STATE OF NEBRASKA

STATEWIDE SINGLE AUDIT

Year Ended June 30, 2015

Issued on March 24, 2016

STATE OF NEBRASKA

Basic Financial Statements and
OMB Circular A-133 Compliance Reports

Year Ended June 30, 2015

TABLE OF CONTENTS

STATE OF NEBRASKA

Basic Financial Statements and
OMB Circular A-133 Compliance Reports

Year Ended June 30, 2015

TABLE OF CONTENTS
(Continued)

FINANCIAL SECTION

(This page has been intentionally left blank.)

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

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

Independent Auditor's Report

The Honorable Governor,
Members of the Legislature and
Citizens of the State of Nebraska:

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the Nebraska Utility Corporation, the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, the Nebraska State College System Foundations, the activity of the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation, which represent 46%, 38%, and 22%, respectively, of the assets, net position or fund balances, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the College Savings Plan which represents 19%, 21%, and 22% of the assets, net position or fund balances, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units and the aggregate remaining fund information for the College Savings Plan is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Nebraska Foundation, the University of

Nebraska Facilities Corporation, the UNMC Physicians, the University Dental Associates, the UNeHealth, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Nebraska's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Nebraska's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 18, the Budgetary Comparison Schedules on pages 61 through 66; the Information About Infrastructure Assets Reported Using the Modified Approach on page 67, and the Information About Pension Plans on pages 68 through 84, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nebraska's basic financial statements. The schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, on our consideration of the State of Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Nebraska's internal control over financial reporting and compliance.

Don Dunlap

Don Dunlap, CPA
Assistant Deputy Auditor

Lincoln, Nebraska
December 17, 2015, except for our report on supplementary information for which the date is March 21, 2016.

(This page has been intentionally left blank.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Nebraska provides the following discussion and analysis of the State of Nebraska's financial performance, as reflected in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. Please read it in conjunction with the additional information furnished in the letter of transmittal at the front of this report, and with the State's basic financial statements. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

The State of Nebraska (State) implemented one new standard in 2015 required by the Governmental Accounting Standards Board (GASB). Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27,* improves accounting and financial reporting for employers by creating additional transparency in pension expenses and liabilities. In order to aid this discussion, the following items were restated for Statement No. 68 for 2014: current and other non-current assets, deferred outflows of resources, non-current liabilities, and unrestricted net position on the Net Position statement and net position – beginning on the Changes in Net Position.

A comparative analysis of government-wide data for the last two years is presented in this analysis. Additionally, we are presenting an analysis of activity in the State's funds for the fiscal year ended June 30, 2015 along with an analysis of the State's capital assets and long-term debt related to capital assets.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets of the State exceeded its liabilities at June 30, 2015 by $12.9 billion (presented as "net position" in the CAFR). The majority of the net position is represented by the investment in the State's infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net position, unrestricted net position was reported as $1.2 billion, most of which is available to be used to fund future needs of the State. The primary government's net revenues exceeded net expenses for 2015 resulting in an increase in net position of $300 million. This increase in net position is less than the increase in 2014 of $553 million.

Fund Level:

General Fund receipts for 2015 were $85 million above the original budgeted amount and above the final budget by $10 million. Expenditures were $381 million less than the original budgeted amount and below the final budget by $389 million. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had $236 million in excess revenues prior to a legislatively mandated property tax relief transfer of $138 million in addition to other financing sources causing an increase in fund balances of $82 million, and thereby increasing the fund balance on June 30, 2015 to $1,344 million. Other governmental funds expenditures exceeded revenues by $39 million, chiefly due to market changes. In addition to these operating changes, such other funds received $73 million in net other financing sources. This $34 million net increase resulted in raising such fund balances at June 30, 2015 to $2,631 million.

The $464 million of net position of the Unemployment Insurance Fund represents 83% of the enterprise funds. Such fund had a $5 million increase in net position for 2015 compared to a $21 million increase in 2014, a decrease in growth of $16 million. Business assessment fees collected from employers exceeded the unemployment insurance claims in 2015. Business assessment fees from employers and unemployment insurance claims were about the same in 2014.

Long-term Liabilities:

Long-term liabilities shown on the government-wide financial statements totaled $718 million at June 30, 2015, which is a $218 million decrease from the prior year, primarily due to a decrease in net accrued pension liability realized as a result of adopting GASB 68. The remaining liabilities consist of claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, employee health insurance, and Medicaid, in addition to the calculated amount for accrued vacation and vested sick leave due to employees when they retire. After a retired employee reaches the age of 65, the State has no further obligation for other post-employment benefits, except for a very small number of employees.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This CAFR also contains other supplementary information (e.g., budgetary schedules and combining financial statements) in addition to the basic financial statements. These components are described below:

Government-wide Financial Statements

These statements provide a broad view of the State's operations in a manner similar to the private sector, providing both a short-term and a long-term view of the State's financial position. The statements are prepared using the accrual basis of accounting. This means all revenues and expenses related to the fiscal year are recorded in the statements, even if cash has not been received or paid. If taxes are owed to the State but not yet received, such transaction is recorded as an asset (a receivable) and revenue to the State. Likewise, if the State owes for vacation time, but has not yet paid the worker for such vacation earned, then the liability and payroll expense is recorded. The government-wide financial statements include two statements, the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* (page 19) presents all the State's assets and liabilities with the difference between the two reported as "net position." Changes in net position over time may indicate the relative health of the State and this statement will assist users in assessing whether or not the State's financial position is improving or deteriorating.

The *Statement of Activities* (pages 20 and 21) presents information showing how the State's net position changed during the reported year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows, using the accrual basis of accounting discussed earlier.

Both of these statements have separate sections for three different types of State programs or activities. These sections are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental Activities and Business-type Activities are combined to report on what is termed Primary Government activities, which is separate and distinct from the activity of the component units. Fiduciary Funds, which include the Pension Trust Funds, are not included in the government-wide financial statements.

Primary Government

GOVERNMENTAL ACTIVITIES – Activities in this section are mostly supported by taxes and federal grants. All General Fund activity is included here. Governmental activities represent 95% of all activity of the primary government. It includes general government; education; health and social services; public safety; transportation; regulatory services; and economic development and assistance.

BUSINESS-TYPE ACTIVITIES – Functions reported in this section include those activities whereby the State charges fees and other charges to external users of the State's services and purchasers of State's goods in order to recover all or a significant portion of the State's operating costs related to these activities, much like a private business. Such activities are unemployment insurance services, lottery tickets, premium surcharges for excess liability coverage, and the sales and services provided by Cornhusker State Industries.

Component Units

DISCRETELY PRESENTED COMPONENT UNITS – These are separate entities for which the State has financial accountability (in which the State provides over one-fifth of their funding) but such organizations have independent qualities as well. The University of Nebraska and the Nebraska State College System are the State's only two discretely presented component units. While presented in this report, each of these two units has separate audited financial statements and such audited reports can be obtained from their respective administrative offices.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

This is the second set of financial statements presented in the CAFR. These statements are different from the government-wide statements in that some of these statements use a different accounting approach and focus on the near-term inflows and outflows of the State's operations. As previously noted, these Statements are commonly referred to as GAAP Fund Statements, as they are prepared in accordance with generally accepted accounting principles. The Fund Financial Statements (which begin on page 22) provide detailed information about the State's major funds. A fund is a method of accounting that uses a set of accounts to maintain accountability and control over specific sources of funding and spending for a particular activity or objective. The State's funds are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. It is important to note that each of these three fund categories use different accounting approaches and should be analyzed differently.

Governmental Funds Financial Statements – Most of the basic services provided by the State are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds financial statements use modified accrual accounting, which limits assets to cash and all other financial assets that can readily be converted into cash. This is different from the governmental activities recorded in the government-wide financial statements that use full accrual accounting. These fund statements provide a detailed short-term view of the State's finances that assist the reader in determining whether or not there will be adequate financial resources to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader can better understand the long-term impact of the State's near-term financing decisions. To aid the reader in such analysis, reconciliations are provided between the government-wide financial statements and the governmental funds financial statements (see pages 23 and 25).

The State of Nebraska's governmental funds include five major funds: the General Fund, the Highway Fund, the Federal Fund, the Health and Social Services Fund and the Permanent School Fund. Non-major special revenue, capital project and other permanent funds are also included in the governmental funds.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Thus, when the State charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds consist of both Enterprise Funds (services provided to outside customers) and Internal Service Funds (services provided to other State agencies). Proprietary funds utilize accrual accounting, the same method used by private businesses. Therefore, the net position reported in these statements as Enterprise Funds will be identical to the net position reported in the net position for business-type activities in the government-wide financial statements. However, because the Internal Service Funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds Financial Statements – Whenever the State receives funds on behalf of others, it is acting in a fiduciary capacity or trustee of those funds belonging to others. Thus, assets in these funds are restricted as to use and do not represent discretionary assets that the State could use to finance its operations. They are presented in these statements only for the purpose to indicate that the State has responsibility for these assets. For that reason, such assets are not included in the government-wide financial statements. Fiduciary funds are reported on the accrual basis of accounting.

The State's principal fiduciary fund is the Pension Trust Fund, which contains retirement contributions held by the State for state employees, county employees and public school employees (see Note 13 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and contributions from State participants received by the College Savings Plan. The State also has Agency Funds whereby the State holds funds earmarked as aid for other political subdivisions.

Component Units Financial Statements

As mentioned in the discussion of the government-wide financial statements, the State has included the net position and activities of the University of Nebraska and the Nebraska State College System in a single column of such statements, labeling them as discretely presented component units. We have provided separate component unit statements to allow the reader to analyze each of these two units separately beginning on page 32.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements. The notes can be found immediately following the component units' financial statements beginning on page 34.

Required Supplementary Information

Following the basic financial statements and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information includes budgetary comparison schedules reconciling statutory fund balances used for budgetary purposes to the fund balances determined by GAAP used in the Fund Financial Statements for the General Fund, Cash Funds, Construction Funds, Federal Funds, and Revolving Funds. Other information included is the condition and maintenance data regarding certain aspects of the State's infrastructure, and certain pension plan actuarial information.

Other Supplementary Information

Other supplementary information includes the combining statements for non-major governmental, proprietary and fiduciary funds. These funds are summarized by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the Governmental Fund Financial Statements. Also presented is a statistical section providing State data.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

The State's assets and deferred outflows of resources totaled $15,083 million at June 30, 2015 as compared to $14,714 million at June 30, 2014, as restated. As total liabilities and deferred inflows of resources only totaled $2,196 million, net position amounted to $12,887 million as of June 30, 2015. As of June 30, 2014, these amounts were $2,127 million and $12,587 million, respectively, as restated. By far the largest portion of the State of Nebraska's net position (67 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, dams, etc.). The State uses these capital assets to provide services to citizens; thus, these assets are not available for future spending.

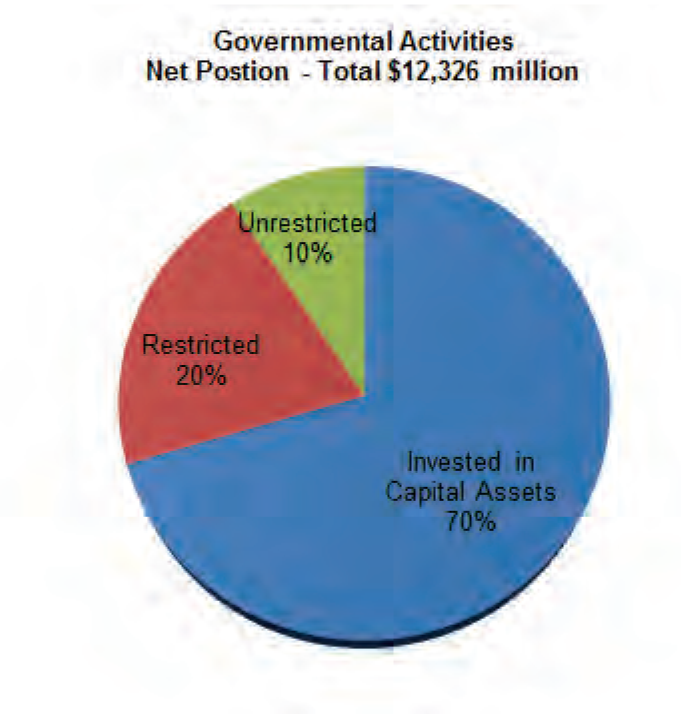
Restricted net position is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. It is also not available for future general government spending.

For Governmental Activities other than capital assets, the majority of the restricted net position consists of the Permanent School Trust, the Tobacco Settlement Trust, the Intergovernmental Trust and the loans to political subdivisions for drinking water and clean water projects.

The net position for business-type activities chiefly represents cash set aside for future unemployment insurance benefits.

STATE OF NEBRASKA
Net Position as of June 30
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Current and Other Non-current Assets	$ 5,695	$ 5,464	$ 628	$ 605	$ 6,323	$ 6,069
Capital Assets	8,689	8,590	7	7	8,696	8,597
Total Assets	14,384	14,054	635	612	15,019	14,666
Deferred Outflows of Resources	64	48	-	-	64	48
Non-current Liabilities	691	907	27	29	718	936
Other Liabilities	1,248	1,165	47	26	1,295	1,191
Total Liabilities	1,939	2,072	74	55	2,013	2,127
Deferred Inflows of Resources	183	-	-	-	183	-
Net position:						
Net Investment in Capital Assets	8,674	8,572	7	7	8,681	8,579
Restricted	2,495	2,430	466	462	2,961	2,892
Unrestricted	1,157	1,028	88	88	1,245	1,116
Total Net Position	$ 12,326	$ 12,030	$ 561	$ 557	$ 12,887	$ 12,587



Approximately 76% of the State's non-capital assets consist of cash and investments. It should be noted that $139 million in 2015 and $200 million in 2014 of such assets represent "Securities Lending Collateral," an amount established in accordance with GASB guidelines to record a lending transaction. Since the asset is offset by a corresponding equal liability, the effect on net position is zero and thus the asset cannot be spent. (For more detail, see Note 2 to the financial statements.) Receivables, chiefly from taxes and the federal government, represent 17% of the non-capital assets.

Liabilities largely reflect three groupings which represent 96% of total State liabilities, not including the obligations under securities lending explained in the above paragraph. These are operational payables, which consist of accounts payable and accrued liabilities totaling $703 million in 2015 ($540 million in 2014); tax refunds payable of $381 million ($383 million in 2014); and long-term payables, discussed in the following paragraph.

Since the State's Constitution generally prohibits the State from incurring debt, the Statement of Net Position presents few long-term liabilities (shown as noncurrent liabilities), which total $718 million in 2015 ($936 million in 2014). The majority of such liabilities are for claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, and employee health insurance totaling $105 million in 2015 ($106 million in 2014), Medicaid claims for $176 million in 2015 ($169 million in 2014), the State's liability for pension funds of $289 million in 2015 ($506 million in 2014), and the calculated amount for vested sick leave due to employees when they retire and accrued vacation of $132 million in 2015 ($130 million for 2014). Another minor amount of long-term liabilities consists of capital lease obligations (See Note 8 to the Financial Statements), which totaled $15 million at June 30, 2015, compared to $18 million at June 30, 2014.

The $296 million increase in net position of Governmental Activities for 2015, was due to a $102 million increase in the net investment in capital assets, a $65 million increase in restricted net position, and a $129 million increase in unrestricted net position. The major source of the increase was a $212 million increase in taxes collected.

At the end of June 30, 2015, the State reported a positive balance in all of the three categories of net position.

Changes in Net Position

The condensed financial information on the following page was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the year. Following that table is management's analysis of the changes in net position for 2015, analyzing both the governmental activities and the business-type activities.

STATE OF NEBRASKA
CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30

(in millions of dollars)

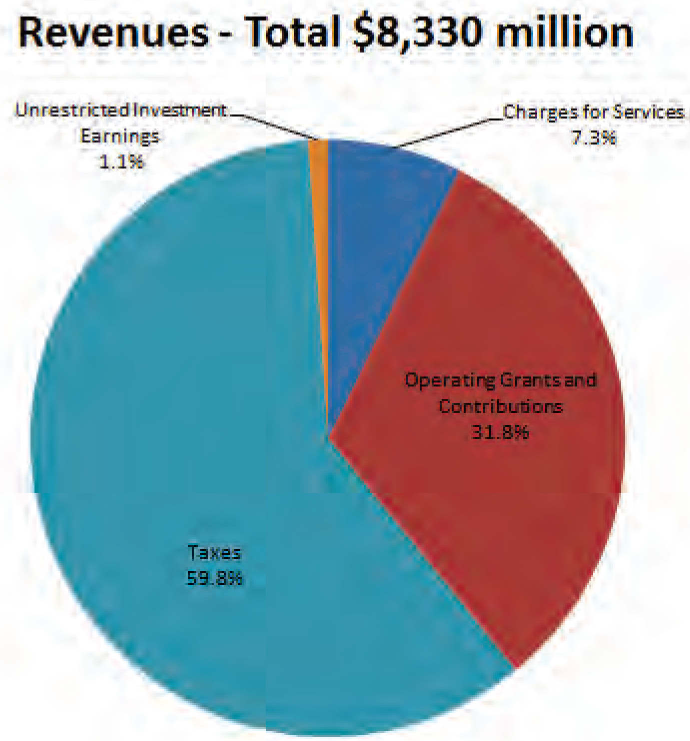
	Governmental Activities		**Business-type Activities**		**Total Primary Government**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
REVENUES						
Program Revenues						
Charges for Services	$ 612	$ 597	$ 284	$ 308	$ 896	$ 905
Operating Grants and Contributions	2,648	2,622	-	-	2,648	2,622
Capital Grants and Contributions	3	19	-	-	3	19
General Revenues						
Taxes	4,976	4,764	-	-	4,976	4,764
Unrestricted Investment Earnings	89	223	12	15	101	238
Miscellaneous	2	3	-	-	2	3
Total Revenues	8,330	8,228	296	323	8,626	8,551
EXPENSES						
General Government	548	507	-	-	548	507
Conservation of Natural Resources	150	143	-	-	150	143
Culture - Recreation	32	31	-	-	32	31
Economic Development and Assistance	109	89	-	-	109	89
Education	1,724	1,712	-	-	1,724	1,712
Higher Education - Colleges and Universities	651	618	-	-	651	618
Health and Social Services	3,350	3,242	-	-	3,350	3,242
Public Safety	408	376	-	-	408	376
Regulation of Business and Professions	125	124	-	-	125	124
Transportation	982	920	-	-	982	920
Interest on Long-term Debt	1	1	-	-	1	1
Net Pension Expense	29	-	-	-	29	-
Unemployment Insurance	-	-	94	122	94	122
Lottery	-	-	123	121	123	121
Excess Liability	-	-	6	1	6	1
Cornhusker State Industries	-	-	13	12	13	12
Total Expenses	8,109	7,763	236	256	8,345	8,019
Excess Before Transfers and Contributions to Permanent Fund Principal	221	465	60	67	281	532
Net Transfers In (Out)	56	38	(56)	(38)	-	-
Contributions to Permanent Fund Principal	19	21	-	-	19	21
Increase in Net Position	296	524	4	29	300	553
Net Position - Beginning (as restated)	12,030	11,506	557	528	12,587	12,034
Net Position - Ending	$ 12,326	$ 12,030	$ 561	$ 557	$ 12,887	$ 12,587

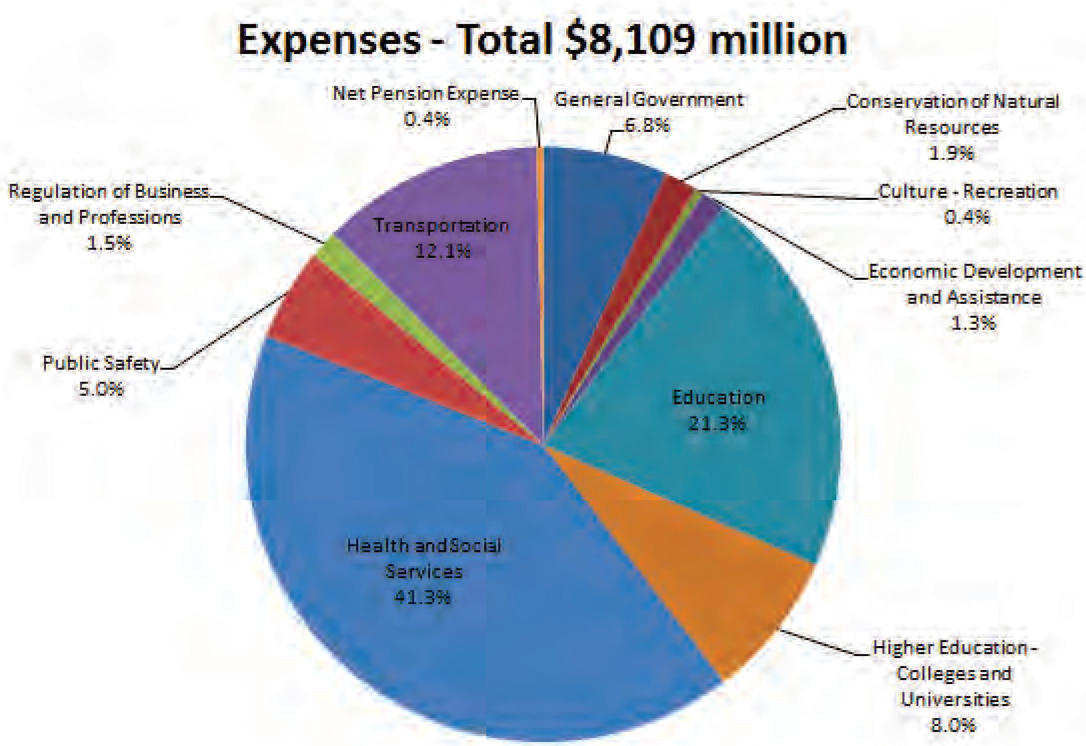
Governmental Activities

Governmental activities increased the State's net position by $296 million in 2015 ($524 million increase in 2014) and represent 97% of all primary government revenues. Program revenues from governmental activities were $3,263 million and were used to partially offset program expenses of $8,109 million, leaving net expenses of $4,846 million. Only 7% of total expenses were incurred for general government services. General revenues from taxes, investment earnings, and miscellaneous sources, plus contributions to the permanent fund principal, and transfers, totaling $5,142 million, were $296 million more than the remaining costs of the governmental activities' programs as shown below.

Tax revenues were up $212 million, over 2014, compared to an increase of $200 million in 2014 over 2013. Program revenues increased 1% from 2014, chiefly due to income from operating grants being up $26 million. Increases in general government, health and social services and transportation expenses contributed to the $346 million increase in program expenses. The change in Net Position decreased $228 million from 2014 to 2015 compared to the $6 million decrease from 2013 to 2014. While the General Fund has more investments than other programs, it maintains safer investments and actually showed a decrease in investment income in 2015 over 2014 of $8 million, which was a smaller change than the $134 million decrease for governmental activities as investment gains started decreasing during 2015.

STATE OF NEBRASKA
Governmental Activities
As of June 30, 2015





Program expenses, net of revenue, increased by $321 million in 2015, over 2014, as shown below:

GOVERNMENTAL ACTIVITIES

(in millions of dollars)

	2015	2014
Program Expenses, Net of Revenue		
General Government	$ (424)	$ (413)
Conservation of Natural Resources	(44)	(51)
Culture - Recreation	(6)	(7)
Economic Development and Assistance	(64)	(36)
Education	(1,323)	(1,317)
Higher Education - Colleges and University	(651)	(618)
Health and Social Services	(1,501)	(1,379)
Public Safety	(281)	(266)
Regulation of Business and Professions	17	11
Transportation	(539)	(448)
Interest on Long-Term Debt	(1)	(1)
Net Pension Expense	(29)	-
Subtotal	(4,846)	(4,525)
General Revenues		
Taxes	4,976	4,764
Unrestricted Investment Earnings	89	223
Miscellaneous	2	3
Transfers	56	38
Contributions to Permanent Fund Principal	19	21
Increase in Net Position	$ 296	$ 524

Four functional areas of the State comprise 83% of the expenses of all Governmental Activities: Education, Higher Education, Health and Social Services and Transportation. Education expenses were up $12 million, Health and Social Services was up $108 million, Higher Education was up $33 million, and Transportation expenses were up $62 million. All the other functional areas had small variances in net expenses.

Business-type Activities

The business-type activities increased the State's net position by $4 million for 2015, which was net of a $56 million transfer to governmental activities. Most of the $284 million of business-type activities' program revenues were related to the business assessment fees in the Unemployment Insurance Fund and Lottery Fund revenues. The Unemployment Insurance Fund had operating income of $14 million in 2015. This gain, when combined with transfers and $10 million in investment income, produced a $5 million increase in net position for the Unemployment Insurance Fund. Lottery revenues of $160 million generated operating income of $37 million, which was offset by a $37 million transfer to Governmental Activities. The lottery transfer was used primarily for education and environmental studies.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's Governmental Funds is to provide information on near-term inflows and outflows and the availability of spendable resources. At June 30, 2015, the State's Governmental Funds reported combined ending fund balances of $3,975 million. Of this amount, $552 million is nonspendable, either due to its form or legal constraints, and $1,931 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Revenue restricted by enabling legislation, and public school land lease revenues are included in restricted fund balance. An additional $827 million of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional $50 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent. The remaining $615 million is unassigned and available for appropriations.

General Fund

The General Fund is the chief operating fund of the State. The major General Fund liability is the estimated tax refunds payable of $370 million. However, such refunds payable are $44 million less than the expected taxes owed the State. Other assets of the General Fund available to pay non tax-refund liabilities exceed such liabilities by $1,339 million.

On June 30, 2014, the General Fund had a positive fund balance of $1,262 million. For 2015 expenditures increased $287 million from 2014 and revenues increased by $186 million. The revenues were $98 million more than expenditures for 2015 while revenues were $200 million more than expenditures in 2014. The General Fund balance in 2015 increased by $82 million, after adjusting for transfers in and out of the General Fund, ending with a fund balance of $1,344 million on June 30, 2015.

Revenues in 2015 increased significantly more than anticipated and were up $186 million over 2014. This increase was chiefly due to an increase in income tax revenue of $189 million (a 8% increase) over 2014, an increase in sales and use tax revenue of $18 million (a 1% increase) over 2014, and decrease in investment income of $8 million (a 24% decrease) over 2014. Expenditures were less than budgeted due to continued efforts by agency heads to be conservative in spending. A net increase in expenditures was caused chiefly in five areas. Education expenditures increased $50 million and Higher Education – Colleges and University expenditures increased $22 million due to increased aid to education, which had been a major initiative of the Governor. Health and Social Services expenditures increased $106 million due to increased aid, while General Government expenditures increased $80 million, mainly because Supreme Court hired additional staff and incurred related operational expenditures for juvenile probation; and, Public Safety expenditures increased $19 million, mainly due to an increase in payroll for public safety personnel.

To compensate for any downturns in revenues, the State has maintained a budgetary basis Cash Reserve Fund. While this Cash Reserve Fund is commingled with General Fund cash in the General Fund financial statements, it is separate and distinct in that, by State Statute, it can only be used (1) when the cash balance of the General Fund is insufficient to meet General Fund current obligations and (2) for legislatively mandated transfers to other funds. Any money transferred in accordance with item one above must be repaid as soon as there is sufficient cash in the General Fund cash account to do so. No such need existed in 2015.

The Cash Reserve Fund was at $384 million at the beginning of 2014. In 2014 there was a net statutory transfer to the Fund from the General Fund of $335 million, leaving a Cash Reserve Fund balance at June 30, 2014 of $719 million. In 2015, there was a statutory transfer from the Fund to the General Fund of $68 million and other net transfers in of $77 million leaving a Fund balance of $728 million at June 30, 2015. The Cash Reserve Fund is reflected as committed to economic stabilization on the governmental funds balance sheet.

Other Governmental Funds

Other governmental fund balances totaled $2,631 million at June 30, 2015. Of this amount, $550 million is nonspendable, either due to its form or legal constraints, and $1,931 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional $100 million of total fund balance has been committed to specific purposes. The remaining $50 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent.

The three major funds presented as special revenue funds are the Highway Fund, the Federal Fund and the Health and Social Services Fund, with total fund balances of $801 million. The non-major special revenue fund balances totaled $919 million.

Governmental funds other than the General Fund saw an increase in fund balances of $34 million. The fund balances of the following funds increased: the Permanent School Fund ($23 million), and the other Nonmajor Funds ($51 million.) The fund balances of the following funds decreased: the Highway Fund ($27 million), the Health and Social Service Fund ($8 million), and the Federal Fund ($4 million).

The Highway Fund had a $21 million increase in sales and use taxes, a $26 million decrease in federal grants revenue and a $54 million increase in operating expenses. These changes are why the Highway Fund had a $27 million decrease in its fund balance in 2015 as opposed to a $32 million increase in 2014.

The activity in the Federal Fund represents federal funds received, and each year's spending should generally approximate grant funds received. In 2015 there was an increase in federal grants and contracts of $40 million and investment income decreased $1 million. Expenditures in 2015 increased by $7 million for Education, decreased $1 million for Conservation of Natural Resources, increased $10 million for Economic Development and Assistance, increased $7 million for Health and Social Services, and increased $16 million for Public Safety. Revenues exceeded expenditures by $7 million before transfers. Transfers out increased $18 million in 2015 compared to a decrease of $2 million in 2014. At the end of 2015 there was a net decrease in the fund of $4 million, compared to a $1 million decrease in 2014.

The Health and Social Services Fund consists of the Intergovernmental Trust Fund and the Tobacco Settlement Trust Fund, in addition to various cash funds. Such cash funds receive transfers from such trust funds, income from charges for services and some tax revenue, among other income. The funds had a $48 million decrease in investment income in 2015 (chiefly due to changes in the market value of investments) compared to a $27 million increase in 2014. There was a $8 million decrease in fund balance in 2015, as opposed to a $55 million increase in 2014.

The Permanent School Fund had a $66 million decrease in revenue, chiefly due to a $67 million decrease in investment income caused by changes in the market value of investments in 2015, compared to a $29 million investment income increase in 2014 (when compared to 2013). Expenditures increased $7 million in 2015. There was a $23 million increase in fund balance in 2015, as opposed to a $95 million increase in 2014, a change of $72 million.

The Nonmajor Funds revenues increased $25 million compared to 2014. Expenditures increased $10 million in Economic Development and Assistance, increased $11 million in Higher Education – Colleges and University, and increased $16 million in Health and Social Services. There were $95 million in net transfers in for the Nonmajor Funds in 2015 versus $29 million in net transfers in for 2014. As a result, the fund balances increased $51 million in 2015 as opposed to a $21 million increase in 2014.

Proprietary Funds

The State's proprietary funds provide the same type of information discussed earlier in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Insurance Fund, reported net position of $464 million at the end of 2015. This fund's net position increased $5 million in 2015, because business assessment fees exceeded unemployment claims paid out by $13 million, investment earnings of $10 million and other changes. Other proprietary or enterprise funds, the Lottery Fund, the Excess Liability Fund (the fund established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (an operation that utilizes incarcerated persons to manufacture and sell items) had combined income of $37 million prior to a $37 million transfer from the Lottery's net income to governmental funds. Such transfer was used primarily for education and environmental studies. The Excess Liability Fund had an operating loss of $1 million and earned $2 million in investment earnings for a net position increase of $1 million.

Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Fund's net position increased $402 million to $12,943 million in 2015 due to a strong performance by the stock market in 2015. Interest and dividend income in 2015 was $152 million versus $139 million in 2014. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by $135 million. In another trust fund recorded in the Private Purpose Trust Funds, contributions from State participants received by the College Savings Plan totaled $377 million. The total net position in the College Savings Plan now totals over three billion dollars.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

Even though there is a relatively stable economy in the Midwest, in 2015 the State continued to rebound from the effects of the national recession. Forecasted revenues, upon which the State's budgeted General Fund expenditures are based, were anticipated to increase in 2015 by only $88 million over 2014 net tax revenue of $4,017 million. This forecasted increase was smaller due to the enactment of LB84, which redirected the revenue generated from one-quarter of one percent of the State's 5.5% sales tax rate beginning July 1, 2013 toward state, county and municipal road construction. Because revenues continued to show an increasing trend during 2015, the State's Forecasting Board made two new forecasts throughout the year. At the end, the forecasted net tax revenues were $75 million above the original forecast. However, that increased forecast was still less than actual tax revenues of $4,190 million by $10 million, leaving the State with actual tax revenues, net of refunds, of $85 million above the original budget on a budgetary basis. Agencies continued to watch their General Fund expenditures and spent $389 million less than the final appropriated amount. This reduction, when coupled with the increased tax revenues, caused the State to finish 2015 with General Fund revenues of $217 million more than expenditures on a budgetary basis, prior to net transfers out. There was a net $153 million transferred out for specific purposes. The fund balance on a budgetary basis increased from $1,392 million at the beginning of the fiscal year to $1,455 million at June 30, 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the State had invested $8.7 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Position and summarized in the table below. Depreciation expense for 2015 totaled $48 million, compared to $48 million for 2014.

CAPITAL ASSETS AS OF JUNE 30

(net of depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Land	$ 579	$ 573	$ -	$ -	$ 579	$ 573
Buildings and Equipment	458	470	7	7	465	477
Infrastructure	7,330	7,246	-	-	7,330	7,246
Subtotal	8,367	8,289	7	7	8,374	8,296
Construction in Progress	322	301	-	-	322	301
Total	$ 8,689	$ 8,590	$ 7	$ 7	$ 8,696	$ 8,597

Infrastructure (roads, bridges, dams, etc.) is by far the largest group of assets owned by the State. GASB Statement No. 34 requires the State to select one of two methods to account for its infrastructure assets. One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative method, referred to as the modified approach. Under this method, the State expenses certain maintenance and preservation costs and does not record any depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of roads that the State is responsible to maintain.

In assessing the condition of State roads, the State's goal is to maintain at least an overall system rating of 72 or above using the Nebraska Serviceability Index. The most recent condition assessment, completed for calendar year 2014, indicated an overall system rating of 81, a rating that has been very consistent over the past six years.

For 2015, it was estimated that the State needed to spend $327 million to preserve and maintain the roads at the abovementioned level. The State actually spent $348 million on roads in 2015, compared to $300 million in 2014. For 2016, it is estimated that the State needs to spend $306 million, a decrease from actual 2015 and an increase from the average of the previous five years.

The State also spent $88 million on capitalized infrastructure and land purchases relating to roads in 2015 ($177 million in 2014), most notably reconstructing (a) Interstate 80 by Lincoln, (b) Highway 133, North of Highway 36, and (c) Highway 35, Northeast of Norfolk. Major land purchases included land purchased near four State highways. At June 30, 2015, the State had contractual commitments of $712 million for various highway and building projects. Most of the related expenditures will be expensed and not capitalized. (See Notes 1.J and 4 to the financial statements.) These commitments are $66 million more than at June 30, 2014 as a result of new highway construction and repair work being financed by the federal government.

During 2015, the State added $39 million of new depreciable capital assets, both buildings and equipment. A more detailed analysis of capital assets is shown in Note 4 to the financial statements.

Long-Term Debt

Long-term debt related to capital assets is minimal for reasons previously stated. For further detail and analysis of long-term debt, see Notes 8 and 14 to the financial statements.

CERTAIN LONG-TERM DEBT AS OF JUNE 30
(in millions of dollars)

	GOVERNMENTAL ACTIVITIES	
	2015	**2014**
Capitalized Leases:	$ 15	$ 18

There were no new bonds issued or outstanding in 2015 or 2014. Two new capitalized leases were added in 2015 (three leases were added in 2014). Bonds and Certificates of Participation for leases issued on behalf of the State maintain an Aa2 rating from Moody’s. Standard and Poor’s has issued an AAA rating for the State as a whole.

FACTORS THAT WILL AFFECT THE FUTURE

The state and national economies are improving, which has resulted in forecasted growth in tax receipts. Tax revenues have improved and have exceeded projections during the last year. Net General Fund revenues for 2016 are currently projected to exceed actual 2015 revenues by $98 million on a nominal basis. The State has a low unemployment rate and has borrowed no money from the federal government for the State's Unemployment Insurance Fund. The Legislature has responded to the market effect on defined benefit retirement plans by enacting legislation that improves both the short-term and long-term funding outlook for these plans.

The State does face a number of challenges in the coming years. National healthcare policy, including the potential for increased participation in the Medicaid program and the ongoing increase in healthcare costs present challenges to the State. In addition, the growth in recent years in the prison inmate population presents an additional challenge due to increased operating costs and possible capital asset improvements. There is also a need for continuous monitoring of the school finance formula to ensure sustainable growth in aid to education for K-12 schools, easily the largest General Fund financial commitment annually.

To help offset any future economic downturns, as previously explained, the State maintains a Cash Reserve Fund. As of June 30, 2015, this Fund had a $728 million balance. A transfer of $85 million, representing the amount the state fiscal year 2014-15 revenues exceeded the certified forecast, was made from the General Fund to the Cash Reserve Fund in July 2015 as statutorily required. This and other transfers resulted in a Cash Reserve Fund balance of $779 million at November 30, 2015. Future significant statutory disbursements from this fund include $76 million to be transferred to the Capital Projects Fund.

CONTACTING THE STATE ACCOUNTING OFFICE

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Accounting Division of Administrative Services, Suite 1309 State Capitol, Lincoln, NE 68509-4664, (402) 471-2581.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units or by going online to their websites. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2111 or online at http://www.nebraska.edu/administration/business-and-finance/accounting-and-finance.html. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, Box 94605, Lincoln, NE 68509-4605, (402) 471-2505 or online at http://www.nscs.edu/.

State of Nebraska
STATEMENT OF NET POSITION
June 30, 2015

(Dollars in Thousands)	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
ASSETS				
Cash and Cash Equivalents	$ 255,306	$ 436,449	$ 691,755	$ 630,037
Receivables, net of allowance				
Taxes	462,958	-	462,958	-
Due from Federal Government	303,841	-	303,841	-
Other	240,215	52,173	292,388	441,819
Internal Balances	(838)	838	-	-
Investments	3,831,484	129,809	3,961,293	2,259,758
Loans Receivable	330,255	-	330,255	37,277
Investment in Joint Venture	-	-	-	343,098
Net Pension Asset	107,658	-	107,658	-
Other Assets	27,777	3,192	30,969	30,905
Restricted Assets:				
Cash and Cash Equivalents	1,188	-	1,188	589,754
Other	-	2,414	2,414	26,901
Securities Lending Collateral	134,952	3,648	138,600	-
Capital assets:				
Land	579,205	315	579,520	92,720
Infrastructure	7,329,963	-	7,329,963	-
Construction in Progress	321,610	-	321,610	383,663
Land Improvements	-	-	-	240,832
Buildings and Equipment	1,144,854	14,282	1,159,136	2,899,362
Less Accumulated Depreciation	(686,241)	(7,567)	(693,808)	(1,102,760)
Total Capital Assets	8,689,391	7,030	8,696,421	2,513,817
Total Assets	$ 14,384,187	$ 635,553	$ 15,019,740	$ 6,873,366
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow related to pensions	$ 63,841	$ -	$ 63,841	$ -
Deferred loss on bond refunding	-	-	-	6,869
Total Deferred Outflows of Resources	$ 63,841	$ -	$ 63,841	$ 6,869
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 661,982	$ 40,724	$ 702,706	$ 262,328
Tax Refunds Payable	380,874	-	380,874	-
Deposits	14,421	-	14,421	21,713
Unearned Revenue	56,479	2,461	58,940	92,040
Obligations under Securities Lending	134,952	3,648	138,600	-
Noncurrent Liabilities:				
Due within one year	225,253	13,403	238,656	134,816
Due in more than one year	176,026	14,014	190,040	865,938
Net Pension Liability	289,309	-	289,309	-
Total Liabilities	$ 1,939,296	$ 74,250	$ 2,013,546	$ 1,376,835
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow related to pensions	$ 182,710	$ -	$ 182,710	$ -
Deferred service concession arrangement receipts	-	-	-	16,780
Total Deferred Inflows of Resources	$ 182,710	$ -	$ 182,710	$ 16,780
NET POSITION				
Net Investment in Capital Assets	$ 8,673,916	$ 7,030	$ 8,680,946	$ 1,836,720
Restricted for:				
Education	15,535	-	15,535	2,042,979
Health and Social Services	554,355	-	554,355	-
Conservation of Natural Resources	579,913	-	579,913	-
Transportation	269,184	-	269,184	-
Licensing and Regulation	97,126	-	97,126	-
Other Purposes	168,197	2,414	170,611	331,499
Unemployment Insurance Benefits	-	464,321	464,321	-
Debt Service and Construction	-	-	-	451,874
Permanent Trusts:				
Nonexpendable	545,540	-	545,540	-
Expendable	265,523	-	265,523	-
Unrestricted	1,156,733	87,538	1,244,271	823,548
Total Net Position	$ 12,326,022	$ 561,303	$ 12,887,325	$ 5,486,620

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

(Dollars in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	$ 548,000	$ 90,319	$ 33,930	$ -
Conservation of Natural Resources	149,492	33,624	69,792	1,764
Culture – Recreation	31,410	22,752	2,625	51
Economic Development and Assistance	109,318	1,758	43,834	-
Education	1,723,893	49,350	351,725	-
Higher Education - Colleges and University	651,138	-	-	-
Health and Social Services	3,350,345	130,645	1,719,118	-
Public Safety	408,096	34,918	90,880	1,505
Regulation of Business and Professions	125,207	139,275	2,566	-
Transportation	981,999	109,427	333,703	-
Interest on Long-term Debt	1,289	-	-	-
Net Pension Expense	29,409	-	-	-
Total governmental activities	8,109,596	612,068	2,648,173	3,320
Business-type activities:				
Unemployment Insurance	93,612	107,613	-	-
Lottery	123,278	159,968	-	-
Excess Liability	5,755	4,519	-	-
Cornhusker State Industries	13,066	12,099	-	-
Total business-type activities	235,711	284,199	-	-
Total Primary Government	$ 8,345,307	$ 896,267	$ 2,648,173	$ 3,320
COMPONENT UNITS:				
University of Nebraska	$ 2,079,376	$ 975,247	$ 368,113	$ (30,861)
State Colleges	120,484	46,578	16,578	2,085
Total Component Units	$ 2,199,860	$ 1,021,825	$ 384,691	$ (28,776)

General revenues:
- Income Taxes
- Sales and Use Taxes
- Petroleum Taxes
- Excise Taxes
- Business and Franchise Taxes
- Other Taxes
- Unrestricted Investment earnings
- Miscellaneous
- Payments from the State of Nebraska

Contributions to Permanent Fund Principal

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning (as restated)

Net Position - Ending

The accompanying notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
$ (423,751)	$ -	$ (423,751)	$ -
(44,312)	-	(44,312)	-
(5,982)	-	(5,982)	-
(63,726)	-	(63,726)	-
(1,322,818)	-	(1,322,818)	-
(651,138)	-	(651,138)	-
(1,500,582)	-	(1,500,582)	-
(280,793)	-	(280,793)	-
16,634	-	16,634	-
(538,869)	-	(538,869)	-
(1,289)	-	(1,289)	-
(29,409)	-	(29,409)	-
(4,846,035)	-	(4,846,035)	-
-	14,001	14,001	-
-	36,690	36,690	-
-	(1,236)	(1,236)	-
-	(967)	(967)	-
-	48,488	48,488	-
$ (4,846,035)	$ 48,488	$ (4,797,547)	$ -
$ -	$ -	$ -	$ (766,877)
-	-	-	(55,243)
$ -	$ -	$ -	$ (822,120)
2,578,226	-	2,578,226	-
1,829,956	-	1,829,956	-
345,357	-	345,357	-
129,390	-	129,390	-
85,959	-	85,959	-
7,117	-	7,117	-
88,736	12,018	100,754	65,192
1,548	14	1,562	311,322
-	-	-	651,138
19,331	-	19,331	-
56,299	(56,299)	-	-
5,141,919	(44,267)	5,097,652	1,027,652
295,884	4,221	300,105	205,532
12,030,138	557,082	12,587,220	5,281,088
$ 12,326,022	$ 561,303	$ 12,887,325	$ 5,486,620

The accompanying notes are an integral part of the financial statements.

State of Nebraska

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

(Dollars in Thousands)	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
Assets							
Assets:							
Cash and Cash Equivalents	$ 68,446	$ 12,700	$ 2,589	$ 2,859	$ 1,694	$ 41,899	$ 130,187
Cash on Deposit with Fiscal Agents	-	-	-	-	-	1,188	1,188
Investments	1,434,518	275,104	61,102	527,999	782,117	750,644	3,831,484
Securities Lending Collateral	64,118	12,296	3,398	9,155	13,700	32,285	134,952
Receivables, net of allowance							
Taxes	413,612	48,573	-	-	-	773	462,958
Due from Federal Government	4	34,836	267,559	-	-	1,442	303,841
Loans	-	-	12,350	210	-	317,695	330,255
Other	34,217	6,446	35,840	28,763	113,444	19,671	238,381
Due from Other Funds	74,010	82	241	3,564	-	1,848	79,745
Inventories	674	3,628	158	213	-	325	4,998
Prepaid Items	906	8	3	-	-	207	1,124
Other	541	-	4	-	18,320	883	19,748
Total Assets	$ 2,091,046	$ 393,673	$ 383,244	$ 572,763	$ 929,275	$ 1,168,860	$ 5,538,861
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 120,893	$ 101,474	$ 166,278	$ 7,037	$ 155,037	$ 48,947	$ 599,666
Tax Refunds Payable	369,695	11,178	-	-	-	1	380,874
Deposits	542	1,551	8,485	606	256	2,981	14,421
Due to Other Funds	60,006	4,087	84,391	1,502	7	6,296	156,289
Obligations under Securities Lending	64,118	12,296	3,398	9,155	13,700	32,285	134,952
Claims Payable	90,025	-	74,664	-	-	-	164,689
Unearned Revenue	3,344	-	43,785	21	9,030	-	56,180
Total Liabilities	708,623	130,586	381,001	18,321	178,030	90,510	1,507,071
Deferred Inflows of Resources:							
Revenues not yet available	38,245	-	-	18,721	-	-	56,966
Fund Balances:							
Nonspendable:							
Inventories and Prepaid Items	1,580	3,636	161	213	-	532	6,122
Endowment Principal	-	-	-	-	526,025	19,515	545,540
Restricted	-	259,451	2,082	534,963	225,220	909,396	1,931,112
Committed	727,835	-	-	-	-	99,358	827,193
Assigned	-	-	-	545	-	49,549	50,094
Unassigned	614,763	-	-	-	-	-	614,763
Total Fund Balances	1,344,178	263,087	2,243	535,721	751,245	1,078,350	3,974,824
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,091,046	$ 393,673	$ 383,244	$ 572,763	$ 929,275	$ 1,168,860	$ 5,538,861

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2015

(Dollars in Thousands)

Total fund balances for governmental funds		$	3,974,824
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:			
Land	579,205		
Infrastructure	7,329,963		
Construction in progress	321,610		
Other capital assets	1,052,523		
Accumulated depreciation	(617,765)		8,665,536
Certain tax revenues and charges are earned but not available and therefore are unearned in the funds.			56,966
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.			68,097
Deferred Inflows and Outflows related to Pension, they are not related to governmental funds. These Deferred Inflows & Outflows consist of:			
Deferred Inflows related to Pension	(182,710)		
Deferred Outflows related to Pension	63,841		(118,869)
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:			
Capital leases	(545)		
Compensated absences	(126,510)		
Net pension liability/asset	(181,651)		
Claims and judgments	(11,826)		(320,532)
Net position of governmental activities		$	12,326,022

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
REVENUES							
Income Taxes	$ 2,572,282	$ -	$ -	$ 4,339	$ -	$ -	$ 2,576,621
Sales and Use Taxes	1,548,642	270,085	-	-	-	14,974	1,833,701
Petroleum Taxes	-	332,105	-	-	4,364	13,252	349,721
Excise Taxes	68,871	-	-	8,452	-	52,067	129,390
Business and Franchise Taxes	59,318	-	-	-	-	26,641	85,959
Other Taxes	359	2,728	-	-	-	4,030	7,117
Federal Grants and Contracts	28	318,889	2,305,228	104	-	27,106	2,651,355
Licenses, Fees and Permits	20,573	87,867	642	56,921	679	151,516	318,198
Charges for Services	2,787	19,186	6,347	24,663	-	56,224	109,207
Investment Income	26,195	4,500	1,200	18,215	21,205	14,896	86,211
Rental Income	13	465	5	371	46,599	23,457	70,910
Surcharge	-	-	-	-	-	49,819	49,819
Other	10,496	1,842	373	19,011	14,971	19,560	66,253
Total Revenues	4,309,564	1,037,667	2,313,795	132,076	87,818	453,542	8,334,462
EXPENDITURES							
Current:							
General Government	468,214	-	6,531	-	-	76,552	551,297
Conservation of Natural Resources	44,993	-	34,238	-	-	72,077	151,308
Culture – Recreation	8,902	-	2,284	-	-	27,467	38,653
Economic Development and Assistance	13,236	-	61,369	-	-	35,371	109,976
Education	1,331,439	-	356,383	-	65,270	21,003	1,774,095
Higher Education - Colleges and University	612,444	-	-	-	-	38,694	651,138
Health and Social Services	1,449,979	-	1,751,847	134,079	-	19,160	3,355,065
Public Safety	277,980	-	91,102	-	-	45,153	414,235
Regulation of Business and Professions	4,006	-	2,606	-	-	118,487	125,099
Transportation	-	1,059,154	-	-	-	17,651	1,076,805
Capital Projects	-	-	-	-	-	19,824	19,824
Debt Service:							
Principal	-	-	-	-	-	6,995	6,995
Interest	-	-	-	-	-	1,090	1,090
Total Expenditures	4,211,193	1,059,154	2,306,360	134,079	65,270	499,524	8,275,580
Excess (Deficiency) of Revenues Over (Under) Expenditures	98,371	(21,487)	7,435	(2,003)	22,548	(45,982)	58,882
OTHER FINANCING SOURCES (USES)							
Transfers In	56,843	12,515	16,167	1,206	-	162,326	249,057
Transfers Out	(72,794)	(17,588)	(27,678)	(7,816)	-	(66,882)	(192,758)
Proceeds from Other Financing Arrangements	-	-	-	-	-	1,430	1,430
Proceeds from Capital Leases	-	-	-	215	-	-	215
Total Other Financing Sources (Uses)	(15,951)	(5,073)	(11,511)	(6,395)	-	96,874	57,944
Net Change in Fund Balances	82,420	(26,560)	(4,076)	(8,398)	22,548	50,892	116,826
FUND BALANCES, JULY 1	1,261,758	289,647	6,319	544,119	728,697	1,027,458	3,857,998
FUND BALANCES, JUNE 30	$ 1,344,178	$ 263,087	$ 2,243	$ 535,721	$ 751,245	$ 1,078,350	$ 3,974,824

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

(Dollars in Thousands)

Net change in fund balances–total governmental funds		$ 116,826
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. Sales of capital assets are reported as revenues. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	141,211	
Capital assets sold	(200)	
Depreciation expense	(38,236)	102,775
Bond proceeds and other financing arrangements provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:		
Other financing arrangements	(1,430)	(1,430)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability.		(215)
Repayment of long-term debt and other financing arrangements is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year these amounts consisted of:		
Other financing arrangement payments	6,995	
Capital lease payments	50	7,045
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		6,702
Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Deferred inflows of resources decreased by this amount this year.		(4,353)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	(2,085)	
Decrease in net pension liability/asset	241,818	
Increase in deferred inflows related to pension	(182,710)	
Increase in deferred outflows related to pension	15,568	
Increase in claims and judgments	(4,057)	68,534
Change in net position of governmental activities		$ 295,884

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2015

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 394,502	$ 41,947	$ 436,449	$ 125,788
Receivables, net of allowance	23,289	28,884	52,173	1,755
Due from Other Funds	-	1,071	1,071	29,287
Inventories	-	2,769	2,769	408
Prepaid Items	-	-	-	1,499
Other	-	423	423	-
Total Current Assets	417,791	75,094	492,885	158,737
Noncurrent Assets:				
Restricted Long-Term Deposits	-	2,414	2,414	-
Long-Term Investments	56,360	73,449	129,809	-
Securities Lending Collateral	2,519	1,129	3,648	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	324	13,958	14,282	92,331
Less Accumulated Depreciation	(324)	(7,243)	(7,567)	(68,476)
Total Capital Assets	-	7,030	7,030	23,855
Total Noncurrent Assets	58,879	84,022	142,901	23,855
Total Assets	$ 476,670	$ 159,116	$ 635,786	$ 182,592
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$ 1,927	$ 38,797	$ 40,724	$ 15,506
Due to Other Funds	144	89	233	981
Capital Lease Obligations	-	-	-	6,090
Claims, Judgments and Compensated Absences	7,759	5,644	13,403	43,003
Unearned Revenue	-	2,461	2,461	299
Total Current Liabilities	9,830	46,991	56,821	65,879
Noncurrent Liabilities:				
Capital Lease Obligations	-	-	-	8,840
Claims, Judgments and Compensated Absences	-	14,014	14,014	39,776
Obligations under Securities Lending	2,519	1,129	3,648	-
Total Noncurrent Liabilities	2,519	15,143	17,662	48,616
Total Liabilities	$ 12,349	$ 62,134	$ 74,483	$ 114,495
NET POSITION				
Net Investment in Capital Assets	-	7,030	7,030	8,925
Restricted for:				
Lottery Prizes	-	2,414	2,414	-
Unemployment Insurance Benefits	464,321	-	464,321	-
Unrestricted	-	87,538	87,538	59,172
Total Net Position	$ 464,321	$ 96,982	$ 561,303	$ 68,097

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
OPERATING REVENUES				
Charges for Services	$ 106,435	$ 176,586	$ 283,021	$ 373,761
Federal	598	-	598	-
Other	580	-	580	1,363
Total Operating Revenues	107,613	176,586	284,199	375,124
OPERATING EXPENSES				
Personal Services	66	6,295	6,361	36,075
Services and Supplies	8	35,312	35,320	118,865
Lottery Prizes	-	94,696	94,696	-
Unemployment Claims	93,538	-	93,538	-
Insurance Claims	-	5,331	5,331	205,297
Depreciation	-	465	465	9,702
Total Operating Expenses	93,612	142,099	235,711	369,939
Operating Income (Loss)	14,001	34,487	48,488	5,185
NONOPERATING REVENUES (EXPENSES)				
Investment Income	9,870	2,148	12,018	2,525
Gain (Loss) on Sale of Capital Assets	-	14	14	(815)
Other	-	-	-	(193)
Total Nonoperating Revenues (Expenses)	9,870	2,162	12,032	1,517
Income (Loss) Before Transfers	23,871	36,649	60,520	6,702
Transfers Out	(19,192)	(37,107)	(56,299)	-
Change in Net Position	4,679	(458)	4,221	6,702
NET POSITION, JULY 1	459,642	97,440	557,082	61,395
NET POSITION, JUNE 30	$ 464,321	$ 96,982	$ 561,303	$ 68,097

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	$ 110,799	$ 166,891	$ 277,690	$ 22,887
Cash Received from Interfund Charges	-	9,766	9,766	335,591
Cash Received from Federal Government	598	-	598	-
Cash Paid to Employees	(74)	(6,229)	(6,303)	(36,092)
Cash Paid to Suppliers	(2)	(33,296)	(33,298)	(111,890)
Cash Paid for Lottery Prizes	-	(94,657)	(94,657)	-
Cash Paid for Insurance Claims	(94,896)	(4,960)	(99,856)	(197,844)
Cash Paid for Interfund Services	(11)	(1,161)	(1,172)	(9,761)
Net Cash Flows from Operating Activities	16,414	36,354	52,768	2,891
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	(19,192)	(37,107)	(56,299)	-
Net Cash Flows from Noncapital Financing Activities	(19,192)	(37,107)	(56,299)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	-	(240)	(240)	(5,705)
Proceeds from Sale of Capital Assets	-	14	14	1,111
Principal Paid on Capital Leases	-	-	-	(5,675)
Interest Paid on Capital Leases	-	-	-	(193)
Net Cash Flows from Capital and Related Financing Activities	-	(226)	(226)	(10,462)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(202,229)	(202,229)	-
Proceeds from Sale of Investment Securities	(999)	202,557	201,558	-
Interest and Dividend Income	9,871	2,926	12,797	2,589
Net Cash Flows from Investing Activities	8,872	3,254	12,126	2,589
Net Increase (Decrease) in Cash and Cash Equivalents	6,094	2,275	8,369	(4,982)
CASH AND CASH EQUIVALENTS, JULY 1	388,408	39,672	428,080	130,770
CASH AND CASH EQUIVALENTS, JUNE 30	$ 394,502	$ 41,947	$ 436,449	$ 125,788

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)

For the Year Ended June 30, 2015

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	$ 14,001	$ 34,487	$ 48,488	$ 5,185
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	-	465	465	9,702
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	3,607	(446)	3,161	(152)
(Increase) Decrease in Due from Other Funds	-	289	289	(16,304)
(Increase) Decrease in Inventories	-	409	409	(29)
(Increase) Decrease in Prepaid Items	-	40	40	(241)
(Increase) Decrease in Long-Term Deposits	-	61	61	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	631	467	1,098	(3,012)
Increase (Decrease) in Due to Other Funds	144	(17)	127	479
Increase (Decrease) in Claims Payable	(1,969)	371	(1,598)	7,453
Increase (Decrease) in Unearned Revenue	-	228	228	(190)
Total Adjustments	2,413	1,867	4,280	(2,294)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 16,414	$ 36,354	$ 52,768	$ 2,891
NONCASH TRANSACTIONS:				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments. The following noncash transactions occurred during the year:				
Capital Assets acquired through Capital Leases	$ -	$ -	$ -	$ 2,810
Change in Fair Value of Investments	-	(772)	(772)	-
Total Noncash Transactions	$ -	$ (772)	$ (772)	$ 2,810

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2015

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS			
Cash and Cash Equivalents	$ 6,876	$ 27,334	$ 108,849
Investments:			
U.S. Treasury Notes and Bonds	443,280	-	-
Government Agency Securities	13,215	-	-
Corporate Bonds	694,784	-	-
International Bonds	165,072	-	-
Equity Securities	1,803,265	-	-
Private Equity	664,232	-	-
Options	(86)	-	-
Mortgages	516,969	-	-
Private Real Estate	343,279	-	-
Adr's, GDRs & Trust	344	-	-
Asset Backed Securities	115,363	-	-
Bank Loans	267,678	-	-
Municipal Bonds	23,111	-	-
Commingled Funds	7,738,561	3,756,552	-
Guaranteed Investment Contracts	73,186	-	-
Short Term Investments	275,102	-	-
Total Investments	13,137,355	3,756,552	-
Securities Lending Collateral	224,875	-	-
Receivables:			
Contributions	28,226	-	-
Interest and Dividends	16,474	753	429
Other	830,468	-	550
Total Receivables	875,168	753	979
Due from Other Funds	47,479	-	-
Capital Assets:			
Buildings and Equipment	6,592	-	-
Less Accumulated Depreciation	(6,588)	-	-
Total Capital Assets	4	-	-
Other Assets	-	13,048	1,179
Total Assets	$ 14,291,757	$ 3,797,687	$ 111,007
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 1,117,099	$ 5,530	$ 20,037
Due to Other Governments	6,453	-	67,955
Deposits	-	1,091	-
Due to Other Funds	75	4	-
Obligations under Securities Lending	224,875	-	-
Accrued Compensated Absences	375	-	-
Other Liabilities	-	-	23,015
Total Liabilities	$ 1,348,877	$ 6,625	$ 111,007
NET POSITION			
Restricted for:			
Pensions	$ 12,942,880	$ -	$ -
College Savings Plan	-	3,758,720	-
Other Purposes	-	32,342	-
Total Net Position	$ 12,942,880	$ 3,791,062	$ -

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
ADDITIONS		
Contributions:		
Participant Contributions	$ 245,034	$ 377,493
Client Contributions	-	38
State Contributions	104,302	-
Political Subdivision Contributions	191,986	-
Court Fees	2,977	-
Total Contributions	544,299	377,531
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	419,237	228,913
Interest and Dividend Income	151,824	4,466
Securities Lending Income	1,786	-
Total Investment Income	572,847	233,379
Investment Expenses	26,692	17,322
Securities Lending Expenses	375	-
Total Investment Expense	27,067	17,322
Net Investment Income	545,780	216,057
Escheat Revenue	-	9,630
Other Additions	153	2,996
Total Additions	1,090,232	606,214
DEDUCTIONS		
Benefits	657,987	246,930
Refunds	16,073	-
Amounts Distributed to Outside Parties	-	9,274
Administrative Expenses	5,465	1,177
Other Deductions	8,367	-
Total Deductions	687,892	257,381
Change in Net Position Restricted for:		
Pensions	402,340	-
College Savings Plan	-	346,421
Other Purposes	-	2,412
NET POSITION-BEGINNING OF YEAR	12,540,540	3,442,229
NET POSITION-END OF YEAR	$ 12,942,880	$ 3,791,062

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2015

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
ASSETS			
Cash and Cash Equivalents	$ 602,893	$ 27,144	$ 630,037
Receivables, net of allowance			
Loans	35,683	1,594	37,277
Other	437,680	4,139	441,819
Investments	2,204,960	54,798	2,259,758
Investment in Joint Venture	343,098	-	343,098
Other Assets	29,204	1,701	30,905
Restricted Assets:			
Cash and Cash Equivalents	548,170	41,584	589,754
Investments Held by Trustee	26,901	-	26,901
Capital assets:			
Land	91,280	1,440	92,720
Land Improvements	210,805	30,027	240,832
Construction in Progress	345,823	37,840	383,663
Buildings and Equipment	2,677,459	221,903	2,899,362
Less Accumulated Depreciation	(1,009,900)	(92,860)	(1,102,760)
Total Capital Assets	2,315,467	198,350	2,513,817
Total Assets	$ 6,544,056	$ 329,310	$ 6,873,366
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	$ 6,822	$ 47	$ 6,869
Total Deferred Outflows of Resources	$ 6,822	$ 47	$ 6,869
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 250,026	$ 12,302	$ 262,328
Deposits	21,536	177	21,713
Unearned Revenue	90,409	1,631	92,040
Noncurrent Liabilities:			
Due within one year	129,189	5,627	134,816
Due in more than one year	814,109	51,829	865,938
Total Liabilities	$ 1,305,269	$ 71,566	$ 1,376,835
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement receipts	$ 16,780	$ -	$ 16,780
Total Deferred Inflows of Resources	$ 16,780	$ -	$ 16,780
NET POSITION			
Net Investment in Capital Assets	$ 1,683,616	$ 153,104	$ 1,836,720
Restricted for:			
Education	2,042,979	-	2,042,979
Other Purposes	265,964	65,535	331,499
Construction and Debt Service	444,709	7,165	451,874
Unrestricted	791,561	31,987	823,548
Total Net Position	$ 5,228,829	$ 257,791	$ 5,486,620

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF ACTIVITIES
COMPONENT UNITS

For the Year Ended June 30, 2015

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Expenses:			
Compensation and benefits	$ 1,328,116	$ 66,838	$ 1,394,954
Supplies and materials	299,107	12,216	311,323
Contractual services	145,277	4,716	149,993
Repairs and maintenance	73,320	3,627	76,947
Utilities	33,704	4,377	38,081
Communications	14,066	444	14,510
Depreciation	108,888	7,588	116,476
Scholarships and fellowships	70,440	6,211	76,651
Other	6,458	14,467	20,925
Total Operating Expenses	2,079,376	120,484	2,199,860
Program Revenues:			
Charges for Services	975,247	46,578	1,021,825
Operating Grants and Contributions	368,113	16,578	384,691
Capital Grants and Contributions	(30,861)	2,085	(28,776)
Total Program Revenues	1,312,499	65,241	1,377,740
Net (Expense) Revenue	(766,877)	(55,243)	(822,120)
General Revenues:			
Interest and investment earnings	62,819	2,373	65,192
Miscellaneous	305,484	5,838	311,322
Payments from the State of Nebraska	593,445	57,693	651,138
Total General Revenues	961,748	65,904	1,027,652
Change in Net Position	194,871	10,661	205,532
Net Position - Beginning (as restated)	5,033,958	247,130	5,281,088
Net Position - Ending	$ 5,228,829	$ 257,791	$ 5,486,620

The accompanying notes are an integral part of the financial statements.

1. Summary of Significant Accounting Policies

A. Basis of Presentation. The accompanying financial statements of the State of Nebraska (the "State") and its component units have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of Administrative Services. Additional data has been derived from audited financial statements of certain entities and from reports prescribed by the State Accounting Administrator and prepared by various State agencies and departments based on independent or subsidiary accounting systems maintained by them.

B. Reporting Entity. In determining its financial reporting entity, the State has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the State, or the significance of their relationship with the State are such that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. Complete financial statements of the individual component units that issue separate financial statements, as noted below, can be obtained from their respective administrative offices.

Discretely Presented Component Units. The following component units are entities that are legally separate from the State, but are financially accountable to the State, or their relationships with the State are such that their exclusion would cause the State's financial statements to be misleading. These component units are reported in a separate column in the government-wide financial statements.

Nebraska State College System. The Board of Trustees of the Nebraska State Colleges governs Chadron State College, Peru State College and Wayne State College. The Board of Trustees is also the Board of Directors of the Nebraska State Colleges Facilities Corporation, a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. The Board of Trustees consists of the Commissioner of Education and six members appointed by the Governor. Chadron State, Peru State and Wayne State Foundations are tax-exempt nonprofit corporations whose purpose is to provide financial support for the Nebraska State College System. Audit reports may be found on the State Colleges' website under Audit Reports.

University of Nebraska. The University of Nebraska consists of the following campuses: University of Nebraska – Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, and University of Nebraska Medical Center. The University of Nebraska is governed by an elected eight-member Board of Regents. The University's financial reporting entity also consists of the following units: the University of Nebraska Facilities Corporation, a nonprofit corporation organized to finance the construction and repair of buildings and hold them in trust for the University of Nebraska; the UNMC Physicians, organized for the purpose of billing medical service fees generated by university clinicians; the University Dental Associates, organized for the purpose of billing dental service fees generated by university dentists; the Nebraska Utility Corporation, formed to purchase, lease, construct and finance activities relating to energy requirements of the University of Nebraska-Lincoln; the University Technology Development Center, formed for the purpose of supporting the research mission of the University and advance technology transfer globally; and the University of Nebraska Foundation, a tax-exempt nonprofit corporation whose purpose is to provide financial support for the University of Nebraska. The University of Nebraska is included as a component unit because it is fiscally dependent on the State, since the Nebraska Legislature controls the budget of the University. Audit reports may be found on the University's Accounting and Finance website.

The university and colleges are funded chiefly through State appropriations, tuition, federal grants, private donations and grants, and auxiliary operations.

Related Organizations. The State's officials are responsible for appointing members of boards of other organizations, but the State's accountability for these organizations does not extend beyond making these appointments. The Governor appoints the boards of the following organizations: Nebraska Educational, Health, and Social Services Finance Authority, Nebraska Investment Finance Authority, and Wyuka Cemetery.

C. Government-wide and Fund Financial Statements. The basic financial statements include both government-wide and fund financial statements. The reporting model based on the GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* focuses on the State as a whole in the government-wide financial statements and major individual funds in the fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net Investment in Capital Assets. This category reflects the portion of net position associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted Net Position. This category results when constraints are externally imposed on net position use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

It is the policy of the State to spend restricted net position only when unrestricted net position is insufficient or unavailable.

The Statement of Net Position reports $2,962,108 of restricted net position, of which $1,667,490 is restricted by enabling legislation.

Unrestricted Net Position. This category represents net position that does not meet the definition of the preceding two categories. Unrestricted net position often has constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are reflected in the general government function. Administrative overhead charges of internal service funds are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) investment earnings of permanent funds that are legally restricted for a specific program. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

D. Basis of Accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except agency funds. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as they become susceptible to accrual; generally when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers taxes and other revenues available if the revenues are collected within 60 days after year end, except for federal reimbursement grants which use a one year availability period. Revenues are generally considered to be susceptible to accrual when the underlying activity takes place or when eligibility requirements are met. Major revenues that are determined to be susceptible to accrual include sales taxes, income taxes, other taxpayer-assessed tax revenues, unemployment insurance taxes, federal grants and contracts, charges for services, and investment income. All other revenue items, including estate taxes, are considered to be measurable and available when cash is received by the State. Receivables not expected to be collected in the next 60 days (or 12 months in the case of federal reimbursement grants) are offset by deferred inflows of resources.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

The State reports the following major governmental funds:

General Fund. This is the State's primary operating fund. It reflects transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

Highway Fund. This fund accounts for the maintenance and preservation of State highways financed with sales tax on motor vehicles, gas taxes, federal aid and other highway user fees.

Federal Fund. This fund accounts for substantially all federal monies received by the State, except those received by the Highway Fund.

Health and Social Services Fund. This fund accounts for activities of agencies, boards, and commissions providing health care and social services financed primarily by user fees and tobacco settlement proceeds.

Permanent School Fund. This fund receives proceeds from any sale of the school lands held in trust for public education; payments for easements and rights-of-way over these lands; royalties and severance taxes paid on oil, gas and minerals produced from these lands; escheats; unclaimed property and other items provided by law. Net appreciation on investments is not available for expenditure. Income is distributed to public schools.

