,287,918.87	2,894

The APA provided the following definitions for SRS-related assets discussed in this report:

Mobile Radio – A mobile radio is typically dash mounted in a particular vehicle with an attached corded microphone and powered by the vehicle’s battery.

Control Station – A control station is similar to a mobile radio except that it comes with special accessories that allow it to be attached to a separate AC power supply for non-vehicle use.

Portable Radio – A portable radio is a moveable hand-held device that, unlike either a mobile radio or control station, contains its own internal battery and antenna system.

Digital Repeater – Also known as a “Digital Vehicle Repeater” (DVR), a digital repeater is directly integrated with a mobile radio to help improve radio system coverage by allowing the user’s portable radio to act as a wireless extension of the mobile radio’s speaker and microphone when he/she is away from the vehicle. Poor radio coverage can exist due to interference from buildings, outdoor terrain, or a lack of fixed-site infrastructure and towers.

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SUMMARY OF COMMENTS

During our examination of the Statewide Radio System (SRS), we noted certain deficiencies and other operational matters that are presented here.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. **Unused SRS Assets:** Almost 60 SRS assets, totaling \$276,916.02, had never been used by the agency. This includes SRS-related equipment that had been purchased nearly five years ago.
2. **Issues Identified in SRS Asset Testing:** The APA tested 70 SRS assets from agencies with a greater number of such assets and an additional 14 SRS assets from agencies with fewer such assets. The APA found 13 of 70 assets whose costs in EnterpriseOne did not agree to the costs on the invoices. The cumulative difference between the invoice costs and accounting records was \$256,996.89. Of the 84 total assets tested, 31 lacked an attached identification tag number, and 27 had missing or incorrect serial numbers in EnterpriseOne records. Five assets had not been placed into operation for six months or longer. Ten non-compatible repeaters were replaced with another 10 non-compatible repeaters. A few other issues were also identified.
3. **Reconciliation of SRS Assets:** The APA identified several discrepancies when comparing the EnterpriseOne fixed asset records to the OCIO's SRS fixed asset spreadsheets independently maintained by each agency. In total, the APA could not match 1,255 of the 2,894 SRS assets on the EnterpriseOne records because of a lack of tag and serial numbers, incorrect tag and serial numbers, and infrastructure assets not being included on the OCIO fixed asset spreadsheets.
4. **SRS Fund Balance and Retainer Fees:** The fund balance of the SRS has grown from \$1,531,336 in fiscal year 2010 to \$4,127,733 in fiscal year 2014. The OCIO did not have adequate documentation to support the retainer fee it charges to agencies. The number of users charged is based on an estimate and not the number of actual number of users on the network. Additionally, the amount per user is based on budgeted or estimated cost figures and is not reconciled to historical data.
5. **Expenditure Documentation and Related Issues:** The OCIO lacked documentation to support some of the 29 amendments and 35 change orders adopted since 2008 to the Motorola contract for a statewide land mobile radio system. The OCIO also did not properly record certain expenditures, including construction in progress (CIP), Program 935 expenditures, retainage, discounts, etc. Additionally, the APA identified several OCIO personnel whose access to EnterpriseOne was not commensurate with their job responsibilities.
6. **SRS Revenue Coding Issues:** The OCIO did not properly record revenues to the SRS during the period tested. The total amount of incorrectly recorded revenue was \$3,539,951.48.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Nebraska OCIO.

Draft copies of this report were furnished to the OCIO to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. The formal responses received have been incorporated into this report. Where no response has been included, the OCIO declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

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COMMENTS AND RECOMMENDATIONS

1. Unused SRS Assets

The APA found unused radio equipment at several State agencies, including the State Patrol, the Game and Parks Commission (Game and Parks), the Department of Corrections (Corrections), and the Department of Roads (Roads). Many of the assets had been purchased almost five years ago and had not been used. The following is a summary, by Agency, of the unused assets:

Location	Number of Unused Assets	Total Cost
State Patrol (Note 1)	31	\$164,112.25
Game and Parks	9	\$60,539.81
Corrections	7	\$38,451.46
Roads	10	\$13,812.50
Totals	57	\$276,916.02

Note 1: The State Patrol had four assets with no cost in EnterpriseOne because the OCIO had not paid for them. These assets were acquired in 2010 at a cost of \$4,314.77 each. The total of \$17,259.08 was not included in the total cost above, as it had not yet been paid.

Following is the breakdown, by agency, of the unused assets, showing description, date acquired, cost and APA notes.

Nebraska State Patrol Unused Assets

The APA observed 31 SRS assets that had not been used by the State Patrol prior to the APA’s testing. Ten of those assets were located at outside public vendors and were not even in the State’s possession.

	Location	Tag Number	Description	Date Acquired	Total Cost	APA Notes
1	State Patrol	65O9367	XTL CONTROL STATION	7/22/2010	N/A	<i>The APA found these nine Motorola control stations on a shelf at First Wireless in Lincoln, NE. None of the assets had been used, and eight of the nine boxes had not been opened. There is no cost included for the first four control stations because payment had not been made for them.</i>
2	State Patrol	65O9368	XTL CONTROL STATION	7/22/2010	N/A	
3	State Patrol	65O9369	XTL CONTROL STATION	7/22/2010	N/A	
4	State Patrol	65O9370	XTL CONTROL STATION	7/22/2010	N/A	
5	State Patrol	65O7581	CONTROL STATION	8/11/2009	\$4,112.81	
6	State Patrol	65O7582	CONTROL STATION	8/11/2009	\$4,112.81	
7	State Patrol	65O7583	CONTROL STATION	8/11/2009	\$4,112.81	
8	State Patrol	65O7584	CONTROL STATION	8/11/2009	\$4,112.81	
9	State Patrol	65O7585	CONTROL STATION	8/11/2009	\$4,112.81	
10	State Patrol	65O2277	APX7000 PORTABLE RADIO	8/11/2009	\$7,009.00	<i>The APA found 20 portable radios that had not been used at Capitol Security in the State Capitol. None of them had been activated for use on the SRS network.</i>
11	State Patrol	65O4700	APX7000 PORTABLE RADIO	11/24/2010	\$7,052.00	
12	State Patrol	65O4826	APX7000 PORTABLE RADIO	11/24/2010	\$7,052.00	
13	State Patrol	65O6317	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
14	State Patrol	65O6318	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
15	State Patrol	65O6319	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
16	State Patrol	65O6320	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
17	State Patrol	65O6321	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
18	State Patrol	65O6322	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
19	State Patrol	65O6323	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
20	State Patrol	65O6324	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
21	State Patrol	65O6325	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
22	State Patrol	65O6326	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
23	State Patrol	65O6327	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
24	State Patrol	65O6328	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	
25	State Patrol	65O6329	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	

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	Location	Tag Number	Description	Date Acquired	Total Cost	APA Notes
26	State Patrol	65O7744	APX7000 PORTABLE RADIOS	10/5/2010	\$7,009.00	
27	State Patrol	65O7745	APX7000 PORTABLE RADIOS	10/5/2010	\$7,009.00	
28	State Patrol	65O7746	APX7000 PORTABLE RADIOS	10/5/2010	\$7,009.00	
29	State Patrol	65O7747	APX7000 PORTABLE RADIOS	10/5/2010	\$7,009.00	
30	State Patrol	65O6310	APX7500 RADIO DUAL BND 03 HD	5/2/2011	\$6,197.20	<i>After the APA began testing, this mobile radio was taken to Grand Island to be used at the 2014 Nebraska State Fair, in August 2014. Prior to that time, this asset had not been used by the State Patrol.</i>
31	State Patrol	65O4985	DVR-700 AND ANTENNA	11/24/2010	\$8,304.00	<i>Asset was located at Platte Valley Communications in Kearney, NE, and had not been used by the State Patrol.</i>
Total					\$164,112.25	

The nine Motorola control stations at First Wireless were purchased in 2009 and 2010. State Patrol representatives claim that they never requested any of these control stations, but that the OCIO acted unilaterally in ordering them for the State Patrol. The control stations were delivered to First Wireless for installation; however, the State Patrol was not aware of the nine control stations until 2014. Per correspondence obtained from the State Patrol, representatives from that agency repeatedly asked the OCIO for packing slips and other documentation during the project; however, the OCIO did not provide documentation for many of the assets until May 2014.

According to the OCIO, because the invoice for the four control stations acquired in 2010 had not been paid, the decision has now been made to return those units to Motorola.

The following photograph, taken by the APA on July 28, 2014, shows the nine boxes containing the Motorola control stations.

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(Continued)



The photograph below shows the contents of the only unsealed box (Box #1 above).



Game and Parks Commission Unused Assets

The APA observed nine SRS assets that had not been used by Game and Parks prior to the APA’s testing. Game and Parks staff indicated that these assets were purchased as extras in 2010 for the anticipated growth in the agency’s law enforcement division. However, as illustrated in the table below, the assets were purchased over four years ago and remain unused to date.

	Location	Tag Number	Description	Date Acquired	Total Cost	APA Notes
1	Game and Parks	6504384	XTS 2500 PORTABLE RADIO	6/15/2010	\$9,301.72	<i>The APA observed all of these six unused assets shelved in a Game and Parks warehouse.</i>
2	Game and Parks	6504264	XTL 5000 MOBILE RADIO	6/25/2010	\$4,019.05	
3	Game and Parks	6504374	VEHICLE REPEATER	4/19/2010	\$8,790.50	
4	Game and Parks	6504448	XTS 2500 PORTABLE RADIO	4/26/2010	\$10,516.72	
5	Game and Parks	6504268	XTL 5000 MOBILE RADIO	6/25/2010	\$4,019.05	
6	Game and Parks	6504378	VEHICLE REPEATER	4/19/2010	\$8,790.50	

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	Location	Tag Number	Description	Date Acquired	Total Cost	APA Notes
7	Game and Parks	65O4269	XTL 5000 MOBILE RADIO	6/25/2010	\$4,019.05	<i>These assets were located at First Wireless in Lincoln, NE, until July 17, 2014. Game and Parks did not know the location of these assets. After questioning by the APA, Game and Parks staff retrieved the assets.</i>
8	Game and Parks	65O4379	VEHICLE REPEATER	4/19/2010	\$8,790.50	
9	Game and Parks	65O4449	XTS 2500 PORTABLE RADIO	4/26/2010	\$2,292.72	
Total					\$60,539.81	

Department of Corrections Unused Assets

The APA observed seven SRS assets that had not been used by Corrections prior to the APA's testing. Corrections staff indicated that most of the radio equipment purchased by that agency sat at the central warehouse for one-and-a-half years prior to use.