The State reports the following major enterprise fund:

Unemployment Insurance Fund. This fund accounts for the State's unemployment insurance benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

The State also reports the following fund types:

Governmental Fund Types:

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

Capital Projects Fund. Reflects transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities.

Permanent Funds. Reflect transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens, such as veterans, state airports and others.

Proprietary Fund Types:

Enterprise Funds. Reflect transactions used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Internal Service Funds. These funds account for fleet management, facilities management, accounting, risk management, communication, information technology, printing, purchasing, and postal services provided to other funds on a cost reimbursement basis.

Fiduciary Fund Types:

Pension Trust Funds. These funds account for State Employee Retirement System, County Employee Retirement System, School Retirement System, Judges Retirement System, State Patrol Retirement System and Deferred Compensation pension benefits.

Private Purpose Trust Funds. These funds account for Unclaimed Property and Nebraska College Savings Plan activity held for private individuals.

Agency Funds. These funds account for assets held by the State pending distribution to other governments and individuals.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents. In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2015, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

F. Investments. Investments as reported in the basic financial statements include long-term investments. Law or legal instruments may restrict these investments. All investments of the State and its component units are stated at fair value based on quoted market prices, except guaranteed investment contracts are valued at contract value. For investments where no readily ascertainable fair value exists, management has received an estimate of fair value from the investment fund manager based, in part, on real estate appraisals. The State Treasurer is the custodian of all funds for the State; however, investments are under the responsibility of the Nebraska Investment Council or other administrative bodies as determined by law.

G. Receivables. Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

H. Inventories. Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Significant inventories of governmental funds are valued using weighted average cost. Proprietary Funds' valuation method is primarily at the lower of cost (first-in, first-out) or market. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Commodities on hand at fiscal year end are reflected as inventories, offset by a like amount of unearned revenue, in the Federal Fund. Commodities are reported at fair values established by the federal government at the date received.

I. Restricted Assets. Assets held by the trustee for the Master Lease Purchase Program are classified as restricted position on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable lease covenants. These assets are reflected as cash on deposit with fiscal agents in the fund financial statements. The nonmajor enterprise funds reflect long-term deposits with the Multi-State Lottery as restricted assets.

J. Capital Assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Position. All capital assets are valued 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.

The State possesses certain assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These collection items are not capitalized by the State because they are (1) held for public exhibition, education or research in furtherance of public service, rather than financial gain, (2) protected, kept unencumbered, cared for and preserved, and (3) subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These assets include works of art and historical treasures, such as statues; historical documents; paintings; rare library books; and miscellaneous capitol-related artifacts and furnishings.

Generally, equipment that has a cost in excess of $5 at the date of acquisition and has an expected useful life of more than one year is capitalized. Substantially all initial building costs, land, land improvements, and software costing in excess of $100 are capitalized. Building improvements and renovations in excess of $100 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings and equipment are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3-20 years

The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: commit to maintaining and preserving affected assets at or above a condition level established by the State; maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Roads are accounted for using the modified approach. Infrastructure acquired prior to June 30, 1980, is reported.

K. Compensated Employee Absences. All permanent employees earn sick and vacation leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. The liability has been calculated using the vesting method in which leave amounts, for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

State employees accrue vested vacation leave at a variable rate based on years of service. Generally, accrued vacation leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 240 days (180 days for non-union employees). Sick leave is not vested except upon death or upon reaching the age of 55, at which time, the State is liable for 25 percent of the employee's accumulated sick leave. In addition, some State agencies permit employees to accumulate compensatory leave rather than paying overtime.

The government-wide, proprietary, and fiduciary fund financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

L. Fund Balance. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature (the highest level of decision making authority for the State by passing a legislative bill), such as an appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific purposes, by directive of the Executive Committee of the Legislature or in some cases by legislation. Unrestricted balances are used in the order listed above when expenditures are made which could be used from any of those categories. The State considers restricted balances to have been spent when both restricted and unrestricted fund balance is available.

The State maintains a stabilization fund reported as committed fund balance. The Cash Reserve Fund is part of the General Fund and was established by State Statute to be used as a reserve when the cash balance of the General Fund is insufficient to meet General Fund current obligations and for legislatively mandated transfers to other funds. Additions to the fund are made when actual General Fund revenues exceed certified projections for a fiscal year.

M. Interfund Activities. Interfund services provided and used are accounted for as revenues, expenditures or expenses in the funds involved. Activities that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund activities are reported as transfers.

The effect of interfund activity has been eliminated from the government-wide financial statements.

N. Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments Portfolio

Listed below is a summary of the deposit and investment portfolio that comprises the Cash and Cash Equivalents and Investments on the June 30, 2015 basic financial statements. All securities purchased or held must either be in the custody of the State or deposited with an agent in the State's name.

Deposits. At June 30, 2015, the carrying amounts of the State's deposits were $49,540 and the bank balances were $118,108. All bank balances were covered by federal depository insurance or by collateral held by the State's agent in the State's name.

State Statutes require that the aggregate amount of collateral securities deposited by a bank with the State Treasurer shall be at least one hundred two percent of the amount of public funds deposited in that bank, less the amount insured by the Federal Deposit Insurance Corporation. The State Treasurer had compensating balance agreements with various banks totaling $21,954 at June 30, 2015.

Investments. State Statute Section 72-1239.01 authorizes the appointed members of the Nebraska Investment Council to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the State. Certain State entities are also allowed by statute to invest in real estate and other investments.

The investment amounts for some funds presented in the fiduciary fund financial statements reflected audited financial statements for the period ended December 31, 2014. The investment risk disclosures presented below for fiduciary funds represent risks as of June 30, 2015.

State of Nebraska (dollars expressed in thousands)

The primary government's investments at June 30, 2015 are presented below. All investments are presented by investment type and debt securities are presented with effective duration presented in years.

PRIMARY GOVERNMENT INVESTMENTS AT JUNE 30, 2015

	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES		FIDUCIARY FUNDS	
	FAIR VALUE	EFFECTIVE DURATION	FAIR VALUE	EFFECTIVE DURATION
Debt Securities				
U.S. Treasury Notes and Bonds	$ 989,222	3.85	$ 443,280	9.12
U.S. Treasury Bills	150	-	-	-
Government Agency Securities	959,679	3.52	13,215	12.41
Corporate Bonds	1,630,667	3.95	694,784	5.85
International Bonds	2,321	7.71	165,072	7.86
Mortgages	65,609	3.42	516,969	3.58
Asset Backed Securities	7,133	0.77	115,363	1.92
Bank Loans	-	-	267,678	0.16
Commingled Funds	207,378	5.23	924,203	5.16
Municipal Bonds	2,937	9.75	23,111	10.64
Guaranteed Investment Contracts	-	-	73,186	2.93
Short Term Investments	367,545	0.05	275,102	0.11
	4,232,641		3,511,963	
Other Investments				
Adr's, GDRs & Trust	-		344	
Equity Securities	76,717		1,803,265	
Private Equity	76,198		664,232	
Commingled Funds	782,659		10,570,910	
Options	(20)		(86)	
Private Real Estate	23,401		343,279	
U.S. Treasury Investment Pool	389,839		-	
Less: Component Unit Investment in State Investment Pool	(833,680)		-	
Total Investments	4,747,755		16,893,907	
Securities Lending Short-term Collateral Investment Pool	138,600		224,875	
Total	$ 4,886,355		$ 17,118,782	

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investments full price.

Credit Risk of Debt Securities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A. The maximum exposure to any single investment grade issuer excluding the U.S. government, its agencies or instrumentalities or government sponsored entities is 5 percent and the maximum exposure to a single issuer below investment grade is 3 percent. The minimum credit rating of a derivatives counterparty is A. The primary government's rated debt investments as of June 30, 2015 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

State of Nebraska (dollars expressed in thousands)

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES INVESTMENTS AT JUNE 30, 2015

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	$ 959,679	$ -	$ 942,709	$ -	$ -	$ -	$ -	$ 16,970
Corporate Bonds	1,630,667	193,180	457,208	874,607	83,522	10,239	3,095	8,816
International Bonds	2,321	322	-	1,114	789	22	-	74
Mortgages	65,609	1,768	2,725	1,473	1,355	130	575	57,583
Asset Backed Securities	7,133	2,807	1,132	263	777	-	1,445	709
Commingled Funds	207,378	-	-	-	-	-	-	207,378
Short Term Investments	367,545	150	-	3,000	-	-	-	364,395
Municipal Bonds	2,937	1,388	769	-	780	-	-	-

FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2015

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	$ 13,680	$ -	$ 10,821	$ 312	$ -	$ 278	$ 1,644	$ 625
Bank Loans	269,084	-	-	-	-	-	-	269,084
Corporate Bonds	698,250	27,333	28,882	172,497	325,077	98,647	28,466	17,348
International Bonds	153,416	23,371	40,654	40,501	38,616	1,491	654	8,129
Mortgages	536,681	37,773	22,581	12,238	9,239	3,687	1,806	449,357
Asset Backed Securities	118,797	59,983	10,087	19,767	9,488	535	6,426	12,511
Commingled Funds	920,008	-	-	-	-	-	-	920,008
Short Term Investments	276,787	-	-	-	1,227	-	-	275,560
Municipal Bonds	20,248	3,564	11,066	1,481	3,792	345	-	-

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State has contracts with investment managers that limit the maximum amount for an issuer, excluding U.S. Treasury, U.S. Agency, mortgages and non-U.S. sovereign issuers, to 5 percent of the total account.

At June 30, 2015, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent of total investments in Federal Farm Credit Bank (10 percent) and Federal Home Loan Bank (8 percent). At June 30, 2015, fiduciary funds had no investments that exceeded 5 percent or more of total investments.

Securities Lending Transactions. The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's primary custodial bank administers the securities lending program and receives collateral in the form of cash, United States government or government agency obligations, sovereign debt rated A or better, or convertible bonds at least equal in value to the market value of the loaned securities. Securities on loan at year end consisted of United States government obligations, equity securities, corporate bonds, and non-US fixed income. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year. Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations from 28 to 42 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The custodian indemnifies the State against default by the borrower of securities, but does not indemnify against the default by an issuer of a security held in the short term investment funds where cash collateral is invested.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State does not have a formal policy to limit foreign currency risk. Primary Government exposure to foreign currency risk is presented on the following tables.

State of Nebraska (dollars expressed in thousands)

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOREIGN CURRENCY AT JUNE 30, 2015

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Australian Dollar	$ 7	$ 614	$ 135
Brazilian Real	3	210	527
Canadian Dollar	1	1,298	-
Chilean Peso	-	-	231
Columbian Peso	-	-	148
Czech Koruna	-	34	-
Danish Krone	2	187	90
Euro Currency	274	7,509	1,752
Hong Kong Dollar	29	754	-
Indian Rupee	-	-	461
Indonesian Rupiah	2	62	-
Japanese Yen	19	3,768	-
Malaysian Ringgit	3	80	-
Mexican Peso	211	385	1,105
New Zealand Dollar	16	17	-
Norwegian Krone	2	190	-
Philippine Peso	-	36	395
Polish Zloty	21	56	-
Pound Sterling	100	4,473	820
Singapore Dollar	4	1,009	-
South African Rand	-	254	-
South Korean Won	10	480	-
Swedish Krona	-	1,435	-
Swiss Franc	3	4,172	-
Thailand Baht	-	51	-
Total	$ 707	$ 27,074	$ 5,664

FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2015

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Australian Dollar	$ 937	$ 17,095	$ 4,964
Brazilian Real	262	3,861	2,409
Canadian Dollar	12	22,721	7,954
Chilean Peso	-	-	761
Columbian Peso	-	-	511
Czech Koruna	-	698	272
Danish Krone	-	8,066	1,401
Euro Currency	6,500	307,651	97,342
Hong Kong Dollar	228	23,141	-
Hungarian Forint	-	213	-
Indian Rupee	-	-	2,594
Indonesian Rupiah	120	748	-
Japanese Yen	415	174,690	30,253
Malaysian Ringgit	53	1,675	432
Mexican Peso	971	6,687	6,568
New Israeli Sheqel	-	-	261
New Zealand Dollar	160	61	375
Norwegian Krone	77	3,996	759
Philippine Peso	3	-	2,033
Polish Zloty	-	2,540	432
Pound Sterling	727	121,810	34,953
Singapore Dollar	86	21,768	904
South African Rand	-	4,230	531
South Korean Won	294	15,949	3,717
Swedish Krona	-	41,755	-
Swiss Franc	201	114,886	2,310
Thailand Baht	-	922	-
Turkish Lira	3	111	260
Total	$ 11,049	$ 895,274	$ 201,996

State of Nebraska (dollars expressed in thousands)

Derivative Financial Instruments. Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates or financial indices. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Investment Council-approved Derivatives Policy. The State invests in futures contracts, options and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. Government or Government Agency obligations based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in the contract value is settled daily in cash with the exchanges. Swaps represent an exchange of streams of payments over time according to specified terms. All changes in fair value of derivatives are reflected in Investment Income and the fair value of derivatives at June 30, 2015 is reflected in Investments. The fair value balances and notional amounts of investment derivative instruments outstanding at June 30, 2015, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

DERIVATIVE INVESTMENTS AT JUNE 30, 2015

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Derivative	Fair Value	Change in Fair Value	Notional
Credit Default Swap	$ (190)	$ (776)	$ 19,511
Fixed Income Futures	-	(22)	(9,129)
Fixed Income Options	(1)	37	(24,937)
Foreign Currency Options	(37)	92	(6,143)
Futures Options	(18)	110	(105)
FX Forwards	(437)	2,585	74,540
Interest Rate Swap	609	(24)	63,807
Rights	-	6	-
Warrants	-	-	1

DERIVATIVE INVESTMENTS AT JUNE 30, 2015

FIDUCIARY FUND

Derivative	Fair Value	Change in Fair Value	Notional
Credit Default Swap	$ (607)	$ (4,471)	$ 50,172
Fixed Income Futures	-	2,460	(121,997)
Fixed Income Options	(6)	269	(127,399)
Foreign Currency Options	(185)	459	(28,464)
Futures Options	(102)	372	(595)
FX Forwards	227	15,029	472,052
Interest Rate Swap	3,758	1,509	280,919
Rights	-	67	-
Warrants	-	-	6

The change in fair value denotes the net realized and unrealized gains and losses recognized during the period. The fair value of the derivative instruments at June 30, 2015, denotes the market value, with the exception of FX Forwards, which denotes the net realized and unrealized gains and losses recognized during the period. Furthermore, the notional amount for Futures and Options was calculated as contract size times the number of contracts. The State is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Nebraska Investment Council's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require full collateralization of the fair value of derivative instruments in asset positions. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The Plans have never failed to access collateral when required.

The aggregate fair value of derivative instruments in asset positions at June 30, 2015, was $1,119 for Governmental and Business-Type Activities and $6,878 for the Fiduciary Fund. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. There is no collateral held or liabilities included in netting arrangements with those counterparties; therefore, the net exposure to credit risk is $7,996. Although the State executes derivative instruments with various counterparties, there is net exposure to credit risk of approximately 84 percent for the Governmental and Business-Type Activities and 78 percent for the Fiduciary Fund, held with three counterparties. The counterparties are rated A or BBB.

State of Nebraska (dollars expressed in thousands)

The State is exposed to interest rate risk on its interest rate swaps. Interest rate swaps are agreements between two counterparties to exchange future cash flows. These are generally fixed versus variable flows, and can be either received or paid. These swaps are used to adjust interest rate and yield curve exposure and substitute for physical securities. Long swap positions (receive fixed) increase exposure to long-term interest rates; short positions (pay fixed) decrease exposure. Counterparty risk is limited to monthly exchanged or netted cash flows. All of the State's interest rate swaps were fixed with a LIBOR (London Interbank Offered Rate) or SIFMA (Securities Industry and Financial Markets Association) reference rate. Foreign currency risk for derivative instruments at June 30, 2015 are as follows:

DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2015
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Currency	Swaps	Forward Contracts	Fixed Income Options
Brazilian Real	$ -	$ (40)	$ -
Danish Krone	-	94	-
Euro Currency	2	(433)	(32)
Pound Sterling	-	(30)	-
Indian Rupee	-	(2)	-
Japanese Yen	-	(15)	-
Mexican Peso	(110)	(11)	-
Total	$ (108)	$ (437)	$ (32)

DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2015
FIDUCIARY FUND

Currency	Swaps	Forward Contracts	Fixed Income Options
Australian Dollar	$ -	$ (80)	$ -
Canadian Dollar	-	(2)	-
Swiss Franc	-	41	-
Danish Krone	-	1	-
Euro Currency	89	386	(154)
Pound Sterling	-	(165)	-
Indian Rupee	-	16	-
Japanese Yen	-	170	-
South Korean Won	-	4	-
Mexican Peso	(571)	(103)	-
Malaysian Ringgit	-	(1)	-
Polish Zloty	-	(2)	-
New Russian Ruble	-	(5)	-
Swedish Krona	-	(37)	-
Singapore Dollar	-	2	-
Thailand Baht	-	2	-
Total	$ (482)	$ 227	$ (154)

Synthetic Guaranteed Investment Contracts (SGICs). In the fiduciary fund, Defined Contribution Plans and Deferred Compensation Plans, employees are eligible to participate in SGICs. The contracts provided an average crediting rate of 2.73 percent during fiscal year 2015. The fair value of these contracts is $71,775, and the contract value is $70,051. The fair value of the wrap contract was $0. The effective duration and credit rating for the investments underlying the SGICs are presented below. There was no foreign currency risk for the underlying investments.

State of Nebraska (dollars expressed in thousands)

	EFFECTIVE DURATION	FAIR VALUE	Investments Underlying SGICs Quality Ratings at June 30, 2015					
			AAA	AA	A	BBB	BB	UNRATED
Asset Backed Securities	1.60	$ 9,238	$ 9,238	$ -	$ -	$ -	$ -	$ -
Corporate Bonds	3.16	28,612	211	3,999	14,861	9,082	-	459
Government Agency Securities	2.70	7,895	-	6,986	264	-	-	645
International Bonds	1.85	1,165	375	790	-	-	-	-
Mortgages	2.67	11,998	3,724	300	154	-	-	7,820
Short Term Investments	-	2,023	-	-	-	-	-	2,023
US Treasury Notes	4.95	10,844	4,324	-	-	-	-	6,520
		$ 71,775						

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2015 is as follows:

Disclosure Regarding Deposits and Investments:	
Total Investments	$ 22,005,137
Carrying amount of Deposits	49,540
Total	$ 22,054,677
Statement of Net Position:	
Cash and Cash Equivalents	$ 691,755
Investments	3,961,293
Restricted Cash and Cash Equivalents	1,188
Securities Lending Collateral	138,600
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	143,059
Investments	16,893,907
Securities Lending Collateral	224,875
Total	$ 22,054,677

3. Receivables

Receivables are reflected net of allowances for doubtful accounts. The following are such related allowances listed by major fund at June 30, 2015:

Governmental Activities:	
General Fund	$ 92,791
Federal Fund	9,858
Health and Social Services Fund	5,473
Total Governmental Activities	$ 108,122
Business-type Activities:	
Unemployment Insurance	$ 6,882
Total Business-type Activities	$ 6,882

Of the taxes and other receivables, $38,245 and $18,721, respectively, is not expected to be collected within 60 days of the fiscal year end. These amounts have been offset by deferred inflows of resources in the General Fund and the Health and Social Services Fund. The majority of the loans receivable balance is not expected to be collected in the next year.

State of Nebraska (dollars expressed in thousands)

4. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 572,954	$ 6,251	$ -	$ 579,205
Infrastructure	7,246,226	83,737	-	7,329,963
Construction in progress	300,901	89,878	69,169	321,610
Total capital assets, not being depreciated	8,120,081	179,866	69,169	8,230,778
Capital assets, being depreciated:				
Buildings and improvements	640,288	5,047	448	644,887
Equipment	485,398	33,982	19,413	499,967
Total capital assets, being depreciated	1,125,686	39,029	19,861	1,144,854
Less accumulated depreciation for:				
Buildings and improvements	283,268	14,362	448	297,182
Equipment	372,770	33,575	17,286	389,059
Total accumulated depreciation	656,038	47,937	17,734	686,241
Total capital assets, being depreciated, net	469,648	(8,908)	2,127	458,613
Governmental activities capital assets, net	$ 8,589,729	$ 170,958	$ 71,296	$ 8,689,391
Business-type activities:				
Unemployment Insurance				
Equipment, being depreciated	$ 349	$ -	$ 25	$ 324
Less accumulated depreciation	349	-	25	324
Total Unemployment Insurance, net	-	-	-	-
Nonmajor Enterprise Funds				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	315	-	-	315
Capital assets, being depreciated:				
Buildings and improvements	8,442	-	-	8,442
Equipment	5,330	240	54	5,516
Total capital assets, being depreciated	13,772	240	54	13,958
Less accumulated depreciation for:				
Buildings and improvements	2,478	211	-	2,689
Equipment	4,354	254	54	4,554
Total accumulated depreciation	6,832	465	54	7,243
Total capital assets, being depreciated, net	6,940	(225)	-	6,715
Total Nonmajor Enterprise, net	7,255	(225)	-	7,030
Business-type activities capital assets, net	$ 7,255	$ (225)	$ -	$ 7,030

Current period depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General Government	$ 16,782
Conservation of Natural Resources	1,590
Culture – Recreation	1,656
Economic Development and Assistance	184
Education	1,823
Health and Social Services	1,494
Public Safety	9,864
Regulation of Business and Professions	564
Transportation	13,980
Total depreciation expense - Governmental activities	$ 47,937

State of Nebraska (dollars expressed in thousands)

Construction Commitments. At June 30, 2015, the State had contractual commitments of approximately $712,325 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	$ 304,787
State funds	396,048
Local funds	11,490
	$ 712,325

Most of these commitments will not be reflected as capital asset increases when they are paid because the State is using the modified approach to account for infrastructure. Under this method, capital asset additions are only reflected when improvements expand the capacity or efficiency of an asset.

5. Interfund Balances

Due To/From Other Funds at June 30, 2015 consists of the following:

	DUE TO								
DUE FROM	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Pension Trust	TOTALS
General Fund	$ -	$ 35	$ 41	$ 292	$ 47	$ 340	$ 11,772	$ 47,479	$ 60,006
Highway Fund	-	-	152	1	144	655	3,135	-	4,087
Federal Fund	72,815	2	-	3,039	1,415	20	7,100	-	84,391
Health and Social Services	1,195	1	-	-	9	29	268	-	1,502
Permanent School Fund	-	-	-	-	-	-	7	-	7
Nonmajor Governmental Funds	-	12	48	232	48	26	5,930	-	6,296
Unemployment Fund	-	-	-	-	144	-	-	-	144
Nonmajor Enterprise Funds	-	7	-	-	2	-	80	-	89
Internal Service Funds	-	25	-	-	39	1	916	-	981
Pension Trust	-	-	-	-	-	-	75	-	75
Private Purpose Trust	-	-	-	-	-	-	4	-	4
TOTALS	$ 74,010	$ 82	$ 241	$ 3,564	$ 1,848	$ 1,071	$ 29,287	$ 47,479	$ 157,582

Interfund receivables and payables are recorded for: (1) short term borrowings, (2) billing for services provided between agencies, (3) pension liabilities, and (4) risk management liabilities. All interfund receivables and payables are considered short term in nature.

Interfund transfers at June 30, 2015 consist of the following:

	TRANSFERRED TO:					
TRANSFERRED FROM:	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	TOTALS
General Fund	$ -	$ -	$ -	$ -	$ 72,794	$ 72,794
Highway Fund	-	-	-	-	17,588	17,588
Federal Fund	-	-	-	-	27,678	27,678
Health & Social Services Fund	7,800	-	-	-	16	7,816
Nonmajor Governmental Funds	49,043	12,515	-	340	4,984	66,882
Unemployment Fund	-	-	16,167	-	3,025	19,192
Nonmajor Enterprise Funds	-	-	-	866	36,241	37,107
TOTALS	$ 56,843	$ 12,515	$ 16,167	$ 1,206	$ 162,326	$ 249,057

Transfers are used to (1) move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move profits from the State Lottery Fund as required by law.

State of Nebraska (dollars expressed in thousands)

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the financial statements at June 30, 2015 consist of the following:

	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Other Funds	Unemployment Insurance	Nonmajor Enterprise Funds	TOTALS
Payroll and Withholdings	$ 16,270	$ 5,509	$ 6,091	$ 480	$ -	$ 3,582	$ 1,503	$ -	$ 253	$ 33,688
Payables to Vendors	65,440	76,953	18,115	6,365	149,718	35,979	13,045	1,909	31,448	398,972
Payables to Governments	39,183	19,012	142,072	192	5,319	9,281	289	-	16	215,364
Due to Fiduciary Funds *	-	-	-	-	-	-	47,479	-	-	47,479
Miscellaneous	-	-	-	-	-	105	-	18	7,080	7,203
TOTALS	$ 120,893	$ 101,474	$ 166,278	$ 7,037	$ 155,037	$ 48,947	$ 62,316	$ 1,927	$ 38,797	$ 702,706

* This amount represents amounts due to fiduciary funds, which were classified as external payables on the government-wide Statement of Net Position.

7. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2015 are summarized as follows:

	BEGINNING BALANCE (as restated)	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
Claims Payable	$ 247,366	$ 1,889,744	$ 1,882,448	$ 254,662	$ 207,273
Capital Lease Obligations	18,175	3,025	5,725	15,475	6,175
Obligations Under Other Financing Arrangements	5,565	1,430	6,995	-	-
Compensated Absences	129,219	18,048	16,125	131,142	11,805
Net Pension Liability	506,450	-	217,141	289,309	-
Totals	$ 906,775	$ 1,912,247	$ 2,128,434	$ 690,588	$ 225,253
Business-type Activities:					
Unemployment Insurance:					
Claims Payable	$ 9,728	$ 97,750	$ 99,719	$ 7,759	$ 7,759
Compensated Absences	7	1	8	-	-
Totals for Unemployment Insurance	9,735	97,751	99,727	7,759	7,759
Nonmajor Enterprise Funds:					
Claims Payable	18,377	5,331	4,960	18,748	5,562
Compensated Absences	874	114	78	910	82
Totals for Nonmajor Enterprise Funds	19,251	5,445	5,038	19,658	5,644
Totals for Business-type Activities	$ 28,986	$ 103,196	$ 104,765	$ 27,417	$ 13,403

The amount of claims payable reported in the fund financial statements are due and payable at fiscal year end. Claims payable, compensated absences and capital lease obligations typically have been liquidated in the general, special revenue and internal service funds. Obligations under other financing arrangements have been liquidated in the special revenue funds.

State of Nebraska (dollars expressed in thousands)

8. Lease Commitments

Capital and Operating Leases. The State leases land, office facilities, equipment, and other assets under both capital and operating leases. Although the lease terms may vary, all leases are subject to annual appropriation by the Legislature.

The minimum annual lease payments (principal and interest) and the present value of future minimum payments for capital leases as of June 30, 2015 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2016	$ 6,343
2017	4,765
2018	2,829
2019	1,115
2020	672
2021-2025	123
Total Minimum Payments	15,847
Less: Interest and executory costs	372
Present value of net minimum payments	$ 15,475

Capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of property and equipment under capital leases as of June 30, 2015:

	GOVERNMENTAL ACTIVITIES
Equipment	$ 29,250
Less: accumulated depreciation	(17,496)
Carrying value	$ 11,754

The minimum annual lease payments for operating leases as of June 30, 2015 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2016	$ 8,422
2017	2,071
2018	1,911
2019	1,931
2020	1,867
2021-2025	6,815
2026-2030	4,901
2031-2035	4,578
2036-2040	195
Total	$ 32,691

Primary Government operating lease payments for the year ended June 30, 2015 totaled $14,274.

Lessor Transactions. The State also is a lessor of property, primarily farm land leased by the Board of Educational Lands and Funds to farmers and ranchers. At June 30, 2015, the State owned approximately 1.3 million acres of land that was under lease. Under the terms of the leases, the annual payments are subject to change based on annual market analysis. Total rents of $51,037 were received under these and other lease agreements for the year ended June 30, 2015.

State of Nebraska (dollars expressed in thousands)

9. Obligations Under Other Financing Arrangements

The State has entered into special financing arrangements with certain public benefit corporations to fund certain grant programs. Under these arrangements, the State enters into an agreement with a public benefit corporation, the Nebraska Investment Finance Authority (NIFA), whereby NIFA issues bonds, the proceeds of which, along with federal capitalization grants, are used to provide loans to various municipalities and local units of government in Nebraska that qualify for such loans. Such loans are used for improvements to wastewater and drinking water treatment facilities. Funds to repay NIFA come from the municipalities and units of government to which the loans are given.

On June 18, 2015 the State called for the redemption of the Drinking Water State Revolving Fund Revenue Bonds, series 2000A and 2008A. The bond call of $1,044 and $1,285 respectively was funded by available cash.

On June 18, 2015 the State in-substance defeased the Drinking Water State Revolving Fund Revenue Bonds, series 2010A, by depositing $2,680 with an escrow agent in trust. The in-substance defeasance was funded by available cash. Debt is considered defeased in substance for accounting and financial reporting purposes if the debtor irrevocably places cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt. These bonds are scheduled to be redeemed on July 1, 2017.

As of June 30, 2015 the State has no Obligations Under Other Financing Arrangements.

10. Governmental Fund Balances

The State's governmental fund balances represent: (1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are imposed by law through constitutional provisions or are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2015, follows:

Governmental Fund Balances

	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Funds
Restricted for:						
Education	$ -	$ -	$ -	$ -	$ 225,220	$ 18,844
Health and Social Services	-	-	-	534,963	-	37,159
Conservation of Natural Resources	-	-	-	-	-	579,913
Transportation	-	259,451	-	-	-	10,218
Licensing and Regulation	-	-	-	-	-	97,126
Economic Development	-	-	-	-	-	56,482
Public Safety	-	-	-	-	-	27,493
Culture – Recreation	-	-	-	-	-	44,498
Other Purposes	-	-	2,082	-	-	37,663
Total Restricted	$ -	$ 259,451	$ 2,082	$ 534,963	$ 225,220	$ 909,396
Committed to:						
Economic Stabilization	727,835	-	-	-	-	-
Other Purposes	-	-	-	-	-	99,358
Total Committed	$ 727,835	$ -	$ -	$ -	$ -	$ 99,358
Assigned to:						
Education	-	-	-	-	-	163
Health and Social Services	-	-	-	545	-	1,503
Licensing and Regulation	-	-	-	-	-	46,471
Economic Development	-	-	-	-	-	46
Culture – Recreation	-	-	-	-	-	83
Other Purposes	-	-	-	-	-	1,283
Total Assigned	$ -	$ -	$ -	$ 545	$ -	$ 49,549

State of Nebraska (dollars expressed in thousands)

11. Contingencies and Commitments

Grants and Contracts. The State participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State.

All State agencies including institutions of higher education are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or institution is a recipient of federal grants, contracts, or other sponsored agreements. Certain agencies or institutions may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. Management believes that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the State.

Litigation. The State is named as a party in legal proceedings that occur in the normal course of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of State and Federal laws. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the State for these proceedings. It is the State's opinion that the ultimate liability for these and other proceedings is not expected to have a material adverse effect on the State's financial position.

The State also has been named as a party in legal proceedings that occur outside of the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State for all of these proceedings. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined.

12. Risk Management

Through Administrative Services, the State maintains insurance and self-insurance programs. Workers' compensation, employee health care, general liability and employee indemnification are generally self-insured. However, the State does carry surety bonds for constitutional officers. All vehicles owned by the State are covered to the maximum of $5,000 limit and a $300 retention per occurrence for liability (bodily injury and property damage to personal or real property) caused by a State vehicle.

Risk Management has procured excess commercial crime coverage in the amount of $31,000 with a self-insured retention of $25. Risk Management has procured excess property coverage in the amount of $250,000 with a self-insured retention of $200. Each State agency has the option of purchasing insurance coverage for its contents, i.e. personal property. This coverage is not required, but Risk Management will purchase such coverage on behalf of an agency at its direction. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. Administrative Services provides life insurance for eligible State employees. These activities are reported in the Risk Management Internal Service Fund.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors, but do not include non-incremental claims adjustment expenses.

The liability for workers' compensation is recorded as a claims payable of $47,697 at a discounted rate of 2.0 percent ($6,150).

Changes in the balances of claims liabilities of the Risk Management Internal Service Fund during the years ended June 30, 2015, and 2014, were as follows:

	Fiscal Year 2015	Fiscal Year 2014
Beginning Balance	$ 72,693	$ 71,674
Current Year Claims and Changes in Estimates	(192,391)	(185,224)
Claim Payments	197,844	186,243
Ending Balance	$ 78,146	$ 72,693

13. Pension Plans

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by each plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plans Administered by the Public Employees Retirement Board

The Public Employees Retirement Board (the Board), which consists of eight members, was created in 1971 to administer the Nebraska retirement plans then in existence. Those plans were the School, State Employees', Judges' and State Patrol plans. In October of 1973, the Board assumed the administration of the Nebraska County Employee Retirement System. The plans have been created in accordance with Internal Revenue Code, Sections 401(a), 414(h) and 414(k). Contribution and benefit provisions are established by State law and may only be amended by the State Legislature.

The Board prepares separate reports for the defined contribution plans and for the defined benefit plans. Copies of these reports that include financial statements and required supplementary information for the plans may be obtained on the Nebraska Public Employees Retirement System (NPERS) website at: npers.ne.gov. Information on NPERS may also be obtained by writing to Public Employees Retirement Systems, P.O. Box 94816, Lincoln, NE 68509-4816, or by calling 402-471-2053.

Basis of Accounting. The financial statements of the plans are prepared using the accrual basis of accounting, and are included as pension trust funds in the accompanying financial statements. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Plan Description and Funding Policy. By State law, there is to be an equitable allocation of all plan administration expenses among the retirement systems administered by the Board, and all such expenses shall be provided from the investment income earned by the various retirement funds.

The main benefits provided by each of these plans are retirement benefits. However, the plan also provides ancillary benefits in the event of pre-retirement death, disability, or termination of employment prior to meeting the eligibility requirements to retire.

Following is a summary of each of these plans:

State Employees' Retirement. This single-employer plan became effective by statute on January 1, 1964. Prior to January 1, 2003, the plan consisted of a defined contribution plan that covered employees of the State. Effective January 1, 2003, a cash balance benefit was added to the State Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the plan on and after January 1, 2003, become members of the cash balance benefit. For both Cash Balance and Defined Contribution plans, benefits are vested after three years of plan participation. Members can become vested in less than three years if they attain age 55 before terminating employment, die before terminating employment or qualify for disability retirement.

Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is a single life annuity with five-year-certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity and have the option to purchase a built in cost-of-living adjustments of 2.5 percent annually. If the retiree elects an annuity with no cost-of-living adjustments, the monthly annuity amount will never change. If the retiree purchases the cost-of-living adjustment, the annuity dollar amount increases 2.5 percent each year. Also available are additional forms of payment allowed under the plan, which are actuarially equivalent to the normal form, including the option of a full or partial lump-sum.

Under the defined contribution option, a member upon attainment of age 55, regardless of service, the retirement allowance is equal to the sum of the employee and employer accounts. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

For both the cash balance and defined contribution plans, the amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the plan's fiscal year ended December 31, 2014.

Participation in the plan is required for all permanent full-time employees upon employment. Part-time employees may elect voluntary participation upon reaching age 18. Each member contributes 4.8 percent of their compensation. The State matches a member's contribution at a rate of 156 percent. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 84-1301 through 84-1333 (Reissue 2014) and may be amended only by the Nebraska Legislature. Pursuant to state statute, an actuarial valuation is performed each year to determine the actuarial required contribution. To the extent member and State payroll-related contributions are insufficient to meet the full actuarial contribution; the remainder is paid by the State.

As of December 31, 2014, there were 24,099 members in the plan. Of these members, 15,770 were active, 7,107 were inactive, and 1,222 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of $33,794 and State contributions of $52,644 for the plan year ended December 31, 2014.

School Employee's Retirement. The State is the plan sponsor for the School Retirement System, a cost-sharing multiple-employer defined benefit pension plan, with 266 participating school districts; and, the Service Annuity Plan, a single-employer defined benefit pension plan. The State is also a non-employer contributing entity for the Omaha School Employees' Retirement System.

Participation in the School plan is required for all permanent employees of a Nebraska school district (other than the Omaha Public School District), an educational service unit, the state or county (if the position with the state or county requires a teaching certificate), working at least 20 hours per week on an ongoing basis, or with a full-time contract. Once an employee meets the requirements to participate in the plan, they will remain in the plan until termination or retirement. Members' benefits are vested after five years of plan participation or when termination occurs at age 65 or later.

In this plan, the State is in a special funding situation and contributes 2 percent of estimated payroll for the plan year. The employees' contribution is 9.78 percent of their compensation. Pursuant to state statute, a fixed contribution rate is paid by the employers. Currently the school district's contribution is 101 percent of the employees' contribution. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 79-901 through 79-977.03 (Reissue 2014) and may be amended only by the Nebraska Legislature.

Normal retirement age is 65. Unreduced benefits are also available for a member who is at least age 55 and whose age plus service equals or exceed 85 (Rule of 85). The monthly benefit is equal to the greater of: 1) The sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to $3.50 per year of service; or 2) the average of the three 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor (currently 2 percent) set by statute, and an actuarial factor based on age. For an employee who became a member on or after July 1, 2013, the monthly benefit is equal to the greater of: 1) The sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to $3.50 per year of service; or 2) the average of the five 12-month periods of service in which such compensation was the greatest, multiplied by the total years of creditable service, multiplied by a formula factor (currently 2 percent) set by statute, and an actuarial factor based on age. Benefit calculations vary with early retirement.

For employees who became members prior to July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit. For employees who became members on or after July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or one percent.

The accompanying financial statements include member contributions of $175,138, employer contributions of $173,014, and State contributions of $35,493 for the plan year ended June 30, 2015.

The Service Annuity Plan provides benefits for the employees of the Omaha Public School District equal to $3.50 times years of services. In this plan, the State is in a special funding situation because the benefits provided to the employees of the Omaha Public School District are funded exclusively by the State. There are no employee or employer contributions made to the plan. The benefit and contribution provisions for this plan are established by State law and may be amended only by the Nebraska Legislature.

Retirement is at age 65 with 5 years of service. Early retirement is at age 55 with 10 years of service, five of which must be with the Omaha Public School District. The benefit vests when the member has five years of service.

As of September 1, 2014, there were 8,352 members in the plan. Of these members, 7,415 were active and 937 were inactive. For the fiscal year ending June 30, 2015, the Service Annuity received $998 in non-employer contributions from the State.

Under state statutes, the State, as a non-employer contributing entity with a special funding situation in the Omaha School Employees' Retirement System, contributes 2% of the members' compensation. The accompanying financial statements include the State's special funding contribution of $6,453 for the plan year ended June 30, 2015.

Judges Retirement. The Judges Retirement System is a single-employer defined benefit pension plan. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Courts, Workers' Compensation Court, County Courts, and Juvenile Courts. Benefits vest when the member takes office.

Retirement is at age 65 with benefits calculated using the compensation for the three 12-month periods of service as a judge in which compensation was the greatest, or the average monthly compensation, multiplied by the total years of service and the formula factor of 3.5 percent, subject to a maximum of 70 percent of the final average salary. The calculation varies with early retirement.

The benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit.

The plan is funded by members' contributions, a portion of court fees collected, and the State's contribution. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 24-701 through 24-714 (Reissue 2008, Cum. Supp. 2014)) and may be amended only by the Nebraska Legislature. Each member hired after July 1, 2004, contributes nine percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, members contribute five percent of their monthly salary for the remainder of their active service. All other members contribute seven percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, those members contribute one percent of their monthly salary for the remainder of their active service. A six dollar fee for each case is collected for District and County courts, Juvenile courts, the Workers' Compensation Court, the Supreme Court, and the Court of Appeals, plus a 10 percent charge on certain fees collected in the County courts. An actuarial valuation is performed each year to determine the actuarial required contribution. To the extent member contributions and court fees are insufficient to meet the full actuarial required contribution, the remainder is paid by the State.

As of June 30, 2015, there were 332 members in the plan. Of these members, 147 were active, 6 were inactive, 5 were disabled and 174 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of $1,611, court fees of $2,977 and State contributions of $94 for the plan year ended June 30, 2015.

State Patrol Retirement. The State Patrol Retirement System is a single-employer defined benefit pension plan for officers of the Nebraska State Patrol.

Participation is required upon employment. Members are required to contribute sixteen percent of their monthly salary, and the State Patrol contributes sixteen percent. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 81-2014 through 81-2041 (Reissue 2014) and may be amended only by the Nebraska Legislature. Pursuant to this statute, an actuarial valuation is performed each year to determine the actuarial required contribution. To the extent the member and employer statutory contributions are insufficient to meet the full actuarial required contribution, the remainder is paid by the State as an additional contribution. Member benefits vest when the officer completes six years of service.

Unreduced retirement benefits are payable upon meeting the following criteria: 1) age 50 and 25 years of service, 2) age 55 and 10 years of service, or 3) age 60 regardless of service. The retirement benefit is calculated using the compensation for the three 12-month periods of service in which compensation was the greatest, multiplied by the total years of service and the formula factor of 3.0 percent, subject to a maximum of 75 percent of the final average salary. The calculation varies with early retirement which is available at age 50 and 10 years of service.

The benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 60% of the purchasing power of the initial benefit.

Deferred Retirement Option Plan (DROP) Neb. Rev. Stat. § 81-2041 (Reissue 2014) established the Patrol DROP effective September 1, 2008. The DROP is a voluntary deferred retirement plan that a member can enter between the ages of 50 and 60, with 25 years of service. Upon choosing to participate in DROP, the member is deemed to have retired; however, the member continues in active employment for up to a five-year period with no retirement contributions withheld from his or her paychecks. When the member enters DROP, the individual's monthly benefit is calculated and paid into an IRC § 414(k) Deferred Compensation Plan (DCP). After the member retires (60 years of age) or has been in DROP for five years, whichever occurs first, the member then has the option to receive a lump sum payment and/or rollover the funds in the DCP account to another qualified plan. Thereafter, future retirement benefit payments are made directly to the member.

As of June 30, 2015, there were 902 members in the plan. Of these members, 413 were active, 25 were inactive, 13 were disabled, 51 were participating in the DROP program, and 400 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of $4,180, and State contributions of $8,620 for the plan year ended June 30, 2015.

Other Plan Administered

County Employees' Retirement. In 1973, the State Legislature brought the County Employees' Retirement System under the administration of the Board. This cost-sharing multiple-employer plan covers employees of 91 of the 93 counties and several county health districts. Douglas and Lancaster counties have separate retirement plans for their employees by State law. Prior to January 1, 2003, the plan consisted of a defined contribution plan. Effective January 1, 2003, a cash balance benefit was added to the County Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003 elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the Plan on and after January 1, 2003 become members of the cash balance benefit. Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment. Members have options on how to receive the payment. For both Cash Balance and Defined Contribution plans, benefits are vested after three years of plan participation. Members can become vested in less than three years if they attain age 55 before terminating employment, die before terminating employment or qualify for disability retirement.

Participation in the plan is required of all full-time employees upon employment and of all full-time elected officials upon taking office. Part-time employees may elect voluntary participation upon reaching age 18. Part-time elected officials may exercise the option to participate. County employees and elected officials contribute four and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with less than 85,000 inhabitants contribute an extra one percent, or a total of five and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with a population in excess of 85,000 inhabitants contribute an extra two percent, or a total of six and one half percent of their total compensation. The counties match a member's contribution at a rate of 150 percent for the first four and one half percent and 100 percent for the extra one and two percent. The State does not contribute to this plan.

As of December 31, 2014, there were 10,858 members in the plan. Of these members, 7,553 were active, 2,879 were inactive, and 426 were retirees or beneficiaries receiving benefits. Members contributed $12,840 and counties contributed $18,972 during the year ended December 31, 2014, which was equal to required contributions.

Net Pension Liability/(Asset)

The net pension liability/(asset) calculation for the Judges, Patrol and Service Annuity plans, and the collective net pension liability for the School plan were performed with a measurement date of June 30, 2014. The total pension asset for the Judges plan and the total pension liability for the Patrol, Service Annuity and School plans as of June 30, 2014 were determined based on the annual actuarial funding valuation report prepared as of July 1, 2014.

The net pension asset calculation for the State Employees' Retirement plan was performed with a measurement date of December 31, 2014. The total pension asset as of December 31, 2014 was determined based on the annual actuarial funding valuation report prepared as of January 1, 2015.

The net pension liability calculation for the Omaha School Employees' Retirement System was performed with a measurement date of August 31, 2014. The total pension liability as of August 31, 2014 was determined based on the annual actuarial funding valuation report prepared as of September 1, 2013.

The State Employees' Retirement plan, the State Patrol Retirement plan and the Judges' Retirement plan are all single employer plans with the State as the employer. The State will report 100 percent of the net pension liability/(asset) for each of those plans.

The State is a non-employer with a special funding situation for the school retirement plans. The State reported a $245,210 total pension liability for its proportionate share of the collective net pension liability for the school retirement plans. The State's share is a combination of $169,592 from the Nebraska Public Employees Retirement System's School plan, $2,879 from the Service Annuity plan, and $72,739 from the Omaha School Employees' Retirement System. The State's percentage of its proportionate share of the net pension liability for the Nebraska Public Employees Retirement System's School plan is 17.44 percent, the Service Annuity plan is 100 percent, and the Omaha School Employees' Retirement System is 16.84 percent. In the School plan and the Omaha School Employees Retirement System, the determination of proportionate share is based on individual employer contribution information.

State of Nebraska (dollars expressed in thousands)

The key actuarial assumptions used to measure the total pension liability, as of the latest valuation date, are as follows:

	STATE CASH BALANCE	STATE PATROL RETIREMENT	JUDGES' RETIREMENT	SCHOOL RETIREMENT AND SERVICE ANNUITY	OMAHA SCHOOL EMPLOYEES' RETIREMENT
Measurement Date	12/31/2014	6/30/2014	6/30/2014	6/30/2014	8/31/2014
Actuarial Valuation Date	1/1/2015	7/1/2014	7/1/2014	7/1/2014	9/1/2014
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar amount, closed	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed
Single Amortization Period	21 years	27 years	27 years	26 years	30 years
Asset Valuation Method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market	market related smoothed value
Actuarial Assumptions:					
Investment Rate of Return **	7.75%	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases **	4.0% to 5.43%	4.0% to 9.5%	4.0%	4.0% to 9.0%	4.0% to 5.6%

** Includes assumed inflation of 3.25% per year for State, Judges Patrol, and School plans, 3.00% for Omaha School Employees Retirement System

Mortality Rates. The Judges, State, School, and Service Annuity plans' pre-retirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using scale AA, set back one year (sex distinct with 55 percent of male rates for males and 40 percent of female rates for females).

The Judges, State, School, and Service Annuity plans' post-retirement rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set-back one year (sex distinct). The Patrol plan's post-retirement mortality rates are the same as pre-retirement rates.

The Patrol plan's pre-retirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set-back one year (sex distinct).

The Omaha School Employees' Retirement System pre-retirement mortality rates were based on the RP 2000 Combined Mortality Table, female rates set back 1 year and male rates with no set back, projected on a generational basis using Scale AA. Post-retirement mortality rates are the same as pre-retirement rates.

The Patrol, School and Service Annuity plans' disability mortality rates were based on the 1983 Railroad Retirement Board Disabled Annuitants Mortality (unisex). The Judges plan did not utilize a disability mortality rate.

The Omaha School Employees' Retirement System post-disability mortality rates were based on the same tables as the post-retirement tables, with ages set forward 10 years.

The actuarial assumptions used in the January 1, 2015 valuation for the State are based on the results of the most recent actuarial experience study, which covered the five-year period ending June 30, 2011. The experience study report is dated August 20, 2012.

The actuarial assumptions used in the July 1, 2014, valuations for the School, Judges, and Patrol plans are based on the results of the most recent actuarial experience study, for the period July 1, 2006 - June 30, 2011. The experience study report is dated August 20, 2012.

The actuarial assumptions used in the September 1, 2013 valuation were based on the results of the most recent actuarial experience study, which covered the five-year period ending August 31, 2012. The experience study report is dated December 23, 2013.

State of Nebraska (dollars expressed in thousands)

Target Asset Allocation. The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, who is responsible for investing the pension plan assets. The School, Service Annuity, State, Judges, and Patrol plans commingle their investments; thus, the target allocations are the same for each of the plans. The return assumptions were developed using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plans' target asset allocations as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Estate of Return *
Large Cap US Equity	26.10%	4.4%
Small Cap US Equity	2.90%	4.9%
Global Equity	15.00%	5.0%
International Developed Equity	11.14%	5.0%
Emerging Markets Equity	2.36%	6.2%
Fixed Income	25.00%	1.7%
Bank Loans	5.00%	2.0%
Real Estate	7.50%	4.7%
Private Equity	5.00%	6.5%
Total	100.00%	

*Geometric mean, net of investment expense

For the Omaha School Employees' Retirement System, the target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by the System's investment consultant for the last experience study, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Estate of Return *
Small Cap US Equity	12.00%	7.1%
Global Equity	15.00%	7.6%
Specialty Funds	15.00%	11.0%
Alternatives	25.00%	7.6%
Fixed Income	5.00%	3.4%
High Yield Investments	16.00%	5.9%
Real Estate	12.00%	7.0%
Total	100.00%	

*Arithmetic mean, net of investment expenses

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent for the State and 8 percent for Judges, Patrol and Schools. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

State of Nebraska (dollars expressed in thousands)

The change in the net pension liability/(asset) is presented in the following schedules:

Judges Retirement Plan

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance at 6/30/2013	$ 148,582	$ 137,022	$ 11,560
Changes for the year:			
Service Cost	4,257	-	4,257
Interest on Total Pension Liability	11,568	-	11,568
Differences between expected and actual experience	42	-	42
Benefit payments, including member refunds	(8,122)	(8,122)	-
Employer contributions	-	3,906	(3,906)
Employee contributions	-	1,519	(1,519)
Net investment income	-	24,543	(24,543)
Administrative expenses	-	(78)	78
Net changes	7,745	21,768	(14,023)
Balance at 6/30/2014	$ 156,327	$ 158,790	$ (2,463)

State Retirement Plan

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance at 12/31/2013	$ 1,139,773	$ 1,223,695	$ (83,922)
Changes for the year:			
Service Cost	54,921	-	54,921
Interest on Total Pension Liability	85,696	-	85,696
Differences between expected and actual experience	(11,217)	-	(11,217)
Benefit payments, including member refunds	(73,527)	(73,527)	-
Employer contributions	-	41,456	(41,456)
Employee contributions	-	26,603	(26,603)
Net investment income	-	83,524	(83,524)
Administrative expenses	-	(910)	910
Transfers	4,196	4,196	-
Net changes	60,069	81,342	(21,273)
Balance at 12/31/2014	$ 1,199,842	$ 1,305,037	$ (105,195)

State Patrol Retirement Plan

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance at 6/30/2013	$ 386,875	$ 309,590	$ 77,285
Changes for the year:			
Service Cost	8,174	-	8,174
Interest on Total Pension Liability	30,165	-	30,165
Differences between expected and actual experience	(3,788)	-	(3,788)
Benefit payments, including member refunds	(20,010)	(20,010)	-
Employer contributions	-	8,753	(8,753)
Employee contributions	-	4,134	(4,134)
Net investment income	-	54,950	(54,950)
Administrative expenses	-	(121)	121
Other changes	-	21	(21)
Net changes	14,541	47,727	(33,186)
Balance at 6/30/2014	$ 401,416	$ 357,317	$ 44,099

State of Nebraska (dollars expressed in thousands)

Sensitivity of the net pension liability/(asset) to changes in the discount rate. The following presents the net pension liability/(asset) of the plans calculated using the current discount rate of 8 percent for Judges, Patrol, and School. A current discount rate of 7.75 percent was used for the State plan. The table also shows what the plans' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

Net Pension Liability / (Asset)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
School	$ $517,281	$ $245,210	$ $18,903
Judges	13,527	(2,463)	(16,245)
Patrol	98,018	44,099	1
	1% Decrease (6.75%)	**Current Discount Rate (7.75%)**	**1% Increase (8.75%)**
State	$ (1,523)	$ (105,195)	$ (194,169)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports prepared by the Nebraska Public Employees Retirement Board and the Omaha School Employee Retirement System.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As a result of its requirement to contribute to these retirement plans, the State recognized expense of $29,409 for the year ended June 30, 2015. Of this amount, $812 pension income was recognized for the Nebraska Public Employees Retirement System's School plan, $20,701 expense was recognized for the State plan, $4,961 pension expense was recognized for the Omaha School Plan, $2,953 pension expense was recognized for the State Patrol Plan, $803 pension expense was recognized for the Judges Plan, and $803 in pension expense was recognized for the Service Annuity. In the accompanying financial statements, presented as of June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Actuarial Calculations:		
Judges Retirement		
Differences between expected and actual experience	$ 33	$ -
Net difference between projected and actual earnings on pension plan investments	-	10,952
Patrol Retirement		
Differences between expected and actual experience	-	3,013
Net difference between projected and actual earnings on pension plan investments	-	24,373
School Retirement		
Differences between expected and actual experience	27	10,993
Net difference between projected and actual earnings on pension plan investments	-	122,087
Changes in proportion	163	1,790
State Retirement		
Differences between expected and actual experience	-	9,502
Net difference between projected and actual earnings on pension plan investments	8,983	-
Total Actuarial Calculations	9,206	182,710
Employer Contributions Paid Subsequent to Actuarial Measurement Date:		
Judges Retirement	3,071	-
Patrol Retirement	8,620	-
School Retirement	42,944	-
TOTAL	$ 63,841	$ 182,710

State of Nebraska (dollars expressed in thousands)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Judges Outflow	Judges Inflow	Patrol Outflow	Patrol Inflow	School Outflow	School Inflow	State Outflow	State Inflow
2016	$ 3,081	$ 2,738	$ 8,620	$ 6,868	$ 42,947	$ 33,049	$ 2,246	$ 1,715
2017	10	2,738	-	6,868	3	33,049	2,246	1,715
2018	10	2,738	-	6,867	3	33,049	2,246	1,715
2019	3	2,738	-	6,783	3	33,049	2,245	1,715
2020	-	-	-	-	3	884	-	1,715
Thereafter			-	-	12	-	-	927
Total	$ 3,104	$ 10,952	$ 8,620	$ 27,386	$ 42,971	$ 133,080	$ 8,983	$ 9,502

Payable to the Pension Plans

At June 30, 2015, the State reported a payable of $47,477 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

14. Bonds Payable

Article XIII of the State's Constitution prohibits the State from incurring debt in excess of one hundred thousand dollars. However, there is a provision in the State’s Constitution that permits the issuance of revenue bonds for: (1) construction of highways; and (2) construction of water conservation and management structures. At June 30, 2015, there was no outstanding debt for either of these purposes.

The component units issue bonds for various purposes including student housing, parking facilities and special event centers. Net revenues from student housing and dining facilities, special student fees and parking facilities fees are pledged to secure the appropriate issues.

All outstanding bond issues of the University of Nebraska Facilities Corporation and the Nebraska State College Facilities Corporation are general obligations of these corporations. They are separate legal entities that are not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself.

BONDS PAYABLE	INTEREST RATES	BALANCE JUNE 30, 2015
COMPONENT UNITS		
University of Nebraska	1.00%-6.00%	$ 792,995
Nebraska State Colleges	0.30%-5.25%	52,106
Component Units Total		$ 845,101

State of Nebraska (dollars expressed in thousands)

COMPONENT UNITS
DEBT SERVICE REQUIREMENTS TO MATURITY

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	$ 51,657	$ 33,964	$ 85,621
2017	59,726	33,627	93,353
2018	80,710	31,452	112,162
2019	63,016	28,481	91,497
2020	47,997	26,075	74,072
2021 - 2025	198,370	101,278	299,648
2026 - 2030	140,905	66,117	207,022
2031 - 2035	96,705	37,698	134,403
2036 - 2040	71,985	16,566	88,551
2041 - 2045	29,930	3,615	33,545
2046	4,100	82	4,182
Total	$ 845,101	$ 378,955	$ 1,224,056

15. Restatements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, was implemented during fiscal year 2015. As a result, the beginning Net Position of Governmental Activities on the Statement of Activities decreased $374,255 to reflect the beginning balances of Net Pension Liability, Net Pension Asset, and Deferred Outflows of Resources related to Pensions. This restatement did not include Deferred inflows of Resources related to Pensions as this information was not available for the beginning of fiscal year 2015. Fiscal years prior to 2014 were not restated as this information was not available.

Component Units Net Position – The Nebraska State College System restated prior year net position due to some liabilities and assets that were not accrued or were not properly accrued. These errors caused the fiscal year 2014 ending net position to be understated. As a result, the beginning Net Position for Component Units on the Statement of Activities increased by $101.

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2015

(Dollars in Thousands)	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	$ 4,105,611	$ 4,180,111	$ 4,190,210	$ 10,099
Federal Grants and Contracts	44	44	44	-
Sales and Charges	22,367	22,367	22,367	-
Other	34,703	34,703	34,703	-
Total Revenues	4,162,725	4,237,225	4,247,324	10,099
EXPENDITURES				
Current:				
General Government	363,966	367,080	346,289	20,791
Conservation of Natural Resources	58,381	58,381	45,240	13,141
Culture – Recreation	11,805	11,821	8,402	3,419
Economic Development and Assistance	24,826	24,826	13,163	11,663
Education	1,947,362	1,945,062	1,899,516	45,546
Health and Social Services	1,702,233	1,694,811	1,440,941	253,870
Public Safety	294,048	308,952	272,935	36,017
Regulation of Business and Professions	5,256	5,256	3,919	1,337
Transportation	92	92	-	92
Capital Projects	3,284	3,284	-	3,284
Total Expenditures	4,411,253	4,419,565	4,030,405	389,160
Excess (Deficiency) of Revenues Over (Under) Expenditures	(248,528)	(182,340)	216,919	399,259
OTHER FINANCING SOURCES (USES)				
Transfers In	221,819	221,819	221,819	-
Transfers Out	(375,426)	(375,426)	(375,426)	-
Other	129	129	129	-
Total Other Financing Sources (Uses)	(153,478)	(153,478)	(153,478)	-
Net Change in Fund Balance	(402,006)	(335,818)	63,441	399,259
FUND BALANCES, JULY 1	1,391,940	1,391,940	1,391,940	-
FUND BALANCES, JUNE 30	$ 989,934	$ 1,056,122	$ 1,455,381	$ 399,259

A reconciliation of the budgetary basis versus GAAP fund balance for the General Fund as of June 30, 2015, follows:

Actual Fund Balances, budgetary basis, June 30, 2015	
General	$ 727,546
Cash Reserve	727,835
Budgetary fund balances	1,455,381
DIFFERENCES DUE TO BASIS OF ACCOUNTING:	
Record State contributions due pension funds	(47,479)
Record claims payable	(90,025)
Record other net accrued receivables and liabilities	26,301
GAAP fund balance, June 30, 2015	$ 1,344,178

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CASH FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	$ 170,804	$ 170,804	$ 170,804	$ -
Federal Grants and Contracts	389,143	389,143	389,143	-
Sales and Charges	609,703	609,703	609,703	-
Other	169,449	169,449	169,449	-
Total Revenues	1,339,099	1,339,099	1,339,099	-
EXPENDITURES				
Current:				
General Government	228,375	238,620	218,219	20,401
Conservation of Natural Resources	156,366	167,666	73,712	93,954
Culture – Recreation	56,203	57,073	27,084	29,989
Economic Development and Assistance	99,847	99,967	34,942	65,025
Education	699,535	708,058	469,278	238,780
Health and Social Services	204,347	204,351	133,570	70,781
Public Safety	57,373	57,780	36,083	21,697
Regulation of Business and Professions	206,118	198,601	118,057	80,544
Transportation	1,017,369	1,017,369	823,018	194,351
Capital Projects	54,676	54,676	19,679	34,997
Total Expenditures	2,780,209	2,804,161	1,953,642	850,519
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,441,110)	(1,465,062)	(614,543)	850,519
OTHER FINANCING SOURCES (USES)				
Transfers In	1,267,857	1,267,857	1,267,857	-
Transfers Out	(592,566)	(592,566)	(592,566)	-
Other	2,923	2,923	2,923	-
Total Other Financing Sources (Uses)	678,214	678,214	678,214	-
Net Change in Fund Balance	(762,896)	(786,848)	63,671	850,519
FUND BALANCES, JULY 1	1,111,119	1,111,119	1,111,119	-
FUND BALANCES, JUNE 30	$ 348,223	$ 324,271	$ 1,174,790	$ 850,519

A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2015, follows :

Actual Fund Balances, budgetary basis, June 30, 2015	
Cash	$ 1,174,790
Construction	73,360
Federal	66,705
Revolving	369,855
Budgetary fund balances	1,684,710
Unbudgeted fund balances	2,182,032
Non-major fund balances	(1,604,491)
Differences due to basis of accounting	(709,955)
GAAP fund balance, June 30, 2015	$ 1,552,296
Actual Fund Balances of Major Funds, June 30, 2015	
Highway	$ 263,087
Federal	2,243
Health and Social Services	535,721
Permanent School	751,245
GAAP fund balance, June 30, 2015	$ 1,552,296

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CONSTRUCTION FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	1,515	1,515	1,515	-
Total Revenues	1,515	1,515	1,515	-
EXPENDITURES				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	79,684	79,684	31,287	48,397
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	71,528	71,528	4,510	67,018
Total Expenditures	151,212	151,212	35,797	115,415
Excess (Deficiency) of Revenues Over (Under) Expenditures	(149,697)	(149,697)	(34,282)	115,415
OTHER FINANCING SOURCES (USES)				
Transfers In	14,750	14,750	14,750	-
Transfers Out	-	-	-	-
Other	-	-	-	-
Total Other Financing Sources (Uses)	14,750	14,750	14,750	-
Net Change in Fund Balance	(134,947)	(134,947)	(19,532)	115,415
FUND BALANCES, JULY 1	92,892	92,892	92,892	-
FUND BALANCES, JUNE 30	$ (42,055)	$ (42,055)	$ 73,360	$ 115,415

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FEDERAL FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Federal Grants and Contracts	2,512,772	2,512,772	2,512,772	-
Sales and Charges	19,743	19,743	19,743	-
Other	28,201	28,201	28,201	-
Total Revenues	2,560,716	2,560,716	2,560,716	-
EXPENDITURES				
Current:				
General Government	7,928	8,045	4,023	4,022
Conservation of Natural Resources	54,552	80,010	62,804	17,206
Culture – Recreation	3,142	4,278	2,321	1,957
Economic Development and Assistance	138,715	139,721	62,441	77,280
Education	1,139,875	1,142,468	860,566	281,902
Health and Social Services	2,132,708	2,107,928	1,500,510	607,418
Public Safety	148,152	151,668	92,027	59,641
Regulation of Business and Professions	8,210	8,382	2,624	5,758
Transportation	-	-	-	-
Capital Projects	74,005	74,005	-	74,005
Total Expenditures	3,707,287	3,716,505	2,587,316	1,129,189
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,146,571)	(1,155,789)	(26,600)	1,129,189
OTHER FINANCING SOURCES (USES)				
Transfers In	60,247	60,247	60,247	-
Transfers Out	(44,124)	(44,124)	(44,124)	-
Other	(828)	(828)	(828)	-
Total Other Financing Sources (Uses)	15,295	15,295	15,295	-
Net Change in Fund Balance	(1,131,276)	(1,140,494)	(11,305)	1,129,189
FUND BALANCES, JULY 1	78,010	78,010	78,010	-
FUND BALANCES, JUNE 30	$ (1,053,266)	$ (1,062,484)	$ 66,705	$ 1,129,189

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
REVOLVING FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Federal Grants and Contracts	4,529	4,529	4,529	-
Sales and Charges	572,830	572,830	572,830	-
Other	202,724	202,724	202,724	-
Total Revenues	780,083	780,083	780,083	-
EXPENDITURES				
Current:				
General Government	253,356	253,840	185,447	68,393
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	549	549	531	18
Education	779,540	779,540	570,210	209,330
Health and Social Services	-	-	-	-
Public Safety	26,624	26,624	14,947	11,677
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	-	-	-	-
Total Expenditures	1,060,069	1,060,553	771,135	289,418
Excess (Deficiency) of Revenues Over (Under) Expenditures	(279,986)	(280,470)	8,948	289,418
OTHER FINANCING SOURCES (USES)				
Transfers In	84,351	84,351	84,351	-
Transfers Out	(93,481)	(93,481)	(93,481)	-
Other	1,781	1,781	1,781	-
Total Other Financing Sources (Uses)	(7,349)	(7,349)	(7,349)	-
Net Change in Fund Balance	(287,335)	(287,819)	1,599	289,418
FUND BALANCES, JULY 1	368,256	368,256	368,256	-
FUND BALANCES, JUNE 30	$ 80,921	$ 80,437	$ 369,855	$ 289,418

See independent auditors' report

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR BUDGETARY COMPARISONS

Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, all State agencies, including the university and colleges, must submit their budget requests for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, subprograms, and activities. The Governor reviews the agency requests, establishes priorities, and presents the Legislature with one or more pieces of legislation covering the biennium. The Legislature holds hearings on the Governor's proposed budget, adopts changes and presents final legislation to the Governor. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The approved appropriations set spending limits by fund type for programs within each agency. These limits may include up to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the State Accounting Division of Administrative Services.

Appropriations are made for each fiscal year of the biennium; balances at the end of the first fiscal year are carried over into the second fiscal year, unless directed otherwise by the Legislature. For most appropriations, balances lapse at the end of the biennium.

The budgetary fund types used by the State differ from those presented in the basic financial statements. The budgetary funds, which are listed below, are generally segregated by revenue sources. Of these seven fund types, only the first five are subject to the spending limits set by the appropriations bills. The General Fund is the only major fund that corresponds to a budgetary fund type, so the General Fund is the only major fund that has a budget.

General Fund. To account for activities funded by general tax dollars, primarily sales and income taxes.

***Cash Reserve Fund*.** This is part of the General Fund, and is used to account for financial resources to be used as a reserve for the General Fund if the General Fund balance should become inadequate to meet current obligations. The Cash Reserve Fund is part of the budgetary basis fund balance.

Cash Funds. To account for the financing of goods or services provided by a State agency to individuals or entities outside State government on a cost-reimbursement basis, and to account for the revenues and expenditures related to highway construction.

Construction Funds. To account for financial resources to be used for the acquisition or construction of major capital facilities.

Federal Funds. To account for the financial resources related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts, except for federal highway monies accounted for in the Cash Funds.

Revolving Funds. To account for the financing of goods or services provided by one State agency to another State agency on a cost-reimbursement basis.

Trust Funds. To account for assets held in a trustee capacity.

Distributive Funds. To account for assets held as an agent for individuals, private organizations, and other governments and/or other funds.

The accompanying basic financial statements were prepared by converting budgetary fund data into the fund format required by GAAP. The cash basis of accounting is used for all budgetary fund types.

All State budgetary expenditures for the general, cash, construction, federal and revolving fund types are made pursuant to appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may allocate appropriations between object of expenditure accounts, except that personal service expenditures that exceed limitations contained in the appropriations bill require Legislative amendment. Any changes in appropriations are made through an annual deficit bill or other legislation. Appropriations from the federal fund type are considered to be estimated and the Legislature has approved an administrative procedure for changing them. During fiscal year 2015, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2015, there were no budgetary programs in which expenditures exceeded appropriations. Revenues are not budgeted for any funds except for General Fund tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION
INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

For the Year Ended June 30, 2015

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of highway and bridges the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Measurement Scale

The Nebraska Department of Roads uses the Nebraska Serviceability Index (NSI) to measure and monitor pavement conditions. The NSI is a numerical pavement rating scale used to monitor the condition on a scale ranging from 0 to 100 with 0 being the worst and 100 being the best. NSI represents the condition of the pavement at the time of measurement and is based on pavement's surface distresses. Surface distresses include cracking, patching, roughness, rutting, and faulting.

Established Condition Level

It is the policy of the Nebraska Department of Roads to maintain at least an overall NSI system rating of 72 or above.

Assessed Condition

The State assesses conditions on a calendar year basis. The following table reports the percentage of pavements meeting ratings of "Very Good", "Good", "Fair", and "Poor". This condition index is used to classify roads in very good (90-100), good (70-89), fair (50-69), and poor (0-49).

Calendar Year	2014	2013	2012	2011	2010	2009
Very Good	38%	39%	36%	33%	31%	32%
Good	37%	35%	38%	41%	44%	47%
Fair	22%	23%	23%	23%	22%	19%
Poor	3%	3%	3%	3%	3%	2%
Overall System Rating	81	81	81	80	80	81

Estimated and Actual Costs to Maintain

The following table presents the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal years (amounts in millions). The actual cost of system preservation is greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 81 actual).