	Location	Tag Number	Description	Date Acquired	Total Cost	APA Notes
1	Corrections	65O6196	APX 7000 PORTABLE RADIO	4/21/2011	\$5,678.05	<i>The APA observed these six unused assets at Corrections. The employees to whom these radios were assigned had not yet attended training.</i>
2	Corrections	65O6197	APX 7000 PORTABLE RADIO	4/21/2011	\$5,678.05	
3	Corrections	65O6198	APX 7000 PORTABLE RADIO	4/21/2011	\$5,678.05	
4	Corrections	65O6199	APX 7000 PORTABLE RADIO	4/21/2011	\$5,678.05	
5	Corrections	65O6200	APX 7000 PORTABLE RADIO	4/21/2011	\$5,678.05	
6	Corrections	65O6201	APX 7000 PORTABLE RADIO	4/21/2011	\$5,678.05	
7	Corrections	65O6448	CONTROL STATION XTL 2500	4/21/2011	\$4,383.16	<i>The APA observed this unused asset in a box at the Lincoln Correctional Center.</i>
Total					\$38,451.46	

Department of Roads Unused Equipment

On July 18, 2014, the APA found 10 unused Pyramid repeaters that were stored in their original packaging at the Department of Roads Electronics Shop. These repeaters had been purchased on August 5, 2009. Department of Roads staff indicated the repeaters were purchased in error due to their incompatibility with the Motorola portable radios obtained in 2009.

Location	Vendor	Model	Date Purchased	Cost
Roads	Pyramid	SVR-250VB Repeater	8/5/2009	\$1,381.25
Roads	Pyramid	SVR-250VB Repeater	8/5/2009	\$1,381.25
Roads	Pyramid	SVR-250VB Repeater	8/5/2009	\$1,381.25
Roads	Pyramid	SVR-250VB Repeater	8/5/2009	\$1,381.25
Roads	Pyramid	SVR-250VB Repeater	8/5/2009	\$1,381.25
Roads	Pyramid	SVR-250VB Repeater	8/5/2009	\$1,381.25
Roads	Pyramid	SVR-250VB Repeater	8/5/2009	\$1,381.25
Roads	Pyramid	SVR-250VB Repeater	8/5/2009	\$1,381.25
Roads	Pyramid	SVR-250VB Repeater	8/5/2009	\$1,381.25
Total				\$13,812.50

Note 1: Because they cost less than \$1,500 each, these repeaters did not show up on the EnterpriseOne OCIO fixed asset listing.

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The photograph below, taken by the APA on July 18, 2014, shows the box containing the 10 unused Pyramid repeaters.



Good business practices require procedures to ensure equipment purchases are reasonable and necessary for the State. When assets are purchased that are neither necessary nor used within a reasonable time, there is an increased risk for loss or misuse and abuse of taxpayer funds. In addition, the equipment warranties likely have expired prior to the use of the asset.

We recommend the OCIO work with the agencies to determine whether any of the currently unused equipment can be returned to the vendor for a refund, actually placed in service soon, or surplused appropriately. The OCIO should also implement procedures to ensure equipment and other assets are only purchased when actually necessary.

OCIO Response: *The Office of the Chief Information officer currently works with agencies to order the equipment specified by the agency. It is the agency's responsibility to determine their specific agency equipment needs and service requirements. Each agency director has the authority to make those decisions for their own individual needs. We will share this audit comment with the agencies to remind agency Directors to be mindful of the need and timing for equipment ordering and use. As part of the OCIO procurement process, we require and maintain written requests for equipment orders from the agencies on the SRS. The OCIO is also reviewing and revising our processes related to Master Lease items to provide agencies with additional documentation.*

In response to the issue of Department of Roads unused equipment being ordered incorrectly, please refer to our response under finding #2.

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State Patrol Response: *The twenty portable radios are for Capitol Security. We have tested them inside the Capitol Complex and with our Executive Protection and Capitol Security staff. Adequate in building SRS coverage has delayed the deployment of the portables with these Divisions.*

We utilize the APX7500 and portable radios as spare equipment when repairs are necessary to deployed equipment. Spare equipment is kept at our Radio Engineering Division in Lincoln.

Game and Parks Response: *The Nebraska Game and Parks, law enforcement division, currently has four (4) vacant positions. The division plans on filling these vacancies by October of 2015. If we are successful at meeting this goal all of these radio assets will be utilized. Until then, these radios serve as a backup to be used in case of any failures.*

Corrections Response: *These radios could not be utilized until the State finalized its procedures involving system access, radio protocol and determination of call management. Some delay occurred when the staff member leading the project for NDCS [Corrections] left State employment. This transition period accounted for approximately six months additional delay.*

Roads Response: *We agree equipment was ordered in error that is not usable, NDOR [Roads] ordered 800 MHz repeaters and OCIO changed it to 150 MHz repeaters. Unfortunately the error was not discovered promptly and we ended up being unable to return them.*

2. Issues Identified in SRS Asset Testing

SRS equipment is purchased by the OCIO and then distributed to and reimbursed by the specific agency that requested the asset. The APA judgmentally selected 84 of 2,894 assets, based on their location as of June 30, 2014, for testing, as follows:

Per EnterpriseOne at 6/30/2014		APA Selected Assets
Location	Tag Number	
State Patrol	1,870	32
OCIO Public Safety	449	8
Game and Parks	189	3
Corrections	165	24
Fire Marshal	148	3
Subtotal	2,821	70
Roads	30	4
Military	22	4
Motor Vehicles	12	3
Agriculture	6	2
Environmental Quality	3	1
Subtotal	73	14
TOTALS	2,894	84

The APA selected 70 assets to test from the agencies that had more than 100 assets listed in EnterpriseOne. The APA also selected 14 assets to test from the agencies that had fewer than 100 assets listed.

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For the assets tested, the APA attempted to trace the serial and tag number from EnterpriseOne to the actual item. The APA performed additional testing for those five agencies with the most assets purchased, as noted above, to ensure:

- The EnterpriseOne asset cost agreed to the actual invoice.
- The asset was correctly coded in EnterpriseOne.
- The amount of time between the acquisition of the item and its use was reasonable.

The APA identified the following issues related to the testing of SRS assets:

SRS Assets with Incorrect Costs

The APA identified 13 of 84 assets tested that had the incorrect cost recorded in EnterpriseOne, for a total variance of \$256,997. The APA compared the EnterpriseOne fixed asset cost to the actual invoices. In some cases, the cost in EnterpriseOne was lower than the invoice, and for others the invoice price in EnterpriseOne was higher than the invoice. Following is a summary of the issues identified.

Per EnterpriseOne at 6/30/2014					APA Added Information			
	Location	Tag Number	Description	Date Acquired	Total Cost	Invoice Amount	Variance	APA Notes
1	State Patrol	65O4787	APX7000 PORTABLE RADIO	11/24/2010	\$7,052.00	\$7,009.00	\$43.00	There are a number of assets to which \$43 was applied for programming costs. These programming costs were not assigned consistently, and the OCIO is working with State Patrol to determine to which assets the programming charges should apply.
2	State Patrol	65O7826	APX7000 PORTABLE RADIOS	10/5/2010	\$7,009.00	\$6,874.00	\$135.00	Per the OCIO, Motorola initially stated the cost would be \$7,009; however, the correct cost is \$6,874.
3	State Patrol	65O7829	XTL 5000 MOBILE 05 HEAD RADIO	11/9/2009	\$4,524.21	\$4,567.21	(\$43.00)	The cost did not include a programming charge. Per the OCIO, the State Patrol has yet to reconcile which assets were programmed.
4	State Patrol	65O2437	CONSOLE DISPATCH SYSTEM	4/6/2009	\$427,252.76	\$185,179.08	\$242,073.68	The OCIO agreed the cost was incorrect.
5	State Patrol	65O4783	APX7000 PORTABLE RADIO	11/24/2010	\$7,052.00	\$7,009.00	\$43.00	The OCIO is working with the State Patrol to determine which assets should have the \$43 charge.
6	State Patrol	65O4985	DVR-700 AND ANTENNA	11/24/2010	\$8,304.00	\$7,976.00	\$328.00	The cost included installation and programming; however, the asset had not been installed as of August 19, 2014. Per the OCIO, the State Patrol has yet to reconcile which assets were programmed.
7	State Patrol	65O9370	XTL CONTROL STATION	7/22/2010	\$0.00	\$4,314.77	(\$4,314.77)	The invoice was not paid by the OCIO, and the asset was located at First Wireless.
8	OCIO Public Safety	65O4387	PORTABLE RADIO	4/22/2010	\$7,009.00	\$0.00	\$7,009.00	The asset does not exist, so no cost should have been added to EnterpriseOne. The asset was removed as of October 2014.
9	OCIO Public Safety	65O6107	BASE STATION	11/18/2010	\$152,338.88	\$166,467.31	(\$14,128.43)	The difference is the 10% retainer (\$14,128.43) withheld from Motorola.