Fiscal Year	2016	2015	2014	2013	2012	2011
Estimated	$ 306	$ 327	$ 302	$ 313	$ 288	$ 267
Actual		348	300	335	278	218
Difference		24	(2)	22	(10)	(49)

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
INFORMATION ABOUT PENSION PLANS

For the Year Ended June 30, 2015

SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last 10 Fiscal Years

(Dollar amounts in thousands)

		June 30, 2014*
State's proportion of the School plan collective net pension liability		17.44%
State's net pension liability for the Service Annuity plan		100.00%
State's proportion of the Omaha School Employees Retirement System collective net pension liability		16.84%
State's proportionate share of the School plan collective net pension liability (a)	$	169,592
Employer's proportionate share of the School plan collective net pension liability	$	802,660
Total collective net pension liability for the School plan	$	972,252
State's net pension liability for the Service Annuity plan	$	2,879
State's proportionate share of the Omaha School Employees Retirement System collective net pension liability	$	72,739
Employer's proportionate share of the Omaha School Employees Retirement System collective net pension liability	$	359,251
Total collective net pension liability for the Omaha School Employees Retirement System	$	431,990
School plan employer's covered-employee payroll (b)	$	6,125
Employer's proportionate share of the School plan collective net pension liability as a percentage of the employer's covered-employee payroll (a) / (b)		2768.85%
School plan Fiduciary net position as a percentage of the total pension liability		90.66%
Service Annuity plan Fiduciary net position as a percentage of the total pension liability		80.33%
Omaha School Employees Retirement System Fiduciary net position as a percentage of the total pension liability		74.98%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be reported as they become available.
*The Omaha School Employees' Retirement System has a measurement date of August 31, 2014

SCHEDULE OF STATE CONTRIBUTIONS

School Employees Retirement Plan

Last 10 Fiscal Years

(Dollar amounts in thousands)

		2015
School plan statutorily required contribution	$	35,494
Service Annuity plan statutorily required contribution	$	998
Omaha School Employees Retirement System statutorily required contribution	$	6,453
School plan contributions in relation to the statutorily required contribution (a)	$	35,494
Service Annuity plan contributions in relation to the statutorily required contribution	$	998
Omaha School Employees Retirement System contributions in relation to the statutorily required contribution	$	6,453
School plan annual contribution deficiency (excess)	$	-
Service Annuity plan annual contribuiton deficiency (excess)	$	-
Omaha School Employees Retirement System annual contribution deficiency (excess)	$	-
School plan employer's covered-employee payroll (b)	$	6,125
Contributions recognized by the School plan in relation to the statutorily required contribution as a percentage of the employer's covered-employee payroll (a) / (b)		579.49%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be reported as they become available.

See independent auditors' report

STATE PATROL RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY

(Dollars in Thousands)

	2014
Total Pension Liability	
Service Cost	$8,174
Interest	30,165
Differences between expected and actual experience	(3,788)
Benefit payments, including member refunds	(20,010)
Net change in Total Pension Liability	$14,541
Total Pension Liability - beginning	$386,875
Total Pension Liability - ending (a)	$401,416
Plan Fiduciary Net Position	
Employer contributions	$8,753
Employee contributions	4,134
Net investment income	54,950
Benefit payments, including member refunds	(20,010)
Administrative expenses	(121)
Other	21
Net change in Plan Fiduciary Net Position	$47,727
Plan Fiduciary Net Position - beginning	$309,590
Plan Fiduciary Net Position - ending (b)	$357,317
Net Pension Liability - ending (a) - (b)	$44,099
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	89.01%
Covered payroll	$25,624
Employers' Net Pension Liability as a percentage of covered payroll	172.10%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

STATE PATROL RETIREMENT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollars in Thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined employer contribution	$8,074	$8,753	$9,769	$7,775	$7,563	$6,260	$5,385	$4,856	$5,059	$5,082
Actual employer contributions**	$8,074	$8,753	$7,516	$7,775	$5,957	$6,260	$5,385	$4,856	$5,059	$5,082
Annual contribution deficiency (excess)	-	-	$2,253	-	$1,606	-	-	-	-	-
Covered-employee payroll*	$26,294	$25,624	$26,902	$27,391	$27,988	$27,625	$28,386	$27,839	$26,204	$24,454
Actual contributions as a percentage of covered-employee payroll*	30.71%	34.16%	27.94%	28.39%	21.28%	22.66%	18.97%	17.44%	19.31%	20.78%

*Covered-employee payroll is based upon the pensionable payroll reported to the Plan and excludes additional compensation amounts that may need to be reported by the employer.

**Includes any additional appropriations by the State beyond the regular, payroll-related contributions. 2015 excludes $573 in military service credits

Note: Information prior to 2013 was produced by the prior actuary.

JUDGES' RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY

(Dollars in thousands)

	2014
Total Pension Liability	
Service Cost	$4,257
Interest	11,568
Differences between expected and actual experience	42
Benefit payments, including member refunds	(8,122)
Net change in Total Pension Liability	$7,745
Total Pension Liability - beginning	$148,582
Total Pension Liability - ending (a)	$156,327
Plan Fiduciary Net Position	
Employer contributions*	$3,906
Employee contributions	1,519
Net investment income	24,543
Benefit payments, including member refunds	(8,122)
Administrative expenses	(78)
Net change in Plan Fiduciary Net Position	$21,768
Plan Fiduciary Net Position - beginning	$137,022
Plan Fiduciary Net Position - ending (b)	$158,790
Net Pension Liability - ending (a) - (b)	($2,463)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	101.58%
Covered payroll	$20,100
Employers' Net Pension Liability as a percentage of covered payroll	(12.26%)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

*Employer contributions consist of $3,103 in Court Fees and $804 in State Appropriations.

JUDGES' RETIREMENT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollars in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined employer contribution	$3,727	$3,906	$3,180	$3,484	$3,580	$3,615	$3,491	$3,353	$3,208	$3,120
Actual employer contributions**	$3,071	$3,906	$3,180	$3,484	$3,580	$3,615	$3,491	$3,353	$3,208	$3,120
Annual contribution deficiency (excess)	$656	-	-	-	-	-	-	-	-	-
Covered-employee payroll*	$21,587	$20,100	$19,005	$18,182	$18,773	$18,373	$17,990	$17,004	$16,423	$16,285
Actual contributions as a percentage of covered-employee payroll*	14.23%	19.43%	16.73%	19.16%	19.07%	19.68%	19.41%	19.72%	19.53%	19.16%

*Covered-employee payroll is based upon the pensionable payroll reported to the Plan and excludes additional compensation amounts that may need to be reported by the employer. For years 2014 and prior, covered-employee payroll was estimated based on the valuation.

**Employer contributions include court fees and State contributions

Note: Information prior to 2013 was produced by the prior actuary.

See independent auditors' report

STATE EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY

(Dollars in thousands)

	2014
Total Pension Liability	
Service Cost	$54,921
Interest	85,696
Differences between expected and actual experience	(11,217)
Transfers	4,195
Benefit payments, including member refunds	(73,527)
Net change in Total Pension Liability	$60,068
Total Pension Liability - beginning	$1,139,773
Total Pension Liability - ending (a)	$1,199,841
Plan Fiduciary Net Position	
Employer contributions	$41,456
Employee contributions	26,603
Net investment income	83,524
Benefit payments, including member refunds	(73,527)
Administrative expenses	(910)
Transfers	4,195
Net change in Plan Fiduciary Net Position	$81,341
Plan Fiduciary Net Position - beginning	$1,223,695
Plan Fiduciary Net Position - ending (b)	$1,305,036
Net Pension Liability - ending (a) - (b)	($105,195)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	108.77%
Covered payroll	$553,631
Employers' Net Pension Liability as a percentage of covered payroll	(19.00%)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

STATE EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollars in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined employer contribution	$31,986	$35,129	$32,983	$27,256	$26,361	$24,632	$19,975	$19,145	$12,565	$10,831
Actual employer contributions**	$42,392	$40,345	$35,794	$31,496	$30,987	$30,895	$29,213	$25,599	$20,318	$15,814
Annual contribution deficiency (excess)	($10,406)	($5,216)	($2,811)	($4,240)	($4,626)	($6,263)	($9,238)	($6,454)	($7,753)	($4,983)
Covered-employee payroll*	$566,127	$538,790	$478,020	$420,619	$413,827	$412,596	$390,129	$341,870	$286,880	$223,781
Actual contributions as a percentage of covered-employee payroll*	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.08%	7.07%

*Covered-employee payroll is based upon the pensionable payroll reported to the Plan and excludes additional compensation amounts that may need to be reported by the employer.

**Provided by Nebraska Public Employees Retirement System

Notes to Required Supplementary Information for Pension Plans

For the Year Ended June 30, 2015

School

Changes of benefit and funding terms: The following changes were made by the Nebraska Legislature and reflected in the valuation performed as of July 1, 2014 listed below:

2014: As scheduled, the State contribution rate increased from 1% of covered payroll to 2%.

2013: Legislative Bill 553, which was passed by the 2013 Legislature, increased the State’s payroll related contribution from 1% to 2% of pay, effective July 1, 2014. LB 553 also made some changes to the benefit structure for members hired on or after July 1, 2013 (Tier 2), including changing the period over which to determine final average salary to the highest 60 months rather than the current highest 36 months of service and changing the maximum cost of living adjustment from 2.5% to 1%. LB 553 also removed the scheduled reduction in the employee contribution rate in 2017. In addition, it required the use of the Entry Age Normal, level percent of payroll, method to determine the costs for the Omaha State Service Annuity and changed the amortization of the unfunded actuarial accrued liability to be based on payments determined as a level percent of payroll instead of a level dollar amount.

2011: Under Legislative Bill 382 passed during the 2011 Legislative session, the member contribution rate increased from 8.28% to 8.88% on September 1, 2011. Effective September 1, 2012, the member contribution rate was scheduled to increase to 9.78% and then decrease to 7.28% effective September 1, 2017. The employer contribution rate match remained unchanged at 101% of the member contribution rate. The current State of Nebraska contribution rate of 1% remained in effect until July 1, 2017, at which time it was scheduled to decrease to 0.7%.

2009: Under Legislative Bill 187, from September 1, 2009 to September 1, 2014, the member contribution rate was scheduled to increase from 7.28% to 8.28% and the State match to increase from 0.7% to 1.0% of covered pay. On September 1, 2014, the member contribution rate was scheduled to return to 7.28% and the State match to 0.7%.

2007: Per LB 596, passed in 2007, a one-time adjustment was made to the annuities of School members so that the current annuity was not less than 85% of the original annuity amount adjusted by the CPI-W. The statutory member contribution rate decreased to 7.28% as of September 1, 2007. Under existing statutes the rate was scheduled to drop to 7.25% on September 1, 2007.

2006: Per LB 1019, the unfunded actuarial accrued liability was reinitialized as of July 1, 2006 and amortized over a closed 30-year period.

2005: LB 503 increased member contribution rates to 7.98% for the first year (September 1, 2005 to August 31, 2006) and 7.83% for the second year (September 1, 2006 to August 31, 2007). Contribution rates were scheduled to return to 7.25% on September 1, 2007. Employer contribution rates continued at 101% of the member contribution rates.

Changes in actuarial assumptions:

7/1/2012 valuation:

The interest rate on employee contributions was lowered to 4.25% from 5.50%.

Salary increases were changed to rates grading down from 9.00% for less than one year of service to 4.00% at 40 years of service. Prior valuation rates graded from 7.46% for less than one year to 4.55% at 40 years of service.

Retirement rates are based on age and retirement eligibility. 100% retirement age was extended to age 80 from age 70. Unreduced rates were decreased at age 63.

Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year age setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).

Disabled mortality was changed to the 1983 Railroad Retirement Board Disabled Annuitants Mortality setback one year from the 1983 Railroad Retirement Board Disabled Annuitants Mortality. The prior assumption was based on the same table with no setback.

Termination rates are service based and were decreased from the prior valuation based on actual experience.

Disability rates were decreased by 50% from the prior valuation.

Price inflation assumption was lowered to 3.25% from 3.50%.

Economic productivity assumption was lowered to 0.75% from 1.00%.

7/1/2007 valuation:

Salary increase assumption was converted from age-based to service-based, grading down from 7.50% for less than one year of service to 4.50% after 40 years of service.

Retirement rates were increased at age 55 and decreased for ages 57 through age 65.

Withdrawal rates were converted from age-and-service-based to service-based only and grade down from 27% (males) and 32% (females) for employees with less than one year of service to 1% (males) and 3% (females) and back up to 10% (males) and 7% (females) at 34 (or more) years of service.

Existing disability rates were reduced by 50% at each age.

Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a two-year age setback to the 1994 GAM table, projected to 2010.

Method and assumptions used in calculations of actuarially determined contributions.

The system is funded with contribution rates that are 9.78% of monthly salary for members, contribution rates that are 101% of the members' rates (9.88% of monthly salary) for the school districts and 2.00% of monthly salary for the state of Nebraska. The actuarially determined contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the actuarially determined employer contribution reported in the most recent actuarial valuation (July 1, 2014):

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 23 to 30 years (Single Equivalent Amortization Period is 26 years)
Asset valuation method	5-year smoothed market
Inflation	3.25 percent
Payroll growth	4.00 percent
Salary increase	4.00 to 9.00 percent, including inflation
Investment rate of return	8.00 percent compounded annually, net of investment expense, and including inflation
Cost-of-living adjustments	2.50% with a floor benefit equal to 75% purchasing power of original benefit

Service Annuity

Changes of benefit and funding terms: The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1, 2014 listed below:

None

Changes in actuarial assumptions:

9/1/2012 valuation:

Salary increases were changed to rates grading down from 9.00% for less than one year of service to 4.00% at 40 years of service. Prior valuation rates graded from 7.46% for less than one year to 4.55% at 40 years of service.

Retirement rates are based on age and retirement eligibility. 100% retirement age was extended to age 80 from age 70. Unreduced rates were decreased at age 63.

Pre-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year age setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females). Termination rates are service based and were decreased from the prior valuation based on actual experience.

Disability rates were decreased by 50% from the prior valuation. Price inflation assumption was lowered to 3.25% from 3.50%. Economic productivity assumption was lowered to 0.75% from 1.00%.

See independent auditors' report

9/1/2007 valuation:

Salary increase assumption was converted from age-based to service-based, grading down from 7.50% for less than one year of service to 4.50% after 40 years of service.

Retirement rates were increased at age 55 and decreased for ages 57 through age 65. Withdrawal rates were converted from age-and-service-based to service-based only and grade down from 27% (males) and 32% (females) for employees with less than one year of service to 1% (males) and 3% (females) and back up to 10% (males) and 7% (females) at 34 (or more) years of service.

Existing disability rates were reduced by 50% at each age.

Pre-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a two-year age setback to the 1994 GAM table, projected to 2010.

Method and assumptions used in calculations of Actuarially Determined Contributions.

The Plan is funded with contribution amounts from the State which are actuarially determined to fund the Service Annuity benefit. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2014.

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 23 to 30 years (Single Equivalent Amortization Period is 26 years) Asset
Asset valuation method	5-year smoothed market
Price Inflation	3.25 percent
Salary increases, including wage	4.00 to 9.00 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent

Omaha School Employees

Changes of benefit and funding terms: The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of September 1, 2014 listed below:

2013: The 2013 session of the Nebraska Legislature enacted Legislative Bill 553 (LB 553), which increased the Member's contribution rate from 9.30% of pay to 9.78% of pay. The School District's contribution rate is equal to 101% of the employee contribution rate so the District's contribution rate increased from 9.3930% of pay to 9.8778% of pay. The State contribution rate also increased permanently from 1.00% (plus $973,301) to 2.00% of payroll, effective July 1, 2014. LB 553 also created a new benefit structure for members hired on or after July 1, 2013 with the same benefit structure as pre-July 1, 2013 hires except annual cost of living adjustments are the lesser of 1.00% or CPI and final average compensation is defined as 1/60 of the total compensation received during the five fiscal years of highest compensation.

2011: The member contribution rate was increased by the 2011 Legislature from 8.30% to 9.30%, effective September 1, 2011. Since the employer contributes 101% of the member contribution rate, the 1.00% increase in the member contribution rate resulted in an increase of 1.01% in the District's contribution rate.

2009: Legislation passed in 2009 increased the employee contribution rate from 7.30% to 8.30% of pay. The School District contributes 101% of the employee rate so the District's contribution increased from 7.373% to 8.383% of pay. The legislation that enacted these changes also provided for a temporary increase in the State's contribution rate from 0.70% to 1.00% of pay for July, 2009 to July, 2014.

2007: Legislation passed in 2007 increased the employee contribution rate from 6.30% to 7.30% of pay and provided for the employer contribution rate of 101% of the employee rate.

Changes in actuarial assumptions:

9/1/2013 valuation:

The one-year age set forward in mortality rates for active male employees was eliminated.
Classified members' retirement rates were adjusted.
Vested Certificated members' assumption to elect a refund of contributions was adjusted at certain ages.
The assumed interest rate credited on member contribution accounts was lowered from 7.00% to 3.00%.

9/1/2010 valuation:

The inflation assumption was changed from 3.50% to 3.00%.
The real rate of return increased from 4.50% to 5.00%
The productivity portion of the general wage increase assumption increased from 0.50% to 1.00%.

9/1/2008 valuation:

Mortality table was changed to the RP-2000 table with age adjustments (+1 male, -1 female) and generational projections of mortality improvements.
Retirement rates were adjusted to better fit the observed experience.
The use of a disability assumption was eliminated.
Termination rates were modified to better fit the observed experience.
Small adjustments based on actual experience were made to the election of a refund assumption.

9/1/2007 valuation:

The actuarial value of assets was reset to the actual market value.
The funding policy was set equal to the normal cost plus amortization of the unfunded actuarial liability over a closed 30 year period, commencing September 1, 2007.

Method and assumptions used in calculations of Actuarially Determined Contributions.

The System is funded by statutory contribution rates for members, the School District and the state of Nebraska. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, August 31, 2014 (based on the September 1, 2013 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Market related smoothed market

Price Inflation	3.00 percent
Salary increases, including wage inflation	4.00 to 5.60 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustments	1.50 percent if hired before July 1, 2013 1.00 percent if hired on or after July 1, 2013 Medical COLA of $10/month for each year retired (max $250/month)

State Patrol

Changes of benefit and funding terms: The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1, 2014 listed below:

2013: Legislative Bill 553 (LB 553) changed the amortization of the unfunded actuarial accrued liability from a level dollar payment to a level percent of payroll payment. As scheduled in state statute, the employee and employer contribution rate each decreased from 19% of pay to 16%.

2011: Under LB 382 passed during the 2011 Legislative session, both the member and employer contribution rates were increased from 16% to 19% on July 1, 2011. Effective July 1, 2013, both the member and employer contribution rates were scheduled to decrease to 16%.

2010: As scheduled, the member and employer contribution rates increased to 16% each.

2009: Under Legislative Bill 188, the member contribution rate increased from 13% to 15% on July 1, 2009. The employer contribution rate remained unchanged at 15%. Effective July 1, 2010, both the member and employer contribution rates increased to 16%.

2008: The DROP was first reflected with an assumption that 100% of members who are eligible for the DROP will either retire or elect to participate in DROP.

2007: LB 324 made the current contribution rates of 13% for members and 15% for employers permanent (the rates were scheduled to drop to 12% for members and 13% for employers on July 1, 2007). LB 324 also added a Deferred Retirement Option Plan (DROP) for members who are at least 50 and have 25 years of service. The effective date of the DROP was the earlier of September 1, 2008 or the first of the month following receipt of a Favorable Determination Letter from the Internal Revenue Service so it was not reflected in the July 1, 2007 actuarial valuation.

2006: Per LB 1019, the unfunded actuarial accrued liability was reinitialized as of July 1, 2006 and amortized over a closed 30-year period.

2005: Per LB 503, the member and employer contribution rates increased. The member contribution rate increased to 13% from July 1, 2005 to July 1, 2007, and 12% thereafter. The employer contribution rate increased to 15% from July 1, 2005 to July 1, 2007, and 13% thereafter.

Changes in actuarial assumptions:

7/1/2012 valuation:

The interest rate on employee contributions was lowered to 4.25% from 5.50%.

Salary increases were changed to rates grading down from 9.50% for less than one year of service to 4.00% at 30 years of service. Prior valuation rates graded from 9.00% for less than one year to 4.50% at 25 years of service.

Retirement rates were increased for early retirement (reduced benefits available at 50 years of age and 10 years of service) and decreased for normal retirement (unreduced benefits available at 55 years of age and 10 years of service).

Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year setback, projected to 2015.

The assumption to value deferred vested members was changed to assume they elect the greater of the present value of an annuity at earliest unreduced retirement eligibility or a refund of contributions.

Consumer price inflation was lowered from 3.50% to 3.25%.

Economic productivity was lowered from 1.00% to 0.75%.

7/1/2007 valuation:

Salary increases were converted from age-based to service-based, grading down from 9.0% for less than one year of service to 4.5% at 25 years of service.

Retirement rates were reduced for both reduced (50 years of age and 10 years of service) and unreduced (55 years of age and 10 years of service or 50 years of age and 25 years of service) early retirement.

Withdrawal rates were changed from 3.0% at all ages to service-based rates grading down from 4.0% for less than one year of service to 1.5% at 6 years, reducing farther to 1.0% at 15 years and beyond.

Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table to the 1994 GAM table projected to 2010.

Disabled Mortality was changed from the 1971 GAM table to the 1983 Railroad Retirement Board Disabled Annuitants Mortality table

Method and assumptions used in calculations of Actuarially Determined Contributions.

The Plan is funded by statutory contribution rates for members and the employer (state of Nebraska). State Statutes require the State of Nebraska to make additional contributions if the regular, payroll-related contributions are insufficient to meet the actuarial required contribution for the year. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2014 (based on the July 1, 2014 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 23 to 30 years (Single Equivalent Amortization Period is 27 years)
Asset valuation method	5-year smoothed market
Price Inflation	3.25 percent
Salary increases, including wage inflation	4.00 to 9.50 percent

See independent auditors' report

Long-term rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustment	2.50% with a floor benefit equal to 60% purchasing power of original benefit

Judges

Changes of benefit and funding terms: The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1, 2014 listed below:

2013: Legislative Bill 553 (LB 553) changed the amortization of the unfunded actuarial accrued liability from a level dollar payment to a level percent of payroll payment. The court fee designated for the Judges Retirement System was scheduled to decrease from $6 to $5 dollars on July 1, 2014. Legislative Bill 306 (LB 306) removed the language to decrease the court fees so the court fee in future years remains at six dollars. The passage of Legislative Bill 414 (LB 414) in 2009 increased the member contribution rate by 1 percent, but this increase was scheduled to be removed July 1, 2014. Legislative Bill 306 (LB 306) removed the sunset provision on the increase in the member contribution rate, thereby retaining the higher contribution rates.

2009: LB 414 passed during the 2009 Legislative session amended the plan provisions to increase all member contribution rates by 1% and increase the court fees from $5 to $6 per case.

2008: LB 1147 amended the plan provisions to provide a subsidized early retirement benefit. The monthly benefit is reduced by 3% for retirement at age 64, by 6% at age 63, and by 9% at age 62. The monthly benefit is further reduced on an actuarially equivalent basis for retirement before age 62 to as early as age 55.

2006: Per LB 1019, Nebraska Revised Statutes Section 24-703(9) was amended such that the unfunded actuarial accrued liability is reinitialized as of July 1, 2006 and amortized over a 30-year period.

Changes in actuarial assumptions:

7/1/2012 valuation:

The interest rate on employee contributions was lowered to 4.25% from 5.50%.
Salary increase were lowered to 4.00% from 4.50%.
Retirement rates were decreased for ages under 65 and age 66.
Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year setback, projected to 2015. Deferred vested members were changed to assume they elected the greater of the present value of an annuity at age 63 or a refund of contributions.
Consumer price inflation was lowered to 3.25% from 3.50%. Economic productivity was lowered to 0.75% from 1.00%.

7/1/2008 valuation:

Retirement rates were increased at ages 62 through 64 to account for the possible increase in retirements due to the subsidized early retirement factors.

7/1/2007 valuation:

Salary increases were lowered from an assumed 5.00% annual increase to a 4.50% annual increase at each age.

Retirement rates were decreased at ages 55 through 61, increased at ages 62 through 64, and decreased at ages 65 through 71.

Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a 2-year setback to the 1994 GAM table, projected to 2010.

Method and assumptions used in calculations of Actuarially Determined Contributions.

The Plan is funded with contribution rates that vary by date of hire and service for members, variable court fees as well as contributions from the state of Nebraska that cover the remaining required amounts, if necessary. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2014 (based on the July 1, 2014 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 27 to 30 years (Single Equivalent Amortization Period is 27 years)
Asset valuation method	5-year smoothed market
Price Inflation	3.25 percent
Salary increases, including wage inflation	4.00 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustments	2.50% with a floor benefit equal to 75% purchasing power of original benefit

State Employees

Changes of benefit and funding terms: The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of January 1, 2015 listed below:

2013: The 2012 Nebraska Legislature passed LB 916, as amended by AM1739, which created an election period beginning September 1, 2012 and ending October 31, 2012 during which members in the State Defined Contribution Plan could elect to transfer their account balances to the State Employees' Retirement System Cash Balance Benefit Fund.

2008: Under Legislative Bill 328, enacted by the 2007 Legislature, members of the State Defined Contribution Plan could elect to transfer their account balance and participate in the State Employees' Retirement System Cash Balance Benefit Fund. The election period was from November 1, 2007 to December 31, 2007.

See independent auditors' report

2007: Legislative Bill 366, enacted in 2006, eliminated the 12-month waiting period for participation. Effective January 1, 2007, any State employee who had not completed 12 continuous months of employment immediately became a member of the System. Any State employee hired in 2007 or later becomes a member of the System at their date of hire.

The bill also increased the member contribution rate from 4.33% of pay up to $19,954 and 4.86% on pay over $19,954, to 4.8% on all pay. This increase also resulted in an increase in the employer contribution rate.

Changes in actuarial assumptions:

1/1/2013 valuation:

The interest crediting rate on cash balance accounts was lowered from 7.00% to 6.75% per year. Salary increases were changed to rates grading down from 5.43% for less than one year of service to 4.00% at 20 years of service. Prior rates graded from 5.9% for less than one year of service to 4.5% at 20 years of service.

Retirement rates increased at age 65 to 69 and 100% probability of retirement was extended to age 80 from age 70.

Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with 1-year setback, projected to 2015 (pre- retirement rates are adjusted by 55% for males and 40% for females).

The select and ultimate termination rates were increased. Disability rates were removed.

Price inflation was lowered from 3.50% to 3.25% per year.

Economic productivity was lowered from 1.00% to 0.75% per year.

The assumption for the form of payment elected by retiring active members was changed from 100% elect an annuity to 50% elect a lump sum and 50% elect an annuity.

1/1/2008 valuation:

Investment return and the interest rate for annuity factors to convert account balances into monthly benefits was changed from 7.60% to 7.75%.

Salary scale was changed from an age-based assumption to a service-based assumption, grading down from 5.9% with less than one year of service to 4.5% with 20 years of service.

Retirement rates were decreased at ages 60 through 63 and 65 through 69.

The select period for termination of employment rates was extended to five years with a general decrease in select and ultimate rates prior to age 30 and increases after age 30.

Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a one-year setback to the 1994 GAM table, projected to 2010.

Method and assumptions used in calculations of actuarially determined contributions.

The Plan is funded with fixed contribution rates for members and the state of Nebraska. If such contributions are less than the Actuarially Determined Contribution, the State makes an additional contribution. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the January 1 preceding the first day of the fiscal year in which contributions are reported (January 1, 2014 actuarial valuation applies for contributions reported for July 1, 2014 to June 30, 2015).

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent fiscal year, June 30, 2015 (based on the January 1, 2014 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level dollar amount, closed
Remaining amortization period	Range from 20 to 25 years (Single Equivalent Amortization Period is 21 years)
Asset valuation method	5-year smoothed market
Price Inflation	3.25 percent
Wage Inflation	4.00 percent
Salary increases, including wage inflation	4.00 to 5.43 percent
Long-term rate of return, net of investment expense, and including inflation	7.75 percent
Interest crediting rate	6.75 percent

See independent auditors' report

SINGLE AUDIT SECTION

(This page has been intentionally left blank.)

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
For the Fiscal Year Ended June 30, 2015

Federal Agency/Program Title	State Agency	CFDA or Grant #		2015 Expenditures
Agriculture, U.S. Department of				
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, Department of	10.025	$	1,121,037
Wetlands Reserve Program	Game and Parks Commission	10.072		96,160
Voluntary Public Access and Habitat Incentive Program	Game and Parks Commission	10.093		118,133
Specialty Crop Block Grant Program - Farm Bill	Agriculture, Department of	10.170		233,015
Organic Certification Cost Share Programs	Agriculture, Department of	10.171		89,742
State Mediation Grants	Agriculture, Department of	10.435		135,664
Meat, Poultry, and Egg Products Inspection	Agriculture, Department of	10.477		711
Food Safety Cooperative Agreements	Agriculture, Department of	10.479		134,227
SNAP Cluster:				
Supplemental Nutrition Assistance Program	Health and Human Services, Department of	10.551		239,437,012
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Health and Human Services, Department of	10.561	^	14,790,418
Total SNAP Cluster				254,227,430
Child Nutrition Cluster:				
School Breakfast Program	Education, Department of	10.553		16,558,592
National School Lunch Program	Education, Department of	10.555		68,353,396
National School Lunch Program	Health and Human Services, Department of	10.555		11,295,089
Total National School Lunch Program				79,648,485
Special Milk Program for Children	Education, Department of	10.556		58,668
Summer Food Service Program for Children	Education, Department of	10.559		2,617,357
Summer Food Service Program for Children	Health and Human Services, Department of	10.559		12,013
Total Summer Food Service Program for Children				2,629,370
Total Child Nutrition Cluster				98,895,115
Special Supplemental Nutrition Program for Women, Infants, and Children	Health and Human Services, Department of	10.557		30,364,697
Child and Adult Care Food Program	Education, Department of	10.558		33,858,203
Child and Adult Care Food Program	Health and Human Services, Department of	10.558		248,507
Total Child and Adult Care Food Program				34,106,710
State Administrative Expenses for Child Nutrition	Education, Department of	10.560		1,836,871
State Administrative Expenses for Child Nutrition	Health and Human Services, Department of	10.560		1,427,550
Total State Administrative Expenses for Child Nutrition				3,264,421

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
For the Fiscal Year Ended June 30, 2015

	Federal Agency/Program Title	State Agency	CFDA or Grant #		2015 Expenditures
	Agriculture, U.S. Department of (Continued)				
	Food Distribution Cluster:				
	Commodity Supplemental Food Program	Health and Human Services, Department of	10.565		3,155,574
	Emergency Food Assistance Program (Administrative Costs)	Health and Human Services, Department of	10.568		302,265
	Emergency Food Assistance Program (Food Commodities)	Health and Human Services, Department of	10.569		1,844,227
	Total Food Distribution Cluster				5,302,066
	WIC Farmers' Market Nutrition Program (FMNP)	Agriculture, Department of	10.572		49,926
	Team Nutrition Grants	Education, Department of	10.574		22,070
	Senior Farmers Market Nutrition Program	Agriculture, Department of	10.576		217,682
	WIC Grants To States (WGS)	Health and Human Services, Department of	10.578		1,475,019
	Fresh Fruit and Vegetable Program	Education, Department of	10.582		1,975,854
	Child Nutrition Direct Certification Performance Awards	Education, Department of	10.589		446
	Cooperative Forestry Assistance	Game and Parks Commission	10.664		8,702
	Forest Service Schools and Roads Cluster:				
	Schools and Roads - Grants to Counties	Education, Department of	10.666		184,225
	Agricultural Conservation Easement Program	Game and Parks Commission	10.931		11,316
	Nebraska Rural Rehabilitation Program	Agriculture, Department of	N/A		176,521
	Total U.S. Department of Agriculture			$	432,210,889
	Commerce, U.S. Department of				
	State and Local Implementation Grant Program	Administrative Services	11.549	$	108,788
ARRA	State Broadband Data and Development Grant Program Recovery	Public Service Commission	11.558		845,707
	Manufacturing Extension Partnership	Economic Development, Department of	11.611		38,698
	Total U.S. Department of Commerce			$	993,193
	Corporation for National and Community Service				
	State Commissions	Health and Human Services, Department of	94.003	$	175,838
	AmeriCorps	Health and Human Services, Department of	94.006		1,823,247
	Total Corporation for National and Community Service			$	1,999,085
	Defense, U.S. Department of				
	Payments to States in Lieu of Real Estate Taxes	Education, Department of	12.112	$	219,026
	State Memorandum of Agreement Program for the Reimbursement of Technical Services	Environmental Quality, Department of	12.113		120,446
	Military Construction, National Guard	Military Department	12.400		1,505,923
	National Guard Military Operations and Maintenance (O&M) Projects	Military Department	12.401		21,377,898
	Total U.S. Department of Defense			$	23,223,293

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By Federal Agency

For the Fiscal Year Ended June 30, 2015

Federal Agency/Program Title	State Agency	CFDA or Grant #	2015 Expenditures
Education, U.S. Department of			
Adult Education - Basic Grants to States	Education, Department of	84.002	$ 2,257,389
Title I Grants to Local Educational Agencies	Education, Department of	84.010	68,190,395
Migrant Education_State Grant Program	Education, Department of	84.011	4,469,608
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, Department of	84.013	321,598
Special Education Cluster (IDEA):			
Special Education_Grants to States	Education, Department of	84.027	74,658,153
Special Education_Preschool Grants	Education, Department of	84.173	2,231,674
Total Special Education Cluster (IDEA)			76,889,827
Career and Technical Education -- Basic Grants to States	Education, Department of	84.048	7,091,195
Rehabilitation Services_Vocational Rehabilitation Grants to States	Blind and Visually Impaired, Commission for the	84.126	3,380,681
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, Department of	84.126	16,131,305
Total Rehabilitation Services_Vocational Rehabilitation Grants to States			19,511,986
Migrant Education_Coordination Program	Education, Department of	84.144	57,264
Rehabilitation Services_Client Assistance Program	Education, Department of	84.161	135,820
Independent Living_State Grants	Blind and Visually Impaired, Commission for the	84.169	41,243
Independent Living_State Grants	Education, Department of	84.169	245,278
Total Independent Living_State Grants			286,521
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Blind and Visually Impaired, Commission for the	84.177	230,826
Special Education-Grants for Infants and Families	Education, Department of	84.181	2,628,269
Supported Employment Services for Individuals with the Most Significant Disabilities	Blind and Visually Impaired, Commission for the	84.187	3,145
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, Department of	84.187	18,000
Total Supported Employment Services for Individuals with the Most Significant Disabilities			21,145
Education for Homeless Children and Youth	Education, Department of	84.196	282,597
Star Schools	Education, Department of	84.203	2
Assistive Technology	Education, Department of	84.224	596,979
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	Blind and Visually Impaired, Commission for the	84.265	16,829
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	Education, Department of	84.265	58,940
Total Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training			75,769
Twenty-First Century Community Learning Centers	Education, Department of	84.287	5,027,003
Special Education - State Personnel Development	Education, Department of	84.323	785,044
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, Department of	84.326	75,751

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

Federal Agency/Program Title	State Agency	CFDA or Grant #		2015 Expenditures
Education, U.S. Department of (Continued)				
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	Education, Department of	84.330		14,634
Rural Education	Education, Department of	84.358		87,056
English Language Acquisition State Grants	Education, Department of	84.365		2,364,522
Mathematics and Science Partnerships	Education, Department of	84.366		598,976
Improving Teacher Quality State Grants	Education, Department of	84.367		11,512,528
Improving Teacher Quality State Grants	Postsecondary Education, Coordinating Commission for	84.367		264,151
Total Improving Teacher Quality State Grants				11,776,679
Grants for State Assessments and Related Activities	Education, Department of	84.369		3,790,172
Statewide Longitudinal Data Systems	Education, Department of	84.372		1,741,816
School Improvement Grants Cluster:				
School Improvement Grants	Education, Department of	84.377		3,553,081
College Access Challenge Grant Program	Postsecondary Education, Coordinating Commission for	84.378		1,522,550
Total U.S. Department of Education			$	214,384,474
U.S. Election Assistance Commission				
Help America Vote Act Requirements Payments	Secretary of State	90.401	$	212,742
Total U.S. Election Assistance Commission			$	212,742
Energy, U.S. Department of				
State Energy Program	Energy Office	81.041	$	417,343
Weatherization Assistance for Low-Income Persons	Energy Office	81.042		2,553,819
State Energy Program Special Projects	Energy Office	81.119		82,482
State Heating Oil and Propane Program	Energy Office	81.138		5,595
Total U.S. Department of Energy			$	3,059,239
Environmental Protection Agency, U.S.				
State Indoor Radon Grants	Health and Human Services, Department of	66.032	$	183,142
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Quality, Department of	66.034		288,707
State Clean Diesel Grant Program	Environmental Quality, Department of	66.040		68,948
Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Quality, Department of	66.419		295,397
Water Pollution Control State, Interstate, and Tribal Program Support	Game and Parks Commission	66.419		977
Total Water Pollution Control State, Interstate, and Tribal Program Support				296,374

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
For the Fiscal Year Ended June 30, 2015

Federal Agency/Program Title	State Agency	CFDA or Grant #		2015 Expenditures
Environmental Protection Agency, U.S. (Continued)				
State Public Water System Supervision	Health and Human Services, Department of	66.432		763,424
State Underground Water Source Protection	Oil and Gas Commission	66.433		95,763
Water Quality Management Planning	Environmental Quality, Department of	66.454		99,796
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality, Department of	66.458		18,172,247
Nonpoint Source Implementation Grants	Environmental Quality, Department of	66.460		3,082,344
Regional Wetland Program Development Grants	Game and Parks Commission	66.461		194,878
Drinking Water State Revolving Fund Cluter:				
Capitalization Grants for Drinking Water State Revolving Funds	Environmental Quality, Department of	66.468		14,198,771
Underground Storage Tank Prevention, Detection and Compliance Program	Fire Marshal	66.804		421,702
Performance Partnership Grants	Agriculture, Department of	66.605		616,426
Performance Partnership Grants	Environmental Quality, Department of	66.605		5,122,864
Total Performance Partnership Grants				5,739,290
Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Quality, Department of	66.608		73,454
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	Health and Human Services, Department of	66.707		208,513
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environmental Quality, Department of	66.802		453,588
Leaking Underground Storage Tank Trust Fund Corrective Action Program Recovery	Environmental Quality, Department of	66.805		472,070
Superfund State and Indian Tribe Core Program Cooperative Agreements	Environmental Quality, Department of	66.809		48,166
State and Tribal Response Program Grants	Environmental Quality, Department of	66.817		489,774
Total U.S. Environmental Protection Agency			$	45,350,951
Equal Employment Opportunity Commission, U.S.				
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Opportunity Commission	30.002	$	448,994
Total U.S. Equal Employment Opportunity Commission			$	448,994
General Services Administration				
Donation of Federal Surplus Personal Property	Correctional Services, Department of	39.003	$	1,852,996
Total General Services Administration			$	1,852,996

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By Federal Agency

For the Fiscal Year Ended June 30, 2015

Federal Agency/Program Title	State Agency	CFDA or Grant #		2015 Expenditures
Health and Human Services, U.S. Department of				
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Health and Human Services, Department of	93.041	$	27,159
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Health and Human Services, Department of	93.042		84,952
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Health and Human Services, Department of	93.043		127,045
Aging Cluster:				
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Health and Human Services, Department of	93.044		2,259,724
Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, Department of	93.045		3,897,030
Nutrition Services Incentive Program	Health and Human Services, Department of	93.053		1,420,631
Total Aging Cluster				7,577,385
Medicare Enrollment Assistance Program	Insurance, Department of	93.071		75,741
Lifespan Respite Care Program	Health and Human Services, Department of	93.072		15,190
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	Health and Human Services, Department of	93.048		399,626
National Family Caregiver Support, Title III, Part E	Health and Human Services, Department of	93.052		1,052,808
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster:				
Public Health Emergency Preparedness	Health and Human Services, Department of	93.069		5,628,950
National Bioterrorism Hospital Preparedness Program	Health and Human Services, Department of	93.889		1,868,817
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster:				7,497,767
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Education, Department of	93.079		52,953
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Health and Human Services, Department of	93.079		34,500
Total Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance				87,453
Guardianship Assistance Recovery	Health and Human Services, Department of	93.090	^	246,063
Affordable Care Act (ACA) Personal Responsibility Education Program	Health and Human Services, Department of	93.092		276,884
Well-Integrated Screening & Evaluation for Women Across the Nation	Health and Human Services, Department of	93.094		447,554
Food and Drug Administration_Research	Agriculture, Department of	93.103		457,594
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Health and Human Services, Department of	93.104		75,600
Maternal and Child Health Federal Consolidated Programs	Health and Human Services, Department of	93.110		219,150

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

Federal Agency/Program Title	State Agency	CFDA or Grant #	2015 Expenditures
Health and Human Services, U.S. Department of (Continued)			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health and Human Services, Department of	93.116	304,118
Emergency Medical Services for Children	Health and Human Services, Department of	93.127	115,371
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	Health and Human Services, Department of	93.130	158,620
Injury Prevention and Control Research and State and Community Based Programs	Health and Human Services, Department of	93.136	671,071
Projects for Assistance in Transition from Homelessness (PATH)	Health and Human Services, Department of	93.150	275,049
Grants to State for Loan Repayment Program	Health and Human Services, Department of	93.165	59,563
Family Planning_Services	Health and Human Services, Department of	93.217	2,134,580
Traumatic Brain Injury State Demonstration Grant Program	Education, Department of	93.234	139,696
Affordable Care Act (ACA) Abstinence Education Program	Health and Human Services, Department of	93.235	220,323
State Rural Hospital Flexibility Program	Health and Human Services, Department of	93.241	668,023
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, Department of	93.243	1,945,084
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Supreme Court, Nebraska	93.243	186,929
Total Substance Abuse and Mental Health Services_Projects of Regional and National Significance			2,132,013
Universal Newborn Hearing Screening	Health and Human Services, Department of	93.251	251,928
Occupational Safety and Health Program	Health and Human Services, Department of	93.262	121,838
Immunization Cooperative Agreements	Health and Human Services, Department of	93.268	20,247,129
Adult Viral Hepatitis Prevention and Control	Health and Human Services, Department of	93.270	114,210
Drug Abuse and Addiction Research Programs	Health and Human Services, Department of	93.279	180,032
Centers for Disease Control and Prevention_Investigations and Technical Assistance	Health and Human Services, Department of	93.283	5,250,100
State Partnership Grant Program to Improve Minority Health	Health and Human Services, Department of	93.296	140,227
Small Rural Hospital Improvement Grant Program	Health and Human Services, Department of	93.301	617,760
National State Based Tobacco Control Programs	Health and Human Services, Department of	93.305	82,967
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Health and Human Services, Department of	93.323	521,647
State Health Insurance Assistance Program	Insurance, Department of	93.324	458,749
Behavioral Risk Factor Surveillance System	Health and Human Services, Department of	93.336	12,062
ACL Independent Living State Grants	Blind and Visually Impaired, Commission for the	93.369	660
Food Safety and Security Monitoring Project	Agriculture, Department of	93.448	372,929
Ruminant Feed Ban Support Project	Agriculture, Department of	93.449	199,036
ACL Assistive Technology	Education, Department of	93.464	35,830
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	Health and Human Services, Department of	93.505	2,208,667
PPHF 2012 National Public Health Improvement Initiative	Health and Human Services, Department of	93.507	397,533

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

Federal Agency/Program Title	State Agency	CFDA or Grant #		2015 Expenditures
Health and Human Services, U.S. Department of (Continued)				
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	Insurance, Department of	93.511		264,200
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF	Health and Human Services, Department of	93.521		863,503
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	Insurance, Department of	93.525		227,823
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program	Health and Human Services, Department of	93.544		2,082
Transitional Living for Homeless Youth	Health and Human Services, Department of	93.550		101,536
Promoting Safe and Stable Families	Health and Human Services, Department of	93.556		1,063,306
TANF Cluster:				
Temporary Assistance for Needy Families	Health and Human Services, Department of	93.558	^	36,340,420
Child Support Enforcement	Health and Human Services, Department of	93.563	^	16,798,254
Refugee and Entrant Assistance_State Administered Programs	Health and Human Services, Department of	93.566	^	3,811,520
Low-Income Home Energy Assistance	Health and Human Services, Department of	93.568		27,594,971
Low-Income Home Energy Assistance	Energy Office	93.568		3,073,224
Total Low-Income Home Energy Assistance				30,668,195
Community Services Block Grant	Health and Human Services, Department of	93.569		4,577,537
CCDF Cluster:				
Child Care and Development Block Grant	Health and Human Services, Department of	93.575		36,724,157
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services, Department of	93.596		19,285,896
Total CCDF Cluster				56,010,053
Refugee and Entrant Assistance_Discretionary Grants	Health and Human Services, Department of	93.576		515,828
Refugee and Entrant Assistance_Targeted Assistance Grants	Health and Human Services, Department of	93.584		445,221
State Court Improvement Program	Supreme Court, Nebraska	93.586		430,140
Grants to States for Access and Visitation Programs	Health and Human Services, Department of	93.597		99,717
Chafee Education and Training Vouchers Program (ETV)	Health and Human Services, Department of	93.599		471,017
Head Start	Education, Department of	93.600		128,998
Adoption and Legal Guardianship Incentive Payments	Health and Human Services, Department of	93.603		73,532
Voting Access for Individuals with Disabilities_Grants to States	Secretary of State	93.617		95,170
Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, Department of	93.630		393,624
Children's Justice Grants to States	Health and Human Services, Department of	93.643		137,929

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

Federal Agency/Program Title		State Agency	CFDA or Grant #		2015 Expenditures
Health and Human Services, U.S. Department of (Continued)					
	Stephanie Tubbs Jones Child Welfare Services Program	Health and Human Services, Department of	93.645		2,657,314
	Foster Care_Title IV-E	Health and Human Services, Department of	93.658	^	14,840,783
	Adoption Assistance	Health and Human Services, Department of	93.659	^	14,475,795
	Social Services Block Grant	Health and Human Services, Department of	93.667		9,220,973
	Child Abuse and Neglect State Grants	Health and Human Services, Department of	93.669		221,904
	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, Department of	93.671		774,032
	Chafee Foster Care Independence Program	Health and Human Services, Department of	93.674		1,839,990
	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	Health and Human Services, Department of	93.733		473,962
	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	Health and Human Services, Department of	93.735		132,609
	PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention & Public Health Fund	Health and Human Services, Department of	93.745		5,819
	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	Health and Human Services, Department of	93.757		736,509
	Preventive Health & Health Services Block Grant Funded Solely with Prevention & Public Health Funds (PPHF)	Health and Human Services, Department of	93.758		822,910
	Children's Health Insurance Program	Health and Human Services, Department of	93.767	^	54,242,592
	Medicaid Cluster:				
	State Medicaid Fraud Control Units	Attorney General	93.775		663,818
	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services, Department of	93.777	^	4,785,263
	Medical Assistance Program	Health and Human Services, Department of	93.778	^	1,074,032,547
ARRA	Medical Assistance Program Recovery	Health and Human Services, Department of	93.778	^	2,863
	Total Medical Assistance Program				1,074,035,410
	Total Medicaid Cluster				1,079,484,491
	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	Insurance, Department of	93.779		1,701
	Grants to States for Operation of Qualified High-Risk Pools	Insurance, Department of	93.780		37,387
	Money Follows the Person Rebalancing Demonstration	Health and Human Services, Department of	93.791		1,362,088
	Grants to States for Operation of Offices of Rural Health	Health and Human Services, Department of	93.913		185,365

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
For the Fiscal Year Ended June 30, 2015

Federal Agency/Program Title	State Agency	CFDA or Grant #		2015 Expenditures
Health and Human Services, U.S. Department of (Continued)				
HIV Care Formula Grants	Health and Human Services, Department of	93.917		2,745,366
HIV Prevention Activities_Health Department Based	Health and Human Services, Department of	93.940		804,612
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Health and Human Services, Department of	93.944		173,104
Assistance Programs for Chronic Disease Prevention and Control	Health and Human Services, Department of	93.945		1,118,153
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health and Human Services, Department of	93.946		132,088
Block Grants for Community Mental Health Services	Health and Human Services, Department of	93.958		1,816,402
Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, Department of	93.959		7,412,603
Preventive Health Services_Sexually Transmitted Diseases Control Grants	Health and Human Services, Department of	93.977		362,832
Cooperative Agreements for State-Based Diabetes Control Program & Evaluation of Surveillance System	Health and Human Services, Department of	93.988		266,735
Preventive Health and Health Services Block Grant	Health and Human Services, Department of	93.991		665,736
Maternal and Child Health Services Block Grant to the States	Health and Human Services, Department of	93.994		4,328,211
Medicated Feed Inspection Contract	Agriculture, Department of	HHSF223201310061C		90,186
Tissue Residue Inspection Contract	Agriculture, Department of	HHSF223201310043I		588
Food Inspection Contract	Agriculture, Department of	HHSF223201310051C		15,457
Total U.S. Department of Health and Human Services			$	1,411,727,604
Homeland Security, U.S. Department of				
Homeland Security Grant Program	Military Department	97.067	$	3,953,471
Homeland Security Grant Program	Motor Vehicles, Department of	97.067		116,616
Total Homeland Security Grant Program				4,070,087
Boating Safety Financial Assistance	Game and Parks Commission	97.012		553,943
Community Assistance Program State Support Services Element (CAP-SSSE)	Natural Resources, Department of	97.023		112,813
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	97.036		39,968,023
Hazard Mitigation Grant	Military Department	97.039		7,022,624
National Dam Safety Program	Natural Resources, Department of	97.041		228,794
Emergency Management Performance Grants	Military Department	97.042		3,265,522
State Fire Training Systems Grants	Fire Marshal	97.043		12,414
Cooperating Technical Partners	Natural Resources, Department of	97.045		330,134
Fire Management Assistance Grant	Military Department	97.046		5,281,075
Pre-Disaster Mitigation	Military Department	97.047		2,717
Emergency Operations Centers	Military Department	97.052		95,121
Total U.S. Department of Homeland Security			$	60,943,267

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
For the Fiscal Year Ended June 30, 2015

Federal Agency/Program Title	State Agency	CFDA or Grant #		2015 Expenditures
Housing & Urban Development, U.S. Department of				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Economic Development, Department of	14.228	$	9,432,743
Emergency Solutions Grant Program	Health and Human Services, Department of	14.231		871,573
Home Investment Partnerships Program	Economic Development, Department of	14.239		2,913,923
Housing Opportunities for Persons with AIDS	Health and Human Services, Department of	14.241		266,927
Continuum of Care Program	Health and Human Services, Department of	14.267		21,862
Fair Housing Assistance Program_State and Local	Equal Opportunity Commission	14.401		263,624
Total U.S. Department of Housing & Urban Development			$	13,770,652
Institute of Museum and Library Services				
Grants to States	Library Commission	45.310	$	1,267,949
National Leadership Grants	Historical Society	45.312		41,007
Laura Bush 21st Century Librarian Program	Library Commission	45.313		35,427
Total Institute of Museum and Library Services			$	1,344,383
Interior, U.S. Department of				
Cultural Resource Management	Education, Department of	15.224	$	457
Cultural Resources Management	Historical Society	15.511		1,476
Recreation Resources Management	Game and Parks Commission	15.524		152,251
Fish and Wildlife Cluster:				
Sport Fish Restoration Program	Game and Parks Commission	15.605		3,472,097
Wildlife Restoration and Basic Hunter Education	Game and Parks Commission	15.611		7,535,399
Total Fish and Wildlife Cluster				11,007,496
Fish and Wildlife Management Assistance	Game and Parks Commission	15.608		1,417
Cooperative Endangered Species Conservation Fund	Game and Parks Commission	15.615		364,816
Wildlife Conservation and Appreciation	Game and Parks Commission	15.617		577
Enhanced Hunter Education and Safety Program	Game and Parks Commission	15.626		77,195
Landowner Incentive Program	Game and Parks Commission	15.633		133,902
State Wildlife Grants	Game and Parks Commission	15.634		932,268
Migratory Bird Joint Ventures	Game and Parks Commission	15.637		46,225
Endangered Species Conservation – Recovery Implementation Funds	Game and Parks Commission	15.657		47,981
Adaptive Science	Game and Parks Commission	15.670		89,916

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By Federal Agency

For the Fiscal Year Ended June 30, 2015

Federal Agency/Program Title	State Agency	CFDA or Grant #		2015 Expenditures
Interior, U.S. Department of (Continued)				
Historic Preservation Fund Grants-In-Aid	Historical Society	15.904		756,009
Outdoor Recreation_Acquisition, Development and Planning	Game and Parks Commission	15.916		261,795
Total U.S. Department of Interior			$	13,873,781
Justice, U.S. Department of				
Sexual Assault Services Formula Program	Law Enforcement and Criminal Justice, Commission for	16.017	$	225,369
Juvenile Accountability Block Grants	Law Enforcement and Criminal Justice, Commission for	16.523		144,742
Juvenile Justice and Delinquency Prevention_Allocation to States	Law Enforcement and Criminal Justice, Commission for	16.540		358,701
Missing Children's Assistance	State Patrol	16.543		306,718
State Justice Statistics Program for Statistical Analysis Centers	Law Enforcement and Criminal Justice, Commission for	16.550		47,147
National Criminal History Improvement Program (NCHIP)	State Patrol	16.554		242,204
Crime Victim Assistance	Law Enforcement and Criminal Justice, Commission for	16.575		2,596,118
Crime Victim Compensation	Law Enforcement and Criminal Justice, Commission for	16.576		273
Edward Byrne Memorial Formula Grant Program	Law Enforcement and Criminal Justice, Commission for	16.579		906
Drug Court Discretionary Grant Program	Supreme Court, Nebraska	16.585		71,818
Violence Against Women Formula Grants	Law Enforcement and Criminal Justice, Commission for	16.588		1,005,662
Residential Substance Abuse Treatment for State Prisoners	Law Enforcement and Criminal Justice, Commission for	16.593		61,684
State Criminal Alien Assistance Program	Correctional Services, Department of	16.606		215,232
Public Safety Partnership and Community Policing Grants	State Patrol	16.710		(5,159)
Enforcing Underage Drinking Laws Program	Roads, Department of	16.727		18,086
Edward Byrne Memorial Justice Assistance Grant Program	Law Enforcement and Criminal Justice, Commission for	16.738		1,184,222
DNA Backlog Reduction Program	State Patrol	16.741		174,846
Paul Coverdell Forensic Sciences Improvement Grant Program	State Patrol	16.742		49,992
Support for Adam Walsh Act Implementation Grant Program	State Patrol	16.750		58,311
NICS Act Record Improvement Program	State Patrol	16.813		414,829
John R. Justice Prosecutors and Defenders Incentive Act	Law Enforcement and Criminal Justice, Commission for	16.816		53,932
Equitable Sharing Program	State Patrol	16.922		778,859
Total U.S. Department of Justice			$	8,004,492

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By Federal Agency

For the Fiscal Year Ended June 30, 2015

Federal Agency/Program Title	State Agency	CFDA or Grant #	2015 Expenditures
Labor, U.S. Department of			
Labor Force Statistics	Labor, Department of	17.002	$ 780,612
Compensation and Working Conditions	Worker's Compensation Court	17.005	45,166
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities	Labor, Department of	17.207	5,104,641
Disabled Veterans' Outreach Program (DVOP)	Labor, Department of	17.801	582,325
Local Veterans' Employment Representative Program	Labor, Department of	17.804	135,029
Total Employment Service Cluster			5,821,995
Unemployment Insurance - Federal	Labor, Department of	17.225	820,876
Unemployment Insurance - State	Labor, Department of	17.225	88,233,540
Unemployment Insurance - Admin	Labor, Department of	17.225	33,236,726
Total Unemployment Insurance			122,291,142
Senior Community Service Employment Program	Health and Human Services, Department of	17.235	586,865
Trade Adjustment Assistance	Labor, Department of	17.245	487,941
WIA Cluster:			
WIA Adult Program	Labor, Department of	17.258	1,867,292
WIA Youth Activities	Labor, Department of	17.259	2,047,520
WIA Dislocated Worker Formula Grants	Labor, Department of	17.278	1,688,875
Total WIA Cluster			5,603,687
WIA Pilots, Demonstrations, and Research Projects	Labor, Department of	17.261	655,913
H-1B Job Training Grants	Labor, Department of	17.268	53,816
Work Opportunity Tax Credit Program (WOTC)	Labor, Department of	17.271	139,057
Temporary Labor Certification for Foreign Workers	Labor, Department of	17.273	64,266
WIOA National Dislocated Worker Grant/WIA National Emergency Grants	Labor, Department of	17.277	509,144
Consultation Agreements	Labor, Department of	17.504	475,472
Total U.S. Department of Labor			$ 137,515,076
National Aeronautics and Space Administration			
Education	Education, Department of	43.008	$ 108,650
National Aeronautics and Space Administration			$ 108,650
National Endowment for the Arts			
Promotion of the Arts_Partnership Agreements	Arts Council	45.025	$ 737,772
Total National Endowment for the Arts			$ 737,772

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
For the Fiscal Year Ended June 30, 2015

	Federal Agency/Program Title	State Agency	CFDA or Grant #		2015 Expenditures
	President, Executive Office of				
	High Intensity Drug Trafficking Areas Program	State Patrol	95.001	$	1,127,482
	Total President, Executive Office of			$	1,127,482
	Small Business Administration				
	State Trade and Export Promotion Pilot Grant Program	Economic Development, Department of	59.061	$	80,470
	Total Small Business Administration			$	80,470
	Social Security Administration				
	Disability Insurance/SSI Cluster:				
	Social Security_Disability Insurance	Education, Department of	96.001	$	10,374,070
	Supplemental Security Income	Education, Department of	96.006		1,383,173
	Supplemental Security Income	Blind and Visually Impaired, Commission for the	96.006		567,756
	Total Supplemental Security Income				1,950,929
	Total Disability Insurance/SSI Cluster				12,324,999
	Total Social Security Administration			$	12,324,999
	State, U.S.Department of				
	Criminal Justice Systems	Correctional Services, Department of	19.703	$	9,396
	Total U.S. Department of State			$	9,396
	Transportation, U.S. Department of				
	Airport Improvement Program	Aeronautics, Department of	20.106	$	14,789,802
	Highway Planning and Construction Cluster:				
	Highway Planning and Construction	Roads, Department of	20.205		306,717,933
ARRA	Highway Planning and Construction Recovery	Roads, Department of	20.205		(375)
	Total Highway Planning and Construction				306,717,558
	Recreational Trails Program	Game and Parks Commission	20.219		784,756
	Total Highway Planning and Construction Cluster				307,502,314
	National Motor Carrier Safety	State Patrol	20.218		2,668,241
	Commercial Vehicle Information Systems and Networks	State Patrol	20.237		22,000
	Federal Transit Cluster				
	Federal Transit_Capital Investment Grants	Roads, Department of	20.500		229,447
	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Roads, Department of	20.505		1,550,704

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By Federal Agency

For the Fiscal Year Ended June 30, 2015

Federal Agency/Program Title		State Agency	CFDA or Grant #			2015 Expenditures
Transportation, U.S. Department of (Continued)						
	Formula Grants for Rural Areas	Roads, Department of	20.509			6,755,119
ARRA	Formula Grants for Rural Areas	Roads, Department of	20.509			266,909
	Total Formula Grants for Rural Areas					7,022,028
	Transit Services Programs Cluster:					
	Enhanced Mobility for Seniors and Individuals with Disabilities	Roads, Department of	20.513			274,478
	Highway Safety Cluster:					
	State and Community Highway Safety	Roads, Department of	20.600			1,654,244
	Alcohol Impaired Driving Countermeasures Incentive Grants I	Roads, Department of	20.601			2,026,611
	Occupant Protection Incentive Grants	Roads, Department of	20.602			811,898
	State Traffic Safety Information System Improvement Grants	Roads, Department of	20.610			569,449
	Incentive Grant Program to Increase Motorcyclist Safety	Roads, Department of	20.612			115,122
	Total Highway Safety Cluster					5,177,324
	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	Roads, Department of	20.614			63,019
	Pipeline Safety Program State Base Grant	Fire Marshal	20.700			375,940
	Interagency Hazardous Materials Public Sector Training and Planning Grants	Military Department	20.703			243,603
Total U.S. Department of Transportation					$	339,918,900
Veterans Affairs, U.S. Department of						
	Veterans State Domiciliary Care	Health and Human Services, Department of	64.014	^	$	1,560,116
	Veterans State Nursing Home Care	Health and Human Services, Department of	64.015	^		16,673,570
Total U.S. Department of Veterans Affairs					$	18,233,686
TOTAL EXPENDITURES OF FEDERAL AWARDS					$	2,743,456,466

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Administrative Services				
State and Local Implementation Grant Program	Commerce, U.S. Department of	11.549	$	108,788
Total Administrative Services			$	108,788
Aeronautics, Department of				
Airport Improvement Program	Transportation, U.S. Department of	20.106	$	14,789,802
Total Department of Aeronautics			$	14,789,802
Agriculture, Department of				
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, U.S. Department of	10.025	$	1,121,037
Specialty Crop Block Grant Program - Farm Bill	Agriculture, U.S. Department of	10.170		233,015
Organic Certification Cost Share Programs	Agriculture, U.S. Department of	10.171		89,742
State Mediation Grants	Agriculture, U.S. Department of	10.435		135,664
Meat, Poultry, and Egg Products Inspection	Agriculture, U.S. Department of	10.477		711
Food Safety Cooperative Agreements	Agriculture, U.S. Department of	10.479		134,227
WIC Farmers' Market Nutrition Program (FMNP)	Agriculture, U.S. Department of	10.572		49,926
Senior Farmers Market Nutrition Program	Agriculture, U.S. Department of	10.576		217,682
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		616,426
Food and Drug Administration_Research	Health and Human Services, U.S. Department of	93.103		457,594
Food Safety and Security Monitoring Project	Health and Human Services, U.S. Department of	93.448		372,929
Ruminant Feed Ban Support Project	Health and Human Services, U.S. Department of	93.449		199,036
Medicated Feed Inspection Contract	Health and Human Services, U.S. Department of	HHSF223201310061C		90,186
Tissue Residue Inspection Contract	Health and Human Services, U.S. Department of	HHSF223201310043I		588
Food Inspection Contract	Health and Human Services, U.S. Department of	HHSF223201310051C		15,457
Nebraska Rural Rehabilitation Program	Agriculture, U.S. Department of	N/A		176,521
Total Department of Agriculture			$	3,910,741
Arts Council				
Promotion of the Arts_Partnership Agreements	National Endowment for the Arts	45.025	$	737,772
Total Arts Council			$	737,772
Attorney General				
Medicaid Cluster:				
State Medicaid Fraud Control Units	Health and Human Services, U.S. Department of	93.775	$	663,818
Total Attorney General			$	663,818

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Blind and Visually Impaired, Commission for the				
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	$	3,380,681
Independent Living_State Grants	Education, U.S. Department of	84.169		41,243
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Education, U.S. Department of	84.177		230,826
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187		3,145
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	Education, U.S. Department of	84.265		16,829
ACL Independent Living State Grants	Health and Human Services, U.S. Department of	93.369		660
Disability Insurance/SSI Cluster:				
Supplemental Security Income	Social Security Administration	96.006		567,756
Total Commission for the Blind and Visually Impaired			$	4,241,140
Correctional Services, Department of				
State Criminal Alien Assistance Program	Justice, U.S. Department of	16.606	$	215,232
Criminal Justice Systems	State, U.S. Department of	19.703		9,396
Donation of Federal Surplus Personal Property	General Services Administration	39.003		1,852,996
Total Department of Correctional Services			$	2,077,624
Economic Development, Department of				
Manufacturing Extension Partnership	Commerce, U.S. Department of	11.611	$	38,698
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing & Urban Development, U.S. Department of	14.228		9,432,743
Home Investment Partnerships Program	Housing & Urban Development, U.S. Department of	14.239		2,913,923
State Trade and Export Promotion Pilot Grant Program	Small Business Administration	59.061		80,470
Total Department of Economic Development			$	12,465,834
Education, Department of				
Child Nutrition Cluster:				
School Breakfast Program	Agriculture, U.S. Department of	10.553	$	16,558,592
National School Lunch Program	Agriculture, U.S. Department of	10.555		68,353,396
Special Milk Program for Children	Agriculture, U.S. Department of	10.556		58,668
Summer Food Service Program for Children	Agriculture, U.S. Department of	10.559		2,617,357
Total Child Nutrition Cluster				87,588,013
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558		33,858,203

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #	2015 Expenditures
Education, Department of (Continued)			
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560	1,836,871
Team Nutrition Grants	Agriculture, U.S. Department of	10.574	22,070
Fresh Fruit and Vegetable Program	Agriculture, U.S. Department of	10.582	1,975,854
Child Nutrition Direct Certification Performance Awards	Agriculture, U.S. Department of	10.589	446
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to Counties	Agriculture, U.S. Department of	10.666	184,225
Payments to States in Lieu of Real Estate Taxes	Defense, U.S. Department of	12.112	219,026
Cultural Resource Management	Interior, U.S. Department of	15.224	457
Education	National Aeronautics and Space Administration	43.008	108,650
Adult Education - Basic Grants to States	Education, U.S. Department of	84.002	2,257,389
Title I Grants to Local Educational Agencies	Education, U.S. Department of	84.010	68,190,395
Migrant Education_State Grant Program	Education, U.S. Department of	84.011	4,469,608
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, U.S. Department of	84.013	321,598
Special Education Cluster (IDEA):			
Special Education_Grants to States	Education, U.S. Department of	84.027	74,658,153
Special Education_Preschool Grants	Education, U.S. Department of	84.173	2,231,674
Total Special Education Cluster (IDEA)			76,889,827
Career and Technical Education -- Basic Grants to States	Education, U.S. Department of	84.048	7,091,195
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	16,131,305
Migrant Education_Coordination Program	Education, U.S. Department of	84.144	57,264
Rehabilitation Services_Client Assistance Program	Education, U.S. Department of	84.161	135,820
Independent Living_State Grants	Education, U.S. Department of	84.169	245,278
Special Education-Grants for Infants and Families	Education, U.S. Department of	84.181	2,628,269
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187	18,000
Education for Homeless Children and Youth	Education, U.S. Department of	84.196	282,597
Star Schools	Education, U.S. Department of	84.203	2
Assistive Technology	Education, U.S. Department of	84.224	596,979
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	Education, U.S. Department of	84.265	58,940
Twenty-First Century Community Learning Centers	Education, U.S. Department of	84.287	5,027,003
Special Education - State Personnel Development	Education, U.S. Department of	84.323	785,044
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, U.S. Department of	84.326	75,751

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Education, Department of (Continued)				
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	Education, U.S. Department of	84.330		14,634
Rural Education	Education, U.S. Department of	84.358		87,056
English Language Acquisition State Grants	Education, U.S. Department of	84.365		2,364,522
Mathematics and Science Partnerships	Education, U.S. Department of	84.366		598,976
Improving Teacher Quality State Grants	Education, U.S. Department of	84.367		11,512,528
Grants for State Assessments and Related Activities	Education, U.S. Department of	84.369		3,790,172
Statewide Longitudinal Data Systems	Education, U.S. Department of	84.372		1,741,816
School Improvement Grants Cluster:				
School Improvement Grants	Education, U.S. Department of	84.377		3,553,081
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Health and Human Services, U.S. Department of	93.079		52,953
Traumatic Brain Injury State Demonstration Grant Program	Health and Human Services, U.S. Department of	93.234		139,696
ACL Assistive Technology	Health and Human Services, U.S. Department of	93.464		35,830
Head Start	Health and Human Services, U.S. Department of	93.600		128,998
Disability Insurance/SSI Cluster:				
Social Security_Disability Insurance	Social Security Administration	96.001		10,374,070
Supplemental Security Income	Social Security Administration	96.006		1,383,173
Total Disability Insurance/SSI Cluster				11,757,243
Total Department of Education			$	346,833,584
Energy Office				
State Energy Program	Energy, U.S. Department of	81.041	$	417,343
Weatherization Assistance for Low-Income Persons	Energy, U.S. Department of	81.042		2,553,819
State Energy Program Special Projects	Energy, U.S. Department of	81.119		82,482
State Heating Oil and Propane Program	Energy, U.S. Department of	81.138		5,595
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		3,073,224
Total Energy Office			$	6,132,463

^ Amounts taken from financial status reports

ARRA - American Recovery and Reinvestment Act

See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Environmental Quality, Department of				
State Memorandum of Agreement Program for the Reimbursement of Technical Services	Defense, U.S. Department of	12.113	$	120,446
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Protection Agency, U.S.	66.034		288,707
State Clean Diesel Grant Program	Environmental Protection Agency, U.S.	66.040		68,948
Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Protection Agency, U.S.	66.419		295,397
Water Quality Management Planning	Environmental Protection Agency, U.S.	66.454		99,796
Clean Water state revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency, U.S.	66.458		18,172,247
Nonpoint Source Implementation Grants	Environmental Protection Agency, U.S.	66.460		3,082,344
Drinking Water State Revolving Fund Cluster:				
Capitalization Grants for Drinking Water State Revolving Funds	Environmental Protection Agency, U.S.	66.468		14,198,771
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		5,122,864
Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Protection Agency, U.S.	66.608		73,454
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environmental Protection Agency, U.S.	66.802		453,588
Leaking Underground Storage Tank Trust Fund Corrective Action Program Recovery	Environmental Protection Agency, U.S.	66.805		472,070
Superfund State and Indian Tribe Core Program Cooperative Agreements	Environmental Protection Agency, U.S.	66.809		48,166
State and Tribal Response Program Grants	Environmental Protection Agency, U.S.	66.817		489,774
Total Department of Environmental Quality			$	42,986,572
Equal Opportunity Commission				
Fair Housing Assistance Program_State and Local	Housing & Urban Development, U.S. Department of	14.401	$	263,624
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Employment Opportunity Commission, U.S.	30.002		448,994
Total Equal Opportunity Commission			$	712,618
Fire Marshal				
Pipeline Safety Program State Base Grant	Transportation, U.S. Department of	20.700	$	375,940
Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Protection Agency, U.S.	66.804		421,702
State Fire Training Systems Grants	Homeland Security, U.S. Department of	97.043		12,414
Total Fire Marshal			$	810,056