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Per EnterpriseOne at 6/30/2014					APA Added Information			
	Location	Tag Number	Description	Date Acquired	Total Cost	Invoice Amount	Variance	APA Notes
10	Game and Parks	6504438	XTS 2500 PORTABLE RADIO	4/26/2010	\$16,310.72	\$2,292.72	\$14,018.00	Per the OCIO, they will be reversing the \$14,018 charge to correct this cost.
11	Game and Parks	6504338	VEHICLE REPEATER	4/19/2010	\$15,799.50	\$1,781.50	\$14,018.00	Per the OCIO, the \$14,018 charge will be reversed to correct this cost.
12	Corrections	6507216	XTS 2500 PORTABLE RADIO	1/15/2012	\$2,902.50	\$5,537.09	(\$2,634.59)	Originally, the OCIO disagreed with the invoice amount; however, the amount was later changed in EnterpriseOne to agree to the invoice amount.
13	Fire Marshal	6504134	APX 7000 PORTABLE RADIO	10/27/2010	\$6,926.00	\$6,476.00	\$450.00	Per the OCIO, the value will be changed to \$6,476.
				Totals	\$662,480.57	\$405,483.68	\$256,996.89	

Per DAS State Accounting, “Fixed asset records in the system should include the total cost for the asset, so in this case, the asset should include the 10% retainage when the asset is received and added to the system.”

Good internal controls require the OCIO to ensure EnterpriseOne accurately reflects the actual cost of equipment purchased. When the correct cost is not entered, the financial records for the State do not accurately reflect fixed asset costs, which also directly affect depreciation amounts.

We recommend the OCIO implement procedures to ensure accurate costs are recorded in EnterpriseOne for all fixed assets.

OCIO Response: Agreed, and the OCIO has already implemented several of the suggestions provided by the auditors.

SRS Assets with Improper Tag or Serial Numbers

Nearly half of the SRS assets tested, 40 of 84, did not have a serial number recorded in EnterpriseOne, had an incorrect serial number recorded, or were not properly tagged as property of the State of Nebraska, as required by statute. The following is the detail of the issues identified by agency location.

Location	Description	Date Acquired	Total Cost	Asset Not Tagged	No Serial # in Enterprise One	Incorrect Serial # in Enterprise One
State Patrol	APX7000 PORTABLE RADIO	8/11/2009	\$7,009.00	X		
State Patrol	TEST EQUIPMENT	7/1/2011	\$43,895.41	X	X	
State Patrol	APX7000 PORTABLE RADIO	12/23/2010	\$6,874.00	X		
State Patrol	APX7000 PORTABLE RADIO	11/24/2010	\$7,052.00		X	
State Patrol	APX7000 PORTABLE RADIOS	10/5/2010	\$7,009.00	X		
State Patrol	DVR-700 AND ANTENNA	11/9/2009	\$8,019.00	X	X	
State Patrol	DVR-700 AND ANTENNA	11/9/2009	\$8,019.00		X	
State Patrol	APX7000 PORTABLE RADIO	12/23/2010	\$6,874.00	X	X	
State Patrol	APX7000 PORTABLE RADIO	12/23/2010	\$6,874.00	X	X	
State Patrol	XTL 5000 MOBILE 05 HEAD RADIO	11/9/2009	\$4,524.21		X	
State Patrol	XTL 5000 MOBILE RADIO	6/23/2011	\$6,297.90	X		

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Location	Description	Date Acquired	Total Cost	Asset Not Tagged	No Serial # in Enterprise One	Incorrect Serial # in Enterprise One
State Patrol	CONTROL STATION	8/11/2009	\$4,112.81	X		
State Patrol	CONTROL STATION	8/11/2009	\$4,112.81	X	X	
State Patrol	XTL 5000 MOBILE RADIO	8/11/2009	\$4,567.21	X	X	
State Patrol	CONSOLE DISPATCH SYSTEM	4/6/2009	\$427,252.76	X	X	
State Patrol	XTL 5000 MOBILE 05 HEAD	11/24/2010	\$4,852.21	X	X	
State Patrol	XTL 5000 MOBILE 05 HEAD	11/24/2010	\$4,852.21	X	X	
State Patrol	XTL 5000 MOBILE 05 HEAD	11/24/2010	\$4,852.21	X	X	
State Patrol	APX7000 PORTABLE RADIO	3/24/2013	\$6,146.00	X		
State Patrol	APX7000 PORTABLE RADIO	11/24/2010	\$7,052.00	X		X
State Patrol	DVR-700 AND ANTENNA	11/9/2009	\$8,019.00	X		
State Patrol	DVR-700 AND ANTENNA	11/9/2009	\$8,019.00	X		X
State Patrol	DVR-700 AND ANTENNA	11/24/2010	\$8,304.00	X		
State Patrol	DVR-700 AND ANTENNA	11/24/2010	\$8,304.00	X		
State Patrol	DVR-700 AND ANTENNA	11/9/2009	\$8,019.00	X		
State Patrol	DVR-700 AND ANTENNA	2/25/2010	\$8,304.00	X		
State Patrol	DVR-700 AND ANTENNA	2/25/2010	\$8,304.00	X		
State Patrol	DVR-700 AND ANTENNA	11/24/2010	\$8,304.00	X	X	
State Patrol	DVR-700 AND ANTENNA	4/12/2011	\$7,976.00	X	X	
State Patrol	DVR-700 AND ANTENNA	4/12/2011	\$7,976.00	X	X	
State Patrol	DVR-700 AND ANTENNA	11/24/2010	\$8,304.00	X	X	
State Patrol	XTL CONTROL STATION	7/22/2010		X	X	
OCIO Public Safety	PORTABLE RADIO Note 1	4/22/2010	\$7,009.00	X	X	
OCIO Public Safety	ANTENNA SYSTEM Note 2	11/18/2010	\$65,879.83			X
OCIO Public Safety	MOBILE RADIO	12/29/2011	\$1,963.80			X
Roads	XTL 1500 MOBILE RADIO	7/26/2010	\$2,062.40			X
Roads	XTL 1500 MOBILE RADIO	7/26/2010	\$2,062.40			X
Roads	XTL 1500 MOBILE RADIO	7/26/2010	\$2,062.40			X
Military	XTS 2500 PORTABLE RADIO VHF Note 3	5/29/2007	\$2,246.75	X		
Environmental Quality	APX 7000 PORTABLE RADIO	12/9/2013	\$6,755.75		X	
	40		Totals	31	20	7

Note 1: This asset did not exist per the OCIO.

Note 2: The APA originally observed the correct serial numbers at the base of the tower; however, the OCIO later notified the APA that the antenna had been replaced. Therefore, the serial numbers at the base of the tower were not the actual serial numbers on the antennas.

Note 3: This asset was lost in 2012, so it should not have had a status of “working” in EnterpriseOne.

As noted above, 29 of the 32 State Patrol assets tested were not properly tagged as property of the State of Nebraska, as required by State statute. In addition, over half of assets tested either had no serial number recorded in EnterpriseOne or had the incorrect serial number recorded. During testing of these 32 assets at the State Patrol, the APA observed over 50 additional assets that did not have a property of the State of Nebraska tag.

The APA also identified two assets at the Department of Agriculture that had the same asset tag number of 65O7258 attached to them.

Neb. Rev. Stat. § 81-1118.02(3) (Reissue 2014) states, in relevant part:

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Each such executive, department, commission, or other state agency shall indelibly tag, mark, or stamp all such property belonging to the State of Nebraska, with the following: Property of the State of Nebraska.

Additionally, good business practices require procedures to ensure assets are correctly identified by their serial number in EnterpriseOne.

When assets are not tagged, as required by State Statute, and when those assets are not properly identified and recorded in EnterpriseOne, there is an increased risk of loss or misuse of State equipment.

We recommend the OCIO, with the help of the agencies that possess the assets, ensure all items are properly tagged as property of the State of Nebraska, as required by State statute. We also recommend that the OCIO ensure EnterpriseOne reflects the actual serial numbers for its capital assets.

OCIO Response: As part of the Annual Auditors Fixed Asset Report process, the OCIO will change our procedure to include a signed document from the appropriate agency head/director annually that the agency has verified the assets in their possession. We have changed internal procedures to ensure that the serial numbers provided by the agencies are what is entered into Enterprise One.

Timely Use of SRS Assets

As noted previously, the APA identified there were several SRS assets that had never been used by the specific agency. In addition to this, the APA also tested the other SRS assets to determine whether the amount of time from acquisition to use was reasonable. The APA used six months from the acquisition date as a reasonable time period. The following five assets were not put into use within six months of acquisition.

Location	Description	Date Acquired	Total Cost	Approximate Use/ Installation Date
OCIO Public Safety	CONTROL STATION	8/11/2009	\$4,112.81	The asset was transferred from the State Patrol (First Wireless) in May 2012.
Game and Parks	XTS 2500 PORTABLE RADIO	4/26/2010	\$16,310.72	May 2012
Game and Parks	VEHICLE REPEATER	4/19/2010	\$15,799.50	May 2012
Fire Marshal	DVRS 700 AND ANTENNA	8/31/2009	\$8,304.00	9/30/2010
Fire Marshal	XTL5000 MOBILE RADIO	3/23/2009	\$4,419.05	9/30/2010

There were an additional 46 assets for which the installation and put-into-use dates could not be determined.

Neither the State Patrol nor Corrections maintained documentation to verify when their equipment was installed and/or activated. However, as noted in Comment and Recommendation 1, above, Corrections staff indicated that all of their SRS equipment sat in a warehouse for over a year and-a-half prior to use.

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Likewise, the APA previously noted several items at the State Patrol that had not been used.

Finally, the APA identified one asset acquired in July 2013 by the Department of Motor Vehicles that was installed in a vehicle but was not activated for use on the SRS network.

Good internal control requires procedures to ensure assets are needed at the time of purchase. When assets are purchased that are not needed at that time or not used within a reasonable time, there is an increased risk for misuse of taxpayer funds. Additionally, the equipment warranties could expire prior to the use of the asset.

We recommend the OCIO implement procedures to ensure assets are purchased only when needed and are placed into operation within a reasonable amount of time after their acquisition.

OCIO Response: The Office of the Chief Information Officer currently works with agencies to order the equipment specified by the agency. It is the agency's responsibility to determine their specific agency equipment needs and service requirements. Each agency director has the authority to make those decisions for their own individual needs. We will share this audit comment with the agencies to remind agency Directors to be mindful of the need and timing for equipment ordering and use.

Non-Compatible Statewide System Assets

In August and September 2009, the OCIO purchased 10 Motorola XTS 1500 portable radios and 10 Pyramid SVR-250VB repeaters for the Department of Roads for use on the SRS.

After discovering that the repeaters were not compatible on the SRS, the OCIO purchased an additional 10 Pyramid repeaters on September 10, 2010. The following purchase information was obtained from EnterpriseOne.

Transaction Date	Payee/Explanation	Explanation	Total Cost
9/22/2009	MOTOROLA INC	10 - 1500XTS Portable radios and components	\$11,442.50
8/5/2009	PYRAMID COMMUNICAITONS	10 – SVR-250VB Repeaters	\$13,812.50
9/13/2010	PYRAMID COMMUNICAITONS	10 – Vehicular Repeaters	\$13,812.50
TOTALS			\$39,067.50

According to Department of Roads' staff, these assets are not compatible with the SRS network and are not functioning as intended. Basically, they function as a wireless microphone when the user leaves his or her vehicle.

None of the individual assets cost \$1,500; therefore, they were not recorded as capital assets in EnterpriseOne.

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The original repeaters that were replaced are included in Comment and Recommendation 1, above, because they were not in use at the time of the APA's testing.

Good internal control requires procedures to ensure SRS assets are compatible with the network. When assets are purchased that are incompatible and do not function as intended, there is an increased risk for the loss of taxpayer funds.

We recommend the OCIO implement procedures to ensure assets purchased for an agency are compatible with its network and will appropriately function. Any non-functioning, non-compatible assets should be returned and refunded immediately. .

OCIO Response: The Office of the CIO agrees. The order in question was changed based on information received from one of the providers and the equipment was delivered to NDOR. Neither the OCIO, nor the Department of Roads, verified that the equipment worked on the system. We will continue to improve our process to include a verification step in the future.

Non-Existent OCIO Asset

One of the assets selected for testing did not actually exist. That asset is described below:

Location	Tag Number	Description	Date Acquired	Total Cost
OCIO Public Safety	6504387	PORTABLE RADIO	4/22/2010	\$7,009.00

According to the OCIO, this asset record was created in error in 2010 and has never been removed from EnterpriseOne. The APA questioned the OCIO regarding the annual inventory of the item each year since 2010, and the OCIO responded, "Unfortunately, due to staff turnover, this tag was scanned in error as opposed to being removed."

As noted already, § 81-1118.02(1) requires that each Agency perform an annual inventory of property belonging to the State of Nebraska. Every year since 2010, this item has been incorrectly scanned as inventory by the OCIO. After the APA brought this to the OCIO's attention, the asset was finally removed from the capital asset listing in October 2014.

The tag numbers used by the State include a bar code that should be affixed to each asset. When the annual physical inventory is performed, the bar codes can be scanned and are updated electronically in the system.

Other agencies tested, including the State Patrol, maintain a binder of the asset tag number barcodes that were used to scan the asset during the annual inventory of SRS assets. Based on the APA's testing noted above, it did not appear that the State Patrol staff were physically observing the assets; rather, agencies simply scanned the bar code in a binder to complete the annual physical inventory. The APA also noted Game and Parks and the Fire Marshal do not scan the actual barcode on the physical asset, as they also have duplicate tags that they scan for inventory purposes.

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(Continued)

Good internal control requires procedures to ensure statutory requirements are met. When assets are not accounted for as required by State Statute, there is an increased risk of loss or misuse of State equipment.

We recommend the OCIO ensure all assets are adequately accounted for during the annual inventory of State of Nebraska property. Those employees who conduct the inventories should physically view the asset, as opposed to simply scanning the bar code.

OCIO Response: As part of the Annual Auditors Fixed Asset Report process, the OCIO will change our procedure to include a signed document from the appropriate agency head/director annually that the agency has verified the assets in their possession. We have changed internal procedures to ensure that the serial numbers provided by the agencies are what is entered into Enterprise One.

Timely Payment of SRS Assets

The APA identified 40 repeaters, in addition to the 4 control station noted above, that were received by the State Patrol with the packing slip dated July 12, 2010. In June 2014, the OCIO received an invoice dated June 16, 2014, totaling \$423,796 for this equipment. According to the OCIO, Motorola provided an invoice on this equipment some 4 years after the purchase. However, as of November 6, 2014, the Motorola invoice had not been paid. These assets were added to the OCIO capital asset listing with a zero cost. Per the OCIO, there were issues regarding the invoice received from Motorola and approval of the invoice from the State Patrol, which is why it has yet to be paid.

Neb. Rev. Stat. § 81-2403(1) (Reissue 2014) provides:

[E]ach agency shall make payment in full for all goods delivered or services rendered on or before the forty-fifth calendar day after (a) the date of receipt by the agency of the goods or services or (b) the date of receipt by the agency of the bill for the goods or services, whichever is later, unless other provisions for payment are agreed to in writing by the creditor and the agency.

Without procedures to ensure invoices are paid timely, there is a risk for loss or misuse of State funds and failure to comply with statute.

We recommend the OCIO resolve any issues regarding the invoices between the State Patrol and the vendor immediately to allow for compliance with State statute. The OCIO should handle any discrepancies in an appropriate manner to ensure the invoices are paid timely.

OCIO Response: Agreed, and the OCIO will continue to improve our processes to meet this finding.

3. Reconciliation of SRS Assets

In order to ensure the total population of SRS assets was complete, the APA compared the EnterpriseOne lists to the internal OCIO listings maintained by agency. These OCIO agency spreadsheets are maintained on a shared drive for all of the agencies to update as needed. The OCIO uses these listings to notify Motorola of the number of device updates that are needed each year for SRS-related equipment.

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(Continued)

The APA combined the individual agency spreadsheets into one statewide SRS fixed asset spreadsheet and attempted to compare the two lists. The agency listings included portable and mobile radios, control stations, and vehicle repeaters; however, they did not include such fixed asset items as infrastructure, towers, and antennas.

Unmatched SRS Assets

Of the 2,894 SRS assets on the EnterpriseOne listing, the APA was unable to match 1,255 assets to the OCIO listing using either serial numbers or tag numbers. Several factors contributed to this, including:

- A significant number of assets did not have either a tag number or serial number listed on one of the lists. As of June 30, 2014, the APA identified 888 assets that did not have a serial number in EnterpriseOne.
- A number of the assets were infrastructure-related items that were not included on the OCIO internal listings.
- Incorrect serial and tag numbers were recorded into both EnterpriseOne and the OCIO internal listings.
- Assets below the \$1,500 capitalization threshold were included on the OCIO internal listing. These items are not recorded as capital assets in EnterpriseOne.

The following is a summary of the SRS assets by agency, as of June 30, 2014.

Location	Matched	Unmatched Assets	Total SRS Assets
State Patrol (Note 1)	1,074	796	1,870
OCIO Public Safety (Note 2)	14	435	449
Game and Parks	189	0	189
Corrections	159	6	165
Fire Marshal	148	0	148
Roads	29	1	30
Military	6	16	22
Motor Vehicles	11	1	12
Agriculture	6	0	6
Environmental Quality	3	0	3
Totals	1,639	1,255	2,894

Note 1: The State Patrol had 770 assets without a serial number in EnterpriseOne. Additionally, 773 assets from the OCIO internal list lacked a tag number.

Note 2: The majority of the OCIO Public Safety unmatched assets were fixed site or infrastructure equipment that were not included on the OCIO internal listing.

Mismatched Serial Numbers

The APA identified 31 assets that had matching tag numbers; however, the serial number did not agree between the two listings, as follows.

Location	Incorrect Serial Number
Corrections	13
Roads	6
Motor Vehicles	5

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(Continued)

Location	Incorrect Serial Number
State Patrol	3
OCIO Public Safety	2
Agriculture	2
Totals	31

They APA discussed some of these issues with the OCIO, after which 10 of the erroneous serial numbers were corrected.

Non-SRS Business Units

The APA identified 29 assets that were incorrectly coded and were not included on the EnterpriseOne listing of SRS equipment. The following is a summary of those 29 assets by agency.

Location	Incorrectly Coded Assets
Roads	19
Military	10
Totals	29

On August 4, 2014, the OCIO indicated that journal entries would be prepared in EnterpriseOne for any incorrectly recorded asset.

Duplicate Assets

The APA identified 24 SRS assets with duplicate tag numbers and 69 SRS assets with duplicate serial numbers on the OCIO internal spreadsheet. Likewise, different agencies had the same assets recorded on their respective listings. The following is a summary of the duplicate records by agency.

Location	Duplicated Tag Number	Duplicated Serial Numbers
Roads	16	16
State Patrol	6	42
Corrections	2	0
Fire Marshal	0	9
OCIO Public Safety	0	2
Totals	24	69

In discussions with the OCIO, the APA determined that there had been no comparison of the EnterpriseOne assets to the OCIO internal listings. On August 4, 2014, the OCIO offered the following explanation:

The OCIO Fixed Asset Team has been given read only access to the Public Safety subscriber equipment serial number spreadsheet[.] They will now be going in to review on a monthly basis, the spreadsheets containing serial number information for subscriber equipment the agencies are responsible for keeping current. As new serial numbers are populated by the agencies, the Fixed Asset Team will add them into E1. The agencies are reminded at each monthly users group meeting to keep this information accurate.

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(Continued)

There also appears to be no single comprehensive list of all SRS assets. The EnterpriseOne list includes all capital assets valued at more than \$1,500 as well as infrastructure assets. Some of the OCIO internal listings contain SRS assets that are worth less than \$1,500; however, others do not. None of the OCIO internal listings include infrastructure assets.