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Game and Parks Commission				
Wetlands Reserve Program	Agriculture, U.S. Department of	10.072	$	96,160
Voluntary Public Access and Habitat Incentive Program	Agriculture, U.S. Department of	10.093		118,133
Cooperative Forestry Assistance	Agriculture, U.S. Department of	10.664		8,702
Agricultural Conservation Easement Program	Agriculture, U.S. Department of	10.931		11,316
Recreation Resources Management	Interior, U.S. Department of	15.524		152,251
Fish and Wildlife Cluster:				
Sport Fish Restoration Program	Interior, U.S. Department of	15.605		3,472,097
Wildlife Restoration and Basic Hunter Education	Interior, U.S. Department of	15.611		7,535,399
Total Fish and Wildlife Cluster				11,007,496
Fish and Wildlife Management Assistance	Interior, U.S. Department of	15.608		1,417
Cooperative Endangered Species Conservation Fund	Interior, U.S. Department of	15.615		364,816
Wildlife Conservation and Appreciation	Interior, U.S. Department of	15.617		577
Enhanced Hunter Education and Safety Program	Interior, U.S. Department of	15.626		77,195
Landowner Incentive Program	Interior, U.S. Department of	15.633		133,902
State Wildlife Grants	Interior, U.S. Department of	15.634		932,268
Migratory Bird Joint Ventures	Interior, U.S. Department of	15.637		46,225
Endangered Species Conservation – Recovery Implementation Funds	Interior, U.S. Department of	15.657		47,981
Adaptive Science	Interior, U.S. Department of	15.670		89,916
Outdoor Recreation_Acquisition, Development and Planning	Interior, U.S. Department of	15.916		261,795
Highway Planning and Construction Cluster:				
Recreational Trails Program	Transportation, U.S. Department of	20.219		784,756
Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Protection Agency, U.S.	66.419		977
Regional Wetland Program Development Grants	Environmental Protection Agency, U.S.	66.461		194,878
Boating Safety Financial Assistance	Homeland Security, U.S. Department of	97.012		553,943
Total Game and Parks Commission			$	14,884,704

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Health and Human Services, Department of				
Child Nutrition Cluster:				
National School Lunch Program	Agriculture, U.S. Department of	10.555	$	11,295,089
Summer Food Service Program for Children	Agriculture, U.S. Department of	10.559		12,013
Total Child Nutrition Cluster				11,307,102
SNAP Cluster:				
Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.551		239,437,012
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.561	^	14,790,418
Total SNAP Cluster				254,227,430
Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture, U.S. Department of	10.557		30,364,697
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558		248,507
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560		1,427,550
Food Distribution Cluster:				
Commodity Supplemental Food Program	Agriculture, U.S. Department of	10.565		3,155,574
Emergency Food Assistance Program (Administrative Costs)	Agriculture, U.S. Department of	10.568		302,265
Emergency Food Assistance Program (Food Commodities)	Agriculture, U.S. Department of	10.569		1,844,227
Total Food Distribution Cluster				5,302,066
WIC Grants To States (WGS)	Agriculture, U.S. Department of	10.578		1,475,019
Emergency Solutions Grant Program	Housing & Urban Development, U.S. Department of	14.231		871,573
Housing Opportunities for Persons with AIDS	Housing & Urban Development, U.S. Department of	14.241		266,927
Continuum of Care Program	Housing & Urban Development, U.S. Department of	14.267		21,862
Senior Community Service Employment Program	Labor, U.S. Department of	17.235		586,865
Veterans State Domiciliary Care	Veterans Affairs, U.S. Department of	64.014	^	1,560,116
Veterans State Nursing Home Care	Veterans Affairs, U.S. Department of	64.015	^	16,673,570
State Indoor Radon Grants	Environmental Protection Agency, U.S.	66.032		183,142
State Public Water System Supervision	Environmental Protection Agency, U.S.	66.432		763,424
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	Environmental Protection Agency, U.S.	66.707		208,513
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Health and Human Services, U.S. Department of	93.041		27,159
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Health and Human Services, U.S. Department of	93.042		84,952
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Health and Human Services, U.S. Department of	93.043		127,045

^ Amounts taken from financial status reports

ARRA - American Recovery and Reinvestment Act

See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Health and Human Services, Department of (Continued)				
Aging Cluster:				
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Health and Human Services, U.S. Department of	93.044		2,259,724
Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, U.S. Department of	93.045		3,897,030
Nutrition Services Incentive Program	Health and Human Services, U.S. Department of	93.053		1,420,631
Total Aging Cluster				7,577,385
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	Health and Human Services, U.S. Department of	93.048		399,626
National Family Caregiver Support, Title III, Part E	Health and Human Services, U.S. Department of	93.052		1,052,808
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster:				
Public Health Emergency Preparedness	Health and Human Services, U.S. Department of	93.069		5,628,950
National Bioterrorism Hospital Preparedness Program	Health and Human Services, U.S. Department of	93.889		1,868,817
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster:				7,497,767
Lifespan Respite Care Program	Health and Human Services, U.S. Department of	93.072		15,190
Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention & School-Based Surveillance	Health and Human Services, U.S. Department of	93.079		34,500
Guardianship Assistance Recovery	Health and Human Services, U.S. Department of	93.090	^	246,063
Affordable Care Act (ACA) Personal Responsibility Education Program	Health and Human Services, U.S. Department of	93.092		276,884
Well-Integrated Screening & Evaluation for Women Across the Nation	Health and Human Services, U.S. Department of	93.094		447,554
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Health and Human Services, U.S. Department of	93.104		75,600
Maternal and Child Health Federal Consolidated Programs	Health and Human Services, U.S. Department of	93.110		219,150
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health and Human Services, U.S. Department of	93.116		304,118
Emergency Medical Services for Children	Health and Human Services, U.S. Department of	93.127		115,371
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	Health and Human Services, U.S. Department of	93.130		158,620
Injury Prevention and Control Research and State and Community Based Programs	Health and Human Services, U.S. Department of	93.136		671,071
Projects for Assistance in Transition from Homelessness (PATH)	Health and Human Services, U.S. Department of	93.150		275,049
Grants to State for Loan Repayment Program	Health and Human Services, U.S. Department of	93.165		59,563
Family Planning_Services	Health and Human Services, U.S. Department of	93.217		2,134,580
Affordable Care Act (ACA) Abstinence Education Program	Health and Human Services, U.S. Department of	93.235		220,323
State Rural Hospital Flexibility Program	Health and Human Services, U.S. Department of	93.241		668,023
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, U.S. Department of	93.243		1,945,084

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Health and Human Services, Department of (Continued)				
Universal Newborn Hearing Screening	Health and Human Services, U.S. Department of	93.251		251,928
Occupational Safety and Health Program	Health and Human Services, U.S. Department of	93.262		121,838
Immunization Cooperative Agreements	Health and Human Services, U.S. Department of	93.268		20,247,129
Adult Viral Hepatitis Prevention and Control	Health and Human Services, U.S. Department of	93.270		114,210
Drug Abuse and Addiction Research Programs	Health and Human Services, U.S. Department of	93.279		180,032
Centers for Disease Control and Prevention_Investigations and Technical Assistance	Health and Human Services, U.S. Department of	93.283		5,250,100
State Partnership Grant Program to Improve Minority Health	Health and Human Services, U.S. Department of	93.296		140,227
Small Rural Hospital Improvement Grant Program	Health and Human Services, U.S. Department of	93.301		617,760
National State Based Tobacco Control Programs	Health and Human Services, U.S. Department of	93.305		82,967
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Health and Human Services, U.S. Department of	93.323		521,647
Behavioral Risk Factor Surveillance System	Health and Human Services, U.S. Department of	93.336		12,062
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	Health and Human Services, U.S. Department of	93.505		2,208,667
PPHF 2012 National Public Health Improvement Initiative	Health and Human Services, U.S. Department of	93.507		397,533
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF	Health and Human Services, U.S. Department of	93.521		863,503
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program	Health and Human Services, U.S. Department of	93.544		2,082
Transitional Living for Homeless Youth	Health and Human Services, U.S. Department of	93.550		101,536
Promoting Safe and Stable Families	Health and Human Services, U.S. Department of	93.556		1,063,306
TANF Cluster:				
Temporary Assistance for Needy Families	Health and Human Services, U.S. Department of	93.558	^	36,340,420
Child Support Enforcement	Health and Human Services, U.S. Department of	93.563	^	16,798,254
Refugee and Entrant Assistance_State Administered Programs	Health and Human Services, U.S. Department of	93.566	^	3,811,520
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		27,594,971
Community Services Block Grant	Health and Human Services, U.S. Department of	93.569		4,577,537
CCDF Cluster:				
Child Care and Development Block Grant	Health and Human Services, U.S. Department of	93.575		36,724,157
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services, U.S. Department of	93.596		19,285,896
Total CCDF Cluster				56,010,053
Refugee and Entrant Assistance_Discretionary Grants	Health and Human Services, U.S. Department of	93.576		515,828

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

	State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
	Health and Human Services, Department of (Continued)				
	Refugee and Entrant Assistance_Targeted Assistance Grants	Health and Human Services, U.S. Department of	93.584		445,221
	Grants to States for Access and Visitation Programs	Health and Human Services, U.S. Department of	93.597		99,717
	Chafee Education and Training Vouchers Program (ETV)	Health and Human Services, U.S. Department of	93.599		471,017
	Adoption and Legal Guardianship Incentive Payments	Health and Human Services, U.S. Department of	93.603		73,532
	Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, U.S. Department of	93.630		393,624
	Children's Justice Grants to States	Health and Human Services, U.S. Department of	93.643		137,929
	Stephanie Tubbs Jones Child Welfare Services Program	Health and Human Services, U.S. Department of	93.645		2,657,314
	Foster Care_Title IV-E	Health and Human Services, U.S. Department of	93.658	^	14,840,783
	Adoption Assistance	Health and Human Services, U.S. Department of	93.659	^	14,475,795
	Social Services Block Grant	Health and Human Services, U.S. Department of	93.667		9,220,973
	Child Abuse and Neglect State Grants	Health and Human Services, U.S. Department of	93.669		221,904
	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, U.S. Department of	93.671		774,032
	Chafee Foster Care Independence Program	Health and Human Services, U.S. Department of	93.674		1,839,990
	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	Health and Human Services, U.S. Department of	93.733		473,962
	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	Health and Human Services, U.S. Department of	93.735		132,609
	PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention & Public Health Fund	Health and Human Services, U.S. Department of	93.745		5,819
	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	Health and Human Services, U.S. Department of	93.757		736,509
	Preventive Health & Health Services Block Grant Funded Solely with Prevention & Public Health Funds (PPHF)	Health and Human Services, U.S. Department of	93.758		822,910
	Children's Health Insurance Program	Health and Human Services, U.S. Department of	93.767	^	54,242,592
	Medicaid Cluster:				
	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services, U.S. Department of	93.777	^	4,785,263
	Medical Assistance Program	Health and Human Services, U.S. Department of	93.778	^	1,074,032,547
ARRA	Medical Assistance Program Recovery	Health and Human Services, U.S. Department of	93.778	^	2,863
	Total Medical Assistance Program				1,074,035,410
	Total Medicaid Cluster				1,078,820,673
	Money Follows the Person Rebalancing Demonstration	Health and Human Services, U.S. Department of	93.791		1,362,088

^ Amounts taken from financial status reports

ARRA - American Recovery and Reinvestment Act

See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Health and Human Services, Department of (Continued)				
Grants to States for Operation of Offices of Rural Health	Health and Human Services, U.S. Department of	93.913		185,365
HIV Care Formula Grants	Health and Human Services, U.S. Department of	93.917		2,745,366
HIV Prevention Activities_Health Department Based	Health and Human Services, U.S. Department of	93.940		804,612
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Health and Human Services, U.S. Department of	93.944		173,104
Assistance Programs for Chronic Disease Prevention and Control	Health and Human Services, U.S. Department of	93.945		1,118,153
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health and Human Services, U.S. Department of	93.946		132,088
Block Grants for Community Mental Health Services	Health and Human Services, U.S. Department of	93.958		1,816,402
Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, U.S. Department of	93.959		7,412,603
Preventive Health Services_Sexually Transmitted Diseases Control Grants	Health and Human Services, U.S. Department of	93.977		362,832
Cooperative Agreements for State-Based Diabetes Control Program & Evaluation of Surveillance System	Health and Human Services, U.S. Department of	93.988		266,735
Preventive Health and Health Services Block Grant	Health and Human Services, U.S. Department of	93.991		665,736
Maternal and Child Health Services Block Grant to the States	Health and Human Services, U.S. Department of	93.994		4,328,211
State Commissions	Corporation For National and Community Service	94.003		175,838
AmeriCorps	Corporation For National and Community Service	94.006		1,823,247
Total Department of Health and Human Services			$	1,732,206,243
Historical Society				
Cultural Resources Management	Interior, U.S. Department of	15.511	$	1,476
Historic Preservation Fund Grants-In-Aid	Interior, U.S. Department of	15.904		756,009
National Leadership Grants	Institute of Museum and Library Services	45.312		41,007
Total Historical Society			$	798,492
Insurance, Department of				
Medicare Enrollment Assistance Program	Health and Human Services, U.S. Department of	93.071	$	75,741
State Health Insurance Assistance Program	Health and Human Services, U.S. Department of	93.324		458,749
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	Health and Human Services, U.S. Department of	93.511		264,200
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	Health and Human Services, U.S. Department of	93.525		227,823
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	Health and Human Services, U.S. Department of	93.779		1,701
Grants to States for Operation of Qualified High-Risk Pools	Health and Human Services, U.S. Department of	93.780		37,387
Total Department of Insurance			$	1,065,601

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Labor, Department of				
Labor Force Statistics	Labor, U.S. Department of	17.002	$	780,612
Employment Service Cluster:				
Employment Service/Wagner-Peyser Funded Activities	Labor, U.S. Department of	17.207		5,104,641
Disabled Veterans' Outreach Program (DVOP)	Labor, U.S. Department of	17.801		582,325
Local Veterans' Employment Representative Program	Labor, U.S. Department of	17.804		135,029
Total Employment Service Cluster				5,821,995
Unemployment Insurance - Federal	Labor, U.S. Department of	17.225		820,876
Unemployment Insurance - State	Labor, U.S. Department of	17.225		88,233,540
Unemployment Insurance - Admin	Labor, U.S. Department of	17.225		33,236,726
Total Unemployment Insurance				122,291,142
Trade Adjustment Assistance	Labor, U.S. Department of	17.245		487,941
WIA Cluster:				
WIA Adult Program	Labor, U.S. Department of	17.258		1,867,292
WIA Youth Activities	Labor, U.S. Department of	17.259		2,047,520
WIA Dislocated Worker Formula Grants	Labor, U.S. Department of	17.278		1,688,875
Total WIA Cluster				5,603,687
WIA Pilots, Demonstrations, and Research Projects	Labor, U.S. Department of	17.261		655,913
H-1B Job Training Grants	Labor, U.S. Department of	17.268		53,816
Work Opportunity Tax Credit Program (WOTC)	Labor, U.S. Department of	17.271		139,057
Temporary Labor Certification for Foreign Workers	Labor, U.S. Department of	17.273		64,266
WIOA National Dislocated Worker Grant/WIA National Emergency Grants	Labor, U.S. Department of	17.277		509,144
Consultation Agreements	Labor, U.S. Department of	17.504		475,472
Total Department of Labor			$	136,883,045
Law Enforcement and Criminal Justice, Commission for				
Sexual Assault Services Formula Program	Justice, U.S. Department of	16.017	$	225,369
Juvenile Accountability Block Grants	Justice, U.S. Department of	16.523		144,742
Juvenile Justice and Delinquency Prevention_Allocation to States	Justice, U.S. Department of	16.540		358,701
State Justice Statistics Program for Statistical Analysis Centers	Justice, U.S. Department of	16.550		47,147
Crime Victim Assistance	Justice, U.S. Department of	16.575		2,596,118
Crime Victim Compensation	Justice, U.S. Department of	16.576		273
Edward Byrne Memorial Formula Grant Program	Justice, U.S. Department of	16.579		906

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Law Enforcement and Criminal Justice, Commission for (Continued)				
Violence Against Women Formula Grants	Justice, U.S. Department of	16.588		1,005,662
Residential Substance Abuse Treatment for State Prisoners	Justice, U.S. Department of	16.593		61,684
Edward Byrne Memorial Justice Assistance Grant Program	Justice, U.S. Department of	16.738		1,184,222
John R. Justice Prosecutors and Defenders Incentive Act	Justice, U.S. Department of	16.816		53,932
Total Commission for Law Enforcement and Criminal Justice			$	5,678,756
Library Commission				
Grants to States	Institute of Museum and Library Services	45.310	$	1,267,949
Laura Bush 21st Century Librarian Program	Institute of Museum and Library Services	45.313		35,427
Total Library Commission			$	1,303,376
Military Department				
Military Construction, National Guard	Defense, U.S. Department of	12.400	$	1,505,923
National Guard Military Operations and Maintenance (O&M) Projects	Defense, U.S. Department of	12.401		21,377,898
Interagency Hazardous Materials Public Sector Training and Planning Grants	Transportation, U.S. Department of	20.703		243,603
Homeland Security Grant Program	Homeland Security, U.S. Department of	97.067		3,953,471
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security, U.S. Department of	97.036		39,968,023
Hazard Mitigation Grant	Homeland Security, U.S. Department of	97.039		7,022,624
Emergency Management Performance Grants	Homeland Security, U.S. Department of	97.042		3,265,522
Fire Management Assistance Grant	Homeland Security, U.S. Department of	97.046		5,281,075
Pre-Disaster Mitigation	Homeland Security, U.S. Department of	97.047		2,717
Emergency Operations Centers	Homeland Security, U.S. Department of	97.052		95,121
Total Military Department			$	82,715,977
Motor Vehicles, Department of				
Homeland Security Grant Program	Homeland Security, U.S. Department of	97.067	$	116,616
Total Department of Motor Vehicles			$	116,616

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2015

	State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Natural Resources, Department of					
	Community Assistance Program State Support Services Element (CAP-SSSE)	Homeland Security, U.S. Department of	97.023	$	112,813
	National Dam Safety Program	Homeland Security, U.S. Department of	97.041		228,794
	Cooperating Technical Partners	Homeland Security, U.S. Department of	97.045		330,134
Total Department of Natural Resources				$	671,741
Oil and Gas Commission					
	State Underground Water Source Protection	Environmental Protection Agency, U.S.	66.433	$	95,763
Total Oil and Gas Commission				$	95,763
Postsecondary Education, Coordinating Commission for					
	Improving Teacher Quality State Grants	Education, U.S. Department of	84.367	$	264,151
	College Access Challenge Grant Program	Education, U.S. Department of	84.378		1,522,550
Total Coordinating Commission for Postsecondary Education				$	1,786,701
Public Service Commission					
ARRA	State Broadband Data and Development Grant Program Recovery	Commerce, U.S. Department of	11.558	$	845,707
Total Public Service Commission				$	845,707
Roads, Department of					
	Enforcing Underage Drinking Laws Program	Justice, U.S. Department of	16.727	$	18,086
	Highway Planning and Construction Cluster:				
	Highway Planning and Construction	Transportation, U.S. Department of	20.205		306,717,933
ARRA	Highway Planning and Construction Recovery	Transportation, U.S. Department of	20.205		(375)
	Total Highway Planning and Construction Cluster				306,717,558
	Federal Transit Cluster				
	Federal Transit_Capital Investment Grants	Transportation, U.S. Department of	20.500		229,447
	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Transportation, U.S. Department of	20.505		1,550,704
	Formula Grants for Rural Areas	Transportation, U.S. Department of	20.509		6,755,119
ARRA	Formula Grants for Rural Areas	Transportation, U.S. Department of	20.509		266,909
	Total Formula Grants for Rural Areas				7,022,028

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Roads, Department of (Continued)				
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	Transportation, U.S. Department of	20.513		274,478
Highway Safety Cluster:				
State and Community Highway Safety	Transportation, U.S. Department of	20.600		1,654,244
Alcohol Impaired Driving Countermeasures Incentive Grants I	Transportation, U.S. Department of	20.601		2,026,611
Occupant Protection Incentive Grants	Transportation, U.S. Department of	20.602		811,898
State Traffic Safety Information System Improvement Grants	Transportation, U.S. Department of	20.610		569,449
Incentive Grant Program to Increase Motorcyclist Safety	Transportation, U.S. Department of	20.612		115,122
Total Highway Safety Cluster				5,177,324
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	Transportation, U.S. Department of	20.614		63,019
Total Department of Roads			$	321,052,644
Secretary of State				
Help America Vote Act Requirements Payments	U.S. Election Assistance Commission	90.401	$	212,742
Voting Access for Individuals with Disabilities_Grants to States	Health and Human Services, U.S. Department of	93.617		95,170
Total Secretary of State			$	307,912
State Patrol				
Missing Children's Assistance	Justice, U.S. Department of	16.543	$	306,718
National Criminal History Improvement Program (NCHIP)	Justice, U.S. Department of	16.554		242,204
Public Safety Partnership and Community Policing Grants	Justice, U.S. Department of	16.710		(5,159)
DNA Backlog Reduction Program	Justice, U.S. Department of	16.741		174,846
Paul Coverdell Forensic Sciences Improvement Grant Program	Justice, U.S. Department of	16.742		49,992
Support for Adam Walsh Act Implementation Grant Program	Justice, U.S. Department of	16.750		58,311
NICS Act Record Improvement Program	Justice, U.S. Department of	16.813		414,829
Equitable Sharing Program	Justice, U.S. Department of	16.922		778,859
National Motor Carrier Safety	Transportation, U.S. Department of	20.218		2,668,241
Commercial Vehicle Information Systems and Networks	Transportation, U.S. Department of	20.237		22,000
High Intensity Drug Trafficking Areas Program	Executive Office of the President	95.001		1,127,482
Total State Patrol			$	5,838,323

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2015

State Agency/Program Title	Federal Agency	CFDA or Grant #		2015 Expenditures
Supreme Court, Nebraska				
Drug Court Discretionary Grant Program	Justice, U.S. Department of	16.585	$	71,818
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, U.S. Department of	93.243		186,929
State Court Improvement Program	Health and Human Services, U.S. Department of	93.586		430,140
Total Nebraska Supreme Court			$	688,887
Worker's Compensation Court				
Compensation and Working Conditions	Labor, U.S. Department of	17.005	$	45,166
Total Worker's Compensation Court			$	45,166
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	2,743,456,466

^ Amounts taken from financial status reports
ARRA - American Recovery and Reinvestment Act
See accompanying notes to the Schedule of Expenditures of Federal Awards

(1) General

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all Federal awards programs of the State of Nebraska (State), except as noted in note 2 below. The State's reporting entity is defined in note 1(b) to the State's financial statements. Federal awards received directly from Federal agencies, as well as those passed through other government agencies, are included in the Schedule. Unless otherwise noted on the Schedule, all programs are received directly from the respective Federal agency. Due to the decentralized operations of the State, the accumulation of amounts passed to subrecipients by the State is not practical.

(2) Summary of Significant Accounting Policies

(a) Reporting Entity

The State's reporting entity is defined in note 1(b) to the financial statements. The accompanying Schedule includes the Federal awards programs administered by the State (the primary government) for the fiscal year ended June 30, 2015.

Federal awards for the following discretely presented component units of the State are reported upon separately:

University of Nebraska
Nebraska State College System

(b) Basis of Presentation

The accompanying Schedule presents total expenditures for each Federal awards program in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Because the Schedule presents only a selected portion of the operations of the State, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the State. Federal program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA) whenever possible.

Federal Awards—Pursuant to OMB Circular A-133, Federal awards are defined as assistance provided by a Federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary Federal awards, including food stamps, food commodities, surplus property, and vaccines, are included as Federal awards and are reported on the Schedule.

Major Programs—In accordance with OMB Circular A-133, major programs are determined using a risk-based approach.

(c) Basis of Accounting

The accompanying Schedule was prepared on the cash basis of accounting, except for certain amounts reported by the Department of Health and Human Services (DHHS). The amounts for DHHS denoted with a caret (^) were taken from the Federal financial status reports. In prior years, the amounts reported for CCDF Cluster, CFDA numbers 93.575 and 93.596, were from the Federal financial status reports; however, this year's reported amounts are directly from the State's accounting system. This change in accounting for amounts reported for the CCDF Cluster had no material effect on the amounts reported compared to prior years.

Grants Between State Agencies—Certain primary recipient State agencies pass grant money through to subrecipient State agencies. These transactions are shown only in the primary recipient's expenditures on the accompanying Schedule to avoid overstating the aggregate level of Federal awards expended by the State; nonetheless, purchases of services between State agencies using Federal monies are reported as expenditures by the purchasing agency and as revenue for services by the providing agency in the State's basic financial statements.

Matching Costs—The Schedule does not include matching expenditures from general revenues of the State.

Nonmonetary Assistance—The Schedule contains amounts for nonmonetary assistance programs. The Supplemental Nutrition Assistance Program (SNAP) is presented at the dollar value of food stamp benefits disbursed to recipients. The commodities programs are presented at the value assigned by the U.S. Department of Agriculture. The Immunization vaccines are presented at the value assigned by the U.S. Department of Health and Human Services. Surplus property is presented at approximated market value.

Fixed-Price Contracts—Certain Federal awards programs are reimbursed based on a fixed price for a service and not the actual expenditure made by the State. Under these circumstances, the amounts shown on the Schedule represent the amount of assistance received from the Federal government, not the amount expended by the State.

(3) Nonmonetary Assistance Inventory

Nonmonetary assistance is reported in the Schedule based on the amounts disbursed. As of June 30, 2015, the inventory balance of nonmonetary assistance for food commodities at the State level was $45,061.

(4) Commodity and Vaccine Programs

Expenditures for the following programs included nonmonetary Federal assistance in the form of food commodities:

CFDA #	Program	Commodities
10.555	National School Lunch Program	$11,295,089
10.558	Child and Adult Care Food Program	248,507
10.559	Summer Food Service Program for Children	12,013
10.565	Commodity Supplemental Food Program	2,361,529
10.569	Emergency Food Assistance Program	1,844,227

The U.S. Department of Agriculture, upon direction from the Nebraska Department of Health and Human Services, delivers a portion of the food commodities directly to the subrecipients for distribution. During the fiscal year, a total of $4,888,210 was delivered directly to subrecipients.

The Immunization Cooperative Agreements (CFDA 93.268) included expenditures of $18,258,624 of nonmonetary Federal assistance in the form of vaccines.

(5) Surplus Property Program

The State agency responsible for surplus property distributes Federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property (CFDA 39.003) program. Donated Federal surplus personal property in 2015 was valued at the historical cost of $12,353,306, as assigned by the Federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule is 15% of the historical cost, which approximates the fair market value of the property.

(6) Federal Loans Outstanding

The State administers the following loan programs. The Federal government does not impose continuing compliance requirements other than repayment of the loans.

CFDA #	Program	Outstanding Balance at June 30, 2015
66.458	Capitalization Grants for Clean Water State Revolving Funds	$194,276,122
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$98,206,195

New loans provided from these programs totaling $27,677,802 are included as current year expenditures on the Schedule.

(7) Airport Improvement Program

The Nebraska Department of Aeronautics acts as an agent for the various Airport Improvement Program grants funded through the Federal Aviation Administration. The grants represent agreements between the Federal Aviation Administration and various cities, counties, and airport authorities. The Department of Aeronautics' primary responsibilities are processing requests for reimbursement and reviewing the requests to determine allowability of program expenditures. The amount of reimbursements passed through to the respective cities, counties, or airport authorities are included as expenditures on the Schedule.

(8) Supplemental Nutrition Assistance Program (SNAP)

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 0.64 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2014.

(9) Foster Care Title IV-E Decreased Federal Participation

In June 2015, the State of Nebraska returned $14,322,020 to the Federal government. Of this amount, $11,731,248 was a decreasing adjustment in Federal financial participation in foster care maintenance payments for the Federal fiscal year 2010-2012. The remaining $2,590,772 is an amendment to the State's Public Assistance Cost Allocation Plan for Nebraska's Title IV-E Foster Care resulting from the implementation of candidacy amendments.

These repayments were of amounts reported as expenditures on the prior year's Schedule of Expenditures of Federal Awards. These amounts do not affect current year expenditures and are not reflected on the Schedule.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

The Honorable Governor,
Members of the Legislature and
Citizens of the State of Nebraska:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements, and have issued our report thereon dated December 17, 2015. Our report includes a reference to other auditors who audited the financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the Nebraska Utility Corporation, the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, the Nebraska State College System Foundations, the activity of the Nebraska State College System Revenue and Refunding Bond Program, the Nebraska State Colleges Facilities Corporation and the College Savings Plan, as described in our report on the State of Nebraska's financial statements. The financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Dental Associates, the UNeHealth, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the activity of the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Nebraska's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the schedule of findings and questioned costs that we consider to be significant deficiencies: findings 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010, and 2015-011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain other matters that we reported to the management of the various agencies of the State of Nebraska in separate letters.

State of Nebraska's Response to Findings

The State of Nebraska's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Nebraska's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State of Nebraska's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the State of Nebraska's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Don Dunlap

Lincoln, Nebraska	Don Dunlap, CPA
December 17, 2015	Assistant Deputy Auditor

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditors' Report

The Honorable Governor,
Members of the Legislature and
Citizens of the State of Nebraska:

Report on Compliance for Each Major Federal Program

We have audited the State of Nebraska's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015. The State of Nebraska's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The basic financial statements of the State of Nebraska include the operations of the University of Nebraska and State College System component units, which received Federal awards which are not included in the schedule during the year ended June 30, 2015. Our audit, described below, did not include the operations of the University of Nebraska or the State College System because the component units engaged other auditors to perform separate audits in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Nebraska's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-l33, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-l33 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State of Nebraska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the State of Nebraska's compliance.

Basis for Qualified Opinion on Aging Cluster, Family Planning Services, Centers for Disease Control and Prevention Investigations and Technical Assistance, Temporary Assistance for Needy Families, CCDF Cluster, Foster Care Title IV-E, Adoption Assistance, Formula Grants for Rural Areas

As described in Findings 2015-025, 2015-028, 2015-032, 2015-034, 2015-035, 2015-045, 2015-046, 2015-051, 2015-054 and 2015-074 in the accompanying schedule of findings and questioned costs, the State of Nebraska did not comply with requirements regarding the following:

Finding #	CFDA #	Federal Program	Compliance Requirement
2015-025	93.044, 93.045	Aging Cluster	Allowability, Matching & Subrecipient Monitoring
2015-028	93.217	Family Planning Services	Allowability, Program Income & Subrecipient Monitoring
2015-032	93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	Allowability, Matching & Subrecipient Monitoring
2015-034	93.558	Temporary Assistance for Needy Families	Allowable Costs, Eligibility & Special Tests
2015-035	93.558	Temporary Assistance for Needy Families	Allowability
2015-045	93.575, 93.596	CCDF Cluster	Allowability & Eligibility
2015-046	93.575, 93.596	CCDF Cluster	Reporting
2015-051	93.658	Foster Care Title IV-E	Allowability & Eligibility
2015-054	93.659	Adoption Assistance	Allowability & Eligibility
2015-074	20.509	Formula Grants for Rural Areas	Allowability & Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for the State of Nebraska to comply with the requirements applicable to those programs.

Qualified Opinion on Aging Cluster, Family Planning Services, Centers for Disease Control and Prevention Investigations and Technical Assistance, Temporary Assistance for Needy Families, CCDF Cluster, Foster Care Title IV-E, Adoption Assistance, Formula Grants for Rural Areas

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Aging Cluster, Family Planning Services, Centers for Disease Control and Prevention Investigations and Technical Assistance, Temporary Assistance for Needy Families, CCDF Cluster, Foster Care Title IV-E, Adoption Assistance, and Formula Grants for Rural Areas for the year ended June 30, 2015.

Basis for Adverse Opinion on Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster

As described in Finding 2015-027 in the accompanying schedule of findings and questioned costs, the State of Nebraska did not comply with requirements regarding the following:

Finding #	CFDA #	Federal Program	Compliance Requirement
2015-027	93.889, 93.069	HPP and PHEP Cluster	Allowability, Cash Management, Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for the State of Nebraska to comply with requirements applicable to that program.

Adverse Opinion on HPP and PHEP Aligned Cooperative Agreements Cluster

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion paragraph, the State of Nebraska did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the HPP and PHEP Aligned Cooperative Agreements Cluster for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs, as listed below. Our opinion on each major Federal program is not modified with respect to these matters.

Finding #	CFDA #	Federal Program	Compliance Requirement
2015-012	93.575, 93.596	CCDF Cluster	Cash Management
2015-013	Various, 93.778	Various, Medical Assistance Program	Allowable Costs
2015-014	10.435, 10.479, 66.605, 93.103, 93.448	State Mediation Grants, Food Safety Cooperative Agreements, Performance Partnership Grants, Food and Drug Administration Research, Food Safety and Security Monitoring Project	Allowable Costs
2015-015	14.228	Community Development Block Grants	Allowability & Subrecipient Monitoring

Finding #	CFDA #	Federal Program	Compliance Requirement
2015-016	10.558	Child and Adult Care Food Program	Eligibility
2015-017	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Program Income
2015-018	Various, 93.778	Various, Medical Assistance Program	Allowable Costs
2015-019	Various, 93.778	Various, Medical Assistance Program	Allowable Costs & Procurement
2015-020	Various, 93.568, 10.561, 93.658	Various, LIHEAP, State Administrative Matching Grants for the SNAP, Foster Care Title IV-E	Allowable Costs
2015-021	Various, 93.568, 10.561, 93.658, 93.575, 93.596, 93.558, 93.778	Various, LIHEAP, State Administrative Matching Grants for the SNAP, Foster Care Title IV-E, CCDF Cluster, TANF, Medical Assistance Program	Allowable Costs
2015-022	Various, 93.767, 93.778	Various, CHIP, Medical Assistance Program	Cash Management
2015-023	Various; 93.778	Various; Medical Assistance Program	Allowable Costs
2015-024	10.551	SNAP	Allowable Costs
2015-026	93.044, 93.045	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers; Special Programs for the Aging Title III, Part C Nutrition Services	Reporting
2015-029	93.217	Family Planning Services	Cash Management & Subrecipient Monitoring
2015-030	93.217	Family Planning Services	Reporting
2015-031	93.217	Family Planning Services	Procurement
2015-033	93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	Reporting
2015-036	93.558	Temporary Assistance for Needy Families	Allowability

Finding #	CFDA #	Federal Program	Compliance Requirement
2015-037	93.558	Temporary Assistance for Needy Families	Reporting
2015-038	93.558	Temporary Assistance for Needy Families	Reporting
2015-039	93.558	Temporary Assistance for Needy Families	Special Tests
2015-040	93.558	Temporary Assistance for Needy Families	Allowability
2015-041	93.568	Low-Income Home Energy Assistance	Allowability & Eligibility
2015-042	93.568	Low-Income Home Energy Assistance	Reporting
2015-043	93.568	Low-Income Home Energy Assistance	Reporting
2015-044	93.568	Low-Income Home Energy Assistance	Period of Availability
2015-047	93.575, 93.596	CCDF Cluster	Special Tests
2015-048	93.575, 93.596	CCDF Cluster	Reporting
2015-049	93.575, 93.596	CCDF Cluster	Reporting
2015-050	93.658	Foster Care Title IV-E	Special Tests
2015-052	93.658	Foster Care Title IV-E	Subrecipient Monitoring
2015-053	93.658	Foster Care Title IV-E	Reporting
2015-055	93.659	Adoption Assistance	Reporting
2015-056	93.667	Social Services Block Grant	Allowability
2015-057	93.767	Children’s Health Insurance Program	Allowability & Eligibility
2015-058	93.767	Children’s Health Insurance Program	Eligibility
2015-059	93.778	Medical Assistance Program	Matching & Reporting
2015-060	93.778	Medical Assistance Program	Allowability
2015-061	93.778	Medical Assistance Program	Allowability & Eligibility
2015-062	93.778	Medical Assistance Program	Allowability
2015-063	93.778	Medical Assistance Program	Special Tests

Finding #	CFDA #	Federal Program	Compliance Requirement
2015-064	93.778	Medical Assistance Program	Special Tests
2015-065	93.778	Medical Assistance Program	Allowability
2015-066	93.778	Medical Assistance Program	Allowability
2015-067	93.778	Medical Assistance Program	Allowability & Subrecipient Monitoring
2015-068	93.778	Medical Assistance Program	Eligibility
2015-069	93.778	Medical Assistance Program	Allowability & Special Tests
2015-070	93.778	Medical Assistance Program	Allowability
2015-071	45.310	Grants to States	Subrecipient Monitoring
2015-072	45.310	Grants to States	Allowability
2015-073	45.310	Grants to States	Allowability, Earmarking & Reporting
2015-075	20.509	Formula Grants for Rural Areas	Reporting
2015-076	20.509	Formula Grants for Rural Areas	Suspension and Debarment

The State of Nebraska's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Nebraska's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State of Nebraska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Nebraska's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Nebraska's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-025, 2015-027, 2015-028, 2015-032, 2015-034, 2015-035, 2015-045, 2015-046, 2015-051, 2015-054 and 2015-074 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-018, 2015-020, 2015-021, 2015-026, 2015-029, 2015-036, 2015-037, 2015-041, 2015-049, 2015-052, 2015-057, 2015-059, 2015-061, 2015-063, 2015-075 and 2015-076 to be significant deficiencies.

The State of Nebraska's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Nebraska's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pat Reding

Lincoln, Nebraska
March 21, 2016

Pat Reding, CPA, CFE
Assistant Deputy Auditor

I. Summary of Auditors' Results

a) Type of report issued as it related to the State of Nebraska's (the State's) basic financial statements: Unmodified

b) Significant deficiencies in internal control were disclosed by the audit of the financial statements and are included in the schedule of findings and questioned costs in Part II as items 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010 and 2015-011. These findings were not considered to be material weaknesses.

c) The audit disclosed no instances of noncompliance, which is material to the State's basic financial statements.

d) Significant deficiencies in internal control over the major programs were disclosed by the audit and are included in the schedule of findings and questioned costs in Part III as items 2015-018, 2015-020, 2015-021, 2015-026, 2015-029, 2015-036, 2015-037, 2015-041, 2015-049, 2015-052, 2015-057, 2015-059, 2015-061, 2015-063, 2015-075 and 2015-076.

   We consider items 2015-025, 2015-027, 2015-028, 2015-032, 2015-034, 2015-035, 2015-045, 2015-046, 2015-051, 2015-054 and 2015-074 to be material weaknesses in internal control over the major programs.

e) Type of report issued on compliance for major programs: Unmodified for all major programs except for Aging Cluster, Family Planning Services, Centers for Disease Control and Prevention Investigations and Technical Assistance, Temporary Assistance for Needy Families, CCDF Cluster, Foster Care Title IV-E, Adoption Assistance, and Formula Grants for Rural Areas, which were qualified and Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements Cluster which was adverse.

f) The audit disclosed audit findings, which are required to be reported in accordance with section .510(a) of OMB Circular A-133 and are included in the schedule of findings and questioned costs in Part III.

g) The following table shows programs that are considered to be major programs:

CFDA	10.551 and 10.561	SNAP Cluster
CFDA	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA	17.258, 17.259 and 17.278	WIA Cluster
CFDA	20.509	Formula Grants for Rural Areas
CFDA	66.458	Capitalization Grants for Clean Water State Revolving Funds

CFDA	66.468	Capitalization Grants for Drinking Water State Revolving Funds
CFDA	84.027 and 84.173	Special Education Cluster (IDEA)
CFDA	93.044, 93.045 and 93.053	Aging Cluster
CFDA	93.069 and 93.889	Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements Cluster
CFDA	93.217	Family Planning Services
CFDA	93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance
CFDA	93.558	Temporary Assistance for Needy Families
CFDA	93.568	Low-Income Home Energy Assistance
CFDA	93.575 and 93.596	CCDF Cluster
CFDA	93.658	Foster Care – Title IV-E
CFDA	93.659	Adoption Assistance
CFDA	93.667	Social Services Block Grant
CFDA	93.767	Children's Health Insurance Program
CFDA	93.775, 93.777 and 93.778	Medicaid Cluster
CFDA	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

h) Dollar threshold used to distinguish between Type A and Type B programs: $8,230,369

i) The State did not qualify as a low-risk auditee.

II. Findings Related to the Financial Statements:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2015-001

CAFR Preparation

A good internal control plan requires an adequate review of draft financial reports and information used to prepare the Comprehensive Annual Financial Report (CAFR), including the information provided by other State agencies.

The Department of Administrative Services, State Accounting Division (State Accounting) prepares the CAFR annually. In accordance with Neb. Rev. Stat. § 81-1125.01 (Reissue 2014), the CAFR is to be completed at least 20 days before the commencement of each regular session of the Legislature. For the fiscal year ended June 30, 2015 CAFR, this date was determined to be December 17, 2015. Therefore, the Auditor of Public Accounts (APA) provided a list of items to be prepared by State Accounting, with dates for submission to the APA for testing, to ensure the CAFR would be completed timely. Throughout the audit, several items were not submitted timely.

For instance, supporting documentation for several note disclosures, such as transfers in/out and interfund due to/from support, was late by 23 and 21 days, respectively; capital asset-related support was late, ranging from 14 days to 23 days; and statistical information, footnotes, and management discussion and analysis were all 15 days late. Some of this information was received only 10 business days prior to the date the CAFR was statutorily required to be completed.

Furthermore, the draft report submitted by State Accounting was incomplete and inaccurate. State Accounting provided the first draft after 5:30 pm on December 3, 2015, eight days after the auditors had requested it. The draft required several revisions to correct formatting problems and incorrect information, in addition to filling in incomplete and missing information, for the newly implemented GASB 68 Standard, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The final draft was not provided until December 17, 2015, which was 13 days after its request by the auditors in the list of items to be prepared by State Accounting and on the date the report was statutorily required to be completed.

During testing of the CAFR, we noted the following:

- The APA proposed 37 adjustments during the audit, 9 of which were not made by State Accounting. The uncorrected errors ranged from an overstatement of $8,969,617 to an understatement of $5,508,231.

- State Accounting made several errors in the capital asset supporting documentation. Errors ranged from an understatement of $37,786,139 in buildings to an overstatement of $22,869,141 in construction in progress. Furthermore, State Accounting included assets as current year additions and/or deletions with dates outside of the fiscal year audited.

- Supporting documentation for the Deposits and Investments Portfolio note disclosure was not proper due to several bank balances erroneously missing from the calculations. Balances were understated by $393,420,478 in the Governmental and Business-Type Activities. Several other errors were noted, such as missing classifications, inaccurate ratings, etc., causing the supporting documentation to be revised up to three times prior to receiving accurate information.

- When making adjustments to prior period activity, State agencies record the transactions as a miscellaneous adjustment during the current fiscal year. The activity within this account should be analyzed by State Accounting and proper adjustments made to ensure the financial statements are properly presented for these adjustments. State Accounting reviewed the account and proposed reversing some of the activity to eliminate it instead of properly categorizing it as a beginning balance adjustment. After reviewing the account, the APA proposed adjustments of $30,324,469 to correct Federal and miscellaneous revenues and proposed adjustments, totaling $5,209,964, to correct beginning balances.

- Several adjustments were necessary for missing or inaccurate State agency accrual information. For instance, State Accounting did not record a corresponding receivable from the Federal government for claims payable reported by the Department of Health and Human Services for $4,588,856. Several entries, totaling $12,773,667, were inappropriately recorded as due to vendor; however, they should have been recorded as due to government. The Department of Roads overstated accounts receivable by $13,460,035.

- Procedures performed to eliminate interfund transfers were inadequate, causing misstatements of $10,925,170. Additionally, State Accounting's analysis of Federal fund balances was inaccurate, causing a misstatement of $1,293,704 in due to other funds.

- Several entries to record investment activity were not proper due to the use of improper bank statements, improper calculations, or erroneous entries performed by State Accounting. Variances ranged from $111,176 to $1,000,000.

- There were several errors in note disclosures including the operating lease disclosure was understated by a total of $633,919, and the noncurrent liabilities disclosure was not calculated properly for compensated absences.

A similar finding related to errors in the preparation of the CAFR has been noted since the fiscal year 2007 audit.

State Accounting did make correcting entries for all material amounts, as recommended by the APA.

Without adequate procedures in place to ensure the accuracy of the financial reports and information used to prepare the CAFR, there is a greater risk material misstatements may occur and remain undetected. Furthermore, when information is not submitted to the APA on a timely basis, there is an increased risk the CAFR will not be completed timely in accordance with State statute.

> We recommend the Agency implement procedures to ensure internally prepared information is complete, accurate, and submitted timely to the auditors. We also recommend the Agency continue to work with State agency personnel to ensure accrual information is supported and has a sound accounting base. Lastly, we recommend State Accounting conduct periodic meetings with the APA to discuss items to be provided and issues identified during the course of the audit.

Agency Response: State Accounting prepared over 250 workpapers in support of the Comprehensive Annual Financial Report (CAFR). A majority of these workpapers were submitted to the Auditor of Public Accounts (APA) on or before their due date. State Accounting submitted all of the workpapers to the APA in time for the CAFR to be released by the statutory required date of December 17, 2015, one of the earliest dates the CAFR has ever been released.

State Accounting will continue to review procedures and put additional safeguards in place to prevent errors in the future. State Accounting did make correcting entries for all material amounts.

State Accounting will continue to identify the resources necessary to prepare, review, and submit workpapers and the CAFR on an accurate and timely basis.

APA Response: The Agency should ensure information submitted to the APA is complete and accurate and submitted timely in accordance with the initial listing of items to be prepared by State Accounting.

DEPARTMENT OF CORRECTIONAL SERVICES

Finding 2015-002

Blue Cross Blue Shield (BCBS) Payments

The Agency provides medical services to inmates through a variety of methods. In addition to employing its own medical professionals, the Agency contracts with vendors for inmate medical care within its facilities. Inmates whose medical needs cannot be met within the confines of a correctional facility are transported by the Agency to an outside medical facility for the appropriate treatment. Such outside procedures are billed through the Agency's third-party insurance administrator, Blue Cross Blue Shield (BCBS).

BCBS also utilized its own service provider, CoreLink, to help process the medical service provider claims for members covered by BCBS. To process medical claims, the Agency sent a daily file of eligible inmates to BCBS from the Agency's Corrections Information and Tracking application. This file contained the pertinent information for each inmate, including name, identification number, date of birth, gender, facility location, and dates eligible for services. Weekly, BCBS sent the Agency a billing of the claims processed and paid. At the end of each month, BCBS sent a final billing for any services provided but not previously billed to the Agency and for the administrative fee charged for processing medical claims.

The Agency paid BCBS $12,986,962 during the period July 1, 2014, through June 30, 2015.

According to Administrative Regulation (AR) 115.06(VII), "Emergency Medical Care," "Facility Operational Memorandums shall specify the procedures for documentation and review of all medical and other emergency events."

Additionally, Medical Protocol 43, "Internal Consult Review Process," states the following:

> *Staff will email completed Internal Consultation Request Form to the Medical Director or designee for review. Medical Director or designee will make a determination and email the consult form back to the appropriate facility email distribution group.*

The Agency's process is for an Internal Consultation Request Form to be completed and approved by the Medical Director prior to the inmate receiving care at an outside facility.

A good internal control plan requires procedures for reviewing payments to ensure that only proper medical expenses are paid. Furthermore, a good internal control plan requires procedures to obtain and review a Service Organization Control (SOC) report for any service organization providing services that are part of the Agency's business process. A SOC report provides both an independent assessment of the controls at the service organization and information regarding controls the Agency should have to complement those of the service organization.

The Agency failed to review BCBS claims to ensure that medical procedures took place and were appropriate. The Auditor of Public Accounts (APA) tested 50 BCBS claims during the Department of Correctional Services Attestation for the period July 1, 2013, through December 31, 2014, and revealed the following:

- A medical provider was overpaid for one claim tested. As a result of the APA's testing, the Agency received a credit of $369,504 for services rendered from August 2013 through May 2015 ($258,170 was related to services during the fiscal year from July 2014 to May 2015). According to the terms of the provider's contract, medical services would be performed at a correctional facility, and all related billings were to be submitted directly to the Agency. This overpayment was discovered by the APA during the examination, and the Agency sought reimbursement. The APA observed a check from the provider to BCBS for $369,504 dated August 13, 2015.

- None of the 50 claims tested had documentation to support that the Agency had reviewed them to determine if they were proper to pay.

- Nineteen claims lacked documentation to support that the Medical Director had approved the inmates' visits to off-site medical providers. For two of those claims, the Medical Director's name was typed on the front of an Internal Consultation Form, but there was no indication that the document was actually approved by him. Additionally, nine emergency referral forms on file only had a check mark, which the Agency indicated the Medical Director had reviewed, but the Medical Director had not signed or initialed any of those documents. Eight claims did not have emergency referrals on file, as the Agency destroyed emergency referrals six months after the service was provided.

- For 18 claims tested, the procedure code on the BCBS detail was missing or inaccurate based upon either the diagnosis or assessment noted on the Health Services Consultation Request Form completed by the consulting physician or other information provided by the hospital or physician. Sixteen of the 18 claims were missing the procedure code, without which the Agency was unable to verify that the provider billings were correct. For one claim, the Agency lacked documentation to support that the procedure code billed was reasonable. Upon request by the APA, the Agency was eventually able to obtain support for that particular procedure code; however, the Agency did not initially have such documentation on hand. For the last claim, a procedure code was included; however, the amount paid exceeded the claim amount charged. This was caused by many claims being paid through this one claim. The Agency lacked documentation to support that it had reviewed this claim and determined the payment to be proper.

- Six claims were for inmates who should have been on the Agency's Medicaid Database but were not. When needed medical services require an inmate to be away from a facility overnight, the Agency is supposed to record this absence, along with whether the inmate is eligible for Medicaid, on the Medicaid Database. When the Agency does not make such a database entry, there is an increased risk the Agency will pay BCBS for the service provided, instead of that service being paid by Medicaid when an inmate is Medicaid eligible.

- For four claims, the inmates were Medicaid eligible; however, instead of being paid by Medicaid, those claims were paid through BCBS. The claims should have been submitted to the Department of Health and Human Services and paid by Medicaid, which would have resulted in the Agency paying only a portion of the medical costs. Because that process was not followed, the Agency paid $71,967 for the four medical claims.

It was further noted during the Attestation that the Agency had neither requested nor received the SOC reports for BCBS or CoreLink, both service providers, prior to our inquiry. The Agency was able subsequently to obtain SOC reports for both service organizations covering the periods ending September 30, 2013, and September 30, 2014. However, the Agency did not have processes in place to obtain and review these reports on an annual basis. A review of the SOC reports is necessary for the Agency to implement controls complementary to those utilized by the service organization.

Failure to review the BCBS invoices increases the risk that the Agency will pay for improper billings. Furthermore, failure to obtain and review annual SOC reports increases the risk that a service organization could have significant internal control problems unknown to the Agency.

> We recommend the Agency implement procedures for reviewing the BCBS invoices to ensure that those billing documents are correct. These procedures should include tracing the BCBS claim to the inmate's medical file to ensure the procedure billed is proper. We also recommend the Agency maintain the Internal Consultant Forms signed or initialed by the Medical Director. We also recommend the Agency implement procedures to ensure all inmates who must be away from a facility overnight for treatment are included on the Medicaid Database, so Medicaid will pay for services when allowable. Lastly, we recommend the Agency request and obtain SOC reports on an annual basis and review the reports to ensure the service organization's controls are operating effectively, and the Agency has controls in place to complement those of the service organization.

Agency Response: The Department resolved the issue with the health care provider on the overpayment and a refund was received. A review process for BCBS payments is being established and a Utilization Review Nurse has been hired to assist in this review. Off-site medical consultations are now all signed by the Medical Director or a doctor acting as Medical Director and documentation retained. Health Services staff are working with other DCS staff knowledgeable in databases to develop a better tracking process for potential Medicaid cases.

DEPARTMENT OF EDUCATION

Finding 2015-003

Special Education

The boards of education for school districts are required to provide special education programs in accordance with Neb. Rev. Stat. § 79-1127 (Reissue 2014), as follows:

> *The board of education of every school district shall provide or contract for special education programs and transportation for all resident children with disabilities who would benefit from such programs in accordance with the Special Education Act and all applicable requirements of the federal Individuals with Disabilities Education Act, 20 U.S.C. 1401 et seq., as such sections existed on January 1, 2009, and the regulations adopted thereunder.*

Neb. Rev. Stat. § 79-1160 (Reissue 2014) directs the NDE to adopt rules and regulations for the implementation of special education programs:

> *The State Department of Education shall adopt, promulgate, and publish rules and regulations necessary to carry out the Special Education Act . . . .*

Neb. Rev. Stat. § 79-1158 (Reissue 2014) states the following:

> *No reimbursement for special education and support services programs shall be allowed unless the program meets the standards established by the State Department of Education.*

The NDE's rules and regulations governing special education programs are found in Title 92 NAC Chapter 51 (Effective May 15, 2010).

Title 92 NAC 51-011.01B restricts "allowable and reimbursable costs for special education services" to specific items, which "shall be documented and are subject to audit."

Title 92 NAC 51-011.01B1 designates the following as one of the special education service items for which costs are allowable and reimbursable:

> *Salaries of special education personnel . . . and clerical personnel directly associated with special education services.*

During the course of our work with the District, the APA determined that the NDE does not have adequate procedures to ensure the FTE, salary, or other amounts are accurately reported on the Special Education and Support Services FFRs for School Age Students for reimbursement under the agency's own rules and regulations.

The NDE has reimbursed schools a total of $191,649,056 as of June 16, 2015, for the 2013-2014 school year. The following amounts have been reimbursed in the previous fiscal years.

Fiscal Year	Reimbursement Period	Amount
2014	For 2012-2013 Reimbursement	$ 180,478,668
2013	For 2011-2012 Reimbursement	$ 173,253,134
2012	For 2010-2011 Reimbursement	$ 165,965,486
2011	For 2009-2010 Reimbursement	$ 163,763,483
2010	For 2008-2009 Reimbursement	$ 166,530,548

Note: Some small amounts may have been reimbursed in a subsequent fiscal year after final adjustments were made.

The APA also found a document from September 2013 entitled "Fiscal Review Information," which indicates that all school district Special Education and Support Services FFRs for School Age Students are subject to a fiscal review, which includes "examining, on a test basis, evidence supporting the dollar amounts and student FTE reported . . . ."

That same document also states, "All working papers used in completing the final reports should be retained for subsequent reference and review documentation."

The NDE representatives who met with the APA described the following plan for auditing the information provided by schools:

- Audit the top 10 recipients every year.
- Audit the next 40 recipients every two years while doing a two-year audit.

However, the NDE representatives acknowledged that this plan has not been met due to employee turnover and lack of training. Consequently, the NDE has been reimbursing hundreds of millions of dollars to school districts without auditing or reviewing any information to determine if the amounts reimbursed are allowable under the agency's own rules and regulations.

Furthermore, under the current plan, more than $40,000,000, distributed annually to approximately 200 school districts, including the District, is never audited by the NDE or, for that matter, by any other party.

According to the NDE representatives who met with the APA, the CPA firms responsible for auditing school districts should verify the sufficiency of the controls needed to ensure all expenditures are accounted for properly. Additionally, the individual CPAs who compile the schools' Annual Financial Reports (AFR) should confirm the accuracy of special education program coding. Without specific compliance testing procedures from the NDE, however, the APA considers it unlikely that the CPA firms or their individual counterparts will perform such compliance testing and oversight satisfactorily.

Additionally, the NDE incorrectly adjusted the District's School Age FFR. The District has a contract with a third-party service provider to provide special education services and transportation for two Omaha Public School (OPS) students, which is then reimbursed by OPS. The District did not report the expenditures or the reimbursement received from OPS on its FFR.

The NDE reviewed the District FFR in May and June 2015. During that review, the NDE adjusted the tuition amount on the District's FFR, since the OPS reimbursement was not included. This resulted in a reduction of reimbursable expenditures, and the NDE indicated the District was not getting a June reimbursement. However, upon further review by the NDE, since the related expenditures were not recorded on the District's FFR, the adjustment should not have been made by the NDE. The NDE calculated the impact of the error and determined the District final payment will be $32,626.

We have determined this issue to be a significant deficiency.

Good internal control requires procedures to ensure amounts reimbursed to school districts are accurate and supported by adequate documentation. Without such procedures, there is a significantly greater risk that amounts reimbursed will be neither accurate nor supported by adequate documentation.

> In addition to working with the District, we recommend the NDE ensure the auditing and review of School Age Special Education Reimbursement Program expenditures is a priority, given the significant amount of General Fund monies reimbursed to the school districts. We also recommend the NDE review its procedures for auditing and monitoring the Program to ensure all school districts are subject to appropriate audit procedures, in accordance with its rules and regulations and State statutes.

Department's Response: The NDE disagrees with certain aspects of the management letter and its finding.

The comment and recommendation was not discussed with the appropriate members of NDE and its management prior to the receipt of the draft copy of the management letter. The only communication of the finding was through the draft copy of the management letter. Members of the NDE staff communicated with the APA over a period of months regarding the School Age Special Education Reimbursement Program, but a potential finding by the APA with a disposition as a significant deficiency and their corresponding recommendation was never discussed with NDE staff prior to the receipt of the management letter.

The NDE also disagrees with the disposition of the finding as a significant deficiency. The NDE performs a desk audit on every Special Education School Age Final Financial Report. This desk audit process takes approximately four staff members four months of their time to perform or approximately 2,750 staff hours or more. Staff turnover and training issues as noted in the management letter have been addressed and the onsite audit procedures have been resumed by NDE. The onsite audit plan that is currently in place is designed to maximize the resources of the NDE and provide the best cost/benefit ratio for the program. This plan incorporates an onsite audit for approximately 59% of the dollars reimbursed in FY 2015 by visiting *approximately 9% of the school districts; this is in addition to the desk audit that 100% of school districts receive. Visiting the remaining 91% of the school districts to audit the remaining 41% of reimbursements would require significant additional resources without the commensurate benefit to taxpayers of the State. Auditing all school districts every year would require adding staff equivalent to 1.50 FTE and the associated travel expenses would be significant. The NDE feels that the desk reviews performed and the resumption of the onsite audit procedures should not result in a finding disposition of Significant Deficiency by the Auditor of Public Accounts.*

The auditing and review of School Age Special Education Reimbursement Program expenditures is an important priority of the NDE. The General Fund monies reimbursed to school districts is significant as noted by the Auditor of Public Accounts, and the amount of resources the NDE commits to the desk and on-site audits are not insignificant. The NDE will continue to review and adjust its procedures for auditing and monitoring the School Age Special Education Reimbursement Program to ensure compliance with NDE Rule 51 and State statues and provide for the effective and efficient administration of the Program.

APA Response: The NDE is concerned that the comment and recommendation was not discussed with the appropriate level of management prior to the receipt of the draft management letter. The APA is under no obligation to discuss the comment and recommendation with management prior to the issuance of the draft letter. In fact, the draft letter provides management, at the highest level, the opportunity to review the draft version of the comment and recommendation, make any necessary corrections, and provide a response to the comment and recommendation PRIOR to the release of the letter in its final, public version.

As noted by the NDE, the APA worked closely with the NDE's Administrative Specialist III and a Program Specialist IV during the course of the APA's work. Both were well aware of the APA's concerns, as documented in various correspondences between our offices. The following email message was actually sent with the draft management letter:

From: Janssen, Cindy
Sent: Tuesday, June 30, 2015 10:37 AM
To: Blomstedt, Matt
Cc: Avery, Mary; Rhian, Shane; Prochazka, Greg
Subject: Draft Early Management Letter - NDE

Matt Blomstedt, Commissioner
Nebraska Department of Education

Dear Mr. Blomstedt:

Attached is a draft Early Management Letter for fiscal year 2015 regarding the Nebraska Department of Education School Age Special Education Reimbursement Program. This document is not a public document until it is issued in a final form by our office.

We wanted to give you the opportunity to review this draft letter and to provide a response, if you so choose. If you choose to respond, we would appreciate it if you would provide the response to us by Wednesday, July 15, 2015. We ask that all responses be kept to a minimum, preferably one paragraph. The brief responses and planned corrective actions will be included in the final report. We may respond to any response from the Agency included in the final report. If your responses are not received by Wednesday, July 15, 2015, the report will be issued in final without your responses. Please send your responses to the draft in Microsoft Word format (via email or on CD), to facilitate our typing process. You have the option of not responding.

Also attached is a draft copy of our letter to the Weeping Water Public School District. This letter is for your information purposes only, and a response is not required. A copy of this letter has been sent to the District for their response.

I have read the draft report and there are no errors I am aware of, nor do I wish to respond to the comments.

Signature **Title**

I have read the draft report and my/our comments and/or responses are attached.

Signature **Title**

Please return this form by Wednesday, July 15, 2015.

If you would like to discuss any of this information, please feel free to contact me.

Cindy Janssen
Audit Manager
NE Auditor of Public Accounts
(402) 326-3047

Additionally, upon receipt of our draft management letter, the NDE Commissioner responded as follows:

> ***I have discussed this with our team and we will have a management letter prepared before July 15th. Please continue to contact Shane and Greg directly as you need on this matter. Additionally, Bryce Wilson and Shane Rhian are both available as NDE leads on all finance and audit work. You may always communicate directly with them and copy me as appropriate.***

The Commissioner's response at the time gave no indication of any problem with the handling of the draft letter. Therefore, the APA is unaware of how these issues could have been better communicated.

The NDE also disagrees with the disposition of the finding as a significant deficiency. However, the desk audits referred to by the Department are not designed to and did not uncover the errors made by the Weeping Water School

District. The onsite audit procedures also would not have uncovered the errors noted in the letter, as not all Districts, including Weeping Water, are subject to the onsite review procedures of the NDE.

The NDE's onsite review procedures resumed after the APA brought the issue to the attention of the NDE. For fiscal year ending June 30, 2015, only three onsite reviews had been initiated, and none of those three had been completed. Given the more than $190 million in State general fund monies paid by the NDE to school districts throughout the State, and the lack of onsite review procedures for fiscal year 2015, the APA remains steadfast in its classification of this finding as a significant deficiency.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2015-004

Loss of Federal Funding

42 CFR § 441.304(d)(2) (October 1, 2014) provides the following, in relevant part:

> *A request for an amendment that involves a substantive change as determined by CMS, may only take effect on or after the date when the amendment is approved by CMS . . . .*

42 CFR § 441.304 (d)(1) states that substantive changes include changes in rate methodology.

A good internal control plan and sound business practices require policies and procedures to ensure Federal waivers are submitted and approved timely prior to implementation of rates to ensure Federal expenditures are allowable.

The Agency administers publically funded home and community based services and also operates several sites that provide services for individuals with developmental disabilities. The rates paid to the providers for these services are partially paid by Federal funds using the Federal Medical Assistance Percentage; the remaining expenses are paid with State funds. The Federal funds are provided by the Centers for Medicare and Medicaid Services (CMS). In January 2014, the CMS issued a new regulation related to the effective date of amendments to the home and community based services for developmental disabilities rates. The prior regulation allowed states to determine an effective date anytime within the current amendment year, whereas the new rule set the effective date of the amendments as the date of CMS approval. This new requirement was effective on March 17, 2014.

The Agency formulated a new methodology to calculate provider service rates effective July 1, 2014. As done in the past, the Agency began to pay providers based upon the newly calculated service rates, not adhering to the new regulations for CMS approval. Subsequently, the CMS did not approve the Agency's new rate methodology amendment until July 7, 2015. This led to unallowable Federal expenditures of $19,574,679 during the fiscal year ended June 30, 2015.

The Agency was required to perform journal entries to correct the funding source and move the $19 million to State funding. An additional $104,768 in Federal funds was lost from July 1, 2015, until the CMS approved the new rate methodology on July 7, 2015. On December 21, 2015, the Agency processed a journal entry in the State's accounting system to move $104,768 of Federal expenditures to State expenditures.

> We recommend the Agency implement policies and procedures to ensure federally approved rate methodologies are used to calculate amounts owed to providers. Additionally, we recommend the Agency ensure that methods used for calculating Federal expenditures are submitted to the Federal awarding agency and approved in a timely manner, so Federal funding is not lost.

Agency Response: The Agency has identified and corrected all funding sources due to this issue. The Agency will continue to work in collaboration with CMS on rate methodology changes in the future to ensure approval before implementation.

Finding 2015-005

Accrual Information

The Department of Administrative Services, State Accounting Division (State Accounting), prepares the State of Nebraska Comprehensive Annual Financial Report (CAFR) and requires all State agencies to determine and report payable and receivable amounts at the end of the fiscal year on an accrual response form.

A good internal control plan requires agencies to have procedures for the reporting of accurate and complete financial information to State Accounting.

Throughout testing, we noted several items not accurately reported to State Accounting, as follows:

- The Agency had not identified payables, totaling $18,118,627, related to the Indirect Medical Education (IME) and Direct Medical Education (DME) payments owed at June 30, 2015, but not yet paid to providers. When the Auditor of Public Accounts (APA) questioned the payments, the Agency agreed they should have been included on its accrual response form. State Accounting made an adjustment to include the payables, as recommended by the APA. Additionally, the APA proposed adjusting the beginning balance for unrecorded prior year liabilities of $5,034,211; however, State Accounting did not adjust for this amount.

- The State ward payable was understated by $335,752 due to several invoices and unbilled estimates that were not properly reflected in the accrual calculation.

- The patient and county billings receivable was overstated by $132,349. The receivable was calculated for the Lincoln, Norfolk, and Hastings Regional Centers, the Beatrice State Developmental Center (BSDC), and the Developmental Disabilities program. The overstatement was caused by the following:

  - The Lincoln Regional Center (LRC) had a $642,311 receivable outstanding for Medicare Part D. The Agency had determined that the majority of the outstanding amount was uncollectable; however, the APA believed it was unlikely the Agency would receive payment on any of the amount due as of June 30, 2015, and the Agency agreed. The difference in collectability assumptions resulted in $102,434 of the overstatement.

  - Sixteen of 25 patient balances tested were not pursued by the Agency for collection or write-off in a timely manner. Three of those 16 balances were receivables due from counties with dates of service ranging from 1989 to 1994. The counties have disputed the charges. Five of the 16 balances tested were determined by the Agency to be inaccurately reported as receivables. The Agency had not adjusted the individual's balances or decreased the calculated receivable to account for these, causing an overstatement of $29,915.

- The Third Party Liability (TPL) receivable is for balances due from legal obligations of third parties (i.e., individuals, insurers, programs, etc.). The receivable calculation did not include offline amounts in the calculation of doubtful accounts. Offline amounts are balances, three years or older, that have had no activity. The Agency determined the allowance for doubtful accounts by calculating the amount recovered compared to the total submittals over the past eight fiscal years. The total recovered amount included offline amounts; however, the total submittal amount did not. According to the Agency, this is because the submittal report was not capable of including offline amounts. The Agency has noted that a request has been submitted to the Agency's IS&T Department to update the report to include these offline amounts. Not including the offline amounts in the submittal amounts could potentially cause an overstatement in the receivable amount. However, the total effect is unknown.

- The Nebraska Family Online Client User System (NFOCUS) account receivable was understated by $72,835 due to eight programs not being included. The programs were Developmental Disabilities Adult Residential Waiver, Former Ward, Independent Living, Child Developmental Disabilities, Social Services Children & Families, Developmental Disabilities State Aid, Developmental Disabilities Community Support Adult Waiver, and Low Income Home Energy Assistance Program (LIHEAP). It was also noted that there was no manager review of changes to account status in NFOCUS.

- The Intergovernmental receivable/payable accrual was improperly calculated due to one grant amount being included twice, causing an overstatement of $29,951.

A similar finding has been noted since the June 30, 2004 audit.

Without adequate processes and procedures in place to ensure the accuracy of the CAFR accruals, there is a greater risk material misstatements may occur and remain undetected.

> We recommend the Agency implement procedures to ensure information is complete and accurate. The Agency should also have adequate procedures in place for a secondary review to verify the information is supported, reasonable, and accurate. Finally, we recommend a manager or supervisor review changes to account statuses in NFOCUS.

Agency Response: The Agency will continue to review and enhance its process for reporting timely and accurate accrual information. The Agency has an established process for preparing and reviewing accrual information which has resulted in significant improvement over prior years. The Agency will continue to work in cooperation with the Department of Administrative Services, Accounting Section, as well as the Nebraska Auditor of Public Accounts Office on the accrual reporting process.

Finding 2015-006

The Overpayment Mailbox

On November 30, 2011, DHHS set up the Overpayment Mailbox (Mailbox) for eligibility overpayments. Previously, Social Service Workers (SSWs) would set up overpayments and underpayments in NFOCUS as they discovered them. Eligibility overpayments were referred via an email to the Mailbox to be worked by an Overpayment (OP) Unit team. SSWs would still work any eligibility underpayments, in order to get increased benefits to families as quickly as possible.