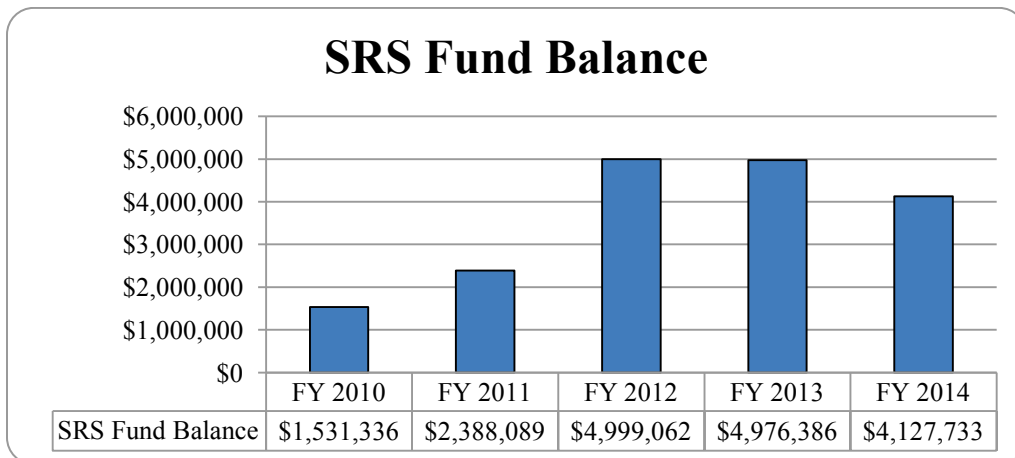
Good internal control requires procedures to ensure the accuracy of the SRS asset lists. When key information, including the serial number or tag number is not properly recorded, there is an increase risk for the loss or misuse of State equipment.

We recommend the OCIO implement procedures to ensure there is a documented review and comparison of both the EnterpriseOne list and the OCIO internal listings so that all such lists are complete and accurate. The OCIO needs to ensure all fixed asset information is correct in order for the State’s financial records to be accurate.

OCIO Response: Agreed, and the OCIO will continue to improve our processes to meet this finding.

4. SRS Fund Balance and Retainer Fees

The fund balance of the SRS has grown from \$936,331 at July 1, 2009, the beginning balance, in fiscal year 2010 to \$4,127,733 in fiscal year 2014. The following chart reflects the ending fund balances for the last five fiscal years:



Additionally, the OCIO did not maintain adequate documentation to support the retainer fees it charged to agencies using the SRS, which may be partially responsible for the dramatically increasing fund balance. The OCIO charges agencies \$173.73 per month, or \$2,084.76 per year, *for each user* of the SRS network. This is called the retainer fee and is billed to and paid by the agencies on a quarterly basis. The Nebraska Legislature appropriates funds annually to agencies to cover the cost of retainer fees.

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(Continued)

The APA found that the fee charged to each agency by the OCIO was based on an estimated number of users (mobile radios) instead of the actual number of users (mobile radios). The OCIO is responsible for maintaining a record of both the number of users and the specific assets on the network; therefore, the actual number of users is readily available to the OCIO.

The following are some examples of the actual number of SRS agency users as of June 30, 2014, not agreeing to the OCIO estimates.

Agency	Actual Users	Estimated Users	Variance	\$ per User (Annual)	\$ Variance	APA Notes
State Patrol	640	574	66	\$2,084.76	\$137,594.16	The OCIO has estimated 574 users for the State Patrol since 2009. Because that is not the actual number of users, the OCIO has been undercharging the State Patrol \$137,594.16 per year.
Motor Vehicles	4	2	2	\$2,084.76	\$4,169.52	Motor Vehicles is being charged for fewer users than the agency actually has.
Agriculture	2	7	(5)	\$2,084.76	(\$10,423.80)	Agriculture is being charged for more users than the agency actually has.
DHHS	0	12	(12)	\$2,084.76	(\$25,017.12)	Health and Human Services is being charged over \$25,000 per year but has no users.
Commission on Law Enforcement and Criminal Justice - Training Center	0	2	(2)	\$2,084.76	(\$4,169.52)	The Commission on Law Enforcement and Criminal Justice is being charged \$4,169.52 per year but has no users.

The OCIO based the cost per user upon the current budget submission for costs, such as staffing, capital outlay, network costs, system maintenance, tower costs, and other operating costs. This budget submission is basically an estimate of costs of the SRS for the next biennium. The OCIO does not compare its estimate of costs to historical information to ensure only the costs of providing the service are charged to the agencies.

Good business practices require the calculation of agency fees to be based on the actual number of users of the SRS network. Good business practices also require that the costs used to determine the fees be periodically reconciled to historical data to ensure the OCIO is properly recovering the actual cost – but only that cost – of providing the service.

When network retainer fees are not based on the actual number of users, and costs are not reconciled to historical data, the OCIO may be over or under charging the various agencies on the SRS network.

We recommend the OCIO implement procedures to ensure the SRS fund balance is appropriate. We also recommend that the retainer fees charged to agencies be based on the actual number of users utilizing the network and the fees charged to agencies be periodically reconciled to historical cost data.

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OCIO Response: The OCIO will monitor the fund balance to ensure that appropriate retainer fees and balances are maintained.

5. Expenditure Documentation and Related Issues

The APA identified the following issues during testing of SRS expenditures.

Motorola Contract

In October 2008, a contract was negotiated with Motorola, Inc., to provide a statewide land mobile radio system to the State of Nebraska for the period effective October 10, 2008 through October 9, 2013. The APA analyzed that agreement, including the Administrative Services (DAS) internal contract award documents, the original signed contract and amendments thereto, and the numerous change order requests.

The contract price for the infrastructure portion of the system in the Motorola contract was \$13,930,777. Change order 35, dated January 18, 2013, listed the overall contract value at \$22,279,028. This overall value includes the contract price for infrastructure costs as described in Motorola's best and final response, as well as all of the agency subscriber equipment, resulting in 29 amendments and 35 change orders. In addition the original contract period was extended to December 2013.

Because of the numerous changes and amendments to the contract, as well as a lack of appropriate documentation to support some of the changes, the APA was unable to determine the exact value of the current contract.

The APA's review revealed a number of unexplained irregularities among these requests. As noted below, for instance, the contract price grew by \$8 million between Change Orders 3 and 4, with no explanation provided for that increase.

Change Order Request Number 3 – March 2, 2009

Current Contract Value:	\$13,919,968.74
Net Change in Purchase Order:	\$161,980.00
Revised Contract Value	\$14,081,948.74

Change Order Request Number 4 – July 14, 2009

Current Contract Value:	\$22,183,671.01
Net Change in Purchase Order:	(\$203,732.21)
Revised Contract Value	\$21,979,938.80

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When there is no record of the cause for substantive amendments or change orders, and supporting contract documents do not agree, there is an increased risk that the resulting ambiguity will give rise to confusion as to the actual contract terms – leading rise to the possibility that the State may pay more than required for agreed upon services.

Good internal controls require procedures to ensure that contracts are adequately monitored, and any subsequent amendments or change orders are properly documented so as not to permit any uncertainty regarding actual contract terms.

We recommend the OCIO implement policies and procedures to monitor the use of contract amendments and change orders, including the maintenance of adequate and accurate supporting documentation to prevent possible discrepancies or misunderstandings as to actual contract terms.

OCIO Response: The Office of the CIO has documentation on each and every change order that was created against this contract. Change Order 3 is for Tower Structural and Mapping for 26 tower sites at \$6,230 per site, and Change Order 4 is for the removal of Over the Air Rekey (OTAR). Change orders were documented either by the Office of the CIO and/or DAS Materiel in accordance with Materiel direction. The difference in contract value between the \$14,081,948.74 on Change Order 3 and the contract value of \$22,183,671.01 on change order 4 was the value of subscriber equipment that was ordered between March 2, 2009 and July 14, 2009. Motorola added the value of subscriber equipment purchased during that time period to the current value of the contract.

APA Response: The difficulty in determining the actual contract value occurred because the documentation maintained by DAS Materiel and the documentation maintained by the OCIO did not always agree for all of the changes to this contract.

Coding of SRS Expenditures

The APA identified inconsistencies throughout the SRS project in the coding of tower and related infrastructure costs, as well as the mishandling of retainage, discounts, and other expenditures, in EnterpriseOne.

Early on, the OCIO acknowledged that Program 935 was created specifically in EnterpriseOne to handle all tower-related capital purchases and other infrastructure costs associated with implementing the SRS project. Consequently, as reflected in EnterpriseOne, all such expenditures should be coded only to Program 935.

During testing, the APA found that the following tower-related capital purchases and other infrastructure costs had been coded incorrectly – i.e., to programs other than Program 935 – in EnterpriseOne.

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(Continued)

Document Number	Transaction Date	Payee/Explanation	Amount	Description
503952	12/9/2010	Motorola	\$1,263,467	Payment for Very High Frequency (VHF) sites, antennas, and site alarms for use on towers were coded to Program 173.
4857925	6/26/2012	Move costs from CIP to fixed assets	\$1,079,019	Journal Entry moved Construction in Progress costs related to tower infrastructure and recorded certain lines of coding to Programs 173 and 245.
840651	4/10/2014	Motorola	\$361,940	Payment for Very High Frequency (VHF) sites and site alarms for use on towers were coded to Programs 173.
525615	2/25/2011	Motorola	\$425,077	Payment for Very High Frequency (VHF) sites, antennas, and site alarms for use on towers were coded to Program 173.
3859624	6/20/2011	Move program 935 to 245	\$59,856	Journal Entry moved land and tower related costs from Program 935 to 245.
411716	2/3/2010	Commsource Inc.	\$13,736	Payment for installing a light kit at a tower site was coded to Program 245.
843202	4/18/2014	Cornerstone Tower Service Inc.	\$12,190	Payment for site mobilization, removal of existing antennas, installing new antennas, mounts, and ice shields, and tower mapping was coded to Program 245.
854852	6/4/2014	Platte Valley Communications	\$11,900	Payment for tower site surveying, tower mapping, structural analysis and corrosion protection was coded to Program 245
		Total	\$3,227,185	

The OCIO offered the following response to the APA's inquiries regarding these EnterpriseOne coding errors:

We recognize that due to the complexity of funding sources, the geographic diversity of this project as well as the complexity of the Motorola proposal, we may not have attributed each expenditure to the correct funding source. However, we have made every effort to account for all of the pieces of this system.