We requested a copy of the Mailbox contents and noted 20,708 referrals in the Mailbox as of May 4, 2015. We noted several issues, as detailed below.

Referrals Not Worked Timely, Or At All

SNAP regulation 7 CFR § 273.18(d)(1) (January 1, 2014), requires the State to "establish a claim before the last day of the quarter following the quarter in which the overpayment or trafficking incident was discovered." DHHS follows this timeframe for all programs. Per 475 NAC 4-007.01C, related to SNAP, "All overpayments must be established no later than the calendar quarter following the quarter of discovery. All overpayments are established even if the timeliness standard cannot be met." A good internal control plan requires procedures be in place to ensure overpayments are set up in a timely manner.

The Mailbox included 22,489 emails of which 20,708 were referrals and 1,781 were other items, such as policy instructions or emails to the DHHS Special Investigations Unit. We noted 60% of referrals were not worked, therefore no account receivable had been established.

	Total Referrals	Total Worked	% Worked
December 2011 – June 2014	13,280	5,702	43%
July 2014 – May 4, 2015	7,428	2,481	33%
Entire Mailbox	20,708	8,183	40%

We reviewed 50 referrals, including 9 unworked, 8 active, and 33 completed referrals. We noted 25 of 50 referrals tested were not worked timely or at all. Referrals not worked or not worked timely averaged 246 days (or 8 months) late.

	Less than One Month Late	One Month to a Year Late	One to Two Years Late	Over Two Years Late
Unworked/Active Referrals	0	8	2	2
Completed Referrals	3	9	1	0
Total	3	17	3	2

There are many old referrals in the mailbox, and DHHS did not have a clear policy on which cases to prioritize. Generally, older referrals were worked first. However, sometimes DHHS would go back only so far and leave older referrals unworked. For example, beginning in January 2015, to meet SNAP timeframes, DHHS decided to start fresh with looking back at referrals beginning October 1, 2014, because they were due to be set up no later than March 31, 2015. That means any referrals before October 1, 2014, have little chance of being reviewed. For another example, we observed an email instructing OP Unit staff to work newer cases as of a certain date but also to work one older case a day.

According to DHHS, the OP Unit was established "to provide consistency and accuracy in the determination and establishment of overpayments" and "so the overpayments can be assigned to specific staff and acted on in a timely manner." However, based on 60% of referrals not worked, it is obvious that DHHS has not devoted adequate resources to ensure all referrals are completed in a timely manner. During the fiscal year, eight staff worked half of their time on the OP Unit. The average amount of the receivable for overpayments we tested was $543. Considering the number of referrals not worked, there is potentially millions of dollars in overpayments that DHHS has not attempted to recover.

Without adequate controls and resources to work suspected overpayments, timeframes set by Federal regulations will not be met. Overpayments not worked timely have a lesser chance of collection. Overpayments not worked at all will have no chance of collection.

Organization and Monitoring of Mailbox

A good internal control plan requires procedures to ensure overpayment referrals are properly tracked and monitored.

The Mailbox is disorganized, with a total of 438 folders and subfolders. It appears folders have been incorrectly moved within other subfolders. For example, one folder contained referrals of the Fremont Overpayment Team, which is no longer in operation. The folder had 67 subfolders and 3,695 emails that were all buried under the subfolder of a specific employee in a different team's folder. DHHS procedures for tracking the referrals have changed over time. Newer OP Unit workers have folders for Complete and Pending each week, while previous OP Unit workers embedded the data on the status of referrals within each individual email.

Unworked referrals appear to be housed in multiple different subfolders. Several different subfolders appear to have unworked emails, including a folder for all overpayments referred between January 27 and September 29, 2014. The OP Unit Supervisor was unaware of all the subfolders containing unworked emails until we brought them to her attention.

We noted 85 referrals prior to fiscal year 2015 were still in subfolders of employees no longer in the OP Unit, which means current members of the OP Unit are unlikely to complete them. When OP Unit workers leave the team, it appears that supervisors sometimes fail to review their subfolders and reassign the open cases. We also noted two fiscal year 2015 unworked referrals in an active folder for staff no longer on the OP Unit, which indicates the referrals should have been reassigned. The referrals were from June 2014 and December 2014.

During our testing of 57 receivables, we noted two instances of an NFOCUS narrative indicating that a referral had been made to the Mailbox, but we could not locate it in the Mailbox. It is unknown if the referral was never sent or if it was sent to the Mailbox and then deleted.

Further, we noted DHHS does not have controls to ensure all referrals sent to the Mailbox are worked. The supervisor overseeing the OP Unit indicated she reviews OP Unit work by looking at subfolders, but she relies on the workers to report to her what they do each week.

We also noted the existence of another mailbox, DHHS Policy Questions NFOCUS. Per DHHS, this mailbox was used to store overpayment referral emails for a short time before the Mailbox was created. DHHS indicated all overpayment referrals were moved from the DHHS Policy Questions NFOCUS mailbox to the Mailbox; however, we were unable to verify this due to the size of the DHHS Policy Questions NFOCUS mailbox.

Access to Mailbox

A good internal control plan requires procedures to ensure those with access to the Mailbox have a logical need for such access. NITC Standards and Guidelines, Information Security Policy 8-101, Section 4.7.3, Privileged Accounts Management, states the following

> *The issuance and use of privileged accounts will be restricted and controlled. Processes must be developed to ensure that users of privileged accounts are monitored, and any suspected misuse is promptly investigated.*

When an SSW discovers a potential overpayment related to SNAP, TANF, or AABD, he or she narrates the issue in NFOCUS and then sends an email with the pertinent information to the Mailbox. All members of the OP Unit have access to the Mailbox.

All individuals with access to the Mailbox had the ability to compromise the account, which includes deleting referrals. A total of 62 individuals had access to the account during all or a portion of the fiscal year. Of those 62, we noted 13 never worked on the OP Unit and should not have had access, and 19 had access after they were no longer with the OP Unit, with five of those individuals having access more than two years longer than necessary.

OP Unit staff could easily delete emails, either intentionally or in error, and not be detected. The Mailbox contains multiple folders, including a Deleted Items folder. During testing of all 16 emails in the Deleted Items folder, we noted one SNAP referral was unworked, and another SNAP referral was worked but not properly stored in a completed folder. The Deleted Items folder also appeared to be automatically cleared out every night. DHHS did not have procedures to ensure all referrals were maintained and not deleted.

> We recommend DHHS implement procedures and devote adequate resources to investigating, and establishing NFOCUS receivables. If DHHS continues to use the Mailbox for eligibility overpayments, care should be taken to ensure all emails are properly tracked, monitored, and maintained. DHHS should ensure those with access to the Mailbox have a logical need for such access.

DHHS Response: DHHS has been involved in a Business Process Re-engineering contract provided to Nebraska by the USDA Food and Nutrition Service. Through these efforts, DHHS is working on a detailed value stream map of the current overpayment process to identify potential efficiencies and better practices to improve this process from the point of Social Service Worker identification to the recoupment of the accounts receivable. After the processes are more efficient a review of the staffing needed to maintain the process will be conducted. The Mailbox will be updated so that only staff currently involved in the overpayment process have access.

Finding 2015-007

Receivables for Programs Other Than SNAP

Per NFOCUS, there were 7,126 accounts receivable, totaling $6,976,660, for programs other than SNAP at March 31, 2015. We tested 42 accounts receivable, totaling $195,225, for programs other than SNAP and noted various errors, as described below.

Receivables Not Set Up Timely

Fifteen of the accounts receivable tested were set up during State fiscal year 2015. Four of the 15 were set up after the calendar quarter following the date of discovery. The receivables were set up 37, 108, 159 and 196 days late.

Collection Policy Not Followed

Good internal control requires the DHHS Collection Policy and payment agreements be followed. The DHHS Collection Policy states, in part, the following:

> *(2) DHHS will send regular billing statements for all accounts receivable, except when prohibited by law.*
>
> *(3) [F]or accounts which are 90 days overdue, unless suitable arrangements have been make for payment . . . DHHS will send the Debtor a letter, signed by the appropriate Director, requesting payment . . . if no response is received within 30 days of the initial letter, DHHS will send the Debtor a second letter, signed by a DHHS Legal and Regulatory Services (LRS) attorney, again requesting payment . . . if no response is received within 30 days of the second letter, DHHS generally refers to the Collection Agency if the balance of the receivable is between $100 and $2,000.*
>
> . . . .
>
> *(6) Except in situations where collection efforts are required by law, DHHS will suspend collection efforts, with the exception of monthly billing statements, during any period that the Debtor is receiving state or federal needs-based assistance, whether or not the statute of limitations may expire prior to the termination of the needs-based assistance.*
>
> *(7) Accounts referred to the DHHS collection agency will be returned to DHHS for review after twelve months have elapsed with no payments received.*

The Collection Policy was not followed in 35 of 42 receivables tested (some receivables had more than one type of error):

- DHHS did not have written policies or procedures to ensure repayment agreements were reasonable. We noted one receivable with a beginning balance of $24,425. A repayment agreement was approved for only $35 per month, which would take 58 years to repay.

- Four receivable balances were suspended because DHHS was unable to locate the recipient. When a receivable is suspended, no collection efforts are performed. In three of the instances, the recipient's address was later updated when the recipient applied for and received assistance in other NFOCUS programs; however, the receivables remained suspended. The individuals were located in this manner in July 2013, January 2014, and October 2014. The fourth receivable was suspended in December 2012, and it does not appear DHHS attempted to locate the recipient.

- One receivable was created in 2007. In 2010, a duplicate receivable was created and, when this was discovered, the worker closed the original receivable instead of the duplicate. The overpayment was due to the biological father receiving TANF cash assistance on behalf of the children while the children were in foster care. Information regarding the children's whereabouts is stored in NFOCUS, but the worker approving TANF payments either did not notice or did not have access to this information in NFOCUS.

- For two receivables with significant balances of $126,881 and $49,673, collection was not pursued with the exception of monthly billing statements because the recipient was on public assistance. The collection efforts for the $126,881 receivable were inappropriately suspended. The individual was not on needs-based assistance but was actually in prison. In relation to this overpayment, the recipient was found guilty of Theft by Deception, over $1,500, a Class III Felony. In this criminal case, restitution was not ordered because the recipient was sentenced to a prison term instead. DHHS could explore pursuing the amount from the recipient in civil court. DHHS should revisit its collection policy to determine whether it is appropriate to suspend collection efforts on large balances. We noted DHHS recoups overpayments from low-income recipients if the balance is within the same program, but suspends collection efforts if the receivable balance is in a program different than the one from which the recipient is currently receiving assistance.

- For five receivables, billing statements were never sent because the repayment method on NFOCUS was incorrectly set as a recoupment of future payments. The individuals were not receiving payments through NFOCUS; therefore, the repayment method should have been set as a cash reimbursement. Billing statements are only sent when the receivable is set as a cash reimbursement.

- For 27 receivables, totaling $179,623, the procedure for accounts 90 days overdue was not followed. DHHS uses a manual process to follow up on non-SNAP accounts receivable. Each month, the DHHS Medicaid/Financial Responsibility Unit reviews a list of accounts receivable with current balances and then must manually sort through the list to determine if the receivable is 90 days overdue and what action must be taken on the account, including the sending of director or legal letters and the referral to the collection agency.

    - For 13 of these 27 receivables, the director and legal letters were not sent, and the receivables were not referred to the collection agency or to DHHS Legal and Regulatory Services (DHHS LRS) for further action. Two of these delinquent receivables were against current providers receiving millions of dollars in payments each year. We identified three additional delinquent receivables for these providers that were not being collected because the provider changed its organization ID, or the program related to the overpayment closed. Collection of receivables for current providers should be done regardless of changes in organization IDs in NFOCUS or a change in programs.

    - For five receivables, DHHS sent the director and legal letters but failed to refer the case to the collection agency or to DHHS LRS when payments were not received.

    - For nine receivables, the director letters, legal letters, and/or referral to the collection agency occurred late, ranging from 1 month to 13 months late.

  - We noted one AABD receivable with a balance of $1,874 that was delinquent as of April 25, 2014. The overpayment was due to an agency error. After the initial legal letter was sent, sporadic payments were made, with the last payment made on February 13, 2015. The receivable was not sent to the collection agency as required by the collection policy. We noted the debtor is a current employee of DHHS.

  - Another receivable had a current balance of $2,196. Per NFOCUS, the debtor had $212,381 in income in calendar year 2014, which indicated the debtor had the resources to make payments on the account, and additional legal action should have been pursued.

- For seven receivables, totaling $31,637, the legal letters were sent, but no other legal action was taken by DHHS LRS. Additionally, no lawsuits were filed on any NFOCUS accounts receivables during fiscal year 2015, and there are no written policies regarding legal action to be taken on delinquent accounts receivable.

- For nine receivables, the billing statements were sent between one and seven months late.

- Three receivables were at the collection agency longer than 12 months but were not returned to DHHS.

Many of the issues noted were caused by worker error. Processes that could be automated in NFOCUS were not. For example, letter generation in the SNAP program is automated, but similar steps for non-SNAP programs are not. DHHS could automate the changing of receivable status from cash to recoupment and vise versa, but has not.

Missed Recoupments

Per TANF Program Instructions TANF-ACF-PI-2006-03(2), "[O]verpayment recoveries will be made either through recoupment from recipient's current TANF grant if they are still receiving cash assistance or through a cash repayment from former recipients." A good internal control plan requires procedures to ensure all accounts are recouped, if possible.

For three accounts receivable, the recipient or provider was currently receiving payments in NFOCUS, so a portion of the benefits or provider payments should have been recouped and applied to the receivable balance, but they were not recouped in all eligible months. Potential recoupments, totaling $2,744, were missed. One of these receivables was suspended in error. For another receivable, the provider changed organization ID's in NFOCUS. DHHS should have moved the balance to the new organization ID, so it could be recouped. This provider currently receives millions of dollars in payments each year.

Missing Demand Letters

Per both Title 468 NAC 3-008.07B, related to TANF, and Title 469 NAC 3-007.03B2, related to AABD, “The worker must first send a demand letter, giving the client the choice of reimbursing all or part of the overpayment or having future assistance reduced.” Per Title 465 NAC 2-001(3), the Client of any program has the right to “receive adequate notice of any action affecting his/her application or case [.]”

For 11 of the accounts receivable tested, DHHS could not provide the demand letter. DHHS had no explanation for why the demand letters could not be located; it is possible they were never sent.

Statute of Limitations

Neb. Rev. Stat. § 25-205(1) (Reissue 2008) says that “an action upon a specialty, or any agreement, contract, or promise in writing, or foreign judgment, can only be brought within five years.” Additionally, according to the Nebraska Supreme Court, a “voluntary payment of any part of principal or interest tolls statute of limitations and new right of action accrues after each payment . . .” *Pick v. Pick,* 184 Neb. 716, 171 N.W.2d, 766 (1969).

Five receivables were past the statute of limitations and should have been written off but were not. We noted DHHS’ procedure is to request the write off of all receivables that have expired during the State fiscal year in the next legislative session. For example, receivables expiring between July 2013 and June 2014 were accumulated and requested for write off in the 2015 legislative session, which occurred from January through June 2015. DHHS could have included accounts expired through December 2014 but did not. DHHS should request write-offs in a timelier manner.

Receivable Mishandled

A good internal control plan requires procedures to ensure payments received are applied to the accounts receivable balance. In one case, the balance was paid but DHHS failed to apply the payment to the receivable account, resulting in an overstatement of $888 of the receivable.

Programs Missing from Receivable Reports Used in Financial Statements

A good internal control plan requires procedures to ensure the reports used to accumulate accounts receivable on the financial statements include all relevant programs and related receivables, and they are not duplicated. The programs Developmental Disabilities Adult Residential Waiver, Former Ward, Independent Living, Child Developmental Disabilities, Social Services Children & Families, Developmental Disabilities State Aid, Developmental Disabilities Community Support Adult Waiver, and Low Income Home Energy Assistance Program (LIHEAP) were not included in the receivable reports provided by DHHS to the auditors, resulting in an understatement of receivables of $31,943.

NFOCUS does not allow a query for all programs. Instead, specific programs must be selected, and staff failed to ensure all programs were included.

Child Support Payment Retention

A good internal control plan requires procedures to ensure accounts receivable balances in NFOCUS are correct. Children Have A Right To Support (CHARTS) is the system used by DHHS for the Child Support Enforcement (CSE) program.

We tested two TANF receivables classified as child support payment retention. These are receivables set up by DHHS CSE staff in the CHARTS system when custodial parents (CPs) received child support payments in error. CSE staff typically establish payment agreements with the CPs. If the CPs are on TANF, the agreement might include a provision to take $25 per month from the TANF assistance payment. In order for the recoupment to work, CSE staff asks NFOCUS staff to set up the receivable on NFOCUS as well. This causes the receivable to be on two separate State systems and overstated on the financial statements.

NFOCUS applies any TANF recoupments to the receivable but is not informed of CHARTS payments, so the NFOCUS balance report used for the financial statements shows the original balance of the receivable less any NFOCUS payments, not the actual balance reflecting any payments made in CHARTS. Additionally, for one of the receivables tested, the recipient erroneously received two monthly billings statements from NFOCUS, even though he was making timely payments through CHARTS. Per NFOCUS, as of March 31, 2015, DHHS had 95 receivables, totaling $78,242, classified as child support payment retention.

For both receivables tested, the repayment agreement was for $25 a month. At this rate, one case would take over 11 years to repay, and the other, over 4 years. Per DHHS, the typical $25 amount has been in place for years and was probably based on the fact that it is approximately 10% of TANF monthly payments to the family. For both receivables tested, the repayment agreements were set up when the families were on TANF, but the families soon went off TANF. DHHS should review payment agreements for reasonableness when a family goes off assistance. If the intent was to collect 10% of the family's monthly income, then one case should have taken $225 per month, and the other $38.

It appears DHHS set up these receivables in both the NFOCUS and CHARTS systems to facilitate collection efforts; however, adequate consideration was not given to the effect on the financial statements or the likelihood for erroneous billing statements to be sent.

Inadequate controls and procedures result in fewer collections of Federal and State funds that could be used to reduce the taxpayer burden.

We recommend DHHS improve collection efforts. DHHS should implement controls and procedures to ensure policies are followed, workers are properly trained, and supervisory reviews are documented. DHHS should review its collection policy and consider automating more collection processes in NFOCUS. Additionally, DHHS should have a written policy for child support repayment agreements, including the amount to recoup from TANF assistance. We recommend, moreover, DHHS consider basing the amount recouped on a percentage of assistance. The policy should also address procedures for when the family stops receiving assistance. Finally, DHHS should ensure receivables reflected on two systems are accurate on both and not duplicated on the financial statements.

DHHS Response: DHHS will review the receivables collection process for efficiencies and implement any necessary changes. A joint effort between units within DHHS will be conducted to determine what policies and procedures will be put in place to ensure that the receivables collection process is adequate.

Finding 2015-008

Nebraska WIC Program

In 1972, Congress established the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program). The Nebraska WIC Program was implemented some three years later. Participating states receive a certain allocation of Federal funds from the United States Department of Agriculture (USDA). The Nebraska Department of Health and Human Services (DHHS) administers the program, which includes ensuring the funds were received and spent appropriately. DHHS also provides grants to local agencies operating WIC Program clinics throughout Nebraska.

The WIC Program provides education and food assistance to the following participants:

- Women – Those who are pregnant, breastfeeding, or recently had a child.
- Infants – Up through 12 months.
- Children – Ages one to five.

These participants must also meet certain eligibility criteria, including the following:

1. Fall within specific income guidelines.
2. Reside in the State of Nebraska.
3. Have been determined to be at risk nutritionally by a nurse or qualified nutritionist through a health and diet assessment.

Each WIC Program participant receives printed checks that are redeemable at approved Nebraska retailers for certain authorized food purchases. In addition to the participant's name and ID number, the checks include identification of the Nebraska WIC Program, valid dates of use, and the specific authorized foods that can be purchased.

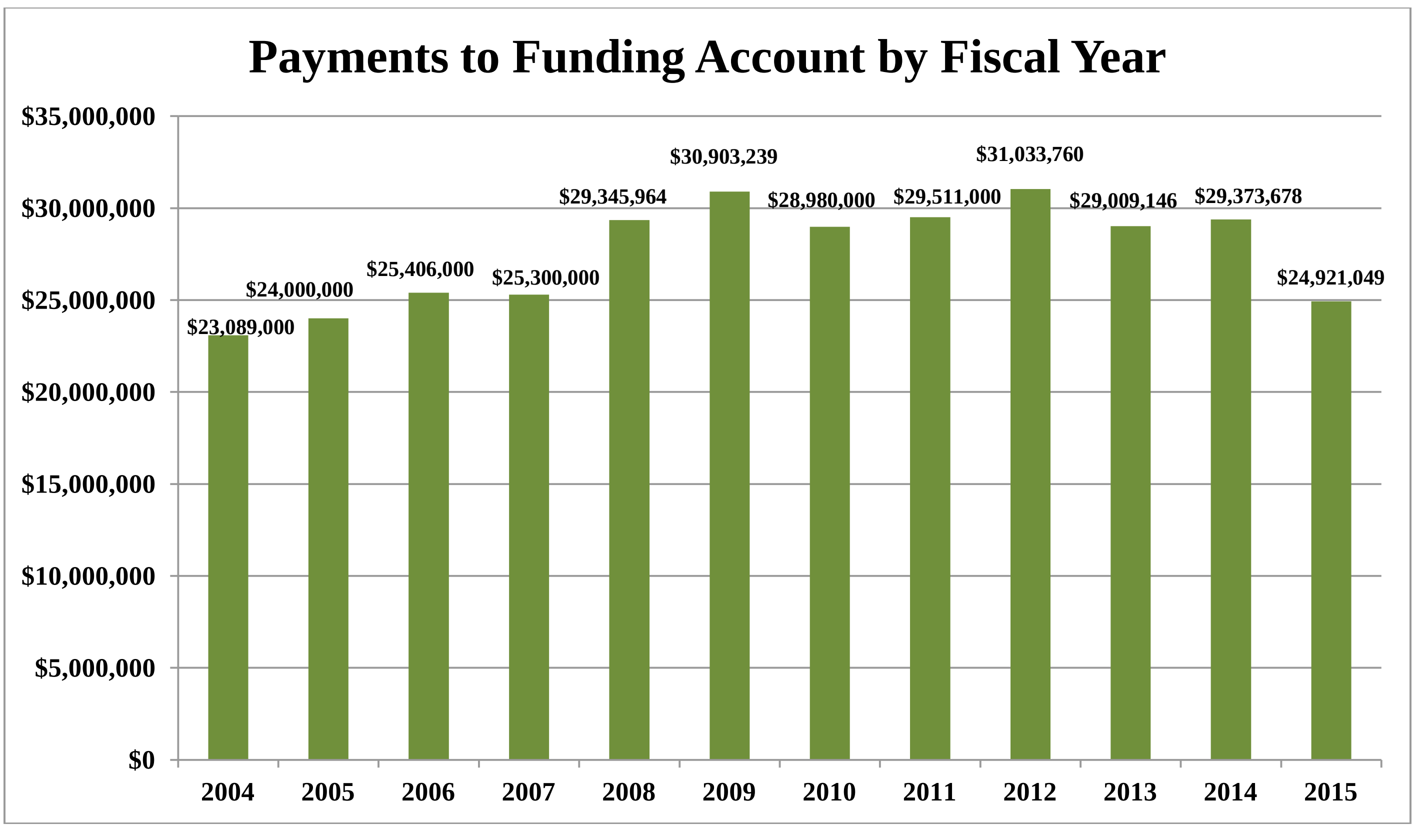
Since 1997, the State of Nebraska and DHHS have contracted with Solutran, a Minnesota-based company, to perform the State's WIC Program payment processing. Currently, Solutran provides WIC Program payment processing for at least 19 states.

WIC Funding Account

As of May 5, 2015, Solutran controlled two different WIC Program bank accounts under the State's FTIN. The first bank account, referred to as the "funding account," held monies routinely transferred from the State in order to fund the WIC checks processed by Solutran.

After receiving documentation related to this account, certain questions were raised regarding its ownership. As documented in prior audits related to the WIC Program, both DHHS and Department of Administrative Services (DAS) staff routinely identified this funding account as a Solutran bank account – not as a State of Nebraska bank account.

Since July 2003, DHHS has transferred over $330 million dollars to the funding account through the State's accounting system, as illustrated by the chart below.



***Note**: Per State's accounting system, as of May 12, 2015.*

After receipt of the original bank signature card for the funding account, the APA noted the following issues:

Bank Signature Card Not Updated

The funding account used the State of Nebraska's FTIN, indicating that the account belonged to the State – not to Solutran, as maintained by DHHS and DAS staff alike.

The authorized signature card for the funding account had not been updated since its original creation in 1997. Signers on the account included Dave Heineman, Lorelee Byrd, Dave Phipps, and Mary Brock, none of whom have worked for the State Treasurer's office since January 2004.

In fact, three different State Treasurers – Ron Ross, Shane Osborn, and Don Stenberg – have held office since the funding account signature card was last signed. A copy of the original 1997 signature card is included as **Attachment A**.

Based solely upon this severely outdated signature card, hundreds of millions of dollars have been transferred from the funding account for almost two decades. During that time, even after they had long ceased employment with the State, any of the former signatories could have withdrawn funds from the account.

Operating Bank Outside the State of Nebraska

The funding account, owned by the State of Nebraska but administered by Solutran, has been maintained in a Minnesota-based bank, Citizens Alliance Bank, Howard Lake, MN, 55349.

Neb. Rev. Stat. § 77-2301(1) (Reissue 2009) requires the following:

> *The State Treasurer shall deposit, and at all times keep on deposit for safekeeping, in the state or national banks, or some of them doing business in this state and of approved standing and responsibility, the amount of money in his or her hands belonging to the several current funds in the state treasury. Any bank may apply for the privilege of keeping on deposit such funds or some part thereof.*

According to the State Treasurer, any bank holding State funds must be licensed to do business in the State of Nebraska, which the Citizens Alliance Bank is not.

Pledged Collateral

Based upon the sparse available documentation, it appears that the deposits in the funding account were not properly secured by either Federal Deposit Insurance Corporation (FDIC) coverage or adequate pledged collateral. During fiscal year 2015, the bank statements indicated the amount in the accounts was over $250,000 on numerous days. See **Attachment B** for the February and March 2015 account balances over $250,000. It is very likely that the other months also had balances that exceeded the $250,000.

Neb. Rev. Stat. § 77-2398(1) (Cum. Supp. 2014) sets out the following pledged collateral requirements:

> *As an alternative to the requirements to secure the deposit of public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation pursuant to sections 77-2389 and 77-2394, a bank, capital stock financial institution, or qualifying*

> *mutual financial institution designated as a public depositary may secure the deposits of one or more governmental units by providing a deposit guaranty bond or by depositing, pledging, or granting a security interest in a single pool of securities to secure the repayment of all public money or public funds deposited in the bank, capital stock financial institution, or qualifying mutual financial institution by such governmental units and not otherwise secured pursuant to law, if at all times the total value of the deposit guaranty bond is at least equal to the amount on deposit which is in excess of the amount so insured or guaranteed or the aggregate market value of the pool of securities so deposited, pledged, or in which a security interest is granted is at least equal to one hundred five percent of the amount on deposit which is in excess of the amount so insured or guaranteed.*

The above statutory collateral requirements were outlined also in the Request for Proposal (RFP) addendum number three, dated June 24, 2010, as follows:

> *All bidders are responsible to meet State Statute requirements for collateralization of state funds on deposit. Bidders will at a minimum reference Neb. Rev. Stat. Section 77-2395, 77-2389, 77-2398, and 77-2387. Collateral requirements are applicable to all State Agency accounts serviced under this contract. Collateral requirements range from 102 percent to 105 percent of the bank account ledger balance. The State requires a statement of collateral be provided on a calendar month basis. The agreement for collateral arrangements must require the signature of a State Treasury designated representative before the release of collateral purchased on behalf of the State. This addendum will become part of the proposal and should be acknowledged with the RFP.*

The FDIC insurance coverage amount is currently $250,000 per depositor, per insured bank, for each account ownership category. The funding account routinely maintained a balance in excess of $250,000, making FDIC coverage alone inadequate to protect fully all of the State's deposits.

Aside from insufficient documentation to show whether additional pledged collateral had been maintained, the APA found nothing to indicate that anyone from the State regularly ensured that the funding account was adequately collateralized.

State funds held by a financial institution are at a greater risk of loss when the amounts in excess of FDIC coverage are not properly secured, as required by State statute.

Advancing State Funds

The amount transferred periodically from DHHS to the funding account was based on an estimate of how much was actually needed to cover the daily transfers to the WIC activity account. The APA questioned the fact that monies were being advanced to this bank account controlled by Solutran for future unknown payment amounts. As explained in the State Treasurer's letter on **Attachment D**, the funding account was to be closed, which would correct this issue going forward.

WIC Activity Account

The second bank account, referred to as the "activity account," was used by Solutran to cover the daily amounts paid to WIC Program vendors. A per diem transfer, equaling the total vendor payments for that 24-hour period, were made from the funding account to this activity account, leaving the latter with a zero balance at the end of each day.

Some of the issues described above for the funding account apply also to the activity account, as follows:

- ***Bank Signature Card Not Updated*** - The signature card for the activity account has also not been updated since its creation. The APA has included a copy of the activity account signature card as **Attachment C**. Again, hundreds of millions of dollars have been paid from this activity account based upon severely outdated signatures.

- ***Operating Bank Outside the State of Nebraska*** - The activity account was also maintained in the same Minnesota-based bank, Citizens Alliance Bank, which is not licensed to do business in Nebraska. As a result, the activity account was similarly noncompliant with § 77-2301(1), as discussed above.

When the authorized signatures for State bank accounts are not updated in a timely manner, there is an increased risk for the loss or misuse of State funds. Additionally, those bank accounts maintained in an out-of-State bank were not in compliance with State statute.

The APA has worked with staff from the State Treasurer's Office, DHHS, Solutran, and other involved parties to formulate a solution to the issues identified in this letter. On May 6, 2015, the current State Treasurer sent a letter to Citizens Alliance Bank, outlining a plan for the two WIC bank accounts addressed herein. See **Attachment D** for a copy of that letter.

As directed by the State Treasurer's letter, the funding account at Citizens Alliance Bank was closed, and the funds from that account were transferred to the State Treasurer's bank account at US Bank in Lincoln, Nebraska. In addition, ownership of the activity account was transferred to Solutran. Those actions, as outlined in the letter, are an important step toward resolving the issues identified above.

> We recommend DHHS continue to work with the State Treasurer to ensure all State bank accounts comply with State law. All bank accounts using the State's FTIN should be operated under the control of the State Treasurer. We also recommend all related State bank account signature cards are kept current, using current officers or employees only. Furthermore, all State funds held by banks should be fully secured or collateralized in accordance with statute.

DHHS Response: The Department of Health and Human Services (DHHS) agrees with the comments regarding the WIC Funding Account and the processing of WIC checks by Solutran, a Minnesota-based contractor. All issues described in those comments had been identified by DHHS and the State Treasurer's office in April 2015. The Department of Health and Human Services worked diligently with the State Treasurer and the Auditor of Public Accounts over the next several days to take corrective actions. The Auditor of Public Accounts and the State Treasurer agreed with the Department's analysis that deposits to the activity account were no longer *funds of the state because they were transferred to that account to cover a legal obligation to honor negotiable instruments (checks) presented to the bank for payment. The Department agreed with the Auditor of Public Accounts and the State Treasurer that the activity account needed to be held by Solutran and out-of-state funding account needed to be closed. Arrangements were made to make daily transfers from a Nebraska state bank account to the activity account. These corrective actions have addressed the recommendations made in the early communication management letter, and DHHS will establish procedures to monitor compliance with all applicable banking laws on an annual basis.*

WIC FUNDING ACCOUNT SIGNATURE CARD ATTACHMENT A

OWNERSHIP OF ACCOUNT - CONSUMER

☐ INDIVIDUAL
☐ JOINT - WITH SURVIVORSHIP (and not as tenants in common)
☐ JOINT - NO SURVIVORSHIP (as tenants in common)
☐
☐ TRUST - SEPARATE AGREEMENT:
☐ REVOCABLE TRUST OR ☐ PAY-ON-DEATH DESIGNATION AS DEFINED IN THIS AGREEMENT
Name and Address of Beneficiaries:

OWNERSHIP OF ACCOUNT - BUSINESS

RECEIVED

☐ SOLE PROPRIETORSHIP
☐ CORPORATION ☐ NOT FOR PROFIT
☐ PARTNERSHIP
☐ LIMITED LIABILITY COMPANY
☐
BUSINESS COUNTY & STATE OF ORGANIZATION
AUTHORIZATION DATED
FACSIMILE SIGNATURE(S)? ☐ YES ☐ NO

Minnesota law requires the following information to be provided by one applicant if this is a transaction account.

Name ______ Date of Birth ______
Soc. Sec. No. ______ I.D. No. ______
Home Address ______
Business Address ______
Home Telephone ______ Bus. Telephone ______

Have you had a transaction account at this or another financial intermediary within 12 months before making this application?
☐ Yes ☐ No Name of Institution:

Have you had a transaction account closed by a financial intermediary without your consent within 12 months before making this application?
☐ Yes ☐ No Reason: ______
Verified By: ______

Have you been convicted of a criminal offense because of the use of a check or other similar item within 24 months of making this application?
☐ Yes ☐ No

If you make a false material statement in this document that you do not believe to be true, you are guilty of perjury.
☐ I.D. No. verified with the Dept. of Public Safety records on ______
☐ I am an employee of this financial intermediary and I have known the applicant for at least 1 year prior to the date of this application. X ______

ACCOUNT OWNER NAME & ADDRESS

Nebraska WIC

ACCOUNT NUMBER: Funding Account

open 10-6-97

Number of signatures required for withdrawal ______ ☐ This is a temporary account agreement.

SIGNATURE(S) - THE UNDERSIGNED AGREE(S) TO THE TERMS STATED ON PAGES 1 AND 2 OF THIS FORM, AND ACKNOWLEDGE(S) RECEIPT OF A COMPLETED COPY ON TODAY'S DATE. THE UNDERSIGNED ALSO ACKNOWLEDGE(S) RECEIPT OF A COPY OF AND AGREE(S) TO THE TERMS OF THE FOLLOWING DISCLOSURE(S):
☐ Funds Availability Disclosure ☐ Truth-in-Savings Disclosure
☐ Electronic Funds Transfer Disclosure ☐

	Signature(s)	Identifying Info.
(1)	[signature] DAVE HEINEMAN	0501
(2)	[signature] Lorelee Byrd	0414
(3)	[signature] Dave Phipps	0223
(4)	[signature] Mary Brock	1219

☐ AUTHORIZED SIGNER (name) Individual Accounts Only

TYPE OF ACCOUNT ☐ NEW ☐ EXISTING ☐ PERSONAL ☐ BUSINESS ☐ CHECKING ☐ SAVINGS ☐ MONEY MARKET ☐ NOW ☐ CERTIFICATE OF DEPOSIT ☐

ACCOUNT NAME ______

BACKUP WITHHOLDING CERTIFICATIONS

TIN: 47-0491233

☐ TAXPAYER I.D. NUMBER - The Taxpayer Identification Number shown above (TIN) is my correct taxpayer identification number.

☐ BACKUP WITHHOLDING - I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

☐ EXEMPT RECIPIENTS - I am an exempt recipient under the Internal Revenue Service Regulations.

☐ NONRESIDENT ALIENS - I am not a United States person, or if I am an individual, I am neither a citizen nor a resident of the United States.

SIGNATURE - I certify under penalties of perjury the statements checked in this section.
X [signature] 10/1/97

Form MPSC-MN (page 1 of 2)

WIC FUNDING ACCOUNT FEBRUARY AND MARCH 2015 STATEMENTS ATTACHMENT B

Statement Of Account - Summary
SOLUTRAN 1-800-445-5992
CITIZENS ALLIANCE BANK - HOWARD LAKE
HOWARD LAKE MN 55349

Summary Page 1
Account Number
1/31/15 - 2/27/15

PEGGY TROUBA
NEBRASKA WIC PROGRAM
301 CENTENNIAL MALL SOUTH
PO BOX 95026
LINCOLN NE 68509-5026

MASTER ACCOUNT

Red squares indicate balances over $250,000.

Statement Totals

Date	Beginning Balance	------Deposits------- Count	Amount	----Misc. Credits---- Count	Amount	------Item Debits------ Count	Amount	----Misc. Debits----- Count	Amount	Ending Balance
	431,691.21									
2/01/15			.00		.00		.00		.00	431,691.21
2/02/15			.00		.00		.00	1	80,755.56	350,935.65
2/03/15		1	300,000.00		.00		.00	1	145,716.23	505,219.42
2/04/15			.00		.00		.00	1	89,375.61	415,843.81
2/05/15			.00		.00		.00	1	82,776.98	333,066.83
2/06/15			.00		.00		.00	1	75,881.12	257,185.71
2/09/15		1	300,000.00		.00		.00	1	82,090.69	475,095.02
2/10/15			.00		.00		.00	1	184,993.11	290,101.91
2/11/15			.00		.00		.00	1	83,447.29	206,654.62
2/12/15			.00		.00		.00	1	98,226.58	108,428.04
2/13/15		1	300,000.00		.00		.00	1	72,807.47	335,620.57
2/17/15			.00		.00		.00	1	134,969.70	200,650.87
2/18/15		1	400,000.00		.00		.00	1	224,708.06	375,942.81
2/19/15			.00		.00		.00	1	99,882.20	276,060.61
2/20/15			.00		.00		.00	1	74,715.54	201,345.07
2/23/15			.00		.00		.00	1	96,844.34	104,500.73
2/24/15		1	400,000.00		.00		.00	1	207,953.06	296,547.67
2/25/15			.00		.00		.00	1	92,201.73	204,345.94
2/26/15			.00		.00		.00	1	95,337.08	109,008.86
2/27/15		1	399,633.00		.00		.00	1	74,913.33	433,728.53
Total		6	2099,633.00		.00		.00	19	2097,595.68	
YTD		12	4393,415.00		.00		.00	39	4523,362.89	

Total Stmt Credits	6	2099,633.00	Total Stmt Debits	19	2097,595.68
YTD Credits	12	4393,415.00	YTD Debits	39	4523,362.89

WIC FUNDING ACCOUNT FEBRUARY AND MARCH 2015 STATEMENTS **ATTACHMENT B**

Statement Of Account - Summary
SOLUTRAN 1-800-445-5992
CITIZENS ALLIANCE BANK - HOWARD LAKE
HOWARD LAKE MN 55349

Summary Page 1
Account Number
2/28/15 - 3/31/15

PEGGY TROUBA
NEBRASKA WIC PROGRAM
301 CENTENNIAL MALL SOUTH
PO BOX 95026
LINCOLN NE 68509-5026

MASTER ACCOUNT

Red squares indicate balances over $250,000.

Statement Totals

Date	Beginning Balance	Deposits Count	Deposits Amount	Misc. Credits Count	Misc. Credits Amount	Item Debits Count	Item Debits Amount	Misc. Debits Count	Misc. Debits Amount	Ending Balance
	433,728.53									
3/01/15			.00		.00		.00		.00	433,728.53
3/02/15			.00		.00		.00	1	83,738.75	349,989.78
3/03/15		1	399,632.00		.00		.00	1	196,102.28	553,519.50
3/04/15			.00		.00		.00	1	85,648.90	467,870.60
3/05/15			.00		.00		.00	1	90,747.63	377,122.97
3/06/15			.00		.00		.00	1	71,415.64	305,707.33
3/09/15		1	300,000.00		.00		.00	1	86,690.92	519,016.41
3/10/15			.00		.00		.00	1	182,198.86	336,817.55
3/11/15			.00		.00		.00	1	84,961.67	251,855.88
3/12/15			.00		.00		.00	1	96,011.41	155,844.47
3/13/15		1	300,000.00		.00		.00	1	81,012.07	374,832.40
3/16/15			.00		.00		.00	1	99,231.64	275,600.76
3/17/15		1	300,000.00		.00		.00	1	186,193.15	389,407.61
3/18/15			.00		.00		.00	1	97,446.20	291,961.41
3/19/15			.00		.00		.00	1	92,344.84	199,616.57
3/20/15			.00		.00		.00	1	80,410.32	119,206.25
3/23/15		1	352,801.00		.00		.00	1	100,333.45	371,673.80
3/24/15			.00		.00		.00	1	216,045.46	155,628.34
3/25/15		1	352,801.00		.00		.00	1	88,755.85	419,673.49
3/26/15			.00		.00		.00	1	101,479.67	318,193.82
3/27/15			.00		.00		.00	1	87,390.92	230,802.90
3/30/15		1	300,000.00		.00		.00	1	102,655.06	428,147.84
3/31/15			.00		.00		.00	1	194,283.26	233,864.58
Total		7	2305,234.00		.00		.00	22	2505,097.95	
YTD		19	6698,649.00		.00		.00	61	7028,460.84	

Total Stmt Credits	7	2305,234.00	Total Stmt Debits	22	2505,097.95
YTD Credits	19	6698,649.00	YTD Debits	61	7028,460.84

WIC ACTIVITY ACCOUNT SIGNATURE CARD **ATTACHMENT C**

ACCOUNT OWNER NAME & ADDRESS

ACCOUNT NUMBER **Activity Account**

✓ NEBRASKA WIC PROGRAM

Number of signatures required for withdrawal ________ . ☐ This is a temporary account agreement.

SIGNATURE(S) - THE UNDERSIGNED AGREE(S) TO THE TERMS STATED ON PAGES 1 AND 2 OF THIS FORM, AND ACKNOWLEDGE(S) RECEIPT OF A COMPLETED COPY ON TODAY'S DATE. THE UNDERSIGNED ALSO ACKNOWLEDGE(S) RECEIPT OF A COPY OF AND AGREE(S) TO THE TERMS OF THE FOLLOWING DISCLOSURE(S):

☐ Funds Availability Disclosure ☐ Truth-In-Savings Disclosure

☐ Electronic Funds Transfer Disclosure ☐ ________

Signature(s) Identifying Info.

(1) Signatures on file at the local

(2) WIC Agency

(3)

(4)

☐ AUTHORIZED SIGNER (name) ________
Individual Accounts Only

X ________

TYPE OF ACCOUNT ☐ NEW ☐ PERSONAL ☐ CHECKING ☐ MONEY MARKET ☐ CERTIFICATE OF DEPOSIT
☐ EXISTING ☐ BUSINESS ☐ SAVINGS ☐ NOW ☒ Payable through Draft

✓ ACCOUNT NAME ________

BACKUP WITHHOLDING CERTIFICATIONS

TIN: ________

☐ TAXPAYER I.D. NUMBER - The Taxpayer Identification Number shown above (TIN) is my correct taxpayer identification number.

☐ BACKUP WITHHOLDING - I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

☐ EXEMPT RECIPIENTS - I am an exempt recipient under the Internal Revenue Service Regulations.

☐ NONRESIDENT ALIENS - I am not a United States person, or if I am an individual, I am neither a citizen nor a resident of the United States.

SIGNATURE - I certify under penalties of perjury the statements checked in this section.

X ________

 (page 1 of 2)

WIC MAY 6, 2015 STATE TREASURER LETTER ATTACHMENT D

STATE OF NEBRASKA
STATE TREASURER

Don Stenberg
State Treasurer
www.treasurer.org

State Capitol, Suite 2005
Lincoln, NE 68509
402-471-2455

May 6, 2015

Citizens Alliance Bank
Attn: Wendy Lund
Lake Lillian Branch
451 Lakeview Street
Howard Lake, MN 55349

Dear Ms. Lund,

I am the duly elected and acting State Treasurer for the State of Nebraska. A certification to that effect from the Nebraska Secretary of State is attached to this letter. Please note that the current signature card includes signers who are no longer employed by the State of Nebraska.

My office is currently working with Solutran and the Nebraska Department of Health and Human Services, WIC Program to close one bank account and change the ownership on another bank account at your financial institution. These accounts are titled State of Nebraska – WIC and use the State's Federal Tax Identification Number (FTIN). These two bank accounts have been used to assist Solutran in the processing and clearing of Nebraska WIC vouchers.

As Nebraska State Treasurer, I am requesting immediate transfer of ownership on account #[redacted] to Solutran. Solutran will provide you with their FTIN and you may confirm this with Bradley Hauser of Solutran. This change is needed to comply with the terms of the contract between Solutran and the Nebraska Department of Health and Human Services.

Also, please close account #[redacted] and wire the remaining funds to the State Treasurer's account at U. S. Bank. Please contact Char Scott at 402-471-4146 or char.scott@nebraska.gov to obtain the routing and account number needed to complete this wire. In the future, the State of Nebraska will be wiring money daily into a recently opened account, #[redacted], which should also be titled under Solutran with their FTIN number.

If you have any questions or concerns, please contact Char Scott for assistance.

Sincerely,

Don Stenberg
Nebraska State Treasurer

cc: Bradley Hauser, Solutran
Courtney Phillips, Director of Nebraska Department of Health and Human Services
Wes Mohling, Acting Administrator, Nebraska Administrative Services, State Accounting
Mary Avery, SAE Manager, Finance Manager, Nebraska State Auditor's Office

DEPARTMENT OF LABOR

Finding 2015-009

Errors in Financial Information

A good internal control plan and sound business practices require adequate policies and procedures to ensure information used to compile financial statements is complete and accurate.

The Auditor of Public Accounts (APA) noted several instances where financial information was incomplete or inaccurately recorded in the accounting system used to generate the State's financial statements. Consequently, audit adjustments were necessary to ensure the financial statements were materially correct.

The Agency entered Unemployment Compensation (UC) activity into the State's accounting system from the Tax Management System (TMS) and the Benefit Payment System (BPS). TMS was used to record employer contributions, and BPS was used to record benefit payments to recipients. During testing of the financial activity entered into the accounting system, the APA noted the following issues:

- Accounts receivable and charges for services were understated by $16,494,267, due to the Agency using an improper report to record the employer contribution receivable activity at June 30.

- The Agency pays benefits to claimants on behalf of other States and, in turn, receives reimbursement from other States. The Agency recorded the payments as expenditures and the reimbursements as revenues, causing unemployment claims and charges for services to be overstated by $2,974,100. The reimbursements should have reduced the expenditures, as these were not actual expenditures or revenues of the Agency, but that of another State.

- Unemployment claims were overstated by $2,607,637 because the Agency recorded a transfer of State Unemployment Insurance Tax (SUIT) for the last quarter in 2014 as an expenditure instead of a transfer between funds.

- Accounts payable was overstated by $2,259,394 due to an improper entry in the accounting system for a transfer of SUIT at the end of the year.

- When the Agency determines benefits have been paid in error, a receivable is established in the accounting system. The journal entry should reduce the original expenditure and record a receivable; however, the Agency reduced revenue. This caused an error of $1,512,193.

There were several other errors, totaling $876,577, related to over and understated activity that was improperly recorded in the accounting system.

A similar finding was noted during the previous audit.

When adequate procedures are not in place to ensure the accuracy of financial information used to compile the financial statements, there is a greater risk that material misstatements may occur and remain undetected.

> We recommend the Agency implement procedures to ensure that all financial information is complete and accurate.

Agency Response:

- *A/R and charges for services were understated - After researching this, it was learned that the amount of taxes due from employers for the second quarter ended June 30, was not due/payable until July 31. Instead of using the June month-end numbers, we must wait until the end of July to show the amount owing as of June 30.*

- *Intrastate payments incorrectly recorded - We agree with this finding. The benefits paid out on our behalf by another state should reduce the cost of benefits when we are reimbursed. They should not result in revenue. This will change with the January 2016 entries and a YTD adjustment will be made for the amounts from July-Dec 2015.*

- *Unemployment claims were overstated and A/P was overstated due to SUIT transfer - We will meet with the auditors to discuss how to correct this going forward. The Department of Labor has funds on two different state ledgers (8-digit state funds and 10-digit federal funds). This and the remaining entry listed within the finding are similar in nature and we will be seeking clarity on when an entry should be a transfer between funds versus the creation of a payable or a reduction in expenses.*

- *Benefits paid in error entry incorrect - We agree with this finding, the entry incorrectly reduced revenue instead of an expenditure. Effective January 2016, journal entries will be reviewed by at least two people before being posted to check for accuracy of accounts.*

DEPARTMENT OF ROADS

Finding 2015-010

Financial Information Errors

A good internal control plan and sound accounting policies require adequate procedures to ensure amounts are reported correctly on the State's financial statements and recorded to the appropriate account codes in the accounting system.

During testing, we noted the following:

- The Agency overstated Federal accounts receivable by $13,216,396 for the fiscal year ended June 30, 2015. Of this amount, $12,984,402 was for July 2015 Federal billings and, therefore, not properly included as a receivable as of June 30. Of the remaining amount, $231,993 was included twice.

- The Agency overstated accounts receivable-other by $475,633. The Agency included $108,488 as accounts receivable; however, the monies had already been receipted prior to June 30. Furthermore, $367,145 in receivables was included twice.

- The Agency understated accounts payable by $3,681,830. The liability was measurable and incurred in the fiscal year ended June 30, 2015, and, therefore, should have been recorded as current year payable for financial statement presentation.

When transactions are not recorded properly, there is increased risk that the financial statements will be misstated.

> We recommend the Agency ensure accounting transactions are properly recorded in the accounting system for financial reporting purposes. We also recommend the Agency implement procedures to review receivables and payables to ensure amounts are properly reported to State Accounting for the State's Comprehensive Annual Financial Report.

Agency Response: NDOR concurs and will continue to review and refine our process for capturing information for the CAFR reporting at fiscal yearend.

STATE TREASURER

Finding 2015-011

Bank Signature Cards Not Updated

The APA identified 34 bank accounts that lacked updated signature cards. Several signers still listed on the signature cards had terminated employment or retired many years ago. For six of the accounts identified, the corresponding banks had no signature cards on file.

The following accounts had outdated signature cards, including signers who were no longer employed by the agencies:

Agency	Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Terminated Signer	Title	Termination Date
Attorney General	Lincoln FSB of Nebraska	Attorney General	XXX005	$250.00	Mark Pedersen	Assistant Business Manager	12/6/2012
Corrections	U.S. Bank	Department of Correctional Services	XXX750	$135,549.16	Frank Hopkins Robert Houston	Non-Classified Director	5/1/2015 9/16/2013
Corrections	U.S. Bank	Department of Correctional Services	XXX469	$7,007.39	None Available Per Bank		
Corrections	Wells Fargo	Department of Correctional Services - Omaha Correctional Center - Emergency Cash	XXX459	$1,919.93	Karen Shortridge Robert Houston Tom Lopez	Superintendent Director Business Manager	7/2/2010 9/16/2013 2/28/2014
DHHS	Five Points Bank	Grand Island Veterans' Home - Member Trust Fund	XXX963	$327,358.47	Janet Warneke	Accountant I	1/11/2015
DHHS	U.S. Bank	Western Nebraska Veterans' Home	XXX695	$21,851.24	None Available Per Bank		
DHHS	U.S. Bank	Veterans' Home	XXX607	$19,545.28	None Available Per Bank		
DHHS	Wells Fargo	Norfolk Regional Center	XXX127	$2,886.00	James McElfresh	Human Resources Manager	4/11/2014
DHHS	U.S. Bank	Child Support Enforcement - Petty Cash	XXX313	$2,325.98	None Available Per Bank		
DHHS	U.S. Bank	Child Support Enforcement	XXX348	$2,038.68	None Available Per Bank		
DHHS	Wells Fargo	Veterans' Home	XXX523	$1,901.50	Janet Warneke	Accountant I	1/11/2015
DHHS	U.S. Bank	Western Nebraska Veterans' Home	XXX479	$1,705.70	None Available Per Bank		
DHHS	Pinnacle Bank	Department of Health & Human Services - Accounting Unit	XXX703	$1,283.20	Thomas Jurgens	Accounting and Finance Manager	12/17/2010

Agency	Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Terminated Signer	Title	Termination Date
DHHS	Pinnacle Bank	Bureau of Vital Statistics	XXX633	$963.50	Carolyn Allen Jerry Fischer Lori Morton	Admin. Assistant I Program Analyst Unknown	5/12/2005 7/7/2015 Unknown
DHHS	Home Federal Savings and Loan Association of Grand Island	Department of Health & Human Services - Adoption Day	XXX485	$276.29	Marge Creason Barb Ernst	Services Specialist Services Specialist	4/27/2015 8/5/2013
Public Service Commission	Wells Fargo	Public Service Commission	XXX809	$156,015.60	Steve Meradeith	Director I	6/6/2015
Roads	Nebraska-Land National Bank	Department of Roads (**Note 1**)	XXX186	$163.96	Carrie Klock	Administrative Assistant I	5/18/2012
State Patrol	Union Bank & Trust Co.	Nebraska State Patrol	XXX253	$196,174.94	David Sankey Mark Funkhouser	Director Major	12/31/2014 12/31/2013
State Patrol	Wells Fargo	Nebraska State Patrol	XXX610	$12,137.94	David Sankey Mark Funkhouser	Director Major	12/31/2014 12/31/2013
State Treasurer	U.S. Bank	State Treasurer	XXX576	$21,538,940.04	Shane Osborn Jason Hayes	State Treasurer Deputy Treasurer	1/6/2011 12/9/2009
State Treasurer	First National Bank of Omaha	State Treasurer	XXX044	$382,805.15	Shane Osborn Jason Hayes Ron Ross Scott Yank Michelle Raphael	State Treasurer Deputy Treasurer State Treasurer Deputy Treasurer Program Director	1/6/2011 12/9/2009 1/4/2007 1/16/2007 2/1/2013
State Treasurer	First National Bank of Omaha	State Treasurer	XXX937	$0.00	Shane Osborn Jason Hayes	State Treasurer Deputy Treasurer	1/6/2011 12/9/2009
Court Offices	First National Bank of Omaha	Douglas County Court - City of Omaha	XXX722	$2,192,911.45	Theresa Smith Sims	Division Manager	11/30/2014
Court Offices	U.S. Bank	Lancaster County Court	XXX854	$1,401,805.08	Donna Hubert Deann Bourne	Division Manager Assistant Clerk II	11/20/2013 6/1/2012
Court Offices	Valley Bank and Trust Co.	Scotts Bluff County Court	XXX583	$266,315.17	Beverly Ullrich	Accounting Clerk	7/17/2015
Court Offices	Nebraska State Bank and Trust Company	Custer County Court	XXX502	$39,153.62	Dianne Haas	Records Clerk I	5/2/2015
Court Offices	Pinnacle Bank	Polk County Court (**Note 2**)	XXX118	$32,110.74	Curtis Evans Garlyn Beeman	Judge Clerk Magistrate I	5/13/2013 5/8/2015
Court Offices	First Nebraska Bank	Stanton County Court	XXX586	$31,843.62	Mary Louise Hill	Assistant Clerk I	9/28/2007
Court Offices	Pinnacle Bank	Holt County Court	XXX010	$27,485.25	Mildred Clark	Clerk Magistrate I	7/31/2011
Court Offices	Western Nebraska Bank	Frontier County Court (**Note 2**)	XXX305	$24,558.59	Kathy Jones	Clerk Magistrate II	4/6/2012
Court Offices	Valley Bank and Trust Co.	Banner County Court	XXX854	$10,574.69	Beverly Ullrich	Accounting Clerk	7/17/2015

Agency	Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Terminated Signer	Title	Termination Date
Court Offices	Farmers and Merchants State Bank	Knox County Court (**Note 2**)	XXX070	$7,736.06	Virginia Morse	Registrar	11/30/2011
Court Offices	Heritage Bank	Hamilton County Court - Gerdes	XXX570	$7,012.35	Holly Salmon	Assistant Clerk I	8/27/2012
Court Offices	Heritage Bank	Sherman County Court	XXX989	$5,308.48	A Pauline Grooms	Clerk Magistrate I	12/31/2010
Total Balances at June 30, 2015			**$26,859,915.05**				

Note 1*: Bank account closed on July 28, 2015.*
Note 2*: These three Court accounts were not under the State's FTIN at June 30, 2015.*

Based solely upon outdated signature cards, millions of dollars have been transferred to or paid from these accounts. During that time, even after they had long ceased employment with the State, any of the former signatories could have withdrawn funds from these accounts. A good internal control plan and sound business practices require signature cards for accounts containing public funds to be updated in a timely manner after a designated signatory terminates employment with the State.

When signature cards for State bank accounts are not updated in a timely manner, there is an increased risk for the loss or misuse of State funds.

We recommend all State bank account signature cards be updated regularly, using the names of current officers or employees only.

Corrections Response: *All three accounts listed for the Department of Correctional Services have had their signature cards updated.*

DHHS Response: *The Department of Health and Human Services will develop and implement an Agency Policy regarding the proper creation and usage of outside bank accounts by Department employees. The Department will review the outside bank accounts identified by the State Auditor's Office. The Department will work with the State Treasurer's Office to take appropriate action on all accounts identified in the letter. We will obtain approval for all bank accounts that are determined to require authorization by the Nebraska State Treasurer and request Statute changes as necessary. The Department will ensure all bank accounts have updated Authorized Signature cards.*

Public Service Commission Response: *Effective October 21, 2015, the Public Service Commission has fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue. We have removed the terminated signer Steve Meradith and added the Executive Director Jeff Pursley as a signer on the account ending in XXX809 at Wells Fargo.*

State Patrol Response: *The two terminated employees are no longer listed as signers on either the Union Bank and Trust Co. account or the Wells Fargo account.*

State Treasurer Response: *The State Treasurer's Office is shown to have three accounts with outdated signature cards. The Treasurer's Office has contacted the banks for these accounts and updates have been made. On these three accounts, the Treasurer's Office had properly notified the banks of the changes in 2011, but the banks had not recorded the updates. For the First National accounts, the bank had added the new signers, but did not remove the old. The Treasurer's Office does not know why U.S. Bank showed the old signers.*

Court Offices Response: *The State Court Administrator's office will work with each county court listed to update their bank signature cards and create a process for updating cards upon an employee leaving the court system.*

III. Findings and Questioned Costs Relating to Federal Awards:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2015-012

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Cash Management

Grant Number & Year: Various, including #0G1401NECCDF, FFY 2014 and #0G1501NECCDF, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 98.67(a) (October 1, 2014), "Lead Agencies shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds." EnterpriseOne (E1) is the official accounting system for the State of Nebraska.

A good internal control plan requires procedures to ensure receipts are accurately recorded on the accounting system in accordance with Federal requirements.

Condition: Two of seven Child Care Development Fund (CCDF) draws tested were not deposited correctly in EnterpriseOne. The funds were drawn from the correct grant but the deposits were recorded in E1 in a different grant year.

Questioned Costs: None

Context: The Agency manages the State's Federal Letter-of-Credit which draws funds from various Federal grantors and deposits the funds to Federal Fund 40000. We noted that the receipt document to record a CCDF draw on December 11, 2014, was posted to the wrong grants.

Amount	Per Draw	Per E1
$ 1,624,295	FFY 2013 Grant	FFY 2014 Grant
$ 942,370	FFY 2014 Grant	FFY 2015 Grant

The Agency performs a quarterly reconciliation of all Federal programs and grants to compare the amounts drawn from each grant to the expenditures recorded in E1. Although this reconciliation identified CCDF variances, no investigation was performed. Therefore, these miscoded deposits were not identified until the FY2015 Comprehensive Annual Financial Report audit.

Cause: Worker error

Effect: When receipts are not recorded correctly, there is an increased risk for inaccurate financial management and incorrect financial reporting.

Recommendation: We recommend the Agency implement procedures to ensure Federal grant receipts are recorded correctly. We also recommend that variances identified in the quarterly reconciliation be pursued in a timely manner.

Management Response: The Agency agrees with the finding.

Finding 2015-013

Program: Various, including CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Grant Number & Year: Various, including #051505NE5ADM, FFY 2015

Federal Grantor Agency: Various, including U.S. Department of Health and Human Services

Criteria: Good internal control requires procedures to ensure rate charges are equitable and reflect actual costs incurred. Good internal control also requires adequate documentation be maintained to support rates charged.

Per OMB Circular A-87, Attachment C, § G(2), and 2 CFR § 200, Appendix V (effective December 26, 2014):

> *Internal service funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to the next. Charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working capital reserve, in addition to the full recovery of costs, are allowable. A working capital reserve as part of retained earnings of up to 60 days cash expenses for normal operating purposes is considered reasonable. A working capital reserve exceeding 60 days may be approved by the cognizant Federal agency in exceptional cases.*

Per OMB Circular A-87 and 2 CFR § 200.403, to be allowable, costs must be adequately documented.

Neb. Rev. Stat. § 81-1110.03, § 81-1117, § 81-1120(1), § 81-1120.22, and § 81-1108.17(4) (Reissue 2014) require the Agency to provide a system of charges for services that are adequate to cover the actual and necessary expenses associated with providing the services. These services include accounting, information management, communications, printing, copy services, building maintenance, and insurance.

Condition: We performed an examination of the Agency for calendar year 2014 and noted central services rates and fund balances were not in compliance with State and Federal regulations. Internal service funds for Accounting Services, General Services, Transportation Services Bureau, and the Temporary Employee Pool had excessive fund balances. Also, there was not adequate documentation to support central services rates were reasonable, equitable, and reflected actual costs incurred.

Questioned Costs: Unknown

Context: The Agency has various revolving funds, also referred to as internal service funds, that provide goods and services to other State agencies.

The Agency prepares worksheets after the end of each fiscal year to determine if the balances of internal service funds are within Federal requirements and do not exceed 60 days of expenses. We noted that the Accounting Services, General Services, Transportation Services Bureau, and the Temporary Employee Pool funds all had balances in excess of 60 days at June 30, 2014. All of these funds except Transportation Services also had excessive fund balances at June 30, 2013. The Agency had not completed the 2015 worksheets as of January 31, 2016.

IMS Rates

The Agency did not have adequate documentation to support rates charged for information management services (IMS) were reasonable, equitable, and reflected actual costs incurred. Federal Fund 40000 expenditures to the Office of the Chief Information Officer (OCIO) totaled $19,274,136 during fiscal year 2015 – of which $12,496,111 was paid with Federal Medicaid dollars.

Rates charged were not consistent with actual costs incurred. This resulted in a 2013 fund balance in excess of the 60 days of working capital allowed by the Federal government. In order to reduce the fund balance, the Agency provided billing credits, rate reductions, and no-bills, instead of lowering its rates to reflect more accurately the cost of providing these services. However, without adequate supporting documentation, there is an increased risk that charges and credits to agencies will not be equitable.

- No-Bills – Agencies were not charged for certain services during the specified time period.

    - CICS: October 10, 2014, to December 5, 2014
    - MVS: October 10, 2014, to November 12, 2014
    - Production Control: October 10, 2014, to March 3, 2015
    - Disk Storage: October 10, 2014, to April 7, 2015

- Rate Reductions – Effective April 1, 2014, through June 30, 2015, for MVS, Disk Storage, and Web Hosting services. The OCIO also delayed implementing the FY 2014 Published Rates for Applications Development until May 1, 2014.

Based on our review of the general ledger, it does not appear those reductions were equitable. We reviewed the revenues and expenditures for the services noted above and also the service with the largest variance that did not receive credits or no-bills. Revenues that exceed expenditures indicate excessive rate charges. Revenues less than (under) expenditures indicate that costs were not recovered; therefore, other services were overcharged to pick up the costs. Depending on the services used by an agency, Federal programs may have paid more or less than an equitable rate.

Business Unit/Service	FY 2014 Revenues over/(under) Expenditures	FY 2015 Revenues over/(under) Expenditures	Total for Biennium Revenues over/(under) Expenditures
CICS	$ (984,118)	$ (692,371)	$ (1,676,489)
MVS	$ 1,599,792	$ (335,484)	$ 1,264,308
Production Control	$ (321,312)	$ (8,430)	$ (329,742)
Disk Storage	$ (2,725,291)	$ (645,563)	$ (3,370,854)
Interactive Web Hosting	$ (406,515)	$ 140,423	$ (266,092)
Applications Development	$ 954,689	$ 568,930	$ 1,523,619
Enterprise Exchange	$ 720,746	$ 850,094	$ 1,570,840

As evidenced by the table above, IMS rates were clearly not in accordance with statute, which requires charges to reflect actual costs.

We also reviewed five published rates charged through the IMS billing system. Adequate documentation was not maintained to support amounts used in the rate calculations. We also noted the administrative and indirect cost percentages used were not consistent between different service rates and duplication of costs.

Communication Services Rates
We noted the Agency charged a 7% administrative fee for communication services; however, the Agency did not have adequate documentation to support 7% was reasonable and in accordance with statute. Costs in the rate calculations for monthly recurring line charges, long distance rates, and network WAN services did not agree to support, or support could not be located. We also noted the 7% administrative fee was charged twice for monthly recurring agent line charge. The 7% administration fee was included as a separate item on the communications billing and also included in the rate calculation.

Print Shop Rates
During testing of the Print Shop rates, we were informed the rates were last updated in fiscal year 2010 and had not been reviewed since that time. Our audit report for the period July 1, 2009 – December 31, 2011 noted the printing service rate calculations used amounts that did not agree to supporting documentation, calculations were incorrect, and assumptions were not supported. We also noted the Agency established a 35% surcharge for special purchases, paper costs, plate material, special order supplies, and colored ink. The Agency did not have support for the surcharge.

It is unlikely that costs have remained constant since 2010 and, as noted, those rates were not adequately supported. The Print Shop offers a variety of services, and it is important that each service be charged appropriately. Otherwise, agencies using these services could be over or undercharged depending on the services used.

Copy Service Rates
Copy Services is responsible for the leasing of copiers to State agencies. During testing of the overhead rate of $18.70 per month charged on each copier, we noted a lack of support for the salary allocations of the copy services staff. Two staff members' salaries were included in the overhead copier fee. A shop supervisor had 50% of his salary and a technician had 90% of his salary included in the calculation. The Agency did not have documentation to support the percentages allocated were reasonable.

Building Rates
The Agency did not have adequate documentation to support the building replacement values used in assessing the depreciation surcharge and building insurance. We requested support for 4 of 29 facilities. Three of the four facilities tested did not have adequate documentation to support the replacement cost.

The rental rate charged to agencies for building space includes an allocation for indirect costs for administration, grounds keeping, security, and energy management. We noted the Agency did not have adequate support for the allocation for Lincoln grounds or for Lincoln security. We further noted the grounds allocations was split 46% turf maintenance, 31% snow removal, and 23% parking maintenance. The Agency did not have support for the split. The fiscal year 2015 indirect allocation for grounds and security was $344,331 and $582,246, respectively.

Cause: Inadequate review

Effect: Excess internal service fund balances indicate the fees charged to other State agencies are too high. These fees may subsequently be charged to various Federal programs. The Federal government could request excessive balances be returned to the Federal government. Without adequate controls and procedures to ensure rates are based on actual costs and agencies are properly billed, there is an increased risk that Federal programs will be overcharged for services.

Recommendation: We recommend the Agency develop procedures to ensure internal service fund balances are in accordance with Federal requirements. Additionally, we recommend the Agency review fees charged and reduce rates where appropriate. We further recommend the Agency maintain adequate documentation to support rates charged are equitable and reflect the actual costs incurred for services provided.

> **Management Response:** Internal Service fund balances are being monitored and the Agency will continue to take the necessary steps (rate reductions, credits, no-bills, make expenditures related to program enhancements, etc.) to decrease fund balances to meet the Federal requirements.
>
> Effective 07-01-2015, DAS-OCIO reset all rates to those that were published for budgeting purposes.
>
> The Agency will continue to review procedures and the methodologies used when calculating the various rates to ensure the amounts billed reflect the cost of providing those services.

DEPARTMENT OF AGRICULTURE

Finding 2015-014

Program: CFDA 10.435 State Mediation Grants; 10.479 Food Safety Cooperative Agreements; 66.605 Performance Partnership Grants; 93.103 Food and Drug Administration Research; 93.448 Food Safety and Security Monitoring Project – Allowable Costs/Cost Principles

Grant Number & Year: Various, including #320160470491234, FFY 2014; #141237C1500NE, FFY 2014; #BG99733112, FFY 2014; #06UFD004431A, FFY 2014; #06UFD003652B, FFY 2014

Federal Grantor Agency: U.S. Department of Agriculture, U.S. Environmental Protection Agency, U.S. Department of Health and Human Services

Criteria: OMB Circular A-87, Attachment A, § C(1)(b) and § C(1)(j), state, respectively, that, to be allowable under Federal awards, costs must be allocable to Federal awards under the provisions of the circular and be adequately documented.

OMB Circular A-87, Attachment A, § C(3)(a), states, "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

OMB Circular A-87, Attachment B, § 8(h)(3), states the following:

> *Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.*

OMB Circular A-87, Attachment B, § 8(h)(4), states, in part, "Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation . . . ."

OMB Circular A-102 § (2)(j)(3) states the following:

> *When a Federal agency provides this flexibility, as a prerequisite to a State's exercising this option, a State must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of OMB Circular A-87. . . . These fiscal and administrative requirements must be sufficiently specific to ensure that: funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not be used for general expenses required to carry out other responsibilities of a State or its subrecipients.*

A good internal control plan requires that procedures be in place to ensure documentation is maintained to support employee charges.

Condition: As part of our calendar year 2014 attestation examination, we noted the Agency did not maintain adequate documentation to support Federal charges for employees.