Additionally, the APA found that the OCIO was inconsistent in its coding of certain other expenditures, such as those for discounts and retainage. The following are examples of some of the inconsistencies.

- In one instance, the OCIO recorded the full invoice amount, or \$1,234,256, as an expenditure, and then recorded a negative expenditure for the discount amount, or \$411,237, from the invoice. The net invoiced amount was \$823,019; the gross amount and the discount did not need to be recorded separately. Conversely, similar expenditures were recorded in EnterpriseOne that included only the net invoice amount.

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(Continued)

- The OCIO did not consistently record retainage amounts. Retainage is an amount withheld from payment until the project is complete. The amount of retainage should be included in the total expenditure amount so that the asset cost is accurate. A payable amount should also be recorded to account for the retainage that has yet to be paid. The OCIO recorded some equipment expenditures net of retainage, which resulted in those assets being undervalued. The OCIO also recorded some equipment purchases at the gross amount, including the retainage. These two methods are not consistent.
- The APA found a receipt of \$69,790 for a tower project that should have been recorded in EnterpriseOne as a revenue transaction but was recorded instead as a negative expenditure.
- The APA identified one instance of charges that were incorrectly allocated to the State Patrol. The OCIO calculated \$49,209 for State Patrol costs; however, according to the invoice, the correct amount was \$45,512.

Good internal controls require procedures to ensure transactions are recorded properly in EnterpriseOne. When amounts are not coded accurately in EnterpriseOne, the OCIO may not be able to track system costs accurately, and the financial statements could be misstated.

We recommend the OCIO implement procedures to ensure transactions are recorded accurately in EnterpriseOne in order for the State's financial records to be accurate.

OCIO Response: The Office of the CIO will work with DAS Central Finance to find an expedient and logical method to accomplish this.

Construction in Progress

The OCIO failed to utilize properly its Construction in Progress account, which is supposed to be used during the construction of a capital asset. For instance, when the OCIO built towers for the SRS, the Construction in Progress account was used to record expenditures related to the construction of the towers during fiscal years 2009 and 2010. Upon completion of that construction, however, all of the amounts that were coded to the Construction in Progress account were supposed to be transferred to another Capital Outlay account so that the total cost of the asset would be properly recorded for depreciation purposes. That did not occur.

As of June 30, 2014, the OCIO had \$1,379,343 remaining in the Construction in Progress account for costs that had not been properly assigned to the asset in EnterpriseOne between fiscal years 2009 and 2010. This resulted in the State's financial records not being accurate.

Good internal control requires procedures to ensure all costs of construction are properly added to the total cost of the asset. If construction costs are not handled accordingly, the asset will be inaccurately valued for depreciation purposes, which could undermine the accuracy of the State's financial statements.

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(Continued)

We recommend the OCIO make the entries necessary to ensure that all construction costs have been properly added to its assets and to ensure the State's financial records are accurate.

OCIO Response: The Office of the CIO will work with DAS Central Finance and/or DAS Accounting to find an expedient and logical method to accomplish this.

EnterpriseOne Access

Seven OCIO employees had elevated accounts payable access within EnterpriseOne that was not commensurate with their job responsibilities. In addition, three of these employees had a second EnterpriseOne ID granting them the same level of access. This elevated access might allow users to enter vouchers and review, approve, and post batches within EnterpriseOne.

Good internal controls include restricting access to information resources based upon job responsibilities to help enforce a proper segregation of duties and to reduce the risk of unauthorized usage of those resources.

When individuals have access to EnterpriseOne beyond what their job responsibilities require, there is an increased risk for unauthorized changes or transactions that could result in the loss of State funds.

We recommend the OCIO review the roles of its employees in light of their corresponding level of access to EnterpriseOne to ensure that such levels are appropriate based on specific job responsibilities.

OCIO Response: The Office of the CIO will work with the Accounting Division to determine the correct level of access to EnterpriseOne based on job responsibilities.

6. SRS Revenue Coding Issues

The APA found several coding issues with SRS revenues that are summarized in the table below. Additional details are included for each issue after the table.

Issue	Amount
Unallocated Revenues	\$3,501,837.82
Miscoded Revenues	\$38,113.66
Total Errors	\$3,539,951.48

Unallocated SRS Revenues

On August 19, 2014, the OCIO proposed several adjustments to the preliminary financial schedule, which was prepared directly from information contained in EnterpriseOne. The adjustments included more than \$3.5 million in revenues from the Communications Services Billing (CSB) system and master lease reimbursements that were not properly recorded as SRS revenues.

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(Continued)

The OCIO purchases a comprehensive range of voice, data, and wireless communications services. The CSB system is used to re-bill the costs of these services, along with administrative and indirect costs, to State agencies and other customers. For the SRS, this system tracks the equipment purchased by the OCIO and then re-bills to the State agency actually using it.

During the entire period tested, all of the agency reimbursements were recorded in one place in EnterpriseOne and were not properly allocated to the correct line of coding for the type of reimbursement. After the audit period, the OCIO began properly allocating the revenues to the proper line of coding.

Additionally, SRS equipment paid by agencies through the master lease program was not properly allocated to SRS lines of coding for fiscal year 2010, as well as for part of fiscal year 2011. The table below illustrates the amounts that were not properly allocated to SRS lines of coding. The financial statements have been adjusted to include these amounts.

	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Totals
CSB billing for SRS Equipment	\$666,105.45	\$635,510.23	\$522,116.69	\$81,637.45	\$223,419.02	\$2,128,788.84
Master Lease SRS Equipment	\$780,361.00	\$592,687.98	\$0.00	\$0.00	\$0.00	\$1,373,048.98
Totals	\$1,446,466.45	\$1,228,198.21	\$522,116.69	\$81,637.45	\$223,419.02	\$3,501,837.82

Good internal control requires procedures to ensure SRS revenues are properly recorded. Without adequate procedures for recording revenues to the correct lines of coding, there is a risk that the financial statements will be misstated. Additionally, the SRS activity cannot be properly tracked and monitored.

We recommend the OCIO implement procedures to ensure revenues and other activities of the SRS are properly accounted for in EnterpriseOne in order for the State's financial records to be accurate.

OCIO Response: Agreed, and the OCIO will continue to improve our processes to meet this finding.

Miscoded Master Lease Revenues

The OCIO purchases equipment under master lease purchase agreements for agencies. State Accounting administers the master lease program. For each master lease issue, amortization schedules are developed for the monthly payment the agencies are required to make to State Accounting. Semi-annually, State Accounting makes a lease payment to the bank for the master lease issues.

The OCIO makes purchases under the master lease program for agencies that purchase SRS equipment. The OCIO receives monthly amounts from those agencies for their share of the monthly amortization amount and also makes payments to State Accounting for the monthly amounts owed from the amortization schedules.

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(Concluded)

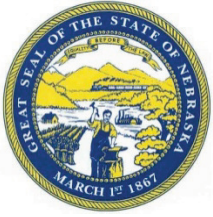
The OCIO recorded incorrect amounts to the SRS for a State Fire Marshal master lease. From March 2010 to July 2011, the monthly amortization amount was \$5,124.16 and was all recorded as SRS activity. In August 2011, the OCIO changed the coding of the monthly amount. As a result, \$4,003.17 was coded to the SRS, and the remainder, \$1,120.99, was charged to non-SRS activity. However, the OCIO did not change the coding of the amounts received from the State Fire Marshal. Therefore, the SRS revenue for this master lease exceeded the expenditures the OCIO paid to State Accounting for this issue, as follows:

Master Lease 2010A.5.1 (State Fire Marshal)	FY 2012	FY 2013	FY 2014	Total
SRS Master Lease Revenues	\$ 60,368.93	\$ 61,489.92	\$ 61,489.92	\$ 183,348.77
SRS Master Lease Expenditures	\$ 49,159.03	\$ 48,038.04	\$ 48,038.04	\$ 145,235.11
Totals	\$ 11,209.90	\$ 13,451.88	\$ 13,451.88	\$ 38,113.66

Good internal control requires procedures to ensure SRS master lease activity is recorded properly. Otherwise there is an increased risk of financial statement inaccuracies.

We recommend the OCIO implement procedures to ensure SRS master lease activity is properly recorded, particularly when the amounts in the amortization schedules are modified to reflect different funding sources.

OCIO Response: The Office of the CIO has developed a long term solution to avoid future billing errors.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER STATEWIDE RADIO SYSTEM

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Office of the Chief Information Officer
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska OCIO – Statewide Radio System for the period July 1, 2009 through June 30, 2014. The OCIO's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Our responsibility is to express an opinion based on our examination.

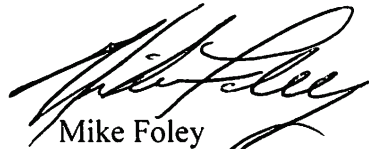
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Revenues, Expenditures, and Changes in Fund Balances 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 balances of the Nebraska OCIO – Statewide Radio System for the period July 1, 2009 through June 30, 2014, based on EnterpriseOne and procedures prescribed by the State of Nebraska Director of Administrative Services, as described in Note 1.