Questioned Costs: $59,868 known

Context: During our calendar year 2014 attestation of the Agency, we noted multiple Federal issues with payroll allocation. The questioned costs set out below are for the period July 2014 through December 2014, and cover seven of nine Catalog of Federal Domestic Assistance (CFDA) numbers, which was 91% of the payroll charges to Federal grants for the period tested. Questioned costs noted were for salaries only; related employee benefits, including health insurance and retirement, were not included in these totals but would also be unallowable. We noted questioned costs for five of the seven CFDAs tested. The total payroll cost for the seven CFDAs for July through December 2014 was $539,563.

CFDA	Questioned Costs
10.435	$ 18,371
10.479	$ 8,524
66.605	$ 18,751
93.103	$ 11,323
93.448	$ 2,899
Total	$ 59,868

Some employees documented leave used only; some coded all of their time to general administrative work codes that did not reflect the split between Federal and State programs; and other employees simply coded fewer hours to the grants than what were actually being charged.

Cause: The Agency determines annually what it considers to be a reasonable allocation for various employee charges to Federal funds based on both personnel activity reports from the prior period and agency knowledge. This is not an allowable allocation method per Federal requirements.

Effect: Without adequate documentation to support charges to various programs, costs may not be properly allocated. Both Federal and State funds may be mischarged if the costs to the programs are not based on actual hours spent working on those programs.

Recommendation: We recommend the Agency implement procedures to ensure employee costs are adequately documented in accordance with the relevant provisions of OMB Circulars A-87 and A-102.

> **Management Response:** The Agency is currently in the process of updating/replacing our current Employee Reporting System (ERS).

DEPARTMENT OF ECONOMIC DEVELOPMENT

Finding 2015-015

Program: CFDA 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii – Allowability and Subrecipient Monitoring

Grant Number & Year: All open grants, including B-12-DC-31-0001, FFY 2012

Federal Grantor Agency: U.S. Department of Housing and Urban Development

Criteria: OMB Circular A-87, Attachment A, § C, requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

OMB Circular A-133 § __.400(d) states, as is relevant:

> *A pass-through entity shall perform the following for the Federal awards it makes . . . (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.*

Per OMB Circular A-133, an Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires that adequate documentation be maintained to support amounts claimed by and paid to subrecipients and that procedures be in place to ensure subrecipients are utilizing Federal funds passed through for authorized purposes and in compliance with all applicable regulations at least annually.

Condition: The Agency did not obtain supporting documentation for two of five subrecipient payments tested, and adequate monitoring procedures were not performed. A similar finding was noted in the prior audit.

Questioned Costs: Unknown

Context: The Agency makes payments to subrecipients based upon requests submitted by the subrecipient. The Agency did have procedures to monitor subrecipients; however, the monitoring procedures were not adequately documented. Subrecipients were also subject to A-133 audit requirements, which would provide some assurance if the program were audited as a major program.

Two of five subrecipient payments tested, totaling $627,904, did not have source documentation on file. The Agency performed an onsite review of the subrecipient; however, source documentation was not maintained to support procedures performed. Nor did the two subrecipients have an A-133 audit for the fiscal year, with the Community Development Block Grant (CDBG) as a major program. Consequently, there was not adequate documentation to support the payments were for allowable costs in accordance with Federal requirements.

The total payments tested were $1,600,259. The total aid expenditures for the fiscal year ended June 30, 2015, was $8,895,694.

Cause: The onsite monitoring activities performed for fiscal year 2015 did not adequately document procedures performed, as source documentation, such as invoices, contracts, or timesheets, were not maintained.

Effect: Increased risk of the misuse of Federal funds and non-compliance with Federal regulations, which could result in sanctions from the Federal awarding agency.

Recommendation: We recommend the Agency continue to develop procedures to obtain supporting documentation for monitoring performed to ensure disbursements made for projects during the year are for allowable activities.

Management Response: The Agency performs subrecipient monitoring and reviews activities to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. These reviews include, but are not limited to, onsite monitoring visits, desktop monitoring visits (as applicable), and also continue to review randomly selected draw downs as noted within the previous Corrective Action Plan regarding Finding 2014-010.

The Agency does not dispute that the total amount of supporting documentation reviewed, particularly through onsite monitoring visits, was not copied and retained by the Agency. A complete inventory of supporting documentation is retained by the subrecipient and available by the Agency for review at any time as per the contractual agreement between the Agency and the subrecipient. The agreements between the Agency and subrecipient allow for " . . . authorized officials of the state and federal government will have full access to, and the right to examine, audit, excerpt and/or transcribe, any of the Grantee's records pertaining to all matters covered by this contract." See also § 4.06 of Contracts. This supporting documentation is reviewed through monitoring visits and draw down reviews. The Agency will copy a portion of supporting documentation during onsite visits based on a representative sample that includes: the number of draw downs tested; percentage of total funds drawn down; project activities (both primary and secondary).

In order to obtain and copy additional supporting documentation that will be retained in the Agency, revised policies and procedures will be completed and incorporated into Agency's monitoring checklists and utilized when reviews are completed. The Corrective Action Plan further describes these revised procedures.

DEPARTMENT OF EDUCATION

Finding 2015-016

Program: CFDA 10.558 – Child and Adult Care Food Program (CACFP) – Eligibility

Grant Number & Year: #2014IN202043, FFY 2014; #2015IN202043, FFY 2015

Federal Grantor Agency: U.S. Department of Agriculture

Criteria: 7 CFR § 226.6(b)(1)(xviii) (January 1, 2015) applies to new institutions and states, in relevant part, "Each new institution must submit information sufficient to document that it is financially viable . . . ." Additionally, subsection (b)(1)(xviii)(A)(2) of that same regulation says that a new institution "must demonstrate that it has adequate financial resources to operate the CACFP on a daily basis . . . and can document financial viability (for example, through audits, financial statements, etc.)." Subsection (b)(2)(vii) of the same regulation imposes similar requirements for renewing institutions.

A good internal control plan requires procedures to ensure applicant information is accurate.

Condition: The Agency did not have adequate procedures to document that subrecipients were financially viable.

Questioned Costs: Unknown

Context: We tested six renewing and one new subrecipient. Some subrecipients provided audited financial statements or information prepared by a certified public accountant; however, in most cases, the information submitted was not audited and did not include any support, such as bank statements, to ensure the financial information was accurate. We noted one new and four renewing subrecipients tested did not have adequate documentation to support the determination of financial viability. All subrecipients tested appeared financially viable based on the data submitted.

A similar finding was noted in the prior audit. A total of $33,606,399 was paid to 348 subrecipients during the fiscal year ended June 30, 2015.

Effect: Without adequate procedures to ensure compliance with regulations, there is an increased risk for misuse of Federal funds.

Recommendation: We recommend the Agency obtain sufficient documentation to ensure financial viability information provided is accurate.

Management Response: The Nebraska Department of Education has defined specific steps that will be taken to determine financial viability of new and renewing institutions through revision of the policy and procedure entitled "CACFP Financial

Viability Determination." The policy and procedure was developed using information taken from the USDA Guidance for Management Plans and Budgets: A Child and Adult Care Food Program Handbook and includes internal controls that will be used during approval of new and renewing CACFP institutions.

Finding 2015-017

Program: CFDA 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Program Income

Grant Number & Year: H126A150039, FFY 2015

Federal Grantor Agency: U.S. Department of Education

Criteria: Title 34 CFR § 80.21(f)(2) (July 1, 2014) states, "[G]rantees and subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments."

Title 34 CFR § 361.63(b) (July 1, 2014) states, "Sources of program income include, but are not limited to, payments from the Social Security Administration for assisting Social Security beneficiaries and recipients to achieve employment outcomes . . . ."

A good internal control plan requires procedures to be in place to ensure program income received is expended in a timely manner prior to requesting additional Federal program funds.

Condition: The Agency was not disbursing available program income timely prior to drawing additional Federal vocational rehabilitation (VR) funds. A similar finding was noted in the prior audit.

Questioned Costs: None

Context: Program income for the VR program consists primarily of Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) reimbursements for eligible VR clients. The Agency identifies which clients are eligible during the development of the individualized plan for employment (IPE). As costs are incurred for the eligible clients, the Agency accumulates the costs, completes a claim form, and submits the claim to the Social Security Administration (SSA) for approval and reimburses the State. The amount received by the State is based on the amount of claims. The Agency then uses the approved amounts reimbursed by the Social Security Administration for paying various vendors for agreements to provide services to VR clients as well as for other costs for the VR program.

During the fiscal year ended June 30, 2015, the Agency received 10 reimbursements, totaling $842,424, for claims approved by the Social Security Administration. We selected two receipts and noted program income was not disbursed timely. During this same time, Federal funds were being drawn down for the VR program. For the receipts tested, we noted the following:

Amount of Receipt	Date of Receipt	Date Fully Disbursed	Time Elapsed
$ 79,416	4/13/2015	5/1/2015	18 days
$ 207,899	5/12/2015	6/12/2015	31 days

As of June 30, 2015, the balance of the Agency's fund used to receipt and disburse program income was $2,316, per the State's accounting system.

Cause: The Agency lacked procedures to ensure program income was used prior to requesting additional Federal vocational rehabilitation funds.

Effect: Non-compliance with Federal regulations, which could result in sanctions from the awarding agency.

Recommendation: We recommend the Agency implement procedures to ensure program income is utilized timely prior to requesting additional Federal vocational rehabilitation funds.

> **Management Response:** The delay in spending program income was due to our unsuccessful attempt to reprogram QE2 to manage the expenditure of program income.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2015-018

Program: Various, including CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Grant Number & Year: Various, including #051505NE5ADM, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 45 CFR § 92.20(a) (October 1, 2014) requires that fiscal control and accounting procedures of the State be sufficient to permit the preparation of required reports and the tracing of funds to a level of expenditures adequate to establish that the use of these funds was not in violation of applicable regulations. Per OMB Circular A-87, to be allowable, costs must be adequately documented.

EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it.

A good internal control plan requires the Agency to have controls in place to ensure expenditures reported are proper and agree to accounting records. This includes ensuring all costs of the Agency are included in the cost allocation.

Condition: The Agency did not ensure total Agency costs flowed appropriately into and out of the quarterly cost allocation. The Agency could not reconcile total costs incurred to total costs allocated for both quarters tested. Additionally, the Agency made inappropriate adjustments to the Medicaid grant.

Questioned Costs: $114,568 known

Context: The Agency distributes costs to various State and Federal programs through a Cost Allocation Plan (CAP). Beginning with the quarter ending December 31, 2014, the Agency hired a private accounting firm to perform the quarterly cost allocation. The Agency provided the contractor with expenditure and statistical information, and the contractor performed the allocation using their software. In the past, the Agency had reconciled total costs per EnterpriseOne to total costs allocated per the CAP. When the contractor took over, the Agency no longer performed this reconciliation. The following variances were noted:

Quarter Tested	Costs per EnterpriseOne	Costs per Cost Allocation Plan	Variance
December 31, 2014	$ 773,744,002	$ 772,828,090	$ (915,912)
March 31, 2015	$ 771,143,238	$ 771,144,222	$ 984

The Agency was aware of the December 31, 2014, variance and determined $155,122 was due to Medicaid charges that were not reflected in the cost allocation; however, there was no explanation for the remaining $760,790 variance. The Agency believes the remainder was due to variances from other programs, as the Agency only reconciled Medicaid.

Additionally, the Agency incorrectly adjusted the Medicaid grant for the errors noted above for the quarter ending December 31, 2014. We found errors with one of the two adjustments tested. The Agency identified $87,758 in costs that were not properly charged to the Medicaid 75% grant. Those costs were added to the Medicaid report, but the Agency failed to remove $82,002 from the Medicaid 50% grant and $5,756 from any other affected Federal or State programs. This resulted in known Federal questioned costs of $41,001 ($82,002 x 50%).

The Agency also made adjustments to Medicaid for the quarter ended March 31, 2015. Again, we found errors with one of the two adjustments tested. The Agency incorrectly removed negative adjustments of $81,741 from the Medicaid 90% grant, resulting in Federal questioned costs of $73,567 ($81,741 x 90%).

Cause: The Agency relied on the contractor to perform the allocation correctly. The Agency believes the smaller variance in the quarter ended March 31, 2015, indicates its informal processes and review of variances are working to provide a more accurate cost allocation. The Agency indicated they have not had time to research the remainder of the variance.

Effect: Costs totaling $760,790 were incurred by the Agency but not allocated to State and Federal programs, and $984 in costs were allocated but were never incurred. It is unknown what the final effect would be on individual programs because the Agency did not identify which costs were not allocated.

Recommendation: We recommend the Agency implement procedures to ensure all costs of the Agency are included in the cost allocation. The Agency should devote adequate resources to ensuring amounts on the CAP and Federal reports are correct.

Management Response: The Agency agrees with the condition reported.

Finding 2015-019

Program: Various, including CFDA 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles & Procurement

Grant Number & Year: Various, including #051505NE5ADM, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 42 CFR § 92.36 (October 1, 2014), "When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds."

Per Neb. Rev. Stat. § 73-504(2) (Supp. 2014), "All proposed state agency contracts for services in excess of fifty thousand dollars shall be bid in the manner prescribed by the division procurement manual or a process approved by the Director of Administrative Services." The procurement manual requires competitive bidding in these instances.

Per Neb. Rev. Stat. § 73-506(3) (Supp. 2014), "State agencies shall not structure contracts for services to avoid any of the requirements of sections 73-501 to 73-510."

A good internal control plan requires procedures to ensure contracts are not structured to avoid procurement requirements, and contracts are not inappropriately declared to be an emergency.

Per OMB Circular A-87 Attachment B and 45 CFR § 75.423, "costs of alcoholic beverages are unallowable."

The U.S. General Services Administration (GSA) sets guidelines for travel expenses. The GSA lodging per diem for Lincoln, Nebraska was $83 per night and the per diem for meals and incidental expenses was $46 per day.

Per the Agency's contract for writing a new CAP, payment would be made for "expenses in accordance with the Nebraska State Accounting Travel Expense Policies . . ." Per the Nebraska State Accounting Manual:

> *Air travel shall only be authorized when it is more economical than surface transportation.*
>
> *Under our accountable plan, the Internal Revenue Service requires employees to substantiate the cost for travel, lodging, meals, and other expenses. To be reimbursed, the expense must be a necessary expense, incurred in the line of duty, reason/purpose of the expense must be clearly stated, all start/stop dates and times must be recorded, and the amount of the expense must be substantiated.*
>
> *No reimbursement may be made for alcoholic beverages.*
>
> *Agencies are responsible to see that all submitted claims for food/meals are adequately substantiated. Unsubstantiated food/meals should not be reimbursed. Receipts are required unless the cost of the food/meal is under $5.00*
>
> *Lunch – When an employee leaves for overnight travel at or before 1100 or returns from overnight travel at or after 1400, the noon meal may be reimbursed.*
>
> *All contract employees currently use the IRS rate [for personal automobiles].*
>
> *Detailed receipts are required as support for all expenditures except immaterial items . . . detailed receipt is defined as a receipt that shows a listing of each item purchased and the related cost. Detailed receipt does <u>not</u> include the receipt copy that only identifies an amount is being charged to the employee's credit card.*

Per OMB Circular A-87 and 45 CFR § 75.403, costs must be necessary, reasonable, and adequately documented.

Condition: The Agency paid excessive travel costs to a contractor, including a payment for alcohol. Additionally, procurement guidelines were not followed for another contractor.

Questioned Costs: Unknown

Context: The Agency had agreements with two contractors during the fiscal year to perform CAP related services. One contractor was utilized to perform the quarterly cost allocation, and the other contractor was utilized to write a new cost allocation plan and correspond with the Federal government regarding the new plan.

The Agency had two contracts with the first contractor during the fiscal year, one for $30,000, to develop a template to test and prepare the CAP externally (previously the CAP was prepared by the Agency), and another for $48,000, to actually prepare the CAP each quarter ($12,000 per quarter). Both contracts were signed on the same day and entered into the accounting system at the same time. Separately, the contracts are each under the $50,000 threshold for competitive bidding; however, when combined the amount of both contracts is over the threshold. By separating the two related services into two contracts, the Agency was able to avoid a competitive bidding process. The Agency stated that internal due diligence was performed in selecting the contractor and also stated the contracts were not intentionally structured to avoid procurement requirements; however, there was no documentation provided to support those assertions. We also noted the contracts were signed in December 2014, but the first contract was backdated to September 2014, when work actually began.

The second contractor was paid $152,535 during the fiscal year, including $17,610 for travel by three individuals on four trips. We identified $7,369 in questionable travel costs, as follows:

- $27 for alcoholic beverages.

- $1,942 for meals based on credit card slips that did not show the detail of the purchase. Given the documented alcohol purchase and the large dollar amount expended on meals (often over $100 for dinner for a party of three), it is likely alcohol purchases were included in this amount. For three of the meals, an excessive tip was provided, including one instance in which a $20 tip left for a $32 bill – a 63% tip. For two of these meals, lunch was claimed even though the flight left in the late afternoon.

- $144 for meals over $5 with no substantiation or only substantiation of a “restaurant room charge”.

- The Federal per diem guideline for meals was exceeded on 11 of the 21 travel days.

- Individuals could have driven to Lincoln instead of flown for four trips. The Agency did not ensure flying was more economical than driving, resulting in questioned costs of $4,663. For one of these trips, the individual flew from their hometown into Lincoln. However, they returned to a beach destination, incurring additional airfare and cab costs.

- One individual returned to a different airport that was 200 miles from the airport they left from, incurring $139 in mileage. It appears there were personal reasons for this arrangement.

- One individual claimed two shuttles at a total cost of $50 on a day that was not a travel day.

- For one trip, the contractors incurred $349 for lodging costs in excess of the GSA per diem and $55 for parking costs. There was not adequate documentation to substantiate the excess lodging over the GSA rate or document the necessity of parking.

All contractor costs were initially charged to State funds. However, after flowing through the CAP, the costs would ultimately be charged to various Federal and State programs. The Federal share of questioned costs by program is not known.

Cause: Agency turnover and organizational changes caused the Agency to seek outside help to perform CAP functions. However, procurement rules were not followed. The Agency did not adequately review the contractor expense reimbursement requests. The Agency indicated contractor expense reimbursements follow a different procedure than employee expense reimbursements. Employee expense reimbursement reviews are more rigorous.

Effect: When contracts are not bid, this increases the risk the best contractor will not be used and the best price will not be obtained. When expenses are not reviewed, this increases the risk for unallowable costs to be charged.

Recommendation: We recommend the Agency implement procedures to ensure State procurement rules are followed. We further recommend all expenses are adequately reviewed for allowability.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-020</u>

Program: Various, including CFDA 93.568 Low-Income Home Energy Assistance (LIHEAP); CFDA 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP); CFDA 93.658 – Foster Care Title IV-E – Allowable Costs/Cost Principles

Grant Number & Year: Various, including #G15B1NELIEA, FFY 2015; #2015IS251443, FFY 2015; #1501NEFOST, FFY 2015

Federal Grantor Agency: U.S. Department of Agriculture; U.S. Department of Health and Human Services

Criteria: Per OMB Circular A-133, the Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls.

Per 45 CFR § 75.303 (October 1, 2015) (effective December 26, 2014):

> *The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

Per OMB Circular A-87, Attachment A, § C(3)(a):

> *A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.*

Per 45 CFR § 75.405(a) (October 1, 2015) (effective December 26, 2014):

> *A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.*

A good internal control plan requires procedures to ensure observations selected by workers are correct.

Condition: We noted errors in 5 of 40 individual Random Moment Time Study (RMTS) observations tested.

Questioned Costs: Unknown

Context: The RMTS is conducted on an ongoing basis to provide data for the allocation of direct and indirect costs to various programs. The objective is to identify employee efforts directly related to the programs administered by the Agency. The Agency utilizes two separate time studies that are applied to related cost centers for Economic and Medical Assistance, and Children and Family Services, using a common observation form. The method is based upon the laws of probability and statistical sampling techniques.

During our testing of 40 individual observations, we noted the following errors:

- One worker selected "Child Protection Investigation," although there was no Child Protection Investigation associated with the master case noted.

- One worker selected "Other" and noted she was driving to a hearing. However, the worker did not select a corresponding activity. The worker should have selected "CFS – Foster Care (Not IV-E Case)" or perhaps "CFS – Other Services (IV-E AND Not IV-E Case)". The RMTS instructions are not clear regarding where case-related travel should be coded.

- One worker selected "State Disability" even though she was watching a training video related to "Adult Social Services".

- For one observation, the worker correctly selected SNAP, related to the performance of a SNAP interview. However, their supervisor later reviewed the observation and added an observation for LIHEAP even though the worker was not performing any LIHEAP-related activities. Per the Agency, during a client interview, *all* programs should be considered and therefore selected on the observation form. However, this reasoning is not consistent with the other observations we reviewed, and the RMTS instructions in the CAP do not indicate such.

- For one observation, the worker selected "Ongoing CPS Case Management (Foster Care Candidate)", but "Ongoing CPS Management (Not Foster Care Candidate)" should have been selected, as this child was not IV-E eligible. The form is confusing because it doesn't explicitly identify the codes as "IV-E" and "Not IV-E".

The Agency performed 16 allocations during the fiscal year, in which $79,905,328 was allocated using the RMTS.

Cause: Inadequate review

Effect: Random moment sampling is based on the laws of probability, which, in essence, state that there is a high probability that a relatively small number of random observations will yield an accurate depiction of the overall characteristics of the population for which the sample was taken. If RMTS observations are not adequately reviewed to ensure they are correct, there is an increased risk costs will be allocated incorrectly between programs.

Recommendation: We recommend the Agency implement procedures to ensure random moment observations are accurate and adequately reviewed. We also recommend the Agency clarify RMTS instructions in the Cost Allocation Plan.

> **Management Response:** The Agency partially agrees with the condition reported. The Agency disagrees with findings where the Master Case file was used to determine the conversation that was had between the worker and client at a random moment in the beginning of the process, as well as the auditor's interpretation of the direction for staff regarding which programs fall into "all programs tied to an interaction". The Agency agrees with the finding that one worker selected "State Disability" even though she was watching a video related to "Adult Social Services". The Cost Allocation Unit reviewed 10,824 observations during the quarters tested and found these errors immaterial in regards to total statistical compilation.

APA Response: We noted a 12.5% error rate, which could result in a material error. If even a small percentage of observations are incorrect, then costs will be allocated incorrectly between programs.

Finding 2015-021

Program: Various, including CFDA 93.568 Low-Income Home Energy Assistance (LIHEAP); CFDA 93.575 and 93.596 – CCDF Cluster; CFDA 93.558 – Temporary Assistance for Needy Families (TANF); CFDA 93.658 – Foster Care Title IV-E; CFDA 10.561 – State Administrative Grants for the Supplemental Nutrition Assistance Program (SNAP); CFDA 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles

Grant Number & Year: Various, including #G15B1NELIEA, FFY 2015; #G1501NECCDF, FFY 2015; #1502NETANF, FFY 2015; #1501NEFOST, FFY 2015 #2015IS251443, FFY 2015; #051505NE5ADM, FFY 2015

Federal Grantor Agency: U.S. Department of Agriculture; US. Department of Health and Human Services

Criteria: Per OMB Circular A-133, the Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls.

Per 45 CFR § 75.303 (October 1, 2015) (effective December 26, 2014):

The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Per OMB Circular A-87, Attachment A, § C(3)(a):

A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Per 45 CFR § 75.405(a) (October 1, 2015) (effective December 26, 2014):

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

Per the Cost Allocation Plan (CAP), the cost center 25C20940 Information Services and Technology Administration states:

This office is responsible for the overall direction and management of the section . . . . The cost center will be allocated to the other cost centers in the section based on the labor hours, LH[1], in each cost center in this section.

Per the CAP, the cost center 25C21430 Children and Family Services Director's Office states:

The Director's Office is responsible for the overall direction and management of the division . . . . The cost center will be allocated to all the other cost centers in the division based on the Labor Hours, LH[1], in each cost center.

Per the CAP, the cost center 25C20170 HRD The Center for Professional Learning states:

> *The Center provides training services and ongoing professional development opportunities for all employees of DHHS . . . . Costs will be allocated to all the benefiting cost centers and programs based on time and effort reporting of the trainers.*

Per the CAP, the cost center 25C20990 Information Services and Technology Application Services NFOCUS states:

> *This office is responsible for the operation and maintenance of NFOCUS. This system supports the eligibility process and payment systems related to Economic Assistance, Children and Family Services, and Medicaid Programs . . . . The cost center will be allocated to the benefiting programs based on the end-of-the-quarter count of recipients receiving benefits associated with each program that benefits from the system.*

Per the CAP, the cost center 25C25050 Community Developmental Disabilities System states:

> *This office is responsible for management of the Medicaid waivers, including quality improvement/quality assurance activities necessary to maintain waiver terms and assurances, coordination the program with other programs within and outside of DHHS, and contracting with community providers for delivery of services . . . . The cost center will be allocated to the Medicaid 50% program and the State Developmentally Disabled program based on the end-of-the-quarter count of recipients receiving benefits in each program.*

Per the Nebraska State Plan for TANF, effective October 1, 2013:

> *Transitional cash payments will be funded with state dollars only. The state general funds used for transitional cash payments will apply towards Nebraska's Maintenance-of-Effort requirement.*

A good internal control plan requires procedures to be in place to ensure the results of the Random Moment Time Study (RMTS) are correctly accumulated and applied. A good internal control plan also requires procedures to be in place to ensure programs are charged costs in accordance with relative benefits received and the CAP.

Condition: The Agency did not properly allocate costs in accordance with relative benefits received for all CAP allocation methodologies tested, including the RMTS, labor hours, time and effort, and count of recipients.

Questioned Costs: $1,153,868 known

Context: The following errors were noted:

<u>RMTS</u>

There are four separate allocations each quarter for the Random Moment Time Study (RMTS). We tested three allocations in two quarters and noted four of the six tested were allocated incorrectly:

- The allocation for the Social Services Case Work cost center for the quarter ending December 31, 2014, had far fewer observations for both Child Care and TANF than what actually occurred. The Agency inadvertently used the prior quarter's statistics for these two programs.

- The allocation for the Protection and Safety Case Work cost center for the quarter ending December 31, 2014, excluded the observations for LIHEAP.

- For the Children and Family Services Specialist Training cost center, we noted errors in both quarters tested. The Agency was charging Foster Care for Adoption Assistance observations.

The dollar errors associated with the issues noted above were the following:

CFDA	Program	Questioned Costs or (Undercharge)
93.575 & 93.596	CCDF Cluster	$ 792,879
93.558	Temporary Assistance for Needy Families	206,554
93.658	Foster Care Title IV-E	39,665
93.659	Adoption Assistance	(53,828)
93.568	Low Income Home Energy Assistance	(226,576)
10.561	State Administrative Matching Grants for the SNAP	(318,905)
93.667	Social Services Block Grant	(37,176)
Various	Other miscellaneous Federal programs	(16,468)
	State funds	(386,145)

The Agency performed 16 allocations during the fiscal year, in which $79,905,328 was allocated using the RMTS.

Labor Hours

We tested the Children and Family Services Director's Office cost center allocation for the quarter ended March 31, 2015, which totaled $2,385,902. The cost center was allocated to other interim cost centers based on labor hours and would ultimately be charged to various State and Federal programs. We noted the following:

- We calculated that 803,458 hours should have been used in the allocation for this cost center, but the reports the Agency ran and submitted to the contractor included only 777,984 hours. The Agency forgot to run 1 of the 36 separate reports used to provide the contractor with labor hour statistics, causing the variance.

- For one cost center, 25C21870 ANDI Centers, the contractor allocated 36,485 hours, but the Agency only provided the contractor a statistic of 17,618 hours (we calculated actual hours should have been 18,248). Accordingly, this cost center was overcharged while all others were undercharged. The cost center provided document imaging and document management for Economic Support and Medicaid/CHIP and long-term care programs. Upon further review, we noted the cost center was not allocated correctly. Per the CAP, "ANDI Center costs are allocated between Medicaid/CHIP and Economic Assistance based on case mix per division." However, this cost center was actually allocated in its entirety to Economic Assistance, which caused Medicaid to be undercharged and all economic assistance programs, including SNAP, to be overcharged.

We could not determine the dollar error associated with these issues because the Agency no longer completes the "Stepdown"; a restatement of the CAP in Excel, which provides a method to calculate the effects of changes in the CAP.

Time and Effort

The Agency did not properly allocate costs for the Human Resources and Development (HRD) Staff Development cost center for the quarter ending December 31, 2014. HRD Staff Development costs are allocated based on actual hours worked by the trainers. The employee compiling the statistics from labor reports inadvertently excluded 1,957 of the 5,831 hours to be allocated. The statistics were compiled by an individual new to cost allocation and were not reviewed by a second individual. The total charged to the cost center for the quarter ending December 31, 2014, was $631,272.

Errors noted:

CFDA	Program	Questioned Costs or (Undercharge)
93.558	Temporary Assistance for Needy Families	$ 50,148
93.778	Medical Assistance Program	29,040
10.561	State Administrative Matching Grants for the SNAP	9,262
93.568	Low Income Home Energy Assistance	7,759
93.575 & 93.596	CCDF Cluster	4,869
93.767	Children's Health Insurance Program	(4,639)
93.667	Social Services Block Grant	(22,646)
93.658	Foster Care Title IV-E	(33,116)
Various	Other miscellaneous Federal programs	(4,009)
	State funds	(36,668)

Count of Recipients

The Agency did not properly allocate costs based on the end-of-the-quarter count of recipients for the quarters ended December 31, 2014, and March 31, 2015. We tested the Information Services and Technology Application Services NFOCUS cost center allocation for the quarter ended December 31, 2014, which totaled $2,358,089. The cost center was allocated to various State and Federal programs based on recipient case counts. We noted the following:

- Federal TANF funds were charged for the NFOCUS costs of transitional TANF benefits, even though the cash assistance to recipients was paid from State general funds and counted towards TANF's maintenance-of-effort requirement. Federal TANF funds were overcharged and State program funds were undercharged by $9,194 due to this error.

- Federal TANF funds were charged for the NFOCUS costs of refugee assistance, even though the cash assistance to recipients was paid from CFDA 93.566 Refugee and Entrant Assistance State Administered Programs funds. Federal TANF funds were overcharged and Refugee Assistance funds were undercharged by $1,098 due to this error.

Many programs are classified as TANF in NFOCUS, although for some, the ultimate funding source is State-only TANF or another Federal program entirely.

We also tested the Community Developmental Disabilities System cost center allocation for the quarter ended March 31, 2015, which totaled $1,019,478. The cost center was allocated to Medicaid and the State Developmentally Disabled (DD) program based on recipient case counts. The supporting documentation provided by the Agency showed 51 recipients who received State-only funded DD Service Coordination were included in the Federal/State match count of recipients, causing the Medicaid program to be overcharged by $6,800. The Federal share of $3,400 ($6,800 x 50%) are questioned costs. A similar finding was noted in the prior audit.

For all errors noted, similar errors would have likely occurred for all four quarters of the fiscal year. Therefore likely questioned costs are $54,768 (known questioned costs of $13,692 multiplied by four).

The following is a summary of known questioned costs noted:

CFDA	RMTS	Time & Effort	Recipient Counts	Total
93.575 & 93.596	$ 792,879	$ 4,869	$ -	$ 797,748
93.558	206,554	50,148	10,292	266,994
93.658	39,665	-	-	39,665
93.778	-	29,040	3,400	32,440
10.561	-	9,262	-	9,262
93.568	-	7,759	-	7,759
			Total known Questioned Costs	$ 1,153,868

Cause: Clerical errors and inadequate review. The Agency hired a contractor to perform the quarterly allocation beginning with the quarter ending December 31, 2014. The Agency did not have adequate procedures to ensure information to the contractor was accurate, or that the allocation performed by the contractor was accurate.

Effect: When costs are not correctly allocated, programs are not charged in accordance with relative benefits received.

Recommendation: We recommend the Agency implement procedures to ensure programs are charged costs in accordance with relative benefits received.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-022</u>

Program: Various, including CFDA 93.767 – Children's Health Insurance Program (CHIP); CFDA 93.778 – Medical Assistance Program – Cash Management

Grant Number & Year: Various, including #051405NE5021, FFY 2014; #051405NE5ADM, FFY 2014

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 31 CFR § 205.33(a) (July 1, 2014), "A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes."

Condition: The Agency did not adequately monitor cash management compliance for grants during the fiscal year. We noted actual administrative expenditures exceeded CAP distributions for the CHIP and Medicaid programs. A similar finding was noted in the prior audit.

Questioned Costs: $557,796 known

Context: When paid, administrative costs are charged to various Federal and State programs based on estimates of what the programs will actually earn. When costs are recorded in the general ledger to a particular grant, the Agency draws the funds from the Federal agency. At the end of each quarter, the CAP is run. The CAP redistributes costs and reflects allowable expenditures for each program. Since general ledger expenditures exceeded the CAP distributions by a significant amount for the CHIP and Medicaid programs, cash management issues occurred because funds were drawn from those grants before allowable costs were incurred for those grants. We noted the following:

Amount Overdrawn as of	CHIP FFY 2014 grant	Medicaid FFY 2014 grant
September 30, 2014	$ 98,067	$ 645,071
December 31, 2014	$ 249,288	$ 1,586,190
March 31, 2015	$ 430,266	$ 1,053,554
June 30, 2015 (Questioned Costs)	$ 498,183	$ 59,613

In the prior audit, we noted the CHIP FFY 2014 grant was overdrawn by $955,372, as of June 30, 2014. The Agency attempted to correct this during the fiscal year by performing a journal entry to move costs from CHIP to the Medicaid FFY 2014 grant; but the Agency continued to charge new costs to the CHIP FFY 2014 grant even though that grant did not earn any more funds. Additionally, the Agency should not have moved costs to the Medicaid FFY 2014 grant because it was also overdrawn.

Cause: Inadequate monitoring. The Agency performed some cash management compliance monitoring during the fiscal year, but it was only for two quarters, for three grants which were not included in this finding.

Effect: If cash management compliance is not adequately monitored, there is an increased risk for noncompliance with Federal regulations. Funds will need to be returned to the Federal government.

Recommendation: We recommend the Agency implement procedures to ensure cash management compliance is adequately monitored. The Agency should ensure expenditures charged to Federal grants are allowable costs per the CAP; actual general ledger expenditures and allowable CAP distributions do not vary by significant amounts; and timing variances are resolved in a timely manner.

Management Response: The Agency agrees with the condition reported.

Finding 2015-023

Program: Various, including CFDA 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles

Grant Number & Year: Various, including #051505NE5ADM, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 95.507(a)(1) (October 1, 2014), the cost allocation plan shall "describe the procedures used to identify, measure, and allocate all costs to each of the programs operated by the State agency." Additionally, subsection (a)(4) requires the plan to:

> *Contain sufficient information in such detail to permit the Director, Division of Cost Allocation, after consulting with the Operating Divisions, to make an informed judgment on the correctness and fairness of the State's procedures for identifying, measuring, and allocating all costs to each of the programs operated by the State agency.*

Per OMB Circular A-87, Attachment A, C(3)(a), "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

Condition: The Agency was allocating costs to programs outside of the cost allocation plan. A similar finding was noted in the prior audit.

Questioned Costs: Unknown

Context: Most operating expenses for field offices across the State were charged to program 266, Economic and Family Support, regardless of which program should have been charged. Each month, the Agency performed a journal entry to move a portion of the costs to other programs based on the number of employees in each program. The following programs were also affected:

- 263, Medicaid and Long-Term Care Administration (Medicaid);
- 265, Protection and Safety
- 267, Developmental Disabilities Services Coordination (DDSC); and
- 359, Youth in Transition.

These transfers affected the cost allocation because charges to these programs were allocated differently. Charges to programs 265 and 266 were allocated to the other Service Area cost centers based on the labor hours in each cost center. Charges to program 263 were charged directly to Medicaid. Charges to program 267 were used to calculate the rate for payment of Developmental Disability provider services. Charges to program 359 were being charged to State funds. These journal entries were, in effect, an allocation of costs outside of the CAP submitted to the Federal government.

We noted a total of $5,887,324 was charged to program 266 for the field offices during the fiscal year, and of that total, $1,845,813 was transferred to DDSC, Medicaid, and Youth in Transition.

Cause: Per the Agency, these journal entries were performed for budgeting purposes. Per the Agency, the costs were all recorded in one program in the first place because it was more efficient to do so.

Effect: Amounts charged to Federal programs could be incorrect. Specific to Medicaid, the rate charged for DD services coordination is directly based on costs charged to program 267. If those costs are incorrect, the amount charged to Medicaid will be incorrect.

Recommendation: We recommend the Agency obtain Federal approval for all allocations.

> **Management Response:** The Agency does not agree with the condition reported. This distribution of payments is a process that was created to allow an efficient way to distribute costs expended in Service Areas (Field Offices) to the benefiting budget programs without creating an undue burden on any one budget. Therefore, expenditures are paid all through one budget program (State funded BU's) and distributed monthly through a process in the Accounting Unit at DHHS. Costs are distributed to benefitting budget programs based on labor hours in each of service area budget programs. These costs are then captured through the cost allocation process and allocated quarterly. Any variation between the monthly distribution of expenditures and quarterly cost allocation are reconciled.

APA Response: The allocation methodology was not described in the CAP in effect during the fiscal year. All allocations must be described in the CAP.

Finding 2015-024

Program: CFDA 10.551 – Supplemental Nutrition Assistance Program (SNAP) – Allowable Costs/Cost Principles

Grant Number & Year: All open, including #2015IS251443, FFY 2015

Federal Grantor Agency: U.S. Department of Agriculture

Criteria: Per 7 CFR § 273.18(g)(1)(i) (January 1, 2015), a State must "[a]utomatically collect payments for any claim by reducing the amount of monthly benefits that a household receives[.]" Per Title 475 NAC 4-007.02C, "For households currently receiving benefits, recoupment occurs automatically through a monthly benefit reduction beginning the first month possible considering ten day notice of adverse action." A good internal control plan requires procedures to ensure recoupments occur timely.

Per 7 CFR § 273.27(a) (January 1, 2015), "When a household leaves TANF, the State agency may freeze for up to 5 months the household's [SNAP] benefit amount after making an adjustment for the loss of TANF. This is the household's transitional period." A good internal control plan requires procedures to ensure overpayments are properly recouped, even if SNAP benefits are otherwise frozen.

A good internal control plan requires procedures to ensure cases are not improperly reopened after they are closed by the Agency for noncooperation with investigating potential overpayments.

Per 7 CFR § 273.18(d)(1), a State must "establish a claim before the last day of the quarter following the quarter in which the overpayment or trafficking incident was discovered[.]" A good internal control plan requires procedures to ensure overpayments are set up timely.

Per 7 CFR § 273.18(e)(3)(ii), "The claim will be considered established for tracking purposes as of the date of the initial demand letter or written notification." Per Title 475 NAC 4-007.04A, suspended accounts receivable are subject to the Treasury Offset Program if at least one demand letter has been sent.

Per OMB Circular A-87, Attachment A, C(1), to be allowable costs must be adequately documented and authorized or not prohibited under State or local laws or regulations.

Condition: The Agency had 4,960 SNAP accounts receivable, totaling $3,732,733, at March 31, 2015. We tested 15 of these, totaling $13,447, and noted various errors.

Questioned Costs: $3,634 known

Context: During testing, we noted the following:

- For 8 of the 15 accounts tested, the recipient was currently on SNAP, so a portion of the benefits should have been recouped and applied to the receivable balance. For 4 of these accounts, however, the benefits were not recouped in all eligible months. Potential recoupments, totaling $297, were missed for eight months.

- For two receivables tested, the recipient was on transitional SNAP assistance, which is a five-month period where the budget is frozen except in limited circumstances. The Agency did not adjust or create recoupments on transitional benefit cases. We asked the Federal grantor for guidance and, per the USDA, "Transitional benefits are subject to administrative claims and transitional benefit cases can and should be adjusted for recoupment by the State agency . . . ." For the SNAP receivables tested, potential recoupments, totaling $267, were not collected.

- We noted two SNAP cases that were closed due to lack of recipient cooperation but were inappropriately reopened and benefits paid. In both cases, the Agency requested the recipients provide information necessary to determine the amount of overpayments, but the information was not provided. The Overpayment Unit worker narrated in NFOCUS that SNAP benefits were closing, and the case should not reopen unless the necessary information was received. In both instances, however, another worker reopened SNAP. One case was opened a couple of weeks later, and the second case was opened about four months later, resulting in a total of $2,848 in questioned costs for the fiscal year.

- Seven of the accounts receivable tested were set up during State fiscal year 2015. Three of these were set up 77, 81, and 171 days late.

- During separate testing of the Overpayment Mailbox, we noted one SNAP case for which receivables were not properly established. The original referral from the caseworker was on October 1, 2014. The caseworker noted errors that dated back to October 2012 due to misidentifying weekly wages as being biweekly. Because such agency errors can go back 12 months, the receivables could go back to October 2013. However, the Overpayment Unit worker who took the case changed the date of discovery to the date the case was worked, January 21, 2015, explaining, "This is over 12 months old and will not be recouped." The worker should have at a minimum looked for overpayments for the past 12 months from the date the case was worked, to January 2014. If the Agency had set up overpayments properly, a total of $222 could have been recouped in fiscal year 2015.

- For four of the accounts receivable, the Agency could not provide the demand letter. Per Federal requirements, the demand letter is necessary to suspend a case and refer it to the Treasury Offset Program. The demand letters may have been sent; however, we could not verify this because the Agency deleted the correspondence from its system after four years.

We further noted per 475 NAC 4-007.01A, "Overpayments must be established against households who were issued benefits they were not entitled to receive due to an AE (Administrative Error) for no more than 12 months before the month of initial discovery." This State regulation conflicts with 7 CFR § 273.18(c)(1)(i), which requires the agency to "calculate a claim back to <u>at least</u> twelve months prior to when you became aware of the overpayment[.]" (Emphasis added.)

Cause: Worker error. The Agency misinterpreted Federal regulations that require recoupments to be pursued in otherwise frozen cases. Recoupments from prior budgets are not automatically included in new budgets and, unless made aware of the overpayment through review of NFOCUS, the caseworker does not know to set up a recoupment. The Agency relies on NFOCUS narratives to inform caseworkers not to reopen SNAP cases closed for noncooperation. However, narratives can be numerous and may be missed by the caseworker.

Effect: When accounts receivable are not set up in a timely manner, it increases the likelihood overpayments will not be collected.

Recommendation: We recommend the Agency implement procedures to ensure overpayments are established in a timely manner, recoupments occur automatically, and necessary correspondence is maintained.

Management Response: The Agency agrees with the condition reported. DHHS was not aware of the requirement to recoup overpayments on Transitional Benefit SNAP cases prior to this audit finding. An interpretation was required from the USDA National Office General Counsel for direction on this issue.

Finding 2015-025

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Allowability, Matching & Subrecipient Monitoring

Grant Number & Year: All open, including #15AANET3SS, FFY 2015; #15AANET3CM, FFY 2015; and #15AANET3HD, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: OMB Circular A-87, Attachment A, § C, requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

OMB Circular A-133 §__.400(d) states, as is relevant:

> *A pass-through entity shall perform the following for the Federal awards it makes . . . (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.*

45 CFR § 92.20(a) (October 1, 2014) states, in part:

> *Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to . . . (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.*

45 CFR § 92.24(a) (October 1, 2014) states, in part:

> *With the qualifications and exceptions listed in paragraph (b) of this section, a matching or cost sharing requirement may be satisfied by either or both of the following: (1) Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-Federal grants . . . (2) The value of third party in-kind contributions applicable to the period to which the cost sharing or matching requirements applies.*

Per OMB Circular A-133, an Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires the pass-through entity to establish controls to ensure subrecipients use Federal awards in accordance with Federal compliance requirements, including procedures for monitoring of subrecipients' fiscal activities related to Federal and non-Federal (matching) expenditures for the program.

Condition: For four of eight subrecipients, the Agency did not have adequate procedures to ensure the allowability of expenditures by subrecipients, and monitoring procedures were not adequately documented. A similar finding was noted in the prior audit.

Questioned Costs: $169,504 known

Context: The Agency receives monthly expense reports from the eight subrecipient Area Agencies on Aging (AAAs). The reports list expenditures to date, estimated expenditures needed, funds received to date, and the Title III funds requested. These reports include attachments with a breakdown of the current month's expenses by cost categories and indicate the amount of local matching funds used for each of the activities. The monthly expense reports are reviewed by Agency staff; however, no invoices or detailed supporting documentation are attached.

The Agency performed onsite reviews of expenditures incurred by subrecipients during the fiscal year; however, the Agency did not retain supporting documentation, such as invoices, general ledgers, etc., to document what procedures were performed or to substantiate that the expenditures were in accordance with State and Federal requirements. The Agency also reviews A-133 audit reports submitted by the AAAs, which would provide some assurance if the Aging Cluster were audited as a major program.

We tested a total of 21 payments to the eight AAAs; 11 of the payments were for Title III funds. For payments to four of eight subrecipients, there was no detailed supporting documentation, monitoring documentation was not adequate, and the fiscal year 2015 and A-133 audits were either not yet due or the fiscal year 2015 and A-133 audits received did not include the Aging Cluster as a major program. Therefore, the support was not adequate to ensure expenditures were in accordance with Federal regulations. As a result, we question the $169,504 of payments tested.

The Agency disbursed $7,177,594 in aid to the eight AAAs during fiscal year 2015. Of this amount, $2,417,166 was Title III funds for the four subrecipients, which represents the estimated potential dollars at risk for fiscal year 2015.

Additionally, the Agency had not performed adequate monitoring procedures to ensure State and local matching expenditures were allowable for the Federal grant awards. The 2013 Federal grant award closed during the fiscal year, and the State and local matching contributions by the four AAAs totaled $5,515,092.

Cause: The onsite monitoring activities performed for fiscal year 2015 expenses were not adequately documented. Reviews were performed; however, the Agency did not retain support, such as invoices and general ledgers, and/or did not document the procedures performed.

Effect: Noncompliance with Federal regulations could result in sanctions. Without adequate monitoring procedures, there is an increased risk Federal awards could be used for improper/unallowable costs.

Recommendation: We recommend the Agency improve procedures to monitor subrecipients. Monitoring should include a written plan with procedures to ensure monthly reports are accurate and agree to support, expenditures are in accordance with Federal requirements, and adequate documentation is maintained.

Management Response: The Agency partially agrees with the condition reported. The monitoring for one identified subrecipient for SFY15 was performed in August 2014. The wrong month was reviewed (April, 2014) by a person who is no longer on staff, and this information was provided to the auditor during the FY14 and FY15 audits. Procedures are in place to monitor the Area Agencies on Aging. Copies of monitoring tools were provided to the auditor in FY14 and FY15. During the FY15 audit, the Fiscal Program Manager asked the auditors if supporting documentation (i.e. invoices) were needed for the transactions chosen for testing to confirm allowability of expenditures and address the questioned costs. The auditors responded they did not need them. During the Exit meeting on February 19, 2016, the auditors indicated they would in fact need to review the supporting documentation. The Fiscal Program Manager is currently putting those documents together and will have them to the auditors by the close of business Friday February 26, 2016. The general ledgers and billing documents were provided to the auditors.

APA Response: The Management Response does not accurately reflect the question posed or the response by the APA. However, as the discussion at the exit meeting indicated there was a misunderstanding, the APA agreed to allow the Agency an opportunity to provide additional information to support monitoring procedures were accurate and that costs reimbursed to subrecipients were allowable and in accordance with Federal requirements.

The Agency provided additional documentation for two subrecipients. However, the documentation provided was not adequate. Expenditures were allocated between programs, and there was no documentation to support the allocations were proper. In addition, most of the expenditures reimbursed were for personnel costs, but there were no timesheets or records to verify the time charged to the grant was correct and in accordance with Federal requirements.

As noted above, the Agency is required to monitor the activities of subrecipients to ensure Federal awards are used for authorized purposes and in accordance with laws and regulations. We have noted a finding regarding inadequate subrecipient monitoring since our 2010 audit report. Regardless of any miscommunication that may have occurred at the beginning of our fieldwork, the Agency should have been aware of its responsibility to monitor subrecipients during the fiscal year and the need for adequate documentation to support such monitoring.

Finding 2015-026

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Reporting

Grant Number & Year: All open grants, including #15AANET3SS, FFY 2015; #15AANET3CM, FFY 2015; and #15AANET3HD, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 92.20(a) (October 1, 2014) states:

> *A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds . Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to – (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.*

A good internal control plan requires controls to ensure expenditures reported are proper and agree to accounting records. This includes maintaining adequate supporting documentation for amounts reported.

Condition: The Agency did not correctly report several amounts included in the Federal Financial Reports (FFRs) submitted during fiscal year ended June 30, 2015. A similar finding was noted in the prior audit.

Questioned Costs: Unknown

Context: The Agency is required to submit semi-annual FFRs for the Title III grants. The Agency can obtain data relating to the State's administrative expenditures directly from the State's accounting system when preparing the financial reports; however, due to cash advances and Area Agencies on Aging (AAA) contributions, data relating to AAA expenditures cannot be obtained directly from the State accounting system. In order to track these AAA expenditures, the Agency prepares an Excel spreadsheet from the monthly AAA reports that are sent to the Agency for reimbursement. The AAA report spreadsheet is then used to prepare significant portions of the FFR.

We tested four of seventeen FFRs submitted during the fiscal year and noted the following:

- The 2013 Title III grant FFR for the period ended September 30, 2014, had the following variances:

FFY 2013 Grant Report Item Description	Amount Reported	Amount per Support	Variance Over/(Under) Reported
Total Recipient Share Required	$ 1,384,676	$ 1,384,942	$ (266)
Recipient Share of Expenditures	$ 4,904,086	$ 6,655,606	$ (1,751,520)
Total Federal Program Income Earned	$ 4,591,580	$ 4,359,621	$ 231,959

- The 2014 Title III grant FFR for the period ended September 30, 2014, had the following variances:

FFY 2014 Grant Report Item Description	Amount Reported	Amount Per Support	Variance Over/(Under) Reported
Total Recipient Share Required	$ 367,433	$ 364,917	$ 2,516
Recipient Share of Expenditures	$ 1,821,093	$ 1,340,725	$ 480,368
Total Federal Program Income Earned	$ 2,512,286	$ 1,995,253	$ 517,033

State match was included as both State match and as non-State recipient share. Final reports from AAA's were not included, and incorrect line items from the spreadsheets were used.

Cause: Clerical errors and inadequate review.

Effect: Improper reporting and noncompliance with Federal regulations could result in sanctions.

Recommendation: We recommend the Agency implement procedures to ensure Federal reporting is complete and accurate.

Management Response: The Agency agrees with the condition reported.

Finding 2015-027

Program: CFDA 93.069 – Public Health Emergency Preparedness; CFDA 93.889 – National Bioterrorism Hospital Preparedness Program – Allowability, Cash Management & Subrecipient Monitoring

Grant Number & Year: #5U90TP000533-02, FFY 2014; #5U90TP000533-03, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: OMB Circular A-133 §__.400(d)(3) requires a pass-through entity to do the following:

Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Per 45 CFR § 92.20(a) (October 1, 2014):

Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to . . . [p]ermit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Per 45 CFR § 92.21(b) (October 1, 2014):

Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR Part 205.

Per 45 CFR § 92.22 (October 1, 2014):

(a) Limitation on use of funds. Grant funds may be used only for:

(1) The allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and

(2) Reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or subgrantee.

(b) Applicable cost principles. For each kind of organization, there is a set of Federal principles for determining allowable costs. Allowable costs will be determined in accordance with the cost principles applicable to the organization incurring the costs. The following chart lists the kinds of organizations and the applicable cost principles.

For the costs of a-	Use the principles in-
State, local or Indian tribal government	OMB Circular A-87.
Private nonprofit organization other than an (1) institution of higher education, (2) hospital, or (3) organization named in OMB Circular A-122 as not subject to that circular	OMB Circular A-122.
Educational institutions.	OMB Circular A-21.
For-profit organization other than a hospital and an organization named in OBM Circular A-122 as not subject to that circular	48 CFR Part 31 . . . .

The cost principles applicable to a non-Federal entity apply to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal Government or indirectly through a pass-through entity. The circulars describe selected cost items, allowable and unallowable costs, and standard methodologies for calculating indirect costs rates.

The cost principles articulated in the three OMB cost principles circulars are, in most cases, substantially identical, but a few differences do exist. Per OMB Circular A-87, A-122, and A-21, "The principles are designed to provide that Federal awards bear their fair share of cost recognized under these principles, except where restricted or prohibited by law." The circulars require costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to ensure subrecipients comply with applicable cost principles.

Condition: Subrecipient monitoring procedures were not adequate. The Agency did not have procedures to ensure payments to subrecipients were for allowable expenditures or complied with cash management requirements. A similar finding was noted in the prior audit.

Questioned Costs: $669,922 known

Context: The Agency made payments to 34 subrecipients during the fiscal year. The Agency received requests for payment from the subrecipients; however, no invoices or detailed documentation was obtained to support payments were for actual, allowable costs of the grant. Additionally, the Agency did not conduct onsite financial monitoring of subrecipients to verify grant expenditures were allowable and in accordance with Federal regulations. We tested 25 payments, totaling $681,486, to subrecipients. The Agency did not have adequate support for $669,922 to ensure expenditures were for allowable costs.

The disbursement of Federal funds to subrecipients appears to have been on a reimbursement basis; however, no supporting documentation for actual expenses was provided. Therefore, the auditor was unable to determine whether the time elapsing between the payment to the subrecipient and the subrecipient's disbursement of funds was minimized.

Subrecipient payments for the fiscal year ended June 30, 2015, totaled $6,297,825. Federal payment errors noted were $669,922. The total sample tested was $681,486. The error rate for the sample was 98.30% ($669,922/$681,486). This estimates the potential dollars at risk for the fiscal year to be $6,190,762 (dollar error rate multiplied by the population).

Cause: The Agency's subaward agreements allowed subrecipients to request payment for providing deliverables; however, the Agency did not have procedures to ensure subrecipients' requests were for actual and allowable costs incurred.

Effect: Without adequate supporting documentation, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations.

Recommendation: We recommend the Agency implement procedures to ensure subrecipient payments are for actual and allowable costs, including procedures to ensure expenditures comply with cash management requirements.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-028</u>

Program: CFDA 93.217 – Family Planning Services – Allowability & Program Income & Subrecipient Monitoring

Grant Number & Year: #FPHPA070097, grant period 6/30/10 to 6/29/15

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per OMB Circular A-133, § __.300, an Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires procedures to ensure subrecipients use Federal awards in accordance with Federal compliance requirements.

OMB Circular A-133 §__.400(d) states, as is relevant:

A pass-through entity shall perform the following for the Federal awards it makes . . . (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

45 CFR § 92.20(a) (October 1, 2014) states, in part:

Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to . . . (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

OMB Circular A-87 requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

OMB Circular A-87, Attachment B, § 8(h)(4), states in relevant part:

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency.

42 CFR § 59.5(a)(5) (October 1, 2014) states that each project supported under this part must "Not provide abortion as a method of family planning."

Per the Title X – Population Research and Voluntary Family Planning Programs, § 1008, "None of the funds appropriated under this title shall be used in programs where abortion is a method of family planning."

42 CFR § 59.5(a) states that each project supported under this part must:

(7) Provide that no charge will be made for services provided to any persons from a low-income family except to the extent that payment will be made by a third party (including a government agency) which is authorized to or is under legal obligation to pay this charge. (8) Provide that charges will be made for services to persons other than those from low-income families in accordance with a schedule of discounts based on ability to pay, except that charges to persons from families whose annual income exceeds 250 percent of the levels set forth in the most recent Poverty Guidelines issued pursuant to 42 U.S.C 9902(2) will be made in accordance with a schedule of fees designed to recover the reasonable cost of providing services.

Condition: The Agency did not have adequate monitoring procedures to ensure payments to subrecipients were for allowable activities and costs. One subrecipient tested had abortion-related expenditures charged.

Questioned Costs: $263,423 known

Context: The Agency disbursed a total of $1,815,199 to 12 subrecipients during fiscal year 2015.

The Agency receives bimonthly expense reports from the subrecipients. These reports include a breakdown of the expenses by cost categories for Family Planning Funds and program income. The monthly expense reports are reviewed by Agency staff; however, the Agency did not require subrecipients to submit invoices or detailed supporting documentation.

The Agency contracted with an outside party to conduct on-site fiscal reviews of expenditures incurred by subrecipients every two years; however, the Agency did not retain supporting documentation, such as invoices, general ledgers, etc., to document what procedures were performed or to substantiate that the expenditures were in accordance with State and Federal requirements. Also, the reviews did not note any testing of program income expenditures. Of the seven subrecipients tested, only four had a fiscal review that included fiscal year 2015 expenditures, and those four reviews did not have adequate documentation to support the expenditures were in accordance with Federal requirements.

We tested 10 payments to subrecipients. Nine payments, totaling $252,309, did not have detailed documentation on file to support the payments were allowable. Of these, three did not have a fiscal review for the year completed, and for six the fiscal review documentation was not adequate to ensure expenditures were in accordance with Federal regulations. For the other payment tested, the subrecipient requested reimbursement of $15,184, but only $4,070 was supported, leaving $11,114 questioned costs. As a result, we question $263,423 of payments tested. The total sample tested was $267,493. The error rate for the sample was 98.48% ($263,423/$267,493), which estimates the potential dollars at risk for the fiscal year to be $1,787,608 (dollar error rate multiplied by the population).

For three of the subrecipients, we performed an on-site review of one bimonthly report tested above. We tested Family Planning Federal expenditures and program income expenditures included on the bimonthly report and noted the following:

<u>Unallowable Abortion Related Expenses</u>

One subrecipient, Planned Parenthood of the Heartland, performed family planning services and abortion services. Abortion services are not allowable under Family Planning.

- We tested 10 employees, five each from two different pay periods. A clinic manager tested was paid $52 for two hours of on-call time related to abortion services that were charged to the grant.

- We tested 10 program income expenditures. Expenditures from program-generated funds are required to adhere to Federal regulations. We noted one payment for $1,970 for physician fees related to abortion services. We reviewed the subrecipient’s general ledger for the fiscal year, and no other fees to this physician were charged to Family Planning or program income.

- We also reviewed 10 pathology expenditures charged to program income during the fiscal year. Two invoices included "Products of Conception," which refers to placental and/or fetal tissue that remains in the uterus after a spontaneous pregnancy loss (miscarriage), planned pregnancy termination, or preterm/term delivery. We inquired whether some of these charges resulted from miscarriages; however, the subrecipient replied that all of the questioned charges should have been coded to abortion services. Total questioned charges were $1,260. Total paid to this vendor and charged to Family Planning program income was $27,147. We tested $13,951 of the $27,147.

- We reviewed two months of employee travel reimbursements to determine if the amounts charged to program income agreed with the employee timesheet. Three of eleven employees tested had travel reimbursements that were not consistent with timesheets and appeared related to abortion services, resulting in questioned costs of $255.

  - One employee charged Family Planning mileage reimbursement for three different days; however, the employee's timesheet showed the employee worked only on abortion services on those days.

  - One employee had regular time coded to only abortion services; however, on four separate days, the one hour of travel time was charged to Family Planning. Also, on one of those days, the mileage reimbursement was charged to Family Planning.

  - One employee had regular time coded only to abortion services; however, two and one-half hours of travel time was charged to Family Planning.

Total expenditures reviewed for Planned Parenthood of the Heartland were $54,572, of which $3,537 we noted related to abortion services. The report for the bi-monthly period tested noted Family Planning funding and program income received of $179,829. Expenditures for the period tested totaled $317,186, of which $105,663 was charged to the Family Planning grant and $211,523 to program income expenses. Total Federal funds paid to Planned Parenthood of the Heartland for the Family Planning grant were $297,976 for the fiscal year.

<u>Expenditures not in Accordance with Federal Requirements</u>

In addition to the unallowable expenditures above, we noted the following:

- Two of three subrecipients' payroll expenditures were not in accordance with OMB Circular A-87, Attachment B, § 8(h). Neither of the subrecipients had time records or certifications to support charges to Family Planning. One of the subrecipients considered all activity related to Family Planning; however, per the rate schedule, other services were performed. The other subrecipient was using an allocation method that was not approved by the Federal agency, as required. Though aware the subrecipient was using the alternate method, the Agency was unaware of the requirement for Federal approval.

- Two of three subrecipients did not have adequate documentation to support the allocation of indirect costs between Family Planning and non-Family Planning activities. One subrecipient had an expenditure of $1,000 charged to Family Planning that was not related to the grant.

Bi-Monthly Reporting

None of the three subrecipients had adequate documentation to support the amounts reported to the Agency.

- One subrecipient reported 1/6 of budgeted expenditures as Family Planning actual expenditures and the remaining expenditures as program-generated funds.

- For two subrecipients, the expenses reported by category did not agree to accounting records. Variances ranged from $300 to $36,733.

- Three subrecipients could not provide a detailed listing by patient of patient fees that agreed with the amount reported.

	Patient Fees		
	Reported	Accounting Records	Variance
1	$ 17,301	$ 17,805	$ (504)
2	$ 1,256	$ 2,397	$ (1,141)
3	$ 4,842	$ 13,284	$ (8,442)

Patient Fees

A grantee must charge for family planning services according to the client's ability to pay. A person from a low-income family may not be charged, except to the extent that payment will be made by a third party that is authorized or under legal obligation to pay such charge. Individuals from other than low-income families are charged according to an established fee schedule, which is based on the cost of services. For individuals from families with incomes between 101 and 250 percent of the published Income Poverty Guidelines, such a schedule must provide discounts based on ability to pay. Fees for individuals from families with higher incomes are set to recover the reasonable cost of providing the services.

All three subrecipients had patients that were not charged properly. Of the 16 individuals tested, 4 were undercharged and 2 were overcharged. For one of these individuals, the subrecipient had adjusted the fees, but there was no documentation to support the adjustment was in accordance with Family Planning regulations.

Cause: The Agency conducts fiscal reviews for each subrecipient only every two years. When fiscal monitoring is performed, the monitor reviews only a two-month period for one year. The Agency did not have procedures to obtain supporting documentation from subrecipients in other months and years. In addition, the fiscal monitoring did not adequately document that expenditures were allowable and program income requirements were adhered to.

Effect: Increased risk of misuse of Federal funds and non-compliance with Federal regulations, which could result in Federal sanctions.

Recommendation: We recommend the Agency implement procedures to ensure expenditures are for allowable activities in accordance with Federal regulations. We further recommend subrecipient monitoring procedures be improved and include review of program income.

Management Response: The Agency agrees with the condition reported.

Finding 2015-029

Program: CFDA 93.217 – Family Planning Services – Cash Management & Subrecipient Monitoring

Grant Number & Year: #FPHPA070097, grant period 6/30/10 to 6/29/15

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 31 CFR § 205.33(a) (July 1, 2014) states:

A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102 . . . .

45 CFR § 92.37(a) (October 1, 2014) states, in relevant part:

States shall follow state law and procedures when awarding and administering subgrants (whether on a cost reimbursement or fixed amount basis) of financial assistance to local and Indian tribal governments. States shall . . . (4) Conform any advances of grant funds to subgrantees substantially to the same standards of timing and amount that apply to cash advances by Federal agencies.

Title 45 CFR § 75.305 (October 1, 2015) (effective December 26, 2014) states, in relevant part:

(a) For states, payments are governed by Treasury-State CMIA agreements and default procedures codified at 31 CFR part 205 and TFM 4A-2000 Overall Disbursing Rules for All Federal Agencies.

(b) For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

Grants Policy Statement (issued by the U.S. Department of Health and Human Services Office of the Assistant Secretary for Resources and Technology Office of Grants January 1, 2007), Part I HHS: Grants Process, Payments Section, Cash Request Subsection I-37, states, as is relevant:

If the cash request is for an advance payment, the recipient may request funds monthly on the basis of expected disbursements during the succeeding month and the amount of Federal funds already on hand.

A good internal control plan requires controls to ensure subrecipients minimize the time advanced funds are on hand.

Condition: The Agency did not have adequate procedures to ensure advances to the subrecipients were as close as administratively feasible to the subrecipients' actual cash outlay, and were for no more than 30 days of expected disbursements.

Questioned Costs: Unknown

Context: The Agency provides subrecipients bimonthly payments throughout the year. The payments are based on the amount awarded to the subrecipient divided into six equal payments. This is contrary to Federal requirements, which allow a maximum of one month in advance. Total Federal funds of $1,815,199 were paid to subrecipients during fiscal year 2015.

Cause: The Agency pays subrecipients in six equal payments of the total subaward and does not have procedures to ensure these funds were used timely.

Effect: Noncompliance with Federal regulations, which could result in sanctions.

Recommendation: We recommend the Agency ensure compliance with Federal regulations. Funds advanced to subrecipients should be used in a timely manner.

Management Response: The Agency does not agree with the condition reported.

Finding 2015-030

Program: CFDA 93.217 – Family Planning Services – Reporting

Grant Number & Year: #FPHPA070097, grant period 6/30/10 to 6/29/15; #FPHPA076128, grant period 8/1/13 to 7/31/14

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 74.21(b) (October 1, 2014) states:

Recipients' financial management systems shall provide for the following: (1) Accurate, current and complete disclosure of the financial results of each HHS-sponsored project or program in accordance with the reporting requirements set forth in § 74.52.

Per Federal Financial Report (FFR) instructions, recipient share lines 10i – 10k, total recipient share required should include all matching and cost sharing provided by recipients and third-party providers to meet the level required by the Federal agency and should not include amounts in excess of the amount required by the Federal agency. Additionally, the recipient share of expenditures should be:

[T]he recipient share of actual cash disbursement or outlays (less any rebates, refunds, or other credits) including payments to subrecipients and contractors. This amount may include the value of allowable third party in-kind contributions and recipient share of program income used to finance the non-Federal share of the project or program.

Per FFR instructions for lines 10l – 10o, the recipient is to report the amount of the Federal share of program income earned, excluding program income that is being allocated as part of the recipient's cost sharing amount included on line 10j (recipient share of expenditures). Additionally, the recipient is to report the amount of program income that was added to funds committed and expended to further eligible project or program activities.

Condition: The Agency did not accurately report recipient share and program income on the SF-425 FFR.

Questioned Costs: None

Context: The Agency is required to submit quarterly SF-425 FFRs for all grants that have not closed. A total of six reports were submitted during the fiscal year ended June 30, 2015, for two separate grant awards. We tested two SF-425 reports and noted the following:

- Grant #FPHPA076128 final report:

Report Line Item	Reported	Proper Amount	Variance
10i. Total recipient share required	$ 49,247	$ 25,000	$ 24,247
10j. Recipient share of expenditures	$ 49,247	$ 6,577	$ 42,670

It appears the Agency used the subaward budget amounts as the total recipient share instead of using actual expenditures at the subrecipient level.

- Grant #FPHPA070097 March 31, 2015, period end report:

Report Line Item	Reported	Proper Amount	Variance
10i. Total recipient share required	$ 1,818,031	$ 1,068,031	$ 750,000
10j. Recipient share of expenditures	$ 1,818,031	$ 1,068,031	$ 750,000
10l. Total Federal program income earned	$ 11,795,826	$ 10,126,811	$ 1,669,015
10m./10n. Program income expended	$ 11,795,826	$ 10,126,811	$ 1,669,015

Program income expended was reported on line 10m in accordance with the deduction alternative. However, program income is used in addition to the Federal program funds and should have been reported on line 10n "Program income expended in accordance with the addition alternative."

Cause: Turnover in Agency personnel responsible for preparation of program financial reports.

Effect: Inaccurate financial reporting could result in Federal sanctions.

Recommendation: We recommend the Agency implement procedures to ensure Federal reports are accurate and in accordance with Federal requirements and instructions.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-031</u>

Program: CFDA 93.217 – Family Planning Services – Procurement

Grant Number & Year: #FPHPA070097, grant period 6/30/10 to 6/29/15

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 92.36(a) (October 1, 2014), "When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds."

Neb. Rev. Stat. § 73-504 (Cum. Supp. 2014) requires that State agencies follow established competitive bidding procedures when entering into contracts for services. A relevant exception to the competitive bidding requirements for service contracts is set out at Neb Rev. Stat. § 73-507(1)(a), which provides the following:

> *Subject to review by the Director of Administrative Services, the [materiel] division shall provide procedures to grant limited exceptions from the sections 73-504, 73-508, and 73-509 for . . . [s]ole source contracts . . . .*

Neb. Rev. Stat. § 73-502(5) (Cum. Supp. 2014) defines "sole source" as follows:

> *Sole source means of such a unique nature that the contractor selected is clearly and justifiably the only practicable source to provide the service. Determination that the contractor selected is justifiably the sole source is based on either the uniqueness of the service or sole availability at the location required[.]*

Neb. Rev. Stat. § 73-508 (Cum. Supp. 2014) requires all proposals for sole source contracts for services in excess of fifty thousand dollars to be preapproved by the Department of Administrative Services (DAS), exception in emergencies.

Condition: The Agency did not follow competitive bidding requirements when entering into a contract for onsite clinical reviews of Family Planning subrecipients.

Questioned Costs: Unknown

Context: The contractor was paid $55 per hour plus reimbursement for travel costs; the total amount paid during fiscal year 2015 was $67,000.