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 Schedule of Revenues, Expenditures, and Changes in Fund Balances and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

This report is intended solely for the information and use of management, the Nebraska OCIO, other agencies within the Statewide Radio System, and the appropriate Federal and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

December 11, 2014


Mike Foley
Auditor of Public Accounts

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2014

	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2014</u>	<u>Totals (Memorandum Only)</u>
REVENUES:						
Appropriations	\$ 1,991,283	\$ 1,122,578	\$ 1,387,759	\$ 1,229,582	\$ 1,641,858	\$ 7,373,060
Intergovernmental	474,000	-	334,857	-	-	808,857
Sales & Charges	3,575,982	7,389,955	6,266,689	3,688,773	4,243,500	25,164,899
Miscellaneous	56,319	49,239	143,650	74,098	67,589	390,895
TOTAL REVENUES	<u>6,097,584</u>	<u>8,561,772</u>	<u>8,132,955</u>	<u>4,992,453</u>	<u>5,952,947</u>	<u>33,737,711</u>
EXPENDITURES:						
Personal Services	238,932	267,302	351,888	351,412	370,394	1,579,928
Operating	855,287	939,890	876,062	1,478,472	2,453,692	6,603,403
Travel	8,217	9,621	10,246	34,135	23,075	85,294
Capital Outlay	4,400,143	6,488,206	4,283,786	3,151,110	3,954,439	22,277,684
TOTAL EXPENDITURES	<u>5,502,579</u>	<u>7,705,019</u>	<u>5,521,982</u>	<u>5,015,129</u>	<u>6,801,600</u>	<u>30,546,309</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>595,005</u>	<u>856,753</u>	<u>2,610,973</u>	<u>(22,676)</u>	<u>(848,653)</u>	<u>3,191,402</u>
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	808,000	1,100,000	-	-	-	1,908,000
Operating Transfers Out	(808,000)	(1,100,000)	-	-	-	(1,908,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Fund Balances	595,005	856,753	2,610,973	(22,676)	(848,653)	3,191,402
BEGINNING FUND BALANCES	<u>936,331</u>	<u>1,531,336</u>	<u>2,388,089</u>	<u>4,999,062</u>	<u>4,976,386</u>	<u>936,331</u>
ENDING FUND BALANCES	<u>\$ 1,531,336</u>	<u>\$ 2,388,089</u>	<u>\$ 4,999,062</u>	<u>\$ 4,976,386</u>	<u>\$ 4,127,733</u>	<u>\$ 4,127,733</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM

NOTES TO THE SCHEDULE

For the Period July 1, 2009 through June 30, 2014

1. Criteria

The accounting policies of the OCIO are on the basis of accounting, as prescribed by the State of Nebraska Department of Administrative Services.

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of the Department of Administrative Services (DAS) 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[.]”

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public. The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned regardless of the timing of related cash flows. State Accounting does not require the Nebraska OCIO to record all accounts receivable and related revenues in EnterpriseOne, as such the OCIO Statewide Radio System schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payables posted in the general ledger as of June 30, 2014, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of June 30, 2014, **does not** include amounts for goods and services received before June 30, 2014, which had not been posted to the general ledger as of June 30, 2014.

The OCIO Statewide Radio System had no accounts receivable at June 30, 2014, that were not included in the schedule. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The OCIO used the following programs or business units to record SRS transactions: Program 245 (*Public Safety Communication System*), Program 935 (*Public Safety Equipment*), business units 65060025 (*Homeland Security*), 65060125 (*Homeland Security Revenue*), 65060128

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
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NOTES TO THE SCHEDULE

(Continued)

(*Outside Agency Equipment Pass-through*), 65060129 (*Outside Agency Equipment Rebills*), 65060130 (*NPPD Rebills*), 65060132 (Program 245 *NPPD Rebills*), 65060133 (Program 245 *NPPD*), and 65060003 (*Operations Revolving Fund*). These programs and business units were combined for purposes of preparing the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

The fund types established by the State that are used by the OCIO Statewide Radio System are:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

40000 – Federal Funds – account for the financial activities related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable Federal requirements.

50000 – Revolving Funds – account for the operation of State agencies that provide goods and services to other departments or agencies within State government.

The major revenue account classifications established by State Accounting and used by the OCIO Statewide Radio System are:

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.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. The OCIO maintained a separate Communications Services Billing (CSB) system to rebill agencies for SRS equipment purchases. These amounts were allocated to one account within EnterpriseOne. Therefore, these specific inter-agency revenues had to be added to the SRS Program revenue.

The following is a breakdown of the related revenues within the Sales & Charges account:

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM

NOTES TO THE SCHEDULE
(Continued)

OCIO Sales & Charges Revenue	Amount
State Agency Master Lease Repayments	\$8,223,144
Agency Retainer Fees Paid to OCIO	\$7,982,003
NPPD Interlocal Receipts and Rebills Paid to OCIO	\$6,830,963
Communications Services Billing Rebills for Equipment	\$2,128,789
Total Sales & Charges	\$25,164,899

The major expenditure account classifications established by State Accounting and used by the OCIO Statewide Radio System are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the OCIO – SRS.

Operating – Expenditures directly related to a program’s primary service activities.

Travel – All travel expenses for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay – Expenditures that result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

For the period July 1, 2009, through June 30, 2014, \$22,277,684 was coded to capital outlay expenditure accounts in EnterpriseOne, which is explained in more detail below.

Capital Asset Accounts	Debit Amount	Credit Amount	Net Amount
Capital Outlay Purchases (Object Accounts 580000 – 587000)			\$29,167,312
Master Lease Activity (Object account 587400)	\$12,288,307	\$17,880,575	(\$5,592,268)
Construction In Progress Activity (Object account 587500)	\$4,943,830	\$6,241,190	(\$1,297,360)
Total Capital Outlay			\$22,277,684

Note: Capital asset accounts have a normal debit balance.

When an agency uses the capital outlay accounts (580000 to 587000) to record expenditures, those costs are added to the value of the to the asset in EnterpriseOne. However, the master lease and construction in progress accounts do not act in the same way. The value of the asset is not increased when those two accounts are used to record costs.

The debit transactions from the master lease account are recording the monthly payments from the OCIO to State Accounting, according to the master lease amortization schedule.

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM

NOTES TO THE SCHEDULE

(Continued)

The credit accounts are used to record the cost to the fixed asset. Because a regular capital outlay object account (580000 to 587000) was not used for master lease purchases of equipment, the cost of the asset has not been recorded in EnterpriseOne. So a separate journal entry is needed to move the cost from the master lease object account (587400) and record the cost into a regular capital outlay object account (580000 to 587000).

Similarly, the OCIO utilized the construction in progress (CIP) object account (587500) to record costs of assets that have not been placed into operation. When an asset is purchased, the cost is recorded as a debit to the CIP object account. As projects are completed, a journal entry is needed to move the cost of the asset from the CIP object account to the proper capital asset account.

2. Reporting Entity

The Statewide Radio System was created under a partnership between the OCIO, the Nebraska Public Power District, and other State agencies. The OCIO is a separate division within a State agency established under and governed by the laws of the State of Nebraska. As such, the OCIO is exempt from State and Federal income taxes. The schedule includes all funds of the OCIO – Statewide Radio System included in the general ledger.

The OCIO is part of the primary government for the State of Nebraska.

3. Totals

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

4. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the OCIO takes an annual inventory, recording in EnterpriseOne all equipment that has a cost of \$1,500 or more at the date of acquisition.

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
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NOTES TO THE SCHEDULE
(Concluded)

For the CAFR, the State requires the OCIO to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than one year is capitalized. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized. Equipment is depreciated in the CAFR using the straight-line method with estimated useful lives of five to ten years.

As of June 30, 2014, EnterpriseOne included 2,894 SRS assets with a total cost of \$29,287,919. This represents the value of the capital assets.

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary 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 Balances, and, accordingly, we express no opinion on it.

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM

EXHIBIT A

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR 2010

	Program 245	Program 935	Fund 46510 BU 65060025	Fund 56530 BU 65060125	Fund 56530 BU 65060128	Fund 56530 BU 65060129	Fund 26530 BU 65060130	Totals (Memorandum Only)
REVENUES:								
Appropriations	\$ 199,667	\$ 1,791,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,991,283
Intergovernmental	70,000	-	404,000	-	-	-	-	474,000
Sales & Charges	1,271,535	-	-	-	780,361	666,105	857,981	3,575,982
Miscellaneous	56,319	-	-	-	-	-	-	56,319
TOTAL REVENUES	1,597,521	1,791,616	404,000	-	780,361	666,105	857,981	6,097,584
EXPENDITURES:								
Personal Services	238,882	-	-	50	-	-	-	238,932
Operating	626,807	15,930	-	298	-	91,140	121,112	855,287
Travel	8,217	-	-	-	-	-	-	8,217
Capital Outlay	322,806	1,775,686	404,000	-	780,366	574,965	542,320	4,400,143
TOTAL EXPENDITURES	1,196,712	1,791,616	404,000	348	780,366	666,105	663,432	5,502,579
Excess (Deficiency) of Revenues Over (Under) Expenditures	400,809	-	-	(348)	(5)	-	194,549	595,005
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	404,000	-	-	404,000	-	-	-	808,000
Operating Transfers Out	(404,000)	-	-	(404,000)	-	-	-	(808,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
Net Changes in Fund Balances	400,809	-	-	(348)	(5)	-	194,549	595,005
BEGINNING FUND BALANCES	936,331	-	-	-	-	-	-	936,331
ENDING FUND BALANCES	\$ 1,337,140	\$ -	\$ -	\$ (348)	\$ (5)	\$ -	\$ 194,549	\$ 1,531,336