In 2008, the Agency sent a Deviation From Contractual Services Contract Process Form to DAS to waive the bidding requirement in Neb. Rev. Stat. § 73-504. The Sole Source Justification stated:

> *Jodi Wegner, APRN has verbally agreed to become the Title X Clinical Consultant and meets the requirements to fulfill the identified program deficiency outlined during the August 2007 Title X Federal Site Review. The clinician to fulfill this position must have a background in Women's Reproductive Health and a strong desire to work in Public Health.*

The form did not include DAS' approval. No request was sent to DAS to waive the bidding requirement in 2010 when the contract was renewed. In addition to not having DAS required approval, it would seem reasonable that there is more than one APRN who can perform the duties of the Clinical Nurse Consultant. The Agency should publicly bid the contract to determine if there are other qualified contractors.

Cause: In 2007, the Federal Review recommended the active participation of a specially trained and experienced nurse specialist or advance nurse could benefit the program immensely by assuring updated clinical guidelines and providing monitoring and technical assistance to bring agencies into compliance, particularly in the area of clinical services. The Agency determined that this would fall under Sole Source Justification but did not have approval or adequate documentation to support the sole source exception.

Effect: When competitive bidding requirements are not adhered to, there is an increased risk the Agency will not receive the best services at the lowest price.

Recommendation: We recommend the Agency competitively bid service contracts to ensure the fair and reasonable expenditure of public funds, to make certain that the State receives the best services for the lowest possible price, and to follow State statute.

> **Management Response:** The Agency agrees with the condition reported.

Finding 2015-032

Program: CFDA 93.283 – Center for Disease Control & Prevention – Investigations and Technical Assistance – Allowability, Matching & Subrecipient Monitoring

Grant Number & Year: #2U58DP001978, ending 3/28/2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: OMB Circular A-87 states that allowable costs must be necessary, reasonable, and adequately documented.

OMB Circular A-133 §__400(d) states:

> *A pass-through entity shall perform the following for the Federal awards it makes: (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency . . . . (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, and regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.*

Title 45 CFR § 92.24(a) (October 1, 2014) states:

> *Basic rule: Costs and contributions acceptable. With the qualifications and exceptions listed in paragraph (b) of this section, a matching or cost sharing requirement may be satisfied by either or both of the following:*
>
> > *(1) Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-Federal grants or by others cash donations from non-Federal third parties.*
> >
> > *(2) The value of third party in-kind contributions applicable to the period to which the cost sharing or matching requirements applies.*

A good internal control plan requires procedures to ensure subrecipients' reimbursements are for actual, allowable costs, in accordance with applicable cost principles.

Condition: The Agency did not provide the correct CFDA title, Federal award name, and Federal award number on the subaward document. Subrecipient monitoring was not adequate to ensure payments were allowable. A similar finding was noted in the prior audit.

Questioned Costs: $65,393 known

Context: We tested four of six subrecipients for grant #2U58DP001978 Chronic Disease Prevention and Health Promotion Program and noted the following:

- For all four subrecipients, the Agency did not provide the correct CFDA title, Federal award name, and Federal award number.

- For all four subrecipients tested, the Agency did not obtain adequate documentation to ensure expenditures were for allowable costs. The Agency received reimbursement requests from the subrecipients; however, no invoices or detailed documentation was obtained to support payments were for actual, allowable costs of the grant. The Federal share of payments tested was $65,393.

- The Agency did not receive adequate documentation to support the allowability of payments used for matching purposes. Three expenditures paid with State matching funds were tested, totaling $60,451.

The Federal share of subrecipient payments for grant #2U58DP001978 for the fiscal year ended June 30, 2015, totaled $417,469. Matching funds of $309,633 were reported for the grant period 3/29/14-3/28/15.

Cause: The Agency indicated that, due to staffing turnover, the Agency was not able to perform onsite reviews or perform desk reviews.

Effect: Noncompliance with Federal regulations, which increases the risk for loss or misuse of funds.

Recommendation: We recommend the Agency implement procedures to ensure payments to subrecipients are for actual and allowable costs. We also recommend the Agency implement procedures to ensure all required information is provided to subrecipients, per Federal regulations.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-033</u>

Program: CFDA 93.283 – Center for Disease Control & Prevention – Investigations and Technical Assistance – Reporting

Grant Number & Year: #5U58DP003928, ending 6/29/2017; #2U58DP001978, ending 3/28/2015; #5UR3DD000797, ending 6/30/2016

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per Notice of Award Issue Date 6/24/2013 – Grant Number 5U58DP003928-02, "Reporting timeframe is 06/30/2013 through 6/29/2014. The FFR should only include those funds authorized and disbursed during the timeframe covered by the report."

Indirect cost rates are approved by the Director of Cost Allocation with the U.S. Department of Health and Human Services; the approved indirect cost rates were as follows:

Approval Letter Dated	Indirect Cost Rate	Period
May 22, 2012	37%	7/1/2008 to 6/30/2011
May 22, 2012	48%	7/1/2011 to 6/30/2013
November 27, 2013	46.2%	7/1/2013 to 6/30/2014
January 26, 2015	46.3%	7/1/2014 to 6/30/2015

EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it. A good internal control plan requires procedures to reconcile submitted reports to the accounting system.

Condition: Federal reports were not accurate.

Questioned Costs: None

Context: The Agency is required to submit annual Federal Financial Reports (FFRs). We tested three of seven FFRs submitted during the fiscal year:

	Grant #	Grant Name	Period Ended
1	#5U58DP003928-02	Cancer Prevention & Control Program	6/29/2014
2	#2U58DP001978-06	Chronic Disease Prevention & Health Promotion Program	3/28/2015
3	#5UR3DD000797-03	Early Hearing Detection and Intervention Program	6/30/2014

The indirect costs (IDC) reported did not agree to the accounting system, and the Agency did not use the proper indirect cost rates.

	IDC per Report	IDC per EnterpriseOne	IDC per Approved Rates	Over/(Under) Reported
1	$ 222,383	$ 226,661	$ 214,014	$ 8,369
2	$ 1,304,273	$ 1,274,704	$ 1,395,468	$ (91,195)
3	$ 23,537	$ 23,537	$ 25,407	$ (1,870)

We also noted the Federal share of expenditures reported did not agree to the accounting system. The FFR for the Cancer Prevention & Control Program grant for the period ended 6/29/2014 reported expenditures through 9/29/2014, when the expenditures should have been reported as of 6/29/2014.

FFR Item Description	Amount Reported	Amount as of 6/29/2014	Over/(Under) Reported
Federal Share of Expenditures	$ 6,102,502	$ 5,118,955	$ 983,547
Unliquidated Obligations	$ 487,409	$ 962,905	$ (475,496)
Total Federal Share	$ 6,589,911	$ 6,081,860	$ 508,051

The Final FFR for the Chronic Disease Prevention & Health Promotion Program grant underreported the Federal share of expenditures by $120,764.

Cause: The Agency included data up to the report submission, and not as of the report date. The indirect cost rates were not approved until after the effective period of the indirect cost rates. The Agency believed the rates would have come into effect at the time of approval, and not the beginning effective date.

Effect: Inaccurate information was reported to the Federal government. Noncompliance with Federal regulations could result in sanctions.

Recommendation: We recommend the Agency ensure financial reports are accurate and in accordance with Federal requirements.

Management Response: The Agency agrees with the condition reported.

Finding 2015-034

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowable Costs/Cost Principles, Eligibility & Special Tests and Provisions

Grant Number & Year: #G1102NETANF, FFY 2011; #G1202NETANF, FFY 2012; #G1302NETANF, FFY 2013

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 205.56(a)(1)(i) (October 1, 2014):

The State agency shall review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the applicant's or the recipient's eligibility or the amount of assistance.

Per 45 CFR § 261.14(a) (October 1, 2014):

If an individual refuses to engage in work required under section 407 of the Act, the State must reduce or terminate the amount of assistance payable to the family . . . .

Per 64 FR 17825 (April 12, 1999), a family may not receive assistance under the State's TANF program unless the family is needy. For TANF purposes, the term "needy" means financial deprivation – i.e., lacking adequate income and resources.

Per OMB Circular A-87, Attachment A, § C(1)(c), allowable costs must be reasonable, adequately documented, and authorized or not prohibited under State or local laws or regulations.

Per the Nebraska State Plan (Plan) effective July 1, 2014, "Eligibility for [TANF] cash assistance must be redetermined every six months." Also per the Plan:

Failure of a dependent child age 16, 17, or 18 to attend school without participating in any other Employment First approved work activity results in removal of the child's needs from the [TANF] unit. The sanction will last until the failure to participate ceases.

Per 468 NAC 1-006(2), the client is required to report changes in employment and income within 10 days following the change.

Per 468 NAC 2-007.04C:

> *A full-time student must have a school schedule that is equal to a full-time curriculum for the school s/he is attending, as defined by the school district.*

A good internal control plan would require eligibility redeterminations to be performed when required. A good internal control plan would also require overpayments to be established in a timely manner.

Condition: Nine of 40 TANF cash assistance payments tested were not in compliance with State and Federal requirements. A similar finding was noted in previous audit reports.

Questioned Costs: $3,615 known

Context: During our cash assistance testing, we noted the following:

- For two cases, the verified income exceeded the standard of need resulting in questioned costs of $614.

- For one case, there was no school schedule or enrollment verification on file to show the 16-year-old in the unit was exempt from Employment First, resulting in questioned costs of $178.

- For one case, the Agency had verification the parent would be laid off from employment for only a few months; however, the Agency did not update the budget when the layoff ended, resulting in questioned costs of $1,165. An overpayment referral was sent to the Agency's Overpayment Unit, but an overpayment had not been set up at the time of our review.

- For one case, the Agency did not include the father in the household unit. The Agency should have known to include the father. The family members were refugees; the father was already in the country, and the mother and child had just arrived. The family would not have been eligible for TANF when including the father's income, resulting in questioned costs of $429.

- For one case, the children were removed from the payee's home. The case was closed two months late, resulting in questioned costs of $291.

- For one case tested, the mother moved back into the household, so the case should have closed. The case closed two months late, resulting in questioned costs of $469.

- One case was a relative payee who received subsidized adoption payments from another state for the children; therefore, the children would have no longer been eligible to receive TANF, resulting in questioned costs of $469. This case was referred to the overpayment unit, but no receivable had been established as of December 18, 2015.

- For one case, the review was 11 months late. We did not question any costs as the case was redetermined eligible.

Federal questioned costs noted were $3,615, of which $1,083 was in our random sample of payments and $2,532 additional errors were noted for the cases tested. The total Federal sample tested was $9,150, and total Federal cash assistance for the fiscal year was $13,502,168. Based on the sample tested, the case error rate was 22.5% (9/40). The dollar error rate for the sample was 11.84% ($1,083/$9,150), which estimates the potential dollars at risk for fiscal year 2015 to be $1,598,657 (dollar error rate multiplied by population). Each of the payments tested were funded with 80% Federal and 20% State Maintenance of Effort (MOE) funds. The errors noted above represent the Federal portion only.

Cause: Worker error and inadequate review procedures.

Effect: Increased risk for misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure compliance with State and Federal regulations.

Management Response: The Agency agrees with the condition reported.

Finding 2015-035

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Grant Number & Year: Various, including #G1402NETANF, FFY 2014

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: OMB Circular A-87, Attachment A, § C(1), requires that costs be necessary, reasonable, and adequately documented.

Per OMB Circular A-133, §__.300(b), an Agency is responsible for ensuring compliance with Federal requirements through the use of sound internal controls. A good internal control plan should include procedures to ensure rates charged are reasonable, necessary, and adequately documented.

Per 45 CFR § 260.20(a) (October 1, 2014), one of the purposes of TANF is to provide "assistance to needy families so that children may be cared for in their own homes or in the homes of relatives[.]" Per 42 USC § 608(a)(10)(A) (2013), a State may not provide assistance for a minor child who has been or is expected to be absent from the home for a period of 45 consecutive days or, at the option of the State, such period of not less than 30 and not more than 180 consecutive days. The Nebraska State Plan limits absences to three months.

Condition: Five of 10 child welfare claims tested did not comply with Federal and State requirements. We further noted rates for various child welfare services charged to TANF were not adequately supported. A similar finding was noted in the prior audit.

Questioned Costs: $7,008 known

Context: The State Plan allows for the payment of certain child welfare costs from Federal TANF funds. To identify the claims eligible for Federal funds, the Agency performed an NFOCUS query based on paid date, which pulled cases for certain services (e.g., family support services and drug screening and testing services) for children who were in the home and whose families were in an active TANF case or certain other assistance program cases. After performing the query, the Agency transferred $4,512,200 from State general funds to Federal TANF funds. We tested 10 claims from these entries and noted the following:

- For one claim tested, the family had one child living with the mother and three children living with their father. The family support services charged were to maintain a relationship between the mother and children who were living with their father. The children were already being cared for in their own home; therefore, Federal funds were not necessary to keep the children in a family home. The payment was not allowable for TANF, resulting in questioned costs of $2,021.

- For three claims for family support, the provider charged the full hourly rate for a drop-in visit, resulting in questioned costs of $1,058. The contract rate was $47 per full hour of direct, face-to-face contact time; however, we noted the following:

    - One claim with 12 occurrences that the service provided was less than 30 minutes in length, or the length was not documented.

    - One claim with nine occurrences that the service provided was less than 30 minutes in length, or the length was not documented, or the family support consisted of transporting children to daycare.

    - One claim the provider rounded partial hours of work up to full hours.

- The intensive family preservation service is paid on a weekly rate and is provided by a team consisting of a licensed mental health practitioner and a skill builder. No minimum number of hours was required to be provided. The Agency indicated that, due to the nature of the service, it was expected that some weeks and cases would have a higher level of service than others. During our testing, we noted one case, an average of 2.75 hours per week was provided at the rate of $833 per week, which calculates to $303 per hour of work. We used rates of $47 for the skill builder because they have similar qualifications to family support workers, who charge $47 per hour and $94 per hour for the therapists, as this rate mirrors the allowable Medicaid rate as guidelines to determine questioned costs. Using the comparable rates, questioned costs were $2,545 for the payment tested and $1,384 for another claim for intensive family preservation for this case.

The total Federal questioned costs noted were $7,008 ($5,624 in the sample and $1,384 for a related claim). The total child welfare claims tested was $22,291. The total child welfare services paid from TANF were $4,512,200. The dollar error rate for the sample tested was 25.23% ($5,624/$22,291), which estimates the potential dollars at risk for fiscal year 2015 to be $1,138,428 (dollar error rate multiplied by population).

We also noted the Agency did not have adequate documentation for rates charged. Per the Agency, the following rates were based on discussions with providers. The Agency did not perform its own independent analysis.

Service Type	Rate
Intensive Family Preservation	$833 per week for 6 weeks*
Tracker Services	$34 per day
Family Support Services	$47 per hour
Drug Screening & Testing	$100 per test (maximum)

*The rate was originally based on a study performed in 1995 by an independent contractor, but it has evolved considerably since then.

Cause: The Agency did not ensure adequate supporting documentation existed for claims paid. The NFOCUS query picked up an inappropriate case where the children were not residing with the parent receiving the child welfare services.

Effect: Without adequate controls to ensure claims are paid per Federal requirements, there is an increased risk of noncompliance with those requirements and a loss or misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure compliance with Federal and State regulations. The Agency should also review its rate structure for child welfare services to ensure that amounts paid to providers for such services are not excessive.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-036</u>

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Grant Number & Year: #G1102NETANF, FFY 2011; #G1202NETANF, FFY 2012; #G1302NETANF, FFY 2013

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: OMB Circular A-87 discusses general principles for determining allowable Federal expenditures and requires the spending of Federal grant funds to be reasonable. Specifically, Attachment A, Section (C)(1) states costs must "be adequately documented" and "be authorized or not prohibited under State or local laws or regulations." Additionally, Attachment A, Section (C)(2), states, in relevant part:

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded.

Additionally, Title 468 NAC 1-008 describes the Prudent Person Principle as follows:

When the statements of the client are incomplete, unclear, or inconsistent, or when other circumstances in the particular case indicate to a prudent person that further inquiry must be made, the worker must obtain additional verification before eligibility is determined. The client has primary responsibility for providing verification of information relating to eligibility. Verification may be supplied in person, through the mail, or from another source (as an employer). If it would be extremely difficult or impossible for the client to furnish verification in a timely manner, the worker must offer assistance.

Appendix 468-000-309 states, "Specific guidance for issuance of supportive services can be found in the Supportive Services Handbook in the TANF Policy Log." The guide was revised several times during the period; significant modifications were made effective June 27, 2014, and November 20, 2014.

Under Transportation: Commercial, the June 2014 guide states, "Commercial transportation can only be authorized for short-term (less than one month) situations, e.g. while their car is being repaired, while working on alternative transportation arrangements, one time needs when no other options are available." The November 2014 guide clarifies that "Commercial transportation can only be authorized for up to 4 weeks in a 12 month period."

Under Transportation: Vehicle Repairs, the June 2014 guide states, "Repairs cannot be approved if the cost exceeds the value of the vehicle unless there is documentation that the vehicle will provide reliable transportation once the repairs are made." The November 2014 guide clarifies that "Vehicle repairs must be denied if the cumulative amount of repairs made by EF [Employment First] have exceeded the value of the vehicle during a 12 month period."

Under Transportation: Fuel and Oil, the June 2014 guide states, "Fuel is provided for transportation to and from the individual's home and the contractor's office and/or approved EF activity site . . . . Participants may continue to receive assistance with gas until they receive their first full pay check from employment." The November 2014 guide requires a calculation to be performed to determine actual fuel needs for the participant. A good internal control plan would require the gas calculations to include actual points of travel.

Under Transportation: Registration/Insurance, the June 2014 guide states:

Up to $500 of the cost of registering a participant's vehicle is allowed if it is determined that personal transportation is required for participation in the individual's Self-Sufficiency Contract and Service Plan . . . Insurance is limited to a three-month premium for basic liability coverage . . . The participant must demonstrate that s/he can pay for subsequent insurance costs.

The November 2014 guide clarifies that "A budget, using current information, must be completed to show how the participant will afford any subsequent payments for insurance."

Under Transportation: Bus Tickets/Tokens, the June 2014 guide states, "Public transportation must be used when available." The November 2014 guide clarifies the worker must "document the reasons if public transportation is available but not used."

A good internal control plan requires procedures to be in place to ensure services provided are in accordance with State and Federal requirements.

Condition: Employment First (EF) supportive service payments were not in accordance with State and Federal requirements. A similar finding was noted in the prior audit.

Questioned Costs: $26,070 known

Context: The Agency contracts with two outside vendors to provide EF case management. TANF recipients participating in EF activities are provided with supportive service such as clothing, training, and transportation. These supportive services are authorized by the EF contractors. We tested EF supportive service payments made during the fiscal year to 10 TANF recipients. We noted the following (some recipients had more than one type of error):

- Three recipients received unreasonable cab rides, totaling $13,713. All the payments questioned were for cab rides after the first month. Cab rides are only to be authorized on a short-term basis (less than one month). We further noted related to the cab payments:

  - The service authorizations allowed a rate of $1.50 per mile. However, for two recipients, the same cab company charged higher amounts, and for both of these cases, the service authorization was created by the contractor *after* the cab company billed. Essentially, the cab company submitted a bill for whatever amount it chose, and this amount was paid. Also for these two cases, the contractors requested the Agency's central office staff grant an extension for cab rides. Agency staff reviewed the cases in August 2014 and indicated no more rides were to be provided after the end of that month; however, for both cases, the contractors approved cab rides for September 2014 anyway.

  - One recipient's girlfriend also obtained cab rides from the same company to participant in EF under the same case. We reviewed the detail for two of the months and noted 35 duplicate trips where both recipients would share a cab, but a full cab ride was claimed for each. We noted four instances of unnecessary separate rides to take both recipients to the contractor on the same day – they should have gone together, as is the normal Employment First policy for a two-parent household. In several instances, the pickup and drop off times on the cab tickets were left blank. We question the girlfriend's cab rides after the first month, totaling $2,459. We additionally question $591 for the first month of cab rides that were in excess of the $1.50 per mile rate.

- For one case, the cab company billed more miles than were provided. Additionally, for one day, case narratives indicate the cab company did *not* transport the recipient, but the cab company billed for and was paid for this day anyway.

- For two recipients, cab rides were paid for after the first full pay period on the job.

- For two cases, car repairs exceeded the vehicle's trade-in value, resulting in questioned costs of $3,753.

- For one case, the recipient received $1,901 in car repairs on one vehicle in September 2014. The recipient sold that vehicle and purchased a new vehicle and received $3,651 in repairs for that vehicle in April and May 2015. Repairs of $3,651 on the second vehicle are questioned costs.

- Prior to November 2014, payments for gas were authorized without documentation of actual need. Beginning in November 2014, the contractors were required to calculate actual gas needed based on miles traveled, the price of gas, and the fuel efficiency of the recipient's vehicle. However, in some instances we were unable to verify the authorization was reasonable as the gas calculation did not specify start and stop points of travel. We also noted instances without gas calculations despite the new requirement to do so. We further noted for one case, gas was provided after the recipient's first full pay period on the job. In total, we question $1,342 in mileage for six individuals tested.

- For two cases where car insurance was paid, the contractor did not document whether the recipient could pay subsequent insurance costs, resulting in questioned costs of $2,013. For one of these cases, the insurance was for $1,809, which seems excessive for three months of coverage for a 2002 automobile. The support showed only one of two pages of the insurance quote and did not include the vehicle information or level of coverage. It is possible more than the minimum liability amount of insurance was paid or that the quote was not for the proper vehicle.

- For one case, the contractor authorized a car loan payment. However, the amount due on the supporting statement was blacked out, and $650 was handwritten in its place, which is what was paid. This amount is questioned costs.

- Two cases had vehicle registration costs over the $500 limit, resulting in questioned costs of $565.

- For one case, the contractor authorized $380 for the purchase of a camera for school, but the support from the store indicates its price was only $240, resulting in questioned costs of $140.

- For one case, a duplicate diagnostic test for a car repair was paid, resulting in questioned costs of $90.

- For two cases, public transportation was available, but the contractor did not document any reasons for why it could not be used.

We tested EF supportive service payments for 10 TANF cases. The individuals selected each received over $1,000 supportive services during the fiscal year. We tested $58,936 in EF supportive services and of that total $28,967 (Federal share $26,070) was not in accordance with State and Federal requirements. Total Federal expenditures for EF supportive services during the fiscal year were $2,305,833. Each of the payments tested were funded 90% Federal and 10% State MOE funds.

Cause: Many of the issues noted occurred in the first few months of the fiscal year; the Agency's updates to the supportive services guide and increased monitoring of those expenditures appear to be helping reduce errors.

Effect: Without proper monitoring and controls over payments approved by contractors, there is an increased risk for fraud, errors, or abuse to occur and not be detected.

Recommendation: We recommend the Agency review its contracts to ensure the services provided by the contractors are performed in accordance with State and Federal requirements.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-037</u>

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Reporting

Grant Number & Year: Various, including #G1302NETANF, FFY 2013

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 265.3(a) (October 1, 2014), States must collect on a monthly basis, and file on a quarterly basis, a TANF Data Report (ACF-199) and a Separate State Plan-Maintenance Of Effort (SSP-MOE) Data Report (ACF-209). These reports include disaggregated information on families receiving TANF and SSP-MOE assistance. Information reported includes demographic data, the amount of assistance received, educational level, employment status, work participation activities, citizenship status, and earned and unearned income.

Per 45 CFR § 265.7 (October 1, 2014), the ACF-199 and ACF-209 reports must be complete and accurate. A good internal control plan requires procedures to ensure data is reported accurately, and errors are corrected in a timely manner. The July 2015 OMB Compliance Supplement identifies key line items that contain critical information.

Condition: The Agency did not perform an adequate review of individual case information on a sample basis to ensure the accuracy of the ACF-199 and ACF-209 reports. We requested the ACF-199 and ACF-209 reports for 12 cases, which comprised 92 key line items. For one of these cases, two key line items were reported incorrectly.

Questioned Costs: None

Context: We have had audit findings since State fiscal year 2011 that the Agency did not adequately review individual case information on a sample basis to ensure the accuracy of the ACF-199 and ACF-209 reports. During the current year, reviews were performed on 36 cases per month beginning in November 2014. However, we noted the Agency was not reviewing all key line items.

During our testing of 12 cases and 92 key line items, we noted two key line items were reported incorrectly on an ACF-199 report. The errors were due to an ineligible immigrant mother incorrectly reported.

We tested three cases with similar situations, an ineligible immigrant mother with TANF assistance approved for her children who are citizens. However, the cases were reflected differently on the ACF-199 reports. These three cases should be reported the same.

Case Type	**Item 30 Family Affiliation** Not in eligible family receiving assistance, but in the household.	**Item 39 Parent With Minor Child In the Family**
Incorrect (1 case)	Person whose income or resources are considered in determining eligibility for or amount of assistance for the eligible family receiving assistance.	No
Correct (2 cases)	Parent of minor child in the eligible family receiving assistance.	Yes, a parent with a minor child in the family, but not used in two-parent participation rate

Cause: Inadequate review.

Effect: Increased risk of significant information being reported incorrectly, which could result in Federal sanctions.

Recommendation: We recommend the Agency compare the submitted report to individual case information on a sample basis to ensure the accuracy of the ACF-199 and ACF-209 reports. This review should include all key line items.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-038</u>

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Reporting

Grant Number & Year: #G1502NETANF, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 45 CFR § 92.20(a) (October 1, 2014) requires that fiscal control and accounting procedures of the State be sufficient to permit preparation of required reports and permit the tracing of funds to a level of expenditures adequate to establish that the use of these funds were not in violation of applicable regulations.

EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it. A good internal control plan requires procedures to reconcile submitted reports to the accounting system.

Condition: The Agency did not have adequate procedures to ensure reports were accurate. A similar finding was noted in the prior audit.

Questioned Costs: None

Context: We selected five reports and noted the following clerical errors:

- The 2015 grant ACF-196R report for the quarter ended June 30, 2015, Line 5a, Basic Assistance, MOE Expenditures Separate State Programs, was understated by $324,456.
- The 2015 grant ACF-196R report for the quarter ended March 31, 2015, Line 6a, Basic Assistance, Federal TANF Expenditures, was overstated by $2,747,913. We verified this error was corrected on the next quarter's report.

Cause: Clerical errors by the person preparing the reports were not detected by the person reviewing the reports. The Agency uses spreadsheets to accumulate report amounts and does not perform an adequate reconciliation to the accounting system, increasing the risk for errors to occur.

Effect: Inaccurate information was reported to the Federal government. Noncompliance with Federal regulations could result in sanctions.

Recommendation: We recommend the Agency implement procedures to ensure amounts are properly reported.

Management Response: The Agency agrees with the condition reported.

Finding 2015-039

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Special Tests and Provisions

Grant Number & Year: #G1102NETANF, FFY 2011; #G1202NETANF, FFY 2012; #G1302NETANF, FFY 2013

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 264.30 (October 1, 2014), if the State determines that an individual is not cooperating in establishing paternity or in establishing, modifying, or enforcing a support order, and the administrating agency reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual or (2) deny the family any TANF assistance.

A good internal control plan requires procedures to be in place to ensure individuals are appropriately sanctioned when they are not cooperating with Child Support Enforcement (CSE) and that sanctions imposed are proper.

Condition: Sanctions were not imposed timely or were incorrectly imposed. A similar finding was noted in the prior audit.

Questioned Costs: $249 known

Context: When an individual does not cooperate with CSE, the Agency's procedure is to impose a 25% sanction on the recipient's monthly cash assistance payment. We tested 40 cases in which an individual was determined not to cooperate with CSE; of those, nine required a sanction. Four of these cases were not sanctioned or were sanctioned in the incorrect months, resulting in questioned costs. One case missed three months of sanctions, and three cases missed one month of sanctions. This resulted in questioned costs of $249 (Federal share) and $208 (State maintenance of effort). For one of these cases, the Agency identified the overpayment on May 1, 2015, and made a referral to the Overpayment Unit. However, an overpayment had not been set up as of December 15, 2015. For two cases, we noted also that a sanction was inappropriately imposed for one month, resulting in underpayments of $73 (Federal share) and $89 (State maintenance of effort).

Cause: Monthly, the Agency reviews the CSE Sanctions Not Imposed Report and sets alerts for workers to impose sanctions if necessary. This control has helped keep questioned costs within one or two months, but it does not ensure the sanctioned amounts are correct. The control also does not detect if a sanction was imposed inappropriately.

Effect: Increase risk for overpayments and underpayments.

Recommendation: We recommend the Agency improve procedures to ensure individuals are appropriately sanctioned when they are not cooperating with CSE, and amounts sanctioned are proper.

Management Response: The Agency agrees with the condition reported.

Finding 2015-040

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Grant Number & Year: Various, including #G1202NETANF, FFY 2012; #G1302NETANF, FFY 2013

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: OMB Circular A-133 details characteristics that should be used to determine whether a subrecipient or vendor relationship exists. Per OMB Circular A-133 § __.210(d):

> *In making the determination of whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgment should be used in determining whether an entity is a subrecipient or vendor.*

OMB Circular A-133 § __.300(b) requires the auditee to do the following:

> *Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.*

OMB Circular A-133 § __.400(d) states, in relevant part:

> *A pass-through entity shall perform the following for the Federal awards it makes: . . . (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.*

Per the EF contracts between the Agency and its contractors:

> *For the end of each month of operation, the Contractor shall submit an itemized invoice of actual and allowable costs incurred in the delivery of the services under this Contract. . . .* (Emphasis added.)

OMB Circular A-133 § __.315(a) states, in relevant part:

> *The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings.*

OMB Circular A-133 § __.315(b) states, in relevant part:

> *The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards.*

Condition: The Agency did not adequately monitor expenditures of the Employment First (EF) contractors to ensure expenditures were allowable. A similar finding was noted in the prior audit.

Questioned Costs: Unknown

Context: The Agency paid $11,124,485 (Federal share) during the fiscal year to two contractors to provide EF case management and program services for TANF recipients. The Agency pays the contractors monthly for costs based on invoices submitted. The Agency reviews the invoices for reasonableness and has a procedure by which contractors provide documentation to support their invoice cost for one month of each quarter. However, this review was inadequate, as the documentation reviewed was comprised of only summary-level reports from the contractors' accounting system. Payrolls, invoices, or detailed accounting records were not reviewed.

We noted that one of the contractors had an audit finding regarding TANF indirect cost rate adjustments in its A-133 audit for the year ended December 31, 2013. A management response from the Agency was due by November 2014. However, no management response was sent to the contractor regarding this audit finding because the Agency did not consider the contractors to be subrecipients.

With regard to the contractors, we noted the following – all of which, per OMB Circular A-133 § __.210(b), indicate a subrecipient relationship: (1) the contractors provide services that are key to the operation of the Federal program; (2) performance of the contractors is measured against whether the objectives of the Federal program are met; and (3) the contractors are subject to compliance requirements of the Federal program. The Agency also receives A-133 audits for the contractors. The Agency has indicated that, when the new contracts are written, the providers will be considered to be subrecipients.

We also noted the summary schedule of prior audit findings did not properly represent the status of prior year finding #2014-041. The summary schedule notes all corrective action was complete as of June 30, 2015. However, there did not appear to be an evaluation of the invoice review process as noted, including feasibility of requesting detailed source documents to review on a sample basis. We noted no changes to the review process and no current written procedures to document the invoice review process.

Cause: Inadequate review. The Agency had previously decided to defer its determination on whether the EF contractors are subrecipients or vendors until it releases a request for proposal (RFP) for new contractors. The RFP was not released by the end of the fiscal year.

Effect: Increased risk of unallowable Federal costs and noncompliance with Federal regulations.

Recommendation: We recommend the Agency implement procedures to ensure expenditures are allowable and in accordance with Federal regulations.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-041</u>

Program: CFDA 93.568 – Low-Income Home Energy Assistance – Allowability & Eligibility

Grant Number & Year: #G15B1NELIEA, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 96.30(a) (October 1, 2014) requires, "[A] State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds." The Agency incorporates its NAC regulations into a State Plan, which is approved by the Federal government. Per 42 USC § 8624(d) (2014), "The State shall expend funds in accordance with the State plan under this subchapter or in accordance with revisions applicable to such plan."

Title 476 NAC 3-001.01 states, "The local worker shall determine eligibility for energy assistance with regard to economic vulnerability."

Title 476 NAC 3-001.01B states:

> *Tenants who are protected from increases in energy costs are not eligible for energy assistance. The following households are not considered economically vulnerable: . . . [3]. Individuals who reside in public subsidized housing, unless they are responsible for their utility costs.*

Title 476 NAC 5-001 states:

> *Payment to eligible households for heating costs is established by four factors: 1. Fuel type; 2. Countable income of household; 3. Household size; and 4. Living arrangement . . . . Payment may not exceed the amount determined from the payment chart unless the household is eligible for crisis assistance.*

Title 476 NAC 5.001.01 states:

> *A single family living arrangement is eligible for a full benefit. This may be an individual or a family who occupies a single dwelling. A group of individuals (related or unrelated) who live together are considered a single family living arrangement if they: 1. Live together as one economic unit; 2. Customarily purchase residential energy in common; and 3. Apply for energy assistance as a single household.*

Title 476 NAC 3-001.04A states:

> *If the household consists of eligible and non-eligible aliens, the worker shall – 1. Take the income for the entire household; 2. Divide by the number of household members; and 3. Multiply this figure by the number of eligible household members. The resulting figure is the income used to determine if the household qualifies for Energy Assistance.*

Good internal control requires procedures to ensure payments are in accordance with Federal and State requirements.

Condition: Six of 40 energy assistance payments tested did not comply with Federal and State requirements. A similar finding was noted in the prior audit.

Questioned Costs: $770 known

Context: We noted the following:

- In one case, the client lived in public housing, and heating was included with the rent. Therefore, the household was not economically vulnerable, resulting in questioned costs of $254.

- In two cases, the households consisted of two eligible members and one ineligible member. The Agency did not follow its own NAC guidelines to calculate the payment amount, resulting in a $16 overpayment in the first case and an underpayment of $84 in the second case.

- In one case, the family lived in a single-family dwelling; however, the payment was based on a multi-family dwelling, which resulted in an underpayment of $253.

- In two cases, the payment did not agree with the payment chart approved in the State Plan, resulting in questioned costs of $500.

Federal payment errors noted were $770 in overpayments and $337 in underpayments. The total Federal sample tested was $13,401, and total Federal cash assistance for the fiscal year was $25,189,049. Based on the sample tested, the case error rate was 15% (6/40). The dollar error rate for the sample was 5.75% for overpayments ($770/$13,401) and 2.51% for underpayments ($337/$13,401), which estimates the potential dollars at risk for fiscal year 2015 to be $1,448,370 in overpayments and $632,245 in underpayments for a net effect of $816,125 in overpayments (dollar error rate multiplied by population).

Cause: The Agency did not follow requirements due to caseworker error and ineffective review.

Effect: Noncompliance with Federal regulations. Without adequate controls, there is an increased risk of loss or misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure compliance with Federal and State requirements.

Management Response: The Agency agrees with the condition reported.

Finding 2015-042

Program: CFDA 93.568 – Low-Income Home Energy Assistance – Reporting

Grant Number & Year: #G14B1NELIEA, FFY 2014

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 96.82(a) (October 1, 2014), each State must submit a report for the preceding fiscal year of the number and income levels of the households assisted for each component (heating, cooling, crisis, and weatherization) and the number of households served that contained young children, elderly, or persons with disabilities. A good internal control plan requires that procedures be in place to ensure the report is complete and accurate, and agrees to supporting documentation.

Condition: We tested the Annual Report on Households Assisted by LIHEAP filed for the 2014 grant and noted the report was not complete or accurate, and reported items did not agree to supporting documentation. A similar finding was noted in the prior audit.

Questioned Costs: None

Context: Section I of the Household Report includes data related to the total number of assisted households by the type of assistance provided. One of the crisis assistance categories is for the number of fans provided as assistance. We noted on line 3e of Section I – "Number of Assisted Households – Crisis – fans" the Agency reported 4,870 fans, but was unable to provide documentation to support the count.

Section III of the Household Report includes data related to the number of assisted households with vulnerable members. A household is classified as vulnerable if it has at least one member who belongs to any of the following groups: Elderly (age 60 or over), Disabled, or Young Child (age 5 or younger). This data is further reported by type of assistance: heating, cooling, crisis, and weatherization.

Line 5 of Section III, which is "Any Type of LIHEAP Assistance," should be an unduplicated count for each target group. For example, a household with two elderly individuals is considered one household. If that household received both heating and cooling assistance, it would be listed once on line 1 – heating, once on line 2 – cooling, and once on line 5 – any type of assistance. However, for each target group, the Agency was unable to provide documentation to support the counts reported.

Cause: The NFOCUS query used to compile the Households Report did not provide all data necessary. Also, the Agency was unable to combine weatherization data from the Nebraska Energy Office (NEO) with Agency heating, cooling, and crisis assistance to report unduplicated counts.

Effect: Inaccurate and incomplete information was reported to the Federal government.

Recommendation: We recommend the Agency implement procedures to ensure Household Reports are complete and accurate and agree to supporting documentation.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-043</u>

Program: CFDA 93.568 – Low-Income Home Energy Assistance – Reporting

Grant Number & Year: #G12B1NELIEA, FFY 2012; #G14B1NELIEA, FFY 2014; #G15B1NELIEA, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 2 CFR § 170.320 (January 1, 2015) states, in relevant part: "*Federal financial assistance subject to the Transparency Act* means assistance that non-Federal entities described in § 170.105 receive or administer in the form of – (a) Grants . . . ."

2 CFR § 170, Appendix A, § I(a)(1), (January 1, 2015), states:

> *Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates $25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111–5) for a subaward to an entity (see definitions in paragraph e. of this award term).*

2 CFR § 170, Appendix A, § I(a)(2), states:

> *i. You must report each obligating action described in paragraph a.1. of this award term to http://www.fsrs.gov.*
>
> *ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)*

Per OMB Circular A-133, an agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires procedures to ensure all obligations meeting the requirements of 2 CFR § 170 are reported.

Condition: The Nebraska Department of Health and Human Services (DHHS) and the Nebraska Energy Office (NEO) did not comply with Federal regulations regarding the Federal Funding Accountability and Transparency Act (Transparency Act). A similar finding was noted in the prior audit.

Questioned Costs: None

Context: LIHEAP funds are awarded to DHHS, which then contracts with NEO for weatherization services. NEO subawards funds to community action agencies that in turn assist low-income individuals with energy needs. The agreement between DHHS and NEO does not constitute a subrecipient relationship for FFATA because both agencies are at the same level of government.

During the prior audit, we noted that eight subawards with community action agencies, made from the 2012 and 2014 grants, should have been reported, but were not. These 2012 and 2014 grant subawards were still not reported at the date of our fieldwork in January 2016.

We further noted five of eight subawards, totaling $1,669,741, made from the 2015 grant during the fiscal year that were subject to Transparency Act reporting, but had not yet been reported.

Cause: Communication breakdown between agencies.

Effect: Noncompliance with regulations, which could result in sanctions by the Federal government.

Recommendation: We recommend procedures be implemented to ensure the required Transparency Act reporting is completed.

Management Response: The Agency agrees with the condition reported.

Finding 2015-044

Program: CFDA 93.568 – Low-Income Home Energy Assistance – Period of Availability

Grant Number & Year: #G12B1NELIEA, FFY 2012

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 96.14(2) (October 1, 2014), "No funds may be obligated after the end of the fiscal year following the fiscal year for which they were allotted." A good internal control plan requires procedures be in place to ensure period of availability requirements are met.

Condition: We noted two expenditures charged to the 2012 grant were not obligated by the September 30, 2013, deadline. A similar finding was noted in the prior audit.

Questioned Costs: $20,737 known

Context: During the fiscal year, the Agency charged $83,274 in expenditures to the 2012 grant. We tested two of these expenditures totaling $20,737. Both expenditures tested were obligated after the period of availability. On May 24, 2014, the Agency sent letters to two organizations allowing the purchase of fans to distribute to needy individuals. This was after the obligation deadline for the 2012 grant of September 30, 2013. One organization was reimbursed $8,394 on August 1, 2014, and the other organization was reimbursed $12,343 on September 18, 2014.

Cause: The expenditure approval process did not detect the error.

Effect: Questioned costs for funds spent after the obligation period will need to be repaid to the Federal government.

Recommendation: We recommend the Agency implement procedures to ensure period of availability requirements are adhered to.

Management Response: The Agency agrees with the condition reported.

Finding 2015-045

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Allowability and Eligibility

Grant Number & Year: #G1401NECCDF, FFY 2014; #G1501NECCDF, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: A good internal control plan requires procedures to ensure State and Federal regulations are followed.

45 CFR § 98.67(a) (October 1, 2014) states, "Lead Agencies shall expend and account for [Child Care and Development Fund] CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds."

Per section 2.3 of the State's Child Care and Development Fund (CCDF) Plan (State Plan):

In order to be eligible for services, children must (1) be under the age of 13, or under the age of 19 if the child is physically or mentally disabled or under court supervision; (2) reside with a family whose income is less than 85 percent of the State's median income for a family of the same size; and (3) reside with a parent or parents who is working or attending job training or an educational program; or (4) be receiving or needs to receive protective services. (658P(3), §98.20(a))

Title 392 NAC 4-001.01 states, "To authorize any service, whether staff-provided or purchased, the worker . . . 2. Determines the reason that the client needs child care . . . [.]" Per Title 392 NAC 3-008.01, "The case manager authorizes child care services for eligible clients only if each parent or usual caretaker: 1. Is employed; 2. Is actively seeking employment . . . 3. Is participating in an EF activity . . . [.]" That same section concludes, "If more than one parent or usual caretaker is included in the family size, a reason listed must apply to each adult."

Title 392 NAC 5-001.01 states, "Before furnishing any service, each provider must sign Form CC-9B agreeing . . . 2. To provide service only as authorized, in accordance with the Department's standards[.] . . . 7. To retain authorizations, billing documents, and attendance records for four years to support and document all claims[.]"

Per Title 392 NAC 3-005.01C2, "A family that is eligible for transitional child care is required to pay a fee unless the family's income is below the minimum income for the fee schedule."

Title 392 NAC 3-005.01D states, "Those individuals whose family income exceeds the maximum for LF [Low Income Family] but is equal to or less than 120 percent of the Federal Poverty Level are eligible as LC [Low Income Sliding Fee Schedule]. To be eligible under this category, the client must pay a fee as shown in the fee schedule."

Per Title 392 NAC 4-001, "The worker notifies the provider and the client of the client's eligibility and the amount of the client's fee on an authorization notice."

Per Title 392 NAC 3-006.07:

> *The worker verifies the value of non-excluded resources and loans at the time of application and redetermination if the total amount of countable resources indicated on the application is $1500 or more. Client declaration is accepted when the total amount of resources indicated on the application is less than $1500.*

Title 392 NAC 4-003.01A states, "The Department pays by attendance, not enrollment. Payment is not made for time when the child is not receiving care; this includes when the provider is on vacation, is ill, or is not providing care for some other reason."

Per Title 392 NAC 5-003 for License-Exempt Family Child Care Homes:

> *If a provider is to become a license-exempt vendor . . . the provider must complete Form CC-0351, "Approved Family Day Care Self-Certification Checklist." . . . (3). Not engage in or have an ongoing history of, nor have other household members who engage in or have an ongoing history of, behaviors which are harmful to or which may endanger the health or morals of children . . . . The Department will conduct background checks on the provider and household members with the Child Abuse and Neglect Central Register and the Adult Protective Services Central Registry[.]*

Title 392 NAC 1-003 defines a Preschooler as "A child age 36 months to school-age."

Per the Child Care Handbook (IV)(F), "Children are categorized by age, infant (0 to 18 months); toddler (18 months to 3 years); preschool (3 years to kindergarten); school age (kindergarten and older)."

Condition: Child care payments were not in compliance with State and Federal requirements. A similar finding has been noted in our previous audit reports since 2007.

Questioned Costs: $9,326 known

Context: We tested 50 child care claims and noted 25 claims with errors. Some payments had more than one type of error. We noted the following:

- Based on income, certain families are required to pay a fee or co-pay for child care. For three claims tested, the Agency had determined a co-pay was required, but the providers were paid the entire amount, instead of net of the required co-pay.

- For two payments tested, reported resources were over $1,500, but they were not verified by the Agency.

- For one payment, the family's income was not properly verified.

- For two payments tested, there was no need for child care. In both cases, the client was authorized for child care while participating in Employment First (EF) activities; however, the clients were exempt from participating in EF during the month tested, and there was no documentation supporting any participation hours.

- For one claim, the Agency could not provide the provider agreement in effect from September 2014 through August 2015 for a License-Exempt Family Child Care Home. There was also no documentation to support the required background checks and the self-certification checklist were completed as part of the approval process. The provider was paid $6,319 in Federal funds during the fiscal year for services while not properly approved.

- For five claims tested, the attendance records were not signed by the parent. For two of these claims with services in October 2014 and February 2015, the attendance calendars were not signed by the provider until after we requested calendars in December 2015.

- Nine payments exceeded the amount of child care authorized by the caseworker. The number of hours paid over the authorization ranged from 5 hours to 50 hours per week.

- Ten payments did not agree to the attendance records. Child care providers can be paid by a daily rate and/or an hourly rate depending on how long the child attends each day. The Federal share of variances ranged from $2 to $399 overpaid. For example, one claim was 22 days and 72 hours of service, but the attendance records only supported 13 days and 9 hours of day care. Another claim was for 69 hours but the attendance records only supported 15 hours of service.

- For one payment, there were no in and out times recorded on the attendance calendar, only the total number of hours attended each day. We were unable to determine if care was provided during school hours.

- Providers may receive different rates of pay based on the age of the child. The Agency is responsible for determining which age group or service code the child should be authorized under based on the age of the child. For two claims, the service code and rate were incorrect based on the age of the child.

- Child care attendance records for five of the claims tested were compared to the attendance calendars submitted to the Nebraska Department of Education (NDE) as required for participating in the Child and Adult Care Food Program (CACFP). For one claim, the child care attendance records submitted to the Agency did not agree to the attendance records submitted to NDE. The attendance records submitted to the Agency showed one more day than the attendance records submitted to NDE, resulting in Federal questioned costs of $17.

Federal payment errors noted for the sample tested were $2,187. The total Federal sample tested was $9,039. The child care population tested was $37,126,065, which included child care claims paid to providers May 2014 through May 2015 that were charged to Federal grants during fiscal year 2015. Based on the sample tested, the case error rate was 50% (25/50). The dollar error rate for the sample was 24.2% ($2,187/$9,039), which estimates the potential dollars at risk for fiscal year 2015 to be $8,984,508 (dollar error rate multiplied by the population). In addition to the $2,187 Federal questioned costs noted on the sample items tested, we also noted $7,139 of Federal questioned costs on other line items of the claims reviewed.

Cause: Ineffective review

Effect: Inadequate review of claims increases the risk for misuse of State and Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure payments are allowable, adequately supported, and in accordance with State and Federal regulations. We further recommend the Agency ensure billing documents agree with provider agreements and attendance sheets. We recommend the Agency and NDE improve the monitoring of all child care providers by requiring attendance calendars and meal count worksheets to be remitted to agencies in order for them to be properly reviewed with each billing document.

Management Response: The Agency agrees with the condition reported.

Finding 2015-046

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Reporting

Grant Number & Year: All open, including #G1501NECCDF, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 45 CFR § 92.20(a) (October 1, 2014) requires that fiscal control and accounting procedures of the State be sufficient to permit the preparation of required reports and the tracing of funds to a level of expenditures adequate to establish that the use of these funds was not in violation of applicable regulations.

EnterpriseOne is the official accounting system for the State of Nebraska and all expenditures are generated from it. A good internal control plan requires procedures to ensure expenditures reported are proper and agree to accounting records. This includes maintaining adequate support for amounts reported.

Condition: The Agency did not complete all required Federal Financial Reports (FFRs) during the fiscal year, and several errors were noted during testing of the FFRs. A similar finding was noted in the prior audit.

Questioned Costs: None

Context: We tested three of nine FFRs submitted for the fiscal year. We also noted an error on a fourth report during our testing of Temporary Assistance to Need Families (TANF). Errors included misclassifying Targeted Funds as Quality Activities and not reporting all expenditures recorded in the accounting system. Also, funds transferred from the TANF grant and the expenditure of those funds for the FFY 2015 grant were not reported for the quarter ended March 31, 2015, and the full authorized amount of the transfer was reported for the quarter ended June 30, 2015, rather than the amount authorized as of the end of the quarter. The effect of these errors is noted below.

Line on Report	Per Report	Actual	Variance
FFY 2013 grant FFR for the quarter ended 12/31/14			
1(b) Quality Activities Excluding Targeted Funds, Discretionary Funds	$ 3,486,831	$ 3,236,447	$ 250,384
1(c) Infant and Toddler Targeted Funds, Discretionary Funds	$ 205,981	$ 337,289	$ (131,308)
1(d) Quality Expansion Targeted Funds, Discretionary Funds	$ 258,969	$ 336,210	$ (77,241)
1(e) School-Age/Resource and Referral Targeted Funds, Discretionary Funds	$ 10,937	$ 52,772	$ (41,835)
FFY 2015 grant FFR for the quarter ended 3/31/15			
6 Transfer from TANF, Discretionary Funds	$ 0	$ 8,500,000	$ (8,500,000)
1(g) Direct Services, Discretionary Funds	$ 1,952,105	$ 9,035,438	$ (7,083,333)
3 Federal Share of Expenditures, Matching Funds	$ 750,675	$ 5,121,844	$ (4,371,169)
2 State Share of Expenditures, Matching Funds	$ 4,371,169	$ 4,493,031	$ (121,862)
FFY 2015 grant FFR for the quarter ended 6/30/15			
6 Transfer from TANF, Discretionary Funds	$ 17,000,000	$ 11,350,000	$ 5,650,000

We also noted several reported items did not agree to the State accounting system. Various adjustments were made to the reported amounts; however, the adjusting journal entries had not been made in the accounting system as of January 2016, a year later. Reasons for the adjustments included reconciling costs earned through the Cost Allocation Plan and transferring payments made with State funds to Federal funds, or Federal funds to State funds.

Line on Report	Adjustment*
FFY 2013 grant FFR for the quarter ended 12/31/14	
1(b) Quality Activities Excluding Targeted Funds, Discretionary Funds	$ 1,218,011
1(g) Direct Services, Discretionary Funds	$ (1,292,925)
FFY 2014 grant FFR for the quarter ended 12/31/14	
1(g) Direct Services, Mandatory Funds	$ 2,974,341
3 Federal Share of Expenditures, Matching Funds	$ 29,231
1(h)(2) Certificate Program Costs/Eligibility Determination and 1(h)(3) All Other Non-Direct Services, Discretionary Funds combined	$ 666,902
1(b) Quality Activities Excluding Targeted Funds, Discretionary Funds	$ 908,435
1(c) Infant and Toddler Targeted Funds, Discretionary Funds	$ 372

*A positive adjustment indicates an increase to reported Federal funds; a journal entry is needed to move expenditures paid with State funds to Federal funds. A negative adjustment indicates a decrease to reported Federal funds.

Of the twelve FFRs required during State fiscal year 2015, three were not submitted as of January 2016. The Agency is in the process of reviewing expenditures of CCDF funds charged as Discretionary Funds by the Nebraska Department of Education in order to obtain approval from the Federal grantor as a result of the Federally-mandated restricted drawdown for CCDF.

Cause: Turnover of staff and inadequate review. The Agency indicated it is still working on cleaning up the 2013 and 2014 grant claims, and further adjustments and journal entries will be made in the accounting system in the future.

Effect: Inaccurate reporting and noncompliance with Federal regulations. When adjustments are not made in a timely manner, there is an increased risk for errors.

Recommendation: We recommend the Agency implement procedures to ensure reports are accurate, and adjustments are performed in a timely manner.

Management Response: The Agency agrees with the condition reported.

Finding 2015-047

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Special Tests and Provisions

Grant Number & Year: Various, including #G1501NECCDF, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 98.60(i) (October 1, 2014), "Lead Agencies shall recover child care payments that are the result of fraud. These payments shall be recovered from the party responsible for committing the fraud." A good internal control plan requires procedures to be in place to ensure referred cases are reviewed, and appropriate dispositions are made in a timely manner.

The Agency's Collection Policy states the Agency "will send regular billing statements for all accounts receivable, except when prohibited by law."

Condition: We tested 25 cases referred to the Special Investigations Unit (SIU) and noted five reviews were not completed on a timely basis. A similar finding was noted in the prior audit. We also noted two cases had an accounts receivable amount that was not adequately pursued for collection.

Questioned Costs: Unknown

Context: The SIU had 265 open cases during the fiscal year. We noted the following during our testing of 25 cases:

Five cases were not investigated in a timely manner.

Month Case Referred	No Documentation of Work Performed	Timeframe Case Not Worked
May 2012	May 2012 – December 2014	2 years, 8 months
January 2013	January 2013 – September 2014	1 year, 9 months
January 2013	June 2013 – June 2015	2 years, 1 month
April 2013	May 2013 – April 2015	2 years
June 2013	July 2013 – May 2015	1 year, 11 months

We also noted two separate cases that had accounts receivable established as a result of the investigation. However, it appears the accounts receivable were not adequately pursued for collection.

- One case had a $24,293 accounts receivable established in March 2015, but the first monthly billing statement was not sent until August 2015.

- One case had a $4,199 accounts receivable established in March 2015, but the first monthly billing statement was not sent until August 2015.

Cause: The Agency acknowledges that adequate resources are not devoted to ensuring all referred cases are reviewed, and appropriate dispositions are made in a timely manner, as well as ensuring the related accounts receivable are adequately pursued.

Effect: When case reviews are not completed timely, and payments continue for questioned services, there is an increased risk of fraud or misuse of Federal funds. When accounts receivable are not adequately pursued in accordance with established Agency policy, there is an increased risk for the loss of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure cases referred to the Special Investigations Unit are reviewed, and appropriate dispositions are made on a timely basis. We also recommend the Agency implement procedures to ensure accounts receivable are adequately pursued and that established collection procedures are followed.

Management Response: The Agency partially agrees with the condition reported. The Agency acknowledges that while the timeliness of case reviews can be improved, there are no federal or state regulations that define timeliness. Statute of limitations for federal and state prosecutions is six and five years respectively.

<u>Finding 2015-048</u>

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Reporting

Grant Number & Year: All open, including #G1501NECCDF, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: OMB Circular A-133, § .__300(a), requires the State to "[i]dentify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received." Additionally, § __.300(d) directs the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) in accordance with § 310, including total Federal awards expended for each individual Federal program and the CFDA number. A good internal control plan requires adequate procedures to ensure the SEFA is properly presented.

Condition: The Agency did not accurately report Federal expenditures by CFDA number on the SEFA. We informed the Department of Administrative Services (DAS) and the Agency of the errors, and the SEFA was subsequently adjusted.

Questioned Costs: None

Context: The following SEFA variances were noted:

CFDA	Program	Originally Reported	Revised	Change
93.575	Child Care and Development Block Grant	$ 41,263,673	$ 36,724,157	$ (4,539,516)
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	$ 21,099,214	$ 19,285,896	$ (1,813,318)

Cause: In prior years, the Agency used Federal Financial Reports (FFRs) for SEFA reporting. For the current fiscal year the Agency used expenditures from the State accounting system because, beginning with the FFY 2015 FFRs, the Agency changed reporting methodology to report actual administrative expenditures rather than administrative costs earned per the Cost Allocation Plan. Therefore, only three quarterly reports would reflect this change in methodology. However, the Agency did not take into account adjustments that were made to the FFRs in State fiscal year 2014 but not recorded in the State accounting system until State fiscal year 2015, which caused amounts to be reflected in both fiscal years.

Effect: Noncompliance with Federal regulations, which could result in sanctions.

Recommendation: We recommend the Agency implement adequate procedures to ensure Federal expenditures are properly reported on the SEFA.

> **Management Response:** The Agency partially agrees with the condition reported. The Agency partially agrees the SEFA incorrectly was stated for SFY 2015. The Agency reported SEFA based on actual expenditures and not earned administrative costs which was the methodology used to report SEFA for SFY 2014. With the exception of two Journal entries that were incorrect and had not been corrected by 6/30/15, the Agency would suggest the SFY 2015 SEFA reporting is a more accurate methodology.

Finding 2015-049

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Reporting

Grant Number & Year: #G1401NECCDF, FFY 2014 and #G1501NECCDF, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 45 CFR § 98.67(a) (October 1, 2014) states, "Lead Agencies shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds."

EnterpriseOne (E1) is the official accounting system for the State of Nebraska. A good internal control plan requires procedures to ensure expenses are properly recorded on the accounting system. Good internal control also requires adjustments to be made in a timely manner.

OMB Circular A-133, § .__300(a), requires the State to "[i]dentify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received."

Effective April 15, 2014, the Administration for Children and Families (ACF) placed the State of Nebraska on restricted draw, requiring the State to obtain prior approval in order to withdraw any Child Care Development Fund (CCDF) grant funds.

Condition: The Agency did not properly identify expenditures on the State accounting system.

Questioned Costs: Unknown

Context: During the fiscal year, the Agency was on restricted draw for CCDF funds. The Agency recorded CCDF aid payments to the State General Fund and then performed a journal entry to move the expenses to the Federal Fund 40000 after the draw was approved. However, for CCDF administrative expenses, such as payroll and other operating expenses, the Agency recorded the expenses to Federal Fund 40000 prior to ACF approval to draw the funds. The expenditures were paid by other funds but were reflected on the accounting system as paid with Federal CCDF funds.

We tested the 2015 CCDF grant administrative expenses and noted the following activity during fiscal year 2015:

Draw	Amount	Date CCDF Expenses Charged to Fund 40000			Federal Approval	Draw Date	Days from Expense to Draw
1	$ 473,630	09/29/14	thru	10/01/14	11/13/14	12/11/14	73
	466,363	10/14/14	thru	10/17/14	11/13/14	12/11/14	58
	2,378	11/12/14	thru	11/17/14	11/05/14	12/11/14	29
2	$ 400,499	11/12/14	thru	11/26/14	03/13/15	03/19/15	127
	81,647	12/08/14	thru	12/24/14	03/13/15	03/19/15	101
	390,585	01/05/15	thru	01/23/15	03/13/15	03/19/15	73
	570,155	02/02/15	thru	02/17/15	03/13/15	03/19/15	45
3	$ 56,443	10/30/14			03/19/15	03/31/15	152
	19,755	11/26/14			03/19/15	03/31/15	125
	17,624	12/31/14			03/19/15	03/31/15	90
	35,455	01/30/15			03/19/15	03/31/15	60
	40,258	02/27/15			03/19/15	03/31/15	32
4	$ 610,302	03/02/15	thru	03/31/15	06/24/15	06/30/15	120
	477,817	04/10/15	thru	04/29/15	06/24/15	06/30/15	81
	641,685	05/08/15	thru	05/27/15	06/24/15	06/30/15	53

We also noted a journal entry related to CCDF aid was improperly entered in the accounting system, overstating Federal expenditures by approximately $1.3 million. The Agency recorded a journal entry on September 30, 2014, to draw down $4,855,549 from the Child Care grant; however, only $3,585,669 was actually drawn. The Agency knew of the error; however, as of June 30, 2015, no adjustments were made to correct the variance. We then compared expenditures recorded in the accounting system for the Child Care grants to the Federal drawdowns and identified a variance of $2 million in excess expenditures. It was unknown whether the variance was due to timing or further erroneous entries; both the Agency and State Accounting knew of the variances, but neither had attempted to reconcile the grants to ensure the accounting system was properly reflecting Federal expenditures.

Cause: The Agency indicated it would be an administrative hardship to record the administrative expenses to the funds that paid for the expenses. Regarding the aid journal entry, the Agency indicated the amount was calculated based on an incorrect figure utilized to determine the amount remaining to draw.

Effect: Increased risk for misuse of funds and non-compliance with Federal regulations. Increased risk for errors on the Schedule of Expenditure of Federal Awards (SEFA). The CCDF aid expenditures are presented on the SEFA on the cash basis of accounting, when the expenditures are paid with Federal funds; the CCDF administrative expenses are presented on the SEFA based on when recorded to Federal funds, regardless if the expenditure was paid with Federal or State funds.

Recommendation: We recommend the Agency discontinue the practice of recording CCDF expenses to Federal Fund 40000 before ACF approves the draw of grant funds. If that is not administratively feasible, the Agency should periodically true up the accounting system, at a minimum before the fiscal year end. We further recommend any adjustments needed be made in a timely manner.

Management Response: The Agency agrees with the condition reported.

Finding 2015-050

Program: CFDA 93.658 – Foster Care Title IV-E – Special Tests & Provisions

Grant Number & Year: #0G1501NEFOST, FFY 2015; #0G1401NE1401, FFY 2014

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 1356.21(m) (October 1, 2014):

In meeting the requirements of section 471(a)(11) of the Act, the title IV–E agency must review at reasonable, specific, time-limited periods to be established by the agency: (1) The amount of the payments made for foster care maintenance and adoption assistance to assure their continued appropriateness(.)

Per 42 USC § 675(4)(A) (2014):

The term 'foster care maintenance payments' means payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, reasonable travel to the child's home for visitation, and reasonable travel for the child to remain in the school in which the child is enrolled at the time of placement. In the case of institutional care, such term shall include the reasonable costs of administration and operation of such institution as are necessarily required to provide the items described in the preceding sentence.

Per Child Welfare Policy Manual 8.3B TITLE IV-E, Foster Care Maintenance Payments Program:

The second sentence applies only to institutional foster care. The reasonable costs of administration and operation necessary to provide the items only for children served under title IV-E foster care are allowable elements in payments to child care institutions. Since these costs are limited types of activities and apply only to title IV-E children, the costs of foster care in institutions will have to be allocated along two lines: (1) the allocation of costs, for purposes of Federal financial participation (FFP), based on allowable cost items and activities; and (2) the allocation of costs based on the proportion of children in the institution receiving foster care under title IV-E for those allowable elements compared to children whose care is paid under other programs.

The establishment of a cost allocation system for institutions, as well as for the title IV-E agency itself, is a title IV-E agency-responsibility and is a necessary precursor to the title IV-E agency's ability to claim FFP for allowable institutional foster care costs.

Condition: The State Plan does not include specific periods for review of foster care rates. Group home rates were not supported with adequate documentation to show that rates were reasonable, and only include components that are allowable as maintenance payments.

Questioned Costs: Unknown

Context: In addition to payments to foster families, the Agency pays various contractors to care for children placed in group homes. The group home rate is based on a study from 1995. The group home rate includes administration, consultative services, and vacancy factor, which are not allowable maintenance payments unless the group home meets the definition of a child care institution, and then are only allowable based on the proportion of the children in the home under IV-E compared to children under other programs.

The total Federal share of group home payments claimed as maintenance during the fiscal year was $291,783. A similar finding was noted in the prior audit.

Cause: A rate study for payments to foster parents was reported to the Legislature December 15, 2012; the study did not include group home rates. Group home rates were analyzed in 1995. Regular, gradual rate changes have been made since 1995, but the Agency did not have documentation to support the basis for the rate increases or that the group home rate only included allowable elements.

Effect: Noncompliance with Federal requirements and increased risk for misuse of funds.

Recommendation: We recommend the Agency develop a specific schedule to review all foster care rates. We further recommend the Agency ensure rates only include allowable elements in accordance with Federal requirements.

Management Response: The Agency agrees with the condition reported.

Finding 2015-051

Program: CFDA 93.658 – Foster Care Title IV-E – Allowability and Eligibility

Grant Number & Year: #0G1501NEFOST, FFY 2015; #0G1401NE1401, FFY 2014

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: A good internal control plan requires procedures to discontinue benefits when eligibility expires. Foster Care maintenance expenses are not allowable after a child is adopted. Per Child Welfare Policy Manual 8.2D.4, regarding adoption assistance payments:

> *The payment that is agreed upon should combine with the parents' resources to cover the ordinary and special needs of the child projected over an extended period of time and should cover anticipated needs, e.g., child care. Anticipation and discussion of these needs are part of the negotiation of the amount of the adoption assistance payment.*

Per 42 USC § 675(4)(A) (2014):

> *The term 'foster care maintenance payments' means payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, reasonable travel to the child's home for visitation, and reasonable travel for the child to remain in the school in which the child is enrolled at the time of placement. In the case of institutional care, such term shall include the reasonable costs of administration and operation of such institution as are necessarily required to provide the items described in the preceding sentence.*

Per Child Welfare Policy Manual 8.3B TITLE IV-E, Foster Care Maintenance Payments:

> *The second sentence applies only to institutional foster care. The reasonable costs of administration and operation necessary to provide the items only for children served under title IV-E foster care are allowable elements in payments to child care institutions. Since these costs are limited types of activities and apply only to title IV-E children, the costs of foster care in institutions will have to be allocated along two lines: (1) the allocation of costs, for purposes of Federal financial participation (FFP), based on allowable cost items and activities; and (2) the allocation of costs based on the proportion of children in the institution receiving foster care under title IV-E for those allowable elements compared to children whose care is paid under other programs.*
>
> *The establishment of a cost allocation system for institutions, as well as for the title IV-E agency itself, is a title IV-E agency-responsibility and is a necessary precursor to the title IV-E agency's ability to claim FFP for allowable institutional foster care costs.*

OMB Circular A-87 and 45 CFR 75 (October 1, 2015) (effective December 26, 2014) require costs to be necessary, reasonable, and adequately documented.

Title 392 NAC 5-001.01 states, "Before furnishing any service, each provider must sign Form CC-9B agreeing . . . (7) To retain authorizations, billing documents, and attendance records for four years to support and document all claims[.]"

Title 392 NAC 4-003.02 states, "Care for 6 or more hours must be billed by the day. Care for 10 or more hours in one day may be billed through hourly units for the 10th, 11th, and 12th hours unless the facility defines its day of care from opening to closing hours."

Condition: We noted 12 of 40 Foster Care payments tested did not comply with Federal and State requirements.

Questioned Costs: $2,653 known

Context: The Federal share of Foster Care current maintenance claimed (excludes prior period adjustments claimed) during the fiscal year was $3,178,080. We randomly selected 40 claims. Some claims had more than one type of error. We noted the following:

- Six childcare payments tested were for children adopted in prior years who were no longer in Foster Care. The Federal share of the six claims was $750. These payments occurred prior to August 10, 2014. No Foster Care claims were noted after August 10, 2014, for these children.

- One payment was for group home care at the contracted rate of $89.50 per day. However, there was no documentation to support the rate was reasonable. The rate included administrative cost components, and there was no allocation of costs based on proportion of IV-E children per Federal regulations. The Federal share of the payment tested was $1,478.

- For five payments tested, the amount paid for childcare was not proper based on the attendance records, resulting in questioned costs of $188. The providers were paid at the daily rate when they should have been paid at the hourly rate, and in one instance the provider failed to submit the attendance records requested.

- We also noted two children tested were adopted during the fiscal year with claims charged to Foster Care. The children were adopted in the middle of the month but had childcare claims through the end of the month charged to Foster Care, resulting in Federal questioned costs outside of the sample of $237.

The total Federal questioned costs noted were $2,416 in the sample and $237 outside of the sample. The total Federal sample tested was $10,048. Total sample population was $3,178,080. Based on the sample tested, the case error rate was 30% (12/40). The dollar error rate for the sample tested was 24.04%, which estimates the potential dollars at risk for fiscal year 2015 to be $764,010 (dollar error rate multiplied by population).

A similar finding was noted in the prior audit.

Cause: The prior audit finding regarding childcare for adopted children was not corrected until August 10, 2014. Additional errors were due to inadequate reviews and clerical errors.

Effect: Unallowable costs were charged to the grant.

Recommendation: We recommend the Agency implement procedures to ensure payments are proper and in accordance with State and Federal regulations.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-052</u>

Program: CFDA 93.658 – Foster Care Title IV-E – Subrecipient Monitoring

Grant Number & Year: #0G1501NEFOST, FFY 2015; #0G1401NE1401, FFY 2014

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: A good internal control plan includes procedures to ensure subrecipients comply with Federal regulations and subaward agreements.

Per OMB Circular A-133 § 400(d)(3) a pass-through entity shall:

> *Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.*

Per 45 CFR § 75.352(d) (October 1, 2015) (effective December 26, 2014), all pass-through entities must:

> *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.*

Condition: The Agency did not monitor subrecipients to ensure foster parents were paid correctly.

Questioned Costs: Unknown

Context: The Agency makes some maintenance payments directly to foster parents and also enters into agreements with various subrecipients. The subrecipients contract with foster parents. The Agency then makes payments to the subrecipients, who in turn pay the foster parents. During the fiscal year, the Agency did not have procedures to ensure the subrecipients properly paid the foster parents.

Payments to subrecipients charged to Federal funds during the fiscal year totaled $2,853,814.

Cause: Subrecipient monitoring is a new requirement for the Agency for the Foster Care program. The Agency indicated it intends to review samples on a monthly basis and expects to implement the first sample review in February 2016.

Effect: Increased risk for misuse of funds.

Recommendation: We recommend the Agency implement procedures to monitor subrecipients, including procedures to ensure foster parents are properly paid.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-053</u>

Program: CFDA 93.658 – Foster Care Title IV-E – Reporting

Grant Number & Year: #0G1501NEFOST, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: A good internal control plan requires procedures to ensure reports are accurate and complete.