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM

EXHIBIT B

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR 2011

	Program 245	Program 935	Fund 56530 BU 65060125	Fund 56530 BU 65060128	Fund 56530 BU 65060129	Fund 26530 BU 65060130	Totals (Memorandum Only)
REVENUES:							
Appropriations	\$ 208,389	\$ 914,189	\$ -	\$ -	\$ -	\$ -	\$ 1,122,578
Sales & Charges	1,593,160	-	-	1,679,016	635,510	3,482,269	7,389,955
Miscellaneous	49,239	-	-	-	-	-	49,239
TOTAL REVENUES	1,850,788	914,189	-	1,679,016	635,510	3,482,269	8,561,772
EXPENDITURES:							
Personal Services	267,302	-	-	-	-	-	267,302
Operating	760,611	84,384	388	-	35,695	58,812	939,890
Travel	9,130	253	238	-	-	-	9,621
Capital Outlay	160,791	829,552	-	1,679,016	599,815	3,219,032	6,488,206
TOTAL EXPENDITURES	1,197,834	914,189	626	1,679,016	635,510	3,277,844	7,705,019
Excess (Deficiency) of Revenues Over (Under) Expenditures	652,954	-	(626)	-	-	204,425	856,753
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	100,000	-	-	-	-	1,000,000	1,100,000
Operating Transfers Out	(100,000)	-	-	-	-	(1,000,000)	(1,100,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
Net Changes in Fund Balances	652,954	-	(626)	-	-	204,425	856,753
BEGINNING FUND BALANCES	1,337,140	-	(348)	(5)	-	194,549	1,531,336
ENDING FUND BALANCES	\$ 1,990,094	\$ -	\$ (974)	\$ (5)	\$ -	\$ 398,974	\$ 2,388,089

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR 2012

EXHIBIT C

	Program 245	Program 935	Fund 46510 BU 65060025	Fund 56530 BU 65060125	Fund 56530 BU 65060128	Fund 56530 BU 65060129	Fund 26530 BU 65060130	Fund 56560 BU 65060132	Fund 56530 BU 65060133	Totals (Memorandum Only)
REVENUES:										
Appropriations	\$ 254,409	\$ 1,133,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,387,759
Intergovernmental	-	-	334,857	-	-	-	-	-	-	334,857
Sales & Charges	1,704,963	-	-	-	1,956,923	522,117	-	-	2,082,686	6,266,689
Miscellaneous	143,650	-	-	-	-	-	-	-	-	143,650
TOTAL REVENUES	2,103,022	1,133,350	334,857	-	1,956,923	522,117	-	-	2,082,686	8,132,955
EXPENDITURES:										
Personal Services	351,888	-	-	-	-	-	-	-	-	351,888
Operating	776,473	13,367	2,295	-	-	77,862	-	-	6,065	876,062
Travel	9,686	560	-	-	-	-	-	-	-	10,246
Capital Outlay	328,951	1,119,423	245,102	87,460	1,929,841	444,255	-	119,165	9,589	4,283,786
TOTAL EXPENDITURES	1,466,998	1,133,350	247,397	87,460	1,929,841	522,117	-	119,165	15,654	5,521,982
Excess (Deficiency) of Revenues Over (Under)										
Expenditures	636,024	-	87,460	(87,460)	27,082	-	-	(119,165)	2,067,032	2,610,973
BEGINNING FUND BALANCES										
	1,990,094	-	-	(974)	(5)	-	398,974	-	-	2,388,089
ENDING FUND BALANCES										
	\$ 2,626,118	\$ -	\$ 87,460	\$ (88,434)	\$ 27,077	\$ -	\$ 398,974	\$ (119,165)	\$ 2,067,032	\$ 4,999,062

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR 2013

EXHIBIT D

	Program 245	Program 935	Fund 46510 BU 65060025	Fund 56530 BU 65060125	Fund 56530 BU 65060128	Fund 56530 BU 65060129	Fund 26530 BU 65060130	Fund 56560 BU 65060132	Fund 56530 BU 65060133	Totals (Memorandum Only)
REVENUES:										
Appropriations	\$ 53,662	\$ 1,175,920	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,229,582
Sales & Charges	1,706,173	-	-	-	1,900,963	81,637	-	-	-	3,688,773
Miscellaneous	74,098	-	-	-	-	-	-	119,165	(119,165)	74,098
TOTAL REVENUES	1,833,933	1,175,920	-	-	1,900,963	81,637	-	119,165	(119,165)	4,992,453
EXPENDITURES:										
Personal Services	351,412	-	-	-	-	-	-	-	-	351,412
Operating	1,263,700	29,954	-	-	-	49,209	-	-	135,609	1,478,472
Travel	34,135	-	-	-	-	-	-	-	-	34,135
Capital Outlay	60,997	1,145,966	87,460	(87,460)	1,892,432	32,428	-	-	19,287	3,151,110
TOTAL EXPENDITURES	1,710,244	1,175,920	87,460	(87,460)	1,892,432	81,637	-	-	154,896	5,015,129
Excess (Deficiency) of Revenues Over (Under) Expenditures	123,689	-	(87,460)	87,460	8,531	-	-	119,165	(274,061)	(22,676)
BEGINNING FUND BALANCES	2,626,118	-	87,460	(88,434)	27,077	-	398,974	(119,165)	2,067,032	4,999,062
ENDING FUND BALANCES	\$ 2,749,807	\$ -	\$ -	\$ (974)	\$ 35,608	\$ -	\$ 398,974	\$ -	\$ 1,792,971	\$ 4,976,386

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR 2014

EXHIBIT E

	Program 245	Program 935	Fund 56530 BU 65060125	Fund 56530 BU 65060128	Fund 56530 BU 65060129	Fund 26530 BU 65060130	Fund 56530 BU 65060133	(Memorandum Only)
REVENUES:								
Appropriations	\$ 47,432	\$ 1,594,426	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,641,858
Sales & Charges	1,706,173	-	-	1,905,881	223,419	-	408,027	4,243,500
Miscellaneous	67,589	-	-	-	-	-	-	67,589
TOTAL REVENUES	1,821,194	1,594,426	-	1,905,881	223,419	-	408,027	5,952,947
EXPENDITURES:								
Personal Services	370,394	-	-	-	-	-	-	370,394
Operating	1,291,088	389,374	-	-	158,426	-	614,804	2,453,692
Travel	8,958	-	-	-	-	-	14,117	23,075
Capital Outlay	239,861	1,111,960	-	1,890,951	45,913	-	665,754	3,954,439
TOTAL EXPENDITURES	1,910,301	1,501,334	-	1,890,951	204,339	-	1,294,675	6,801,600
Excess (Deficiency) of Revenues Over (Under) Expenditures	(89,107)	93,092	-	14,930	19,080	-	(886,648)	(848,653)
BEGINNING FUND BALANCES	2,749,807	-	(974)	35,608	-	398,974	1,792,971	4,976,386
ENDING FUND BALANCES	\$ 2,660,700	\$ 93,092	\$ (974)	\$ 50,538	\$ 19,080	\$ 398,974	\$ 906,323	\$ 4,127,733

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM

APA LETTER TO PERFORMANCE AUDIT COMMITTEE



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

January 30, 2014

Senator John Harms
Chair of the Performance Audit Committee
P.O. Box 94064
State Capitol Building Room, 2011
Lincoln, NE 68509

RE: Authorization Request for Performance Audit

Dear Senator Harms:

The purpose of this letter is to request authorization from the Legislative Performance Audit Committee, pursuant to Neb. Rev. Stat. § 84-322 (Cum. Supp. 2012), for my office to conduct a performance audit relating to the Statewide Radio System (System).

Recently, concerned parties have contacted me regarding what they claim to be both the exorbitant cost and poor performance of the System. As a result, I directed a few of my auditors to collect some preliminary financial information pertaining to the System's operations. Based upon the results of that inquiry, it appears that a number of radios, purchased as early as April 2011, have yet to be placed into service and still remain in their original boxes.

In the course of gathering this basic information, we learned also that the System may not be compatible with radio systems of various local law enforcement agencies. Moreover, we have been informed that some counties do not even participate in the System.

Concerns have also been raised that a tragic event or extreme weather situation could reveal – with disastrous consequences – just how truly deficient the System may be. This, along with the preliminary financial data gathered already by my auditors, leads me to believe that an immediate and thorough examination of the System's overall capability and cost efficiency is warranted.

Therefore, I would appreciate your support, as well as that of the other members of the Legislative Performance Audit Committee, in authorizing my office to conduct a full performance audit of the System.

Should you or any other members of the Committee have questions or concerns regarding this request, I would be more than happy to visit with you and the others, either individually or collectively, at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Foley".

Mike Foley
State Auditor

cc: Legislative Performance Audit Committee

NEBRASKA OFFICE OF THE CHIEF INFORMATION OFFICER
STATEWIDE RADIO SYSTEM

COMMITTEE RESPONSE

Legislative Performance Audit
Committee

Committee Members:
Senator John Harms, Chair
Senator Dan Watermeier, Vice Chair
Speaker Greg Adams
Senator Annette Dubas
Senator Bob Krist
Senator Heath Mello
Senator John Wightman

Legislative Audit Office
P.O. Box 94604, State Capitol
Lincoln, NE 68509
402-471-1282

Audit Staff:
Martha Carter, Legislative Auditor
Diane Johnson, Executive Assistant
Kathryn Gudmunson, Analyst
Clarence Mabin, Analyst
Dana McNeil, Analyst
Stephanie Meese, Legal Counsel

April 9, 2014

Mr. Mike Foley
Auditor of Public Accounts
State Capitol, Room 2303
Lincoln, NE 68509



Dear Mike:

Thank you for your letter of January 30, 2014 requesting the Legislative Performance Audit Committee's authorization to conduct a performance audit of the Statewide Radio System. The Committee has been aware of the serious concerns about that system but at this time, we do not believe a performance audit is needed.

The Appropriations Committee has also been aware of this issue, and in the last few weeks Senator Mello and I have had several meeting with key stakeholders, both within and outside of state government. As a result of those meetings, we believe meaningful progress is being made to resolve existing problems, although we will continue to monitor the situation to be sure that needed improvements do, in fact, occur.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Harms".

Senator John Harms, Chair
Legislative Performance Audit Committee