Per 45 CFR § 92.20 (October 1, 2014):

> *(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—*
>
> *(1) Permit preparation of reports required by this part and the statutes authorizing the grant . . . .*

Per Instructions for Completion of Form CB-496:

> *Line 18a. FMAP Rate – Currently Reported and Cumulatively Funded Demonstration Operational Costs – The amount reported represents all operational costs reported over the life of the project as title IV-E maintenance payments or other costs subject to the FMAP rate, minus any previously reported amounts that were determined as not fundable.*
>
> *The Column E amount consists of the total of Lines 5a and 6a above and the total of Line 18a minus Line 21a from the previous quarter's demonstration Project form CB-496, Part 3 (all amounts taken from Column E) . . .*
>
> *Line 18b. 50 percent FFP Rate – Currently Reported and Cumulatively Funded Demonstration Operational Costs – The amount reported represents all operational costs reported over the life of the project as title IV-E administration, SACWIS costs or other costs subject to the 50 percent FFP rate minus any previously reported amounts that were not fundable.*
>
> *The Column E amount consists of the total of Lines 5b, 5c, 5d and 6b above and the total of Line 18b minus Line 21b from the previous quarter's demonstration project form CB-496, Part 3 report (all amounts taken from Column E).*

Condition: Cumulative expenditures reported were incorrect on both reports tested.

Questioned Costs: None

Context: We tested the Form CB-496 Title IV-E Programs Quarterly Financial Report for the quarters ended December 31, 2014, and March 31, 2015. We noted both reports incorrectly reported Part 3 line 18a – Currently Reported and Cumulatively Funded Demonstration Operational Costs and Part 3 line 18b – 50 percent FFP Rate – Currently Reported and Cumulatively Funded Demonstration Operational Costs.

Line 18a was under-reported $4,298 and $18,013 for December and March quarters, respectively. Line 18b was over-reported $55,832 and $778,042 for December and March quarters, respectively.

	December 31, 2014 Report		March 31, 2015 Report	
	Reported	Correct Amount	Reported	Correct Amount
Line 18a	$ 4,055,463	$ 4,059,761	$ 5,482,617	$ 5,500,630
Line 18b	$ 8,543,710	$ 8,487,878	$ 12,713,449	$ 11,935,407

Cause: Clerical error. Form CB-496 Part 3 Demonstration Projects was new for the Agency.

Effect: Increased risk for errors and non-compliance with Federal requirements.

Recommendation: We recommend the Agency implement procedures to ensure Federal reports are accurate.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-054</u>

Program: CFDA 93.659 – Adoption Assistance – Allowability & Eligibility

Grant Number & Year: #1401NE1407, FFY 2014; #1501NEADOPT, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Good internal control requires procedures to ensure compliance with Federal regulations and the maintenance of documentation to support such regulatory compliance.

42 USC § 673(c) (2014) provides the following:

(1) in the case of a child who is not an applicable child for a fiscal year, the child shall not be considered a child with special needs unless –

(A) the State has determined that the child cannot or should not be returned to the home of his parents; and

(B) the State had first determined (A) that there exists with respect to the child a specific factor or condition (such as his ethnic background, age, or membership in a minority or sibling group, or the presence of factors such as medical conditions or physical, mental, or emotional handicaps) because of which it is reasonable to conclude that such child cannot be placed with adoptive parents without providing adoption assistance under this section or medical assistance under subchapter XIX of this chapter, and (B) that, except where it would be against the best interests of the child because of such factors as the existence of significant emotional ties with prospective adoptive parents while in the care of such parents as a foster child, a reasonable, but unsuccessful, effort has been made to place the child with appropriate adoptive parents without providing adoption assistance under this section or medical assistance under subchapter XIX of this chapter . . . .

42 USC § 675(3) (2014) states the following:

> *The term "adoption assistance agreement" means a written agreement, binding on the parties to the agreement, between the State agency, other relevant agencies, and the prospective adoptive parents of a minor child which at a minimum (A) specifies the nature and amount of any payments, services, and assistance to be provided under such agreement, and (B) stipulates that the agreement shall remain in effect regardless of the State of which the adoptive parents are residents at any given time. The agreement shall contain provisions for the protection (under an interstate compact approved by the Secretary or otherwise) of the interests of the child in cases where the adoptive parents and child move to another State while the agreement is effective.*

42 USC § 671(a)(20)(B)(i) (2014) requires the State to do the following:

> *(i) check any child abuse and neglect registry maintained by the State for information on any prospective foster or adoptive parent and on any other adult living in the home of such a prospective parent, and request any other State in which any such prospective parent or other adult has resided in the preceding 5 years, to enable the State to check any child abuse and neglect registry maintained by such other State for such information, before the prospective foster or adoptive parent may be finally approved for placement of a child, regardless of whether foster care maintenance payments or adoption assistance payments are to be made on behalf of the child under the State plan under this part . . . .*

Title 392 NAC 5-001.01 states, "Before furnishing any service, each provider must sign Form CC-9B agreeing . . . (7) To retain authorizations, billing documents, and attendance records for four years to support and document all claims[.]" Per 392 NAC 4-003.02, "Care for 6 or more hours must be billed by the day."

OMB Circular A-87 and 45 CFR § 75.403 (October 1, 2015) (effective December 26, 2014) require costs to be reasonable, necessary, and adequately supported.

Condition: Adoption Assistance payments were not in accordance with Federal regulations for 8 of 40 payments tested.

Questioned Costs: $683 known

Context: We tested 40 Adoption Assistance payments and noted the following:

- One payment tested was for child care services that were not adequately supported. The Agency requested the attendance records from the provider; however, the child care provider did not comply with the request. The Agency subsequently terminated the provider. The Federal share of the payment tested was $32, which is considered questioned costs.

- One payment tested was for child care services that were not paid in accordance with the provider agreement. Per the agreement, special needs child care for six or more hours per day was to be paid at the rate of $70 per day and under six hours per day at the rate of $9 per hour. The provider was paid 160 hours at $9 per hour; however, per the attendance records, the provider should have been paid 11 days and 50 hours. As a result, the provider was overpaid $220. The Federal share of $117 is questioned costs.

- For one payment tested, no subsidy agreement was on file. The Federal share of questioned costs for the payment totaled $154.

- For three payments tested, there was no documentation to support that the Agency made reasonable efforts to place the children for adoption without a subsidy. For one of these, the child was adopted in 2006, but there were no background checks on file before the child was adopted. Background checks from 2013 were on file. The Federal share of the three payments totaled $380.

- One payment of the adoption subsidy agreement was signed the same day as the court order of adoption; there was no documentation to support that the agreement was signed and in effect before the adoption was final. Another payment of the subsidy agreement was not dated by the adoptive parent.

A similar finding was noted in the prior audit.

The total Federal share of errors noted was $683. The total Federal sample tested was $11,109, and the Federal share of expenditures for adoption subsidies for fiscal year 2015 was $13,179,237. The dollar error rate for the sample was 6.15% ($683/$11,109), which estimates the potential dollars at risk for fiscal year 2015 to be $810,523 (dollar error rate multiplied by population).

Cause: Clerical errors and inadequate review.

Effect: Increased risk for loss or misuse of funds.

Recommendation: We recommend the Agency implement procedures to ensure Federal requirements are met, and documentation is maintained to support compliance.

Management Response: The Agency agrees with the condition reported.

Finding 2015-055

Program: CFDA 93.659 – Adoption Assistance – Reporting

Grant Number & Year: #1401NE1407, FFY 2014

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 92.20 (October 1, 2014) provides the following:

(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to –

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

A good internal control plan requires procedures to ensure reports are accurate and reconciled to the accounting system on a timely basis.

Condition: Aid expenditures reported for the quarter ended September 30, 2014, did not agree to the accounting system as of November 30, 2015.

Questioned Costs: None

Context: The Agency receives quarterly awards from the Federal grantor based on estimated expenditures. After reports are filed, the grantor reconciles the award authority to expenditures claimed. The final award authority for the FFY 2014 Adoption Assistance grant was issued by the Federal grantor on January 1, 2015, but the Agency had not trued up the accounting system as of November 30, 2015.

Quarter ended	9/30/14
Current Federal Aid Reported	$ 3,063,456
Aid per General Ledger	$ 2,411,029
Variance	$ 652,427

Cause: Per the Agency, there was inadequate staff to complete the reconciliations more timely.

Effect: Increased risk for errors to occur.

Recommendation: We recommend the accounting system and financial reports be reconciled on a timely basis.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-056</u>

Program: CFDA 93.667 – Social Services Block Grant (SSBG) – Allowability

Grant Number & Year: #G1401NESOSR, FFY 2014; #G1501NESOSR, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 96.30(a) (October 1, 2014), "[A] State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds."

Per Title 473 NAC 5-018.06D, Maximum Allowable Units, "Department staff must authorize transportation units based on client need . . . ."

Per Title 473 NAC 5-002.04, Time Limits, "The worker shall submit Form DSS-2A to request Central Office approval before authorizing day services for four or more days per week beyond the initial six-month period."

Per Agency directive to meal providers dated August 5, 2013:

> *Effective immediately; all Title XX, Block Grant meal providers must complete validation and verification of meal service by obtaining Block Grant client signatures. A minimum of 8% of your Block Grant clients must sign each month either when they receive meals or within 20 days after the month has ended. This applies to home delivered as well as congregate meals. These signatures must be kept and made available to the State when requested.*

A good internal control plan requires procedures to ensure services were authorized, received, and performed in accordance with State and Federal requirements. This would include having clients sign documentation to indicate services were received; if the client does not approve the services, the Agency should have other procedures to ensure the services were actually provided.

Condition: We tested 25 claims for SSBG services. Two claims tested did not comply with State and Federal regulations. Three claims tested did not have a client signature or other documentation to verify the service was provided.

Questioned Costs: $40 known

Context: SSBG claims were paid 90% with State funds and 10% with Federal SSBG funds. We noted the following:

- For one claim tested, the client was authorized for one round-trip transportation per week to complete food/essential shopping to be used at the nearest grocery store. The claim was for one round-trip per week from Blue Hill to Hastings; however, Blue Hill had a grocery store. The transportation to Hastings was not in accordance with the service authorization. The total mileage claim was $204, resulting in Federal questioned costs of $20.

- Another claim was for adult day care services. The provider was paid for services five days per week, but there was no DSS-2A authorizing four or more days per week for the period. A DSS-2A was approved effective August 2014 through January 2015, but the services dates for the claim tested were March 2015. Therefore, we question eight days totaling $198, with a Federal share of questioned costs of $20.

- For three claims tested for home delivered meals, there was no documentation signed by the clients or verification of 8% of clients.

A similar finding was noted in the prior audit.

The total Federal sample tested was $467, and Federal errors for payments tested were $40. Total Social Services Block Grant Federal assistance payments for fiscal year 2015 were $612,216. The dollar error rate for the sample was 8.57% ($40/$467), which estimates the potential dollars at risk for fiscal year 2015 to be $52,467 (dollar error rate multiplied by population).

Cause: Inadequate review.

Effect: Noncompliance with regulations and inadequate procedures increase the risk of loss and/or misuse of funds.

Recommendation: We recommend the Agency implement procedures to ensure expenditures are made in compliance with State and Federal regulations. We further recommend procedures be improved to ensure services paid for were provided.

Management Response: The Agency agrees with the condition reported.

Finding 2015-057

Program: CFDA 93.767 – Children's Health Insurance Program (CHIP) – Allowability & Eligibility

Grant Number & Year: All open, including #051405NE5021, FFY 2014

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 42 USC § 1397ee (2014), states can receive an enhanced Federal Medical Assistance Percentage (FMAP) rate for providing medical assistance to targeted low income children. CHIP's enhanced FMAP was approximately 68% during the fiscal year, while Medicaid's rate was only approximately 54%. A good internal control plan requires procedures to ensure only payments on behalf of eligible CHIP participants are charged to CHIP, based on Federal guidance.

Per the Nebraska Medicaid State Plan (Plan) Attachment 2.2-A, Page 4a (August 1, 1998), prior to January 1, 2014, the eligibility guideline for Medicaid was 133% of the Federal Poverty Limit (FPL) for children under age six, and the eligibility guideline for children age six and above was 100%. Per the Plan, Attachment 2.2-A, Page 23b (October 20, 2009), children with family incomes up to 200% of the FPL were eligible for CHIP instead of Medicaid.

Per OMB Circular A-87, Attachment A, C(1), to be allowable costs must be reasonable, adequately documented, and authorized or not prohibited under State or local laws or regulations.

Condition: We tested 40 CHIP claims and noted for 3 of these, the recipient was eligible for Medicaid, not CHIP.

Questioned Costs: $457 known

Context: The Children's Health Insurance Program (CHIP) serves uninsured children up to age 19 in families with incomes too high to qualify them for Medicaid. The Patient Protection and Affordable Care Act (Act) § 2001 expanded Medicaid coverage to 133% of the Federal Poverty Limit (FPL) beginning January 1, 2014. This caused some children previously eligible for CHIP to be eligible now for Medicaid instead. The Federal Centers for Medicare & Medicaid Services (CMS) allowed states to continue classifying these recipients as CHIP and continue to claim the higher match rate. Per December 2013 guidance from CMS:

> *[Question] Will the expenditures for children currently enrolled in a separate CHIP whose income is up to 133 percent of the FPL, who are transitioned to the Medicaid program beginning January 1, 2014 under the mandatory eligibility group for poverty-level related children required under section 1902(a)(10)(A)(i)(VII) of the Act, be eligible for the CHIP enhanced FMAP after such transition?*
>
> *[Answer] Yes.*

During our testing of 40 CHIP claims, we reviewed NFOCUS, the Agency's eligibility subsystem, to ensure the recipients were eligible for CHIP.

Three of the 40 recipients did not meet the criteria to be eligible for CHIP. It appears MMIS, the Agency's medical claim payment system, was classifying all children who switched eligibility from CHIP to Medicaid as still being eligible for CHIP. The system did not check for correct age or income level.

- For one case, the family had no income, and one recipient had family income of only 90% of the FPL. These two recipients were not affected by the expanded Medicaid coverage from 100% to 133%. The children had been previously enrolled in CHIP, as family income was higher; however, after the family's income changed, they were only eligible for Medicaid. The change in eligibility was not due to the Act.

- One recipient was two years old. The eligibility guideline for Medicaid was 133% of FPL for children under age six, both prior to and after the Act. The change in eligibility was not due to the Act. The family income was below the FPL guideline for CHIP, and should have been enrolled in Medicaid rather than CHIP.

We questioned costs for the difference between the enhanced CHIP FMAP and the Medicaid FMAP, since the children were only eligible for Medicaid. Federal questioned costs noted were $457, of which $30 was in our random sample of payments, and $427 was additional errors noted for the cases tested. The total Federal sample tested was $4,146, and the total of Federal CHIP claims for the fiscal year was $59,885,518. Based on the sample tested, the case error rate was 7.5% (3/40). The dollar error rate for the sample was 0.72% ($30/$4,146), which estimates the potential dollars at risk for fiscal year 2015 to be $431,176 (dollar error rate multiplied by population).

Cause: It appears the Agency was unaware it was incorrectly claiming some Medicaid cases as CHIP. After we brought this issue to its attention, the Agency began the process of modifying MMIS to categorize the recipients correctly.

Effect: Children were classified as CHIP when they should have been classified as Medicaid. This caused overpayments for CHIP and allowed the Agency to claim a higher Federal participation rate for these children.

Recommendation: We recommend the Agency implement procedures to ensure only payments on behalf of eligible recipients be charged to CHIP. The Agency should also correct prior claims that were paid from CHIP that should have been charged to Medicaid at the Medicaid FMAP.

> **Management Response:** The Agency agrees with the condition reported.

Finding 2015-058

Program: CFDA 93.767 – Children's Health Insurance Program (CHIP) – Eligibility

Grant Number & Year: All open, including #051405NE5021, FFY 2014

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 42 CFR § 435.916 (October 1, 2014) requires the Agency to redetermine the eligibility of Medicaid beneficiaries at least every 12 months. A good internal control plan requires policies to ensure eligibility determinations are completed every 12 months, as required, and benefits are discontinued when the period of eligibility expires.

Condition: Eight of 25 CHIP recipients tested did not have eligibility redeterminations completed every 12 months.

Questioned Costs: None

Context: Four eligibility redeterminations tested ranged from four to six months late. The individuals were determined to be eligible after the late reviews were complete. For four other cases, eligibility redeterminations were between seven to twenty months overdue. The cases were closed and later reopened when the recipients reapplied and were determined to be eligible.

Cause: Worker error, inadequate procedures to ensure reviews are performed on time.

Effect: Without timely eligibility redeterminations, there is an increased risk of improper payments for ineligible recipients.

Recommendation: We recommend the Agency implement procedures to ensure eligibility redeterminations are performed when required, and cases are closed on a timely basis.

Management Response: The Agency agrees with the condition reported.

Finding 2015-059

Program: CFDA 93.778 – Medical Assistance Program – Matching & Reporting

Grant Number & Year: #051405NE5MAP, FFY 2014; #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 45 CFR § 92.20 (October 1, 2014) requires fiscal control and accounting procedures of the State sufficient to permit preparation of required reports and permit the tracing of funds to expenditures adequate to establish that the use of these funds were not in violation of applicable regulations. Title 42 CFR § 433.10 (October 1, 2014) provides for payments to States, based on a Federal Medical Assistance Percentage (FMAP). EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from EnterpriseOne. A good internal control plan requires procedures to reconcile submitted reports to the accounting system. Good internal control also requires adjustments and reconciling items to be resolved in a timely manner.

Condition: Reconciliation procedures need improvement to ensure reports are accurate and adjustments are made in a timely manner. A similar finding was noted in prior audits.

Questioned Costs: Unknown

Context: We tested two of four quarterly reports and noted the following:

December 2014 report:

- Reconciling items included $5,508,231 noted as removed from the general ledger because it was reported on a prior period CMS 64. However, the reconciliation did not catch that the journal entry was already done in the prior quarter and, therefore, should not be a reconciling item. The Agency incorrectly performed a duplicate entry in the December quarter. After we brought this to the Agency's attention, the Agency agreed that $4,913,973 needed to be reversed; the remaining $594,258 was detected by the Agency and corrected in April 2015. The $4,913,973 was not corrected as of June 30, 2015.

- Four general ledger subsidiary accounts were not charged at the proper matching rate. The report was correct, but the general ledger needed adjustment. The Agency noted the subsidiaries as reconciling items but did not investigate or make correcting entries to the general ledger in a timely manner. No review or entries had been made as of September 1, 2015. The total Federal share of dollars overdrawn for these subsidiaries was $193,630.

- A reconciling item for Managed Care payments reported at 100% FMAP, and on the general ledger at 53.27% FMAP, did not have a journal entry prepared in a timely manner. As a result, the Federal amount of $2,666,666 was underdrawn. No adjustment was made as of September 1, 2015.

March 2015 report:

- A reconciling item for Managed Care payments reported at 100% FMAP, and on the general ledger at 53.27% FMAP, did not have a journal entry prepared in a timely manner. As a result, the Federal amount of $2,552,740 was underdrawn. No adjustment was made as of September 1, 2015.

- The March reconciliation had an unknown Federal variance of $4,780, with the general ledger greater than reported. We questioned a Federal reconciling item of $247,821. After further review with the Agency, it was determined the amount should be $629. This resulted in an unknown Federal variance of $253,230, with more Federal expenditures charged per the general ledger than reported.

The Agency reported a total of $1,074,032,547 Federal expenditures for the Medical Assistance Program in fiscal year 2015.

Cause: Clerical errors and inadequate review.

Effect: Without adequate reconciliation procedures, there is an increased risk for misuse of funds and inaccurate reporting. In addition, the State could be subject to Federal sanctions.

Recommendation: We recommend the Agency improve procedures to ensure reports are accurate. We further recommend all reconciling items and adjustments be resolved in a timely manner.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-060</u>

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: #051405NE5MAP, FFY 2014; #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Good internal control requires procedures to ensure payments are proper, adequately supported, and in accordance with State and Federal regulations.

Title 471 NAC 30-006 states the following, in relevant part:

> *NMAP will pay the health insurance premium directly to the insurance carrier. If payment cannot be made directly to the carrier and the method of premium payment is payroll deduction, NMAP will arrange to pay the employer directly in lieu of the payroll deduction. If payment cannot be made directly to the carrier or employer, NMAP will reimburse the policyholder for the payroll deduction made for health insurance.*

The six-month/twelve-month review reminder notice sent to each participant states, in relevant part, "[D]ental, vision, and other types of insurance are not covered under HIPP."

Condition: Health insurance premium payments (HIPP) were not adequately supported and were not in accordance with regulations.

Questioned Costs: $519 known

Context: We selected 10 HIPP cases and noted the following:

- In one case, premium payments were incorrectly reimbursed for two insurance policies. Payments for the first policy were incorrectly calculated based on paystubs received. Payments for the second insurance policy included a fee not covered under the HIPP Program. Adequate documentation was not obtained directly from the insurance company to identify the correct premium amount. The Agency discovered its error and requested reimbursement from the participant, but the amount was not collected as of June 30, 2015, resulting in fiscal year 2015 questioned costs of $442. (Federal share)

- For one case, the premium payment included dental insurance, which is not covered under the HIPP Program. The Federal share of questioned costs totaled $77.

For all cases tested, the premium payments were made by the HIPP Program directly to the policyholders, rather than to the insurance companies or employers. The risk of errors could be minimized if DHHS complied with regulations and made the payments directly to the insurance providers or employers.

The total Federal share of errors noted was $519. The total Federal sample tested was $78,285, and the Federal share of expenditures for HIPP for fiscal year 2015 was $719,228.

A similar finding was noted in the prior audit.

Cause: The Agency did not obtain adequate documentation to determine the correct payment amount.

Effect: Without adequate policies and procedures in place to ensure proper processing of the HIPP Program payments, there is an increased risk for loss or misuse of State and Federal funds.

Recommendation: We recommend the Agency implement controls to ensure payments are accurate and supported with adequate documentation. We further recommend the Agency implement procedures to make payments to the insurance provider or employer, when possible, rather than reimbursing the employee or policyholder directly. Finally, we recommend the Agency take appropriate action to recover overpayments.

Management Response: The Agency partially agrees with the condition reported. The Agency is barred from collecting from clients who file a timely appeal request per 477 NAC 10-001. The client filed a timely appeal and a hearing was not held until after June 30, 2015. No adverse action may be taken until a fair hearing decision is rendered. Additionally, Federal reporting instructions require refunding the Federal portion after one year from the date of discovery allowing States the opportunity to recover overpayments. The Agency agrees that the payment of dental insurance is an unallowable cost.

APA Response: The fact the Agency must wait until the fair hearing decision is rendered in order to pursue the overpayment is not the issue. The Federal share of questioned costs of $442 for fiscal year 2015 resulted from the Agency having inadequate procedures in place to correctly identify the medical premium amount that should be reimbursed to the participant. The participant had been incorrectly

reimbursed for premiums since November 2007 with additional State and Federal share of overpayments totaling $32,716. Furthermore, the Agency did not timely correct the payment amount reimbursed to the participant. During the annual review completed in September 2014, the Agency was aware one of the health insurance policies included a medical credit that should have been deducted from the premium payment; however, the Agency continued to pay the incorrectly calculated premium of $551 per month through January 2015, rather than $361 determined per the annual review in September 2014. The Agency should have procedures to prevent improper payments and if errors are noted, the errors should be corrected immediately.

Finding 2015-061

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Eligibility

Grant Number & Year: All open, including #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per Section 1902(a) of the Social Security Act:

> *A State plan for Medical assistance must . . . (27) provide for agreements with every person or institution providing services under the State plan under which such person or institution agrees (A) to keep such records as are necessary fully to disclose the extent of the services provided to individuals receiving assistance under the State plan . . . .*

Per OMB Circular A-87, to be allowable costs must be adequately documented.

Title 471 NAC 15-006.06C states that, after receiving a provider's timesheet and billing document, the beneficiary's social service worker or designee must verify that "the hours worked and services provided fall within the parameters of those authorized" by the service needs assessment.

Title 471 NAC Chapter 15 contains multiple references to the Form MC-37 "Service Provider Time Sheet." However, the form used during the fiscal year was the MC-39, a less descriptive form. Instead of listing all activities performed, the MC-37 showed only times in and out. The new form is inadequate for Federal and State requirements, and the Agency did not change its regulations to refer to the new form.

A good internal control plan requires procedures to be in place to ensure Federal and State regulations are followed. All income should be verified and all private insurance investigated.

Condition: During testing of personal assistance service (PAS) claims, we noted the Agency does not obtain adequate supporting documentation to ensure claims are allowable, per State and Federal requirements. A similar finding was noted in the prior audit.

Questioned Costs: $15,514 known

Context: The Agency offers personal assistance services (assistance with hygiene, mobility, housekeeping, etc.) to Medicaid recipients with disabilities and chronic conditions. The services are based on individual needs and criteria that must be determined in a written service needs assessment (SNA). Providers complete timesheets that are signed by the recipients to indicate services were actually provided. Providers submit these timesheets along with billing documents to the Agency for payment.

In July 2011, the U.S. Department of Health & Human Services Office of the Inspector General (OIG) performed a review of PAS claims to determine whether claims were made in accordance with Federal and State requirements. The OIG found providers billed for services and time allotments that differed significantly from those laid out in the beneficiaries' SNAs. For example, if the SNA indicated the recipient needed help with the laundry, but the actual service provided per the timesheet was cleaning the kitchen, the OIG disallowed these costs.

We tested 15 PAS claims and noted the less descriptive form MC 37 was used in all 15 instances. For all claims tested, the Agency lacked adequate documentation on file to support that services paid were in accordance with the SNA. However, the provider did maintain its own internal support for 1 of the 15 claims. This additional detail supported a portion of the claims tested, which explains why we did not question 100% of the population. In response to our prior audit, the Agency stated that it would "publish a Provider Bulletin informing providers of the . . . responsibility to maintain documentation supporting the provision of services to each client served . . . ." The Agency has not done so as of June 30, 2015, however.

Federal payment errors noted were $5,560. The total Federal sample tested was $5,651, and the total Federal share of PAS claims during the fiscal year was $9,773,776. Based on the sample tested, the case error rate was 100% (15/15). The dollar error rate for the sample was 98.39% ($5,560/$5,651), which estimates the potential dollars at risk for fiscal year 2015 to be $9,616,418 (dollar error rate multiplied by population).

We also noted that the budget for one of the payments tested excluded the spouse's income. If this income had been included, the recipient would not have been eligible for Medicaid, resulting in additional questioned costs outside of our sample of $9,954. Additionally, for this case, the service needs assessment expired months before the payment tested; however, due to a system error, claims continued to be paid anyway.

We also noted mathematical errors in two of the claims tested. For one claim, the provider overbilled by a half hour. For another claim, the provider billed in excess of the service authorization by one hour.

We also noted that four of the recipients tested had private insurance coverage. The Agency did not check to see if the private insurance would have paid for the PAS.

Cause: Unknown – the individuals who decided to change forms no longer work for the Agency.

The Agency does not check for third-party liability for any PAS claims because PAS claims are paid using a different system (NFOCUS) than the system that stores the third-party liability information (MMIS).

Effect: When insufficient supporting documentation is maintained for PAS payments, this increases the risk of services provided not being in accordance with the recipients' needs and increases the risk of loss or misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure all applicable Federal and State regulations are followed.

Management Response: The Agency agrees with the condition reported.

Finding 2015-062

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: #051405NE5MAP, FFY 2014; #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per OMB Circular A-87, allowable costs must be necessary, reasonable, and adequately documented.

Per Title 480 NAC 5-005.L3, non-medical transportation is covered by this waiver program.

A good internal control plan requires procedures to ensure correct amounts are paid.

Condition: We tested 26 home-based claims for the aged and disabled waiver and noted four payments did not comply with Federal and State requirements.

Questioned Costs: $122 known

Context: We noted the following:

- For one payment tested, the record of services from the provider did not list the dates of services or what services were provided. Adequate supporting documentation was not on file, resulting in questioned costs of $16.

- For one payment tested, the provider improperly billed a partial day when he worked 4.5 hours. Per the service authorization, a partial day should be billed when working 5 to 13 hours. Only the hourly rate should have been billed, resulting in questioned costs of $11.

- For one payment tested, there was no record of services from the provider to support dates of services or what services were provided. Adequate supporting documentation was not on file, resulting in questioned costs of $33.

- For one transportation payment tested, the Individual Provider Record of Services noted doctor appointments. Only non-medical transportation is allowable, resulting in questioned costs of $3 Federal share. Additionally, for this claim, the escort payment also noted doctor appointments, resulting in questioned costs outside of the sample of $11.

Additionally, we noted one provider had two workers bill for three hours simultaneously, resulting in questioned costs outside of the sample of $38. We also noted one provider who billed two hours for child care but did not document the in and out times to support the amount billed, resulting in questioned costs outside of the sample of $10.

Federal payment errors noted in the sample were $63. The total Federal sample tested was $6,431, and total home-based aged and disabled waiver payments for State fiscal year 2015 were $27,058,328. Based on the sample tested, the case error rate was 15.38% (4/26). The dollar error rate for the sample was .98% ($63/$6,431), which estimates the potential dollars at risk for fiscal year 2015 to be $265,172 (dollar error rate multiplied by population).

A similar finding was noted in the prior audit.

Cause: Inadequate review procedures.

Effect: Without procedures to ensure payments are adequately supported and reviewed, there is an increased risk of loss or misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure all aged and disabled waiver payments are adequately supported and reviewed. This should include comparing billings to authorizations and support of time worked submitted by the providers.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-063</u>

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: According to 42 CFR § 447.253(g) (October, 1, 2014), "The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers."

The Nebraska Medicaid State Plan, Attachment 4.19-A, § 10-010.03B8a, provides the following:

> *Facilities will be subject to a preliminary and a final reconciliation of Medicaid payments to allowable Medicaid costs. A preliminary reconciliation will be made within six months following receipt by the Department of the facility's cost report. A reconciliation will be made within 6 months following receipt by the Department of the facility's settled cost report.*

Per the Nebraska Medicaid State Plan, Attachment 4.19-A, § 10-010.03A, the following definition applies to payment for hospital inpatient services: "Base Year: The period covered by the most recent settled Medicare cost report, which will be used for purposes of calculating prospective rates."

A good internal control plan requires audit results to be reviewed to determine whether costs have been accurately reported and whether any payment adjustments are appropriate.

Condition: During our testing of hospital audits and rates, we noted the final adjustment for inpatient rates for critical access hospitals was not done for 2007, 2008, 2009 or 2012. We also noted the Agency has not reviewed inpatient rates for non-critical access hospitals since 2009, except for annual increases mandated by the Legislature. The 2009 rebasing of cost rates was not based on audited cost reports.

Questioned Costs: Unknown

Context: The Agency uses several methods to determine rates for hospital services. Inpatient rates are determined based on whether the hospital is designated a critical access or a non-critical access hospital. Critical access hospitals are approved rural hospitals.

For non-critical access hospitals, inpatient rates are determined based on which peer group the hospital is in (acute, rehabilitation, or psychiatric) and which service is provided. The base rates were determined based on a study performed by an independent contractor during State fiscal year 2009 and effective October 1, 2009, and the rates were updated for inflation each subsequent fiscal year. The source of the data for the study was raw claims data from State fiscal years 2006 and 2007 and cost information from the 2007 cost reports. An audited cost report was only utilized for 1 of the 35 hospitals. The Agency has indicated that it is currently soliciting the services of a consultant to rebase inpatient rates for non-critical access hospitals.

The Federal government contracts with independent auditors to perform cost report audits on all facilities that have Medicare beds. All Nebraska Medicaid hospitals have Medicare beds – so, when obtained, the Agency relies on these audits for all the Medicaid hospitals. Audited cost reports are used to make final adjustment payments to critical access hospitals. Final audited cost reports can generally be obtained from the independent auditor 18 months after the hospital's year end. In prior audits, we noted the Agency had not adjusted rates since 2006. In the current year, we noted the Agency has obtained the audited cost reports for 2010, 2011, and 2012, and has adjusted for 2010 and 2011, but not for 2012. The Agency has not obtained audited cost reports for 2007, 2008, and 2009.

The Federal share of inpatient hospital payments for the fiscal year totaled $40,648,015; outpatient hospital payments totaled $12,081,128. A similar finding was noted in the six prior audits.

Cause: The Agency did not devote adequate resources to this issue.

Effect: When inpatient rates for noncritical access hospitals are based on inappropriate source data and when rebasing and adjustments for critical access hospitals are not performed timely, there is an increased risk calculated rates will be in excess of actual costs.

Recommendation: We recommend the Agency implement procedures to ensure final adjustments for critical access hospitals' inpatient and outpatient rates are performed timely. Inpatient rates for non-critical access hospitals should be reviewed timely and rebased using audited cost reports.

Management Response: The Agency agrees with the condition reported.

Finding 2015-064

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 42 CFR § 447.253(b)(1)(i), (October 1, 2014) provides the following:

> *The Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers to provide services in conformity with applicable State and Federal laws, regulations, and quality and safety standards.*

Title 42 CFR § 447.253(g) states, "The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers."

The Nebraska Medicaid State Plan, Attachment 4.19-D, 12-011.11 (Audits), says the following:

> *The Department will perform at least one initial desk audit and may perform subsequent desk audits and/or a periodic field audit of each cost report. Selection of subsequent desk audits and field audits will be made as determined necessary by the Department to maintain the integrity of the Nebraska Medical Assistance Program. The Department may retain an outside independent public accounting firm, licensed to do business in Nebraska or the state where the financial records are maintained, to perform the audits. Audit reports must be completed on all field audits and desk audits. All audit reports will be retained by the Department for at least three years following the completion and finalization of the audit.*

AICPA Professional Standards AU-C Section 500.A32 states the following:

> *Audit evidence obtained directly by the auditor (for example, observation of the application of a control) is more reliable than audit evidence obtained indirectly or by inference (for example, inquiry about the application of a control) . . . . Audit evidence provided by original documents is more reliable than audit evidence provided by photocopies, facsimiles, or documents that have been filmed, digitized, or otherwise transformed into electronic form, the reliability of which may depend on the controls over their preparation and maintenance.*

A good internal control plan requires procedures to ensure a risk assessment is performed on long-term care facilities and those considered to be high risk are field audited in order to maintain the integrity of Medicaid.

Condition: We noted the Agency did not perform any field audits on long-term care facilities (nursing homes) during the fiscal year. A similar finding was noted in the prior audit.

Questioned Costs: Unknown

Context: The last field audit was completed in September 2011 for the fiscal year ended 2010. The field audit previous to this was completed in July 2008 for the fiscal years ended 2005 and 2006. That means only one field audit was performed in the last six years.

The Agency performed risk assessments of the facilities and noted that three were "high risk" for 2014 (the most recent risk assessments performed). The Agency stated that it has contracted with a private CPA firm to audit some high-risk facilities; however, these audits were not performed by the end of State fiscal year 2015.

The Federal share of Medicaid payments to nursing home facilities in fiscal year 2015 was $179,632,837.

Cause: The Agency does not dedicate adequate resources to the task of field audits. Per the Agency, inadequate staffing is the reason for not prioritizing field audits of long-term care cost reports. The Agency also believes that desk audits are functionally similar to field audits. The Agency has a contract with a private CPA to perform field audits of high-risk facilities, but no audits were completed during the fiscal year.

Effect: When facilities do not have periodic field audits, there is an increased risk for submitted cost reports to contain errors or fraud.

Recommendation: We recommend the Agency devote adequate resources to field audits of long-term care facilities.

Management Response: The Agency agrees with the condition reported.

Finding 2015-065

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: All open, including #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 42 CFR § 431.53 (October 1, 2014), "A State plan must – (a) Specify that the Medicaid agency will ensure necessary transportation for beneficiaries to and from providers . . . ."

Neb. Rev. Stat. § 75-301(2) (Reissue 2009) provides the following, in relevant part:

> *It is the policy of the Legislature to . . . (b) promote adequate economical and efficient service by motor carriers and reasonable charges therefor without unjust discrimination, undue preferences or advantages, and unfair or destructive competitive practices . . . .*

Non-Emergency Transportation (NET) Services cover a ride, or mileage reimbursement for a ride, as well as escort/attendant services provided, so that a Medicaid-eligible client with no other transportation resources can receive Medicaid coverable services.

The Agency's contract with the NET broker contains the following:

> *The contractor shall develop and maintain a process to be approved by the Department for no less than ten (10%) percent random audits monthly of NET provider supporting documentation per trip to validate a completed service and that submitted charges are correct in accordance to Department regulations.*
>
> *The contractor shall electronically provide the Department the following monthly reports . . . d. Summary of audit findings that verify that client received Medicaid coverable services.*
>
> *The contractor shall process and submit no less than ninety (90%) percent of NET providers' electronic claims within ten (10) business days of receipt of supporting trip documentation . . .*

Per OMB Circular A-133, an Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires policies and procedures to ensure NET claims are reviewed to ensure medical services actually occurred, providers are paid timely, and Federal and State requirements are followed.

Condition: The Agency did not adequately monitor the NET broker. We tested 10 NET claims. For 4 of 9 applicable payments, we noted the NET provider claim was not submitted by the broker to the Agency within 10 business days of the NET provider submission to the broker. For 3 of 10 payments, there were no medical claims on MMIS or in managed care records to support that the trip was proper. Additionally, the broker favored providers that utilized the broker's tablet devices, which appears contrary to § 75-301(2).

Questioned Costs: $51 known

Context: A transportation broker provides non-emergency transportation (NET) brokerage services for the Medicaid program. A Medicaid-eligible recipient who needs a ride to a Medicaid-eligible provider calls the broker, and the broker sets up a NET provider to provide the requested transportation. The broker is paid $3.93 per one-way trip for managing this service, and the NET providers are paid based on various rate schedules. NET providers must submit their claims to the broker, who then submits the claims to the Agency for payment.

The Agency's monitoring of the contract was not adequate during the fiscal year. The contract required the broker to randomly audit 10% of the NET providers' supporting documentation per trip to validate a completed service and to verify that submitted charges were correct and to provide a corresponding quarterly report; however, this was not done. There was not an after-the-fact review or audit of claims to ensure medical services were actually provided. Also, the Transportation Provider Complaint Grievance and Appeal Evaluation report was not readily accessible. Additionally, the broker favored NET providers that utilized the broker's tablet devices. The broker's policy states the following:

> *Provider Dispatch Method, Preference Determined Based On The Run. Dispatch Methods in order of first to last assigned are defined as:*
>
> > *a. Dedicated Runs: Providers using IntelliRide Tablet devices for dispatch and trip clearing on a specific run.*
> >
> > *b. Overflow Runs: Providers using the Manual dispatch and trip clearing method on a specific run. (Non-tableted dispatch)*

The Agency should take action to determine whether this practice is permissible under § 75-301(2).

During our detail testing of 10 broker claims and the associated NET provider claims, we noted the following:

- For three payments, there was not an associated medical claim in MMIS or in managed care records, resulting in Federal questioned costs of $13 to the broker and $38 to the NET providers. In all instances tested, the recipient signed off on the trip to indicate it actually occurred; however, the medical provider they were transported to did not submit a claim for payment. Therefore, it is possible the recipient obtained a ride but did not actually receive medical treatment, which is not allowable. The broker is not required by the contract to verify that a medical appointment is scheduled when booking non-emergency transportation. However, the contract *does* require an after-the-fact audit, which could identify fraud. The contractor did not perform such audits, and the Agency did not require the contractor to do so.

- Four claims submitted by the NET providers to the broker were not forwarded to the Agency within 10 business days. As a result, the NET providers were not paid timely. The claims were submitted between 8 and 24 days late.

The broker was paid $549,076 in Federal Medicaid funds during the fiscal year. The Federal sample tested for the broker was $40, and errors noted were $13. The dollar error rate was 32.50% ($13/$40), which estimates the potential dollars at risk to be $178,450 for the fiscal year (dollar error multiplied by population).

Cause: Inadequate monitoring by the Agency. The broker did not have to verify with the medical provider that a service was scheduled. All the broker had to do was verify the Medicaid eligibility of the recipient and that the address to which travel was requested belonged to a Medicaid provider. The Agency claimed to be in the process of modifying the State Medicaid claims system, MMIS, to provide the broker with after-the-fact claim information, so the broker could perform audits to ensure transportation was allowable. However, many clients are in managed care. Their transportation claims are in MMIS, but the associated medical claim would be paid by the managed care provider. So, obtaining the MMIS information would be only a partial solution.

Effect: Failure to review claims and providers adequately increases the risk for loss or misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure NET claims are reviewed to ensure medical services actually occurred, providers are paid timely and Federal and State requirements are followed.

Management Response: The Agency agrees with the condition reported.

Finding 2015-066

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: All open, including #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per OMB Circular A-87, allowable costs must be adequately documented and necessary and reasonable. Per the contract with the provider, Section II B(1), the Agency "will provide reimbursement of actual approved costs . . . ." (Emphasis added.)

Condition: The Agency had inadequate supporting documentation for the amounts paid for team behavioral consultations.

Questioned Costs: $72,905 known

Context: During testing, we noted the Agency pays one provider all of its costs for team behavioral consultations. The Federal share was calculated using the percentage of hours provided on behalf of Medicaid-eligible clients. Inadequate procedures were performed to ensure the total costs paid were correct. The Agency verified the totals on the provider's detailed listing recalculate to the invoice amount. If the totals did not agree, an inquiry was made. The Agency also performed several site visits during the year and documented the invoices reviewed. Additionally, the Agency requested supporting documentation for one line item each month. However, we noted the following deficiencies in the Agency's review:

- Salary costs, the largest line item, were not verified, totaling $38,295, Federal share. The Agency also did not verify Payroll Taxes ($3,480), Fidelity and Adherence ($13,140), Rent ($892), or Postage Expense ($113).

- The provider billed a 22% surcharge for indirect charges. The Agency did not have documentation to support the reasonableness of this surcharge ($16,253 Federal share).

- We noted several operating expenditures were allocated 24% to the grant. The Agency did not have documentation to support this allocation was correct.

- We noted the Agency reimbursed the provider for "staff incentives." Per the Agency, these gift cards are distributed to employees of other provider organizations to reward them for attending trainings and following the provider's recommendations. This is not a necessary or reasonable cost. The Agency paid the provider $732 Federal share for staff incentives for the month tested; these are questioned costs.

Total Federal share of payments to the provider during the fiscal year was $1,202,646. The payment tested totaled $90,112 with $72,905, or 81%, questioned costs. A similar finding was noted in the prior two audits.

Cause: The Agency has continued to enhance its monitoring of the total costs, but it did not verify all cost categories reported by the provider to actual invoices, payroll registers, etc.

Effect: Increased risk of loss or misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure amounts paid are adequately supported and in accordance with Federal requirements.

Management Response: The Agency agrees with the condition reported.

Finding 2015-067

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Subrecipient Monitoring

Grant Number & Year: All open, including #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: OMB Circular A-87, Attachment A, § C(1), states that allowable costs must be necessary, reasonable, and adequately documented. OMB Circular A-133 § __.400 (d) provides the following, in relevant part:

> *A pass-through entity shall perform the following for Federal awards it makes . . . (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved . . . . (7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.*

A good internal control plan requires procedures to be in place to ensure claim amounts paid to subrecipients are correct, and discounts allowed are taken.

Condition: The Agency did not have adequate procedures to ensure amounts paid to subrecipients were correct.

Questioned Costs: Unknown

Context: The Agency has contracts with two consortiums that distribute funds to schools based on school claims. Calculated via a random moment time study (RMTS) process, the claims indicate the amount of funds expended by each school to enroll and assist children to access benefits in Medicaid. The Agency reviews the claims to ensure the correct indirect cost rates and Medicaid Eligibility Rates are utilized; however, in the past, the Agency did not perform procedures to ensure total expenditure amounts claimed were correct.

During the year, the Agency hired a contractor to perform a review of the consortiums for the September, October, and November 2013 quarter. The contractor primarily noted issues with the RMTS. Because of this contractor review, the Agency began performing its own quarterly review of consortium claims beginning with the December 2014 through February 2015 quarter. We noted the following:

- Written quarterly reports associated with these reviews do not exist.

- The Agency's procedures require it to review 10% of the school districts each quarter, which would be 25; however, only 17 school districts were reviewed. Per the Agency, that was the first quarter, and an adequate number of schools are now being reviewed.

- The Agency performed an analytical review to ensure costs claimed were correct; however, the Agency did not document the review and the parameters for reasonableness and did not otherwise verify that the costs claimed were correct.

- The Agency did not verify that school-based RMTS observations were correct. Per the Agency, it has only recently obtained access to the RMTS detail for one of the consortiums; for the other, the Agency hopes to obtain access soon.

The Agency paid a total of $10,462,723 in Federal funds to the Nebraska Medicaid Schools Consortium and the Nebraska Association of School Boards (NASB) Medicaid Consortium during the fiscal year, which then distributed the funds to schools.

A similar finding was noted in prior Single Audits.

Cause: The Agency began increased monitoring during the year; procedures are still being refined.

Effect: Without adequate procedures and appropriate follow up, there is an increased risk for fraud or errors to occur.

Recommendation: We recommend the Agency strengthen procedures to ensure school claim payments are accurate.

Management Response: The Agency agrees with the condition reported.

Finding 2015-068

Program: CFDA 93.778 – Medical Assistance Program – Eligibility

Grant Number & Year: #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 42 CFR § 435.916 (October 1, 2014) requires the Agency to redetermine the eligibility of non-MAGI Medicaid beneficiaries at least every 12 months. A good internal control plan requires procedures to ensure eligibility redeterminations are completed every 12 months, as required.

Condition: Medicaid recipients did not have eligibility redeterminations completed every 12 months, and one case was not closed timely.

Questioned Costs: None

Context: Two of 25 Medicaid-managed care recipients tested did not have eligibility redeterminations completed every 12 months; both reviews were one year late. The individuals were determined to be eligible after the late review was complete. Also, during a separate test, we noted one case that was not closed timely. The annual eligibility redetermination due in April 2015 was not completed; the case was not closed until August 2015, two months late. The individual reapplied for Medicaid and was determined eligible, so there were no questioned costs.

A similar finding was noted in our prior audits.

Cause: Worker error, inadequate procedures to ensure reviews are performed on time.

Effect: Without timely eligibility redeterminations, there is an increased risk of improper payments for ineligible recipients.

Recommendation: We recommend the Agency implement procedures to ensure eligibility redeterminations are performed when required, and cases are closed on a timely basis.

Management Response: The Agency agrees with the condition reported.

<u>Finding 2015-069</u>

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Special Tests and Provisions

Grant Number & Year: All open, including #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 42 CFR § 455.1 (October 1, 2014) sets forth the requirements for a State fraud detection and investigation program, including a method to verify whether services reimbursed by Medicaid were actually furnished to beneficiaries. The Agency's Program Integrity Unit performs this function. A good internal control plan requires procedures to ensure cases are reviewed, and appropriate dispositions are made in a timely manner. If reviewers leave the unit, the Agency should timely reassign their cases.

Neb. Rev. Stat. § 84-710 (Reissue 2014) requires receipts for any money belonging to the State to be paid into the State treasury "within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars."

Condition: We noted 4 of 25 Program Integrity cases tested did not comply with Federal and/or State requirements. A similar finding was noted in the prior audit. The Agency did not have any written procedures regarding priority of cases or timely working of cases, other than cases "need to be worked in a timely manner." We also noted that, for 6 of 17 refunds received, checks were not deposited timely.

Questioned Costs: $12 known

Context: One Program Integrity case was not worked for four months. One worker quit, and the case was reassigned to another worker who also quit. Then, the case had to be reassigned again.

One Program Integrity case was discovered in February 2014 by a local office worker but was not forwarded to Program Integrity until August 2014. The Program Integrity worker did not begin working the case until May 2015, because she indicated she was working on higher priority cases. The Agency has not yet determined whether there were any overpayments or fraud.

For two Program Integrity cases, checks received by the Agency were not deposited within three business days, as required by State statute:

Check Amount	Check Received Date	Deposit Date	Days Late
$763 & $723	August 22, 2014 & November 3, 2014	Never deposited*	*
$180	September 4, 2014	Never deposited**	299**

* The first check was returned to the provider because the amount was wrong. The provider then sent in a check for the correct amount but this check was also never deposited, and the Agency eventually set up the overpayment to auto-recoup in MMIS; this was not completed until February 24, 2015.

** A check for $180 was received from a provider who self-disclosed the error. The Agency never deposited the check, because it wanted to determine the overpayment itself; the Agency sent the check back to the provider. The Agency calculated the actual overpayment to be $22 ($12 Federal share) but had not received it as of June 30, 2015; therefore, these are questioned costs.

During testing of 17 refunds, we noted six checks were not deposited timely:

Check Amount	Check Received Date	Deposit Date	Days Late
$1,515	July 21, 2014	October 27, 2014	65
$7,104	October 23, 2014	December 19, 2014	35
$3,526	February 20, 2015	March 27, 2015	22
$1,908	December 22, 2014	January 22, 2015	16
$54,957	December 8, 2014	December 22, 2014	7
$50,987	February 6, 2015	February 19, 2015	5

Cause: Worker error and failing to devote adequate resources to depositing checks and working cases in a timely manner.

Effect: Increased risk for loss or misuse of Federal funds.

Recommendation: We recommend the Agency implement written procedures to ensure cases are worked timely. We further recommend the Agency deposit all checks within timeframes established by State statute.

Management Response: The Agency partially agrees with the condition reported. For the questioned cost of $12 (Federal funds), the refund check was received on November 16, 2015 and delivered to the appropriate staff for entry inclusion in OnBase. The claims were ready for adjustment on November 24, 2015. The OnBase request for the check was also accepted on that date. The funds were applied to the claims on November 30, 2015.

There are no State or Federal requirements that define the prioritization of cases or "timely manner." Staff are aware of the expectations for working cases in a timely manner. Case priorities are assessed as investigations evolve so that resources are used appropriately.

As of August 2015, Program Integrity has a staff of ten investigators, one program specialist, and one staff assistant. Because the number of staff available for investigations has increased, it is anticipated that the amount of time available to work cases will also be increased. The actual time available depends on additional projects assigned to the Program Integrity team and the actual volume of cases referred.

Finding 2015-070

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: #051505NE5MAP, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per OMB Circular A-133, the Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires procedures to ensure amounts are properly charged to Federal programs. Per OMB Circular A-87, allowable costs must be adequately documented.

Condition: We tested one retroactive payment for increased behavioral health capitation rates and noted the amount charged to Medicaid was not correct.

Questioned Costs: $69,592 known

Context: The Agency pays a managed care contractor for behavioral health services for Medicaid and Children's Health Insurance Program (CHIP) recipients. The managed care contractor is paid based on capitated rates. During fiscal year 2015, the Agency paid the contractor based on 2014 capitation rates.

The Agency then made retroactive payments to the managed care contractor for the difference between the 2014 and 2015 rates. We noted retroactive payments paid during fiscal year 2015 totaled $6,879,381. We tested one retroactive payment of $1,198,994 and noted that payments related to CHIP were incorrectly charged to Medicaid. CHIP (CFDA 93.767) is a separate Federal program. This resulted in CHIP being undercharged and Medicaid overcharged. The Federal share overcharged to Medicaid of $69,592 is considered questioned costs.

We also noted the member count of managed care recipients per supporting documentation did not agree to the member count used in the calculation of the retroactive payment. There were 330 more members included in the calculation compared to the support provided. Depending on the capitation category, the contractor may have been overpaid from $181 to $4,442, with Federal share of $96 to $2,366.

Cause: Inadequate review procedures.

Effect: When payments are not adequately reviewed, there is an increased risk of loss or misuse of Federal funds.

Recommendation: We recommend procedures be implemented to ensure the amounts paid are correct and charged to the proper program.

Management Response: The Agency agrees with the condition reported.

LIBRARY COMMISSION

Finding 2015-071

Program: CFDA 45.310 – Grants to States – Subrecipient Monitoring

Grant Number & Year: #LS-00-13-0028-13, FFY 2013; #LS-00-14-0028-14, FFY 2014

Federal Grantor Agency: Institute of Museum and Library Services

Criteria: Title 236 Nebraska Administrative Code (NAC) 2-008.03 states:

> *Funds designated for support of regional multi-type library systems shall be disbursed to the systems according to a formula and guidelines adopted annually by the Commission Board. The formula shall have two parts: an equal base allocation for each system, and an allocation based on an approved system service plan.*

Title 45 CFR § 1183.20(a) (October 1, 2014) states, in part:

> *A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds.*

OMB Circular A-133, § __.400(d) states, in relevant part:

> *A pass-through entity shall perform the following for the Federal awards it makes: (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency.*

OMB Circular A-133 § __.300 states, as is relevant:

> *The auditee shall . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.*

Per OMB Circular A-133 § __.315(a), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings."

OMB Circular A-133 § __.315(b) adds, "The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards."

OMB Circular A-133 § __.315(b)(1) says further, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

OMB Circular A-133 § __.315(b)(2) provides also, "When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken."

Condition: We tested one payment to a regional library system (Central Plains Library System) during State fiscal year ended June 30, 2015, and noted that the process to determine the amount of aid to provide to the system was not approved by the Commission Board, as required by rules and regulations. In addition, we noted the Commission's subrecipient monitoring procedures were not adequate. A similar finding was noted in the prior audit. The summary schedule of prior audit findings states the corrective action plan is complete.

Questioned Costs: Unknown

Context: From July 1, 2014, through December 31, 2014, the State of Nebraska was divided into six regional library systems. On January 1, 2015, the six regional library systems were reconfigured into four regional library systems (Systems). These Systems are non-profit entities governed by boards that are representative of libraries and citizens in the region. The Systems were established to provide access to improved library services. A significant portion of the Systems' funding comes from the Agency through both State and Federal funds. During our testing of an aid payment of $49,411 to Central Plains Library System, we noted that the Board did not approve the process used to determine the amount of aid to provide to the systems in accordance with Title 236 NAC 2-008.03. Instead, the Agency based the aid payments to the regional Systems upon the prior year's funding, plus an amount for increased anticipated expenses of the System.

We also noted that the Agency's subrecipient monitoring procedures could be improved. We noted the following:

- The Agency did not notify the Systems of their award numbers, as required by OMB Circular A-133.

- To monitor the funds received, the Systems were required to submit a plan of service to the Agency that detailed its goals and objectives. The Agency also received a compilation of the Systems' financial statements. Furthermore, the Agency indicated that an Agency staff representative attended all Systems' board meetings. At the board meetings, a detailed listing of System expenditures was provided. This listing was reviewed for allowability; however, the Agency did not compare the expenditure listing to the Systems' financial compilations to ensure no expenditures were left off of the listings provided at the board meetings. Additionally, the Agency did not review support for the expenditures included on the System listings to ensure they were allowable per Federal regulations. The following amounts were paid, from Federal funds, to the regional systems as aid during the time period of July 1, 2014, to June 30, 2015:

CFDA	Grant Number	FY15 Amount
45.310	LS-00-13-0028-13	$ 158,007
45.310	LS-00-14-0028-14	$ 202,276
	Total	$ 360,283

Cause: Unknown

Effect: Noncompliance with Agency's rules and regulations, Federal requirements, as well as an increased risk of loss or misuse of Federal funds.

Recommendation: We recommend the Agency follow established rules and regulations and ensure its Board approves the formula and guidelines used to calculate funding to the regional Systems, as required by Title 236 NAC 2-008.03. Additionally, we recommend the Agency notify the Systems of the grant information, as required by OMB Circular A-133. Finally, we recommend the Agency strengthen its monitoring procedures by comparing the Systems' detailed expenditure listings to the compiled financial statements and implementing procedures to review support for these expenditures to ensure they are allowable in accordance with Federal requirements.

> **Management Response:** The Commission has reviewed requirements as described in Title 236 of the Nebraska Administrative Code and applicable OMB documents and will comply with those requirements as they relate to library system funding and financial monitoring.

<u>Finding 2015-072</u>

Program: CFDA 45.310 – Grants to States – Allowability

Grant Number & Year: #LS-00-13-0028-13, FFY 2013; #LS-00-14-0028-14, FFY 2014

Federal Grantor Agency: Institute of Museum and Library Services

Criteria: OMB Circular A-87, Attachment B, § 8(h)(4) & (5), states, in relevant part:

> *(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:*
>
> *(a) More than one Federal award,*
> *(b) A Federal award and a non Federal award,*
> *(c) An indirect cost activity and a direct cost activity,*
> *(d) Two or more indirect activities which are allocated using different allocation bases, or*
> *(e) An unallowable activity and a direct or indirect cost activity.*
>
> *(5) Personnel activity reports or equivalent documentation must meet the following standards:*
>
> *(a) They must reflect an after the fact distribution of the actual activity of each employee,*
> *(b) They must account for the total activity for which each employee is compensated,*
> *(c) They must be prepared at least monthly and must coincide with one or more pay periods, and*
> *(d) They must be signed by the employee.*
> *(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards . . . .*

Per OMB Circular A-133 § __.315(a), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings."

OMB Circular A-133 § __.315(b) adds, "The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards."

OMB Circular A-133 § __.315(b)(1) says further, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

OMB Circular A-133 § __.315(b)(2) provides also, "When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken."

Condition: We selected one employee whose payroll was coded between State and Federal activities and noted the Agency did not have proper documentation to support time charged to Federal programs when employees worked on multiple activities. A similar finding was noted in the prior audit. The summary schedule of prior audit findings states the corrective action plan is complete.

Questioned Costs: Unknown

Context: Upon inquiry with the Agency, it was determined that seven Agency staff were charging time to both a Federal award and a non-Federal award during the fiscal year. The Agency did not have adequate documentation supporting the percentage split between Federal and non-Federal programs. The Agency indicated Federal time charged was estimated based on staff discussions related to employees' job responsibilities. The following table summarizes, by grant number, the gross wages paid to the seven staff members from July 1, 2014, to June 30, 2015:

CFDA	Grant Number	Amount
45.310	LS-00-13-0028-13	$ 62,722
45.310	LS-00-14-0028-14	$ 92,472
	Total	$ 155,194

Cause: Unknown, although the Agency was made aware of the requirement during the prior year Single Audit.

Effect: Increased risk for misuse of grant funds.

Recommendation: We recommend the Agency implement procedures to ensure proper documentation for all staff paid with Federal grants is on file in accordance with Federal regulations.

Management Response: A corrective action plan is being formulated to comply with OMB Circular A-87 and the more recent OMB Super Circular. The Super Circular states that personnel costs may be applied to a federal award as long as the amounts are reasonable, in line with the nonfederal entity's written policies and allocated between federal and nonfederal activities. Documentation should exist that accurately describes the work performed and the internal control system. Salaries and wages for nonexempt employees must be supported by records indicating the total number of hours worked each day. If estimates are used to charge salaries and wages to federal awards during interim periods, a review process must be established to ensure the estimate is based on reasonable approximations of actual activity.

Finding 2015-073

Program: CFDA 45.310 – Grants to States – Allowability, Earmarking & Reporting

Grant Number & Year: #LS-00-13-0028-13, FFY 2013

Federal Grantor Agency: Institute of Museum and Library Services (IMLS)

Criteria: 20 USC § 9132(a) (2014), relating to Subchapter II – Library Services and Technology, states:

Not more than 4 percent of the total amount of funds received under this subchapter for any fiscal year by a State may be used for administrative costs.

According to 45 CFR § 1183.20(b)(2) (October 1, 2014):

Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially- assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Per OMB Circular A-87, Attachment A, § C(3)(a):

A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

A good internal control plan requires procedures to ensure amounts reported to the Federal awarding agency are accurate and properly supported.

Per OMB Circular A-133 § __.315(a), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings."

OMB Circular A-133 § __.315(b) adds, "The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards."

OMB Circular A-133 § __.315(b)(1) says further, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

OMB Circular A-133 § __.315(b)(2) provides also, "When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken."

Condition: The Agency did not have adequate documentation to support that it was in compliance with the requirement that no more than four percent of the Federal grant award be used for administrative expenses. A similar finding was noted in the prior audit. The summary schedule of prior audit findings states the corrective action plan is complete.

Questioned Costs: Unknown

Context: IMLS granted the Commission $1,346,312 for the 2013 Library Services and Technology Act (LSTA) grant, of which $53,852 or four percent of the granted amount could be used on administering the grant. On the final financial status report submitted by the Commission for the 2013 grant, it was noted that the Commission spent the maximum amount on administrative costs or $53,852. Per the Commission's support, administrative costs incurred included $46,628 in payroll and $7,224 in other operating expenditures. We also noted payroll, operating expenditures, travel expenditures, and capital outlay expenditures were reported as program costs. For the 2013 LSTA grant, the agency reported payroll of $868,117, operating expenditures of $68,868, travel expenditures of $17,857, capital outlays of $737, and aid payments of $390,732 for a total of $1,346,312. The Agency lacked documentation to support that payroll, operating, travel, and capital outlay expenditures were allowable program costs rather than administrative costs. If these types of program costs were included as administrative cost, the Agency would have been over its four percent cap.

Cause: Unknown

Effect: Increased risk of noncompliance with Federal requirements and increased risk of loss or misuse of Federal funds.

Recommendation: We recommend the Commission work with IMLS to determine what qualifies as administrative costs and what qualifies as program costs.

> **Management Response:** A corrective action plan is being formulated to comply with OMB Circular A-87 and the more recent OMB Super Circular. The Super Circular states that salaries of administrative and clerical staff are direct costs if the activities are integral to a project or activity, if the individuals can be identified with the project or activity, if the costs are included in the budget, and if the costs are not also recovered as indirect costs.

DEPARTMENT OF ROADS

Finding 2015-074

Program: CFDA 20.509 – Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring

Grant Number & Year: All open grants, including NE-18-X036, FFY 2013 and NE-18-X040, FFY 2014

Federal Grantor Agency: U.S. Department of Transportation

Criteria: OMB Circular A-87 requires costs to be reasonable, necessary, and adequately supported.

OMB Circular A-133 § __.400(d) states in part:

> *A pass-through entity shall perform the following for the Federal awards it makes:*
>
> *(1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.*
>
> *(2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.*
>
> *(3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.*

Per OMB Circular A-133, § __.300, an Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires procedures to ensure subrecipients use Federal awards in accordance with Federal compliance requirements.

Per OMB Circular A-133 § __.315(a), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings."

OMB Circular A-133 § __.315(b) adds, "The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards."

OMB Circular A-133 § __.315(b)(1) says further, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

OMB Circular A-133 § __.315(b)(2) provides also, "When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken."

Condition: The Agency did not have adequate procedures to monitor subrecipient compliance with Federal laws and regulations. The Agency did not have adequate documentation on file to support that payments made to subrecipients were for allowable activities and in accordance with allowable cost principles. A similar finding was noted in the prior audit. The summary schedule of prior audit findings states the corrective action plan is complete.

Questioned Costs: $111,807 known

Context: We tested 23 payments to subrecipients totaling $263,197. Documentation on file included only worksheets prepared by the subrecipient. The Agency did perform financial desk reviews of expense reimbursement requests submitted by the subrecipients; however, not all subrecipients were reviewed during State fiscal year 2015. Additionally, the reviews did not include an examination of all expenses noted on the reimbursement document, and adequate documentation was not obtained for personnel expenses.

For 21 payments, totaling $111,807, adequate supporting documentation was not obtained and reviewed by the Agency.

- Seven payments to five subrecipients did not have supporting documentation on file, and no desk review was performed during the fiscal year.

- Fourteen payments to 12 subrecipients did not have supporting documentation on file, but a desk review was performed. However, the review was not adequate to ensure charges were proper and in accordance with Federal requirements. For example, a subrecipient who received $43,419 during the fiscal year had a desk review that examined only $104. Another subrecipient who received $251,778 during the fiscal year had a desk review that examined $17,160, of which $14,457 was payroll. However, the Agency did not obtain timesheets or documentation to verify the time charged to the grant was correct and in accordance with Federal requirements.

We also noted for eight of eight subrecipients tested:

- The Agency did not have procedures in place to make subrecipients aware of the CFDA title and number in the award letter or the award agreement. For three subrecipients tested, the CFDA title and number were not included in the award letter or agreement. For the remaining five subrecipients tested, the CFDA title was not included. Three of these additional subrecipients also did not have a desk review performed during the fiscal year.

Aid payments to subrecipients for fiscal year 2015 totaled $5,853,877 to 62 subrecipients. Based on the sample tested, the dollar error rate was 42.48% ($111,807/$263,197), which estimates the potential dollars at risk for fiscal year 2015 to be $2,486,727 (dollar error rate multiplied by population).

Cause: Inadequate procedures and documentation. The Agency improved monitoring procedures during the fiscal year by implementing desk reviews on a limited basis; however, the reviews were not adequate to ensure subrecipient costs were in accordance with Federal requirements.

Effect: There is an increased risk for errors or fraud to occur and not be detected.

Recommendation: We recommend the Agency improve procedures to ensure subrecipient expenditures are allowable and in accordance with Federal regulations. We further recommend the Agency inform subrecipients of award information, including CFDA title and number.

> **Management Response:** NDOR does not concur with the questioned costs finding. NDOR implemented a financial desktop review procedure in response to the FYE 06/30/13 audit report. In NDOR's response during that exit interview, the corrective action plan indicated a review would be conducted of 25% of subrecipients per year. In fiscal year 2015, over 30 transit systems (from a total of 60 systems) received an in-depth review of expenses with a total of 56 reviews conducted.
>
> The financial desktop review procedure was presented to FTA auditors during the State Management Review in July 2015 and found to be acceptable. Furthermore, when presented during the FYE 06/30/13 exit interview, NDOR received no comments from the state auditors requesting that the corrective action plan be revised.
>
> The agreements reviewed which lacked the CFDA number were prepared prior to NDOR putting a process in place to ensure the information is included.

APA Response: The corrective action plan submitted by the Agency in the prior audit did not indicate NDOR intended to review 25% of subrecipients. As noted in our prior audit, responses were not subjected to auditing procedures, and we express no opinion on the responses. Additionally, APA does not agree that an in-depth review of the subrecipients was performed during fiscal year 2015. As noted above, documentation was not obtained to support payroll charges, and some subrecipients received minimal coverage.

Finding 2015-075

Program: CFDA 20.509 – Formula Grants for Rural Areas and ARRA Formula Grants for Rural Areas – Reporting

Grant Number & Year: NE-18-X036, FFY 2013; NE-18-X040, FFY 2014; NE-86-X001 (ARRA)

Federal Grantor Agency: U.S. Department of Transportation

Criteria: A good internal control plan includes procedures to ensure Federal reports are accurate and submitted in accordance with regulations.

2 CFR § 170, Appendix A, § I(a)(1), (January 1, 2014) states:

> *Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates $25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512 (a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5) for a subaward to an entity (see definitions in paragraph e. of this award term).*

2 CFR § 170, Appendix A, § I(a)(2)(ii), (January 1, 2014) states:

> *For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)*

Per 49 CFR § 18.20(a)(1) (October 1, 2014), fiscal control and accounting procedures of the State must be sufficient to permit preparation of required reports.

Per OMB Circular A-133 § __.315(a), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings."

OMB Circular A-133 § __.315(b) adds, "The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards."

OMB Circular A-133 § __.315(b)(1) says further, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

OMB Circular A-133 § __.315(b)(2) provides also, "When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken."

Condition: The Agency did not report subawards, as required by the Federal Funding Accountability and Transparency Act (FFATA). The Agency did not accurately report expenditures on the Federal Financial Reports (FFR). Additionally, the Agency did not accurately report key line items on the National Transit Database (NTD) Report and did not complete a NTD report for one subrecipient. A similar finding was noted in the prior audit. The summary schedule of prior audit findings states the corrective action plan is complete.

Questioned Costs: None

Context: We noted the following:

- The Agency did not report subawards required by FFATA during State fiscal year 2015. Subrecipients received $5,853,877 in Federal aid during the fiscal year. Subawards of $25,000 and greater are required to be reported through the Federal Subaward Reporting System (FSRS).

- The Federal Share of Expenditures was not accurately reported for the one of three FFRs tested. The annual FFR submitted for the NE-18-X036 grant did not properly include expenditures for the last month of the period and also improperly included expenditures for the month prior to the reporting period.

Period Ended	Line Item	Reported	Actual	Variance
Sept. 2014	Period Expenditures	$ 4,667,293	$ 4,501,085	$ 166,208
Sept. 2014	Cumulative Expenditures	$ 6,574,299	$ 6,580,496	$ (6,197)

- The Recipient Share of Expenditures reported on the annual NE-18-X036 FFR totaled $2,590,041; however, this amount was an estimate and not the actual recipient share of expenditures. The actual recipient share could not be determined by the Agency. The Agency allowed subrecipients to use two match rates for operating assistance (50% match for operating costs and 20% match non-operating and capital). As all operating assistance was coded the same, the Agency selected a sample of reimbursement requests to estimate the recipient share of expenditures.

- The FFY2014 3rd Quarter ARRA FFR included $38,970 in expenditures from January 2014. These expenditures should have been identified and included on the FFY2014 2nd Quarter ARRA FFR.

- The FFY2015 1st Quarter ARRA FFR included $65,174 in expenditures from September 2014. These expenditures should have been identified and included on the FFY2014 4th Quarter ARRA FFR.

- For two of eight NTD Reports reviewed, key line items were not reported accurately. One NTD report noted "Revenue from Operations" as "Revenue from Capital." Thus, overstating revenue from capital and understating revenue from operations by $25,924.

  The second NTD report included the purchase of a vehicle totaling $48,614 ($38,891 Federal funds and $9,723 local funds) as both "Funds Expended on Capital" and "Funds Expended on Operations." This resulted in Funds Expended for Operations being overstated by $48,614. The report also included the local share of $9,723 in both the "Local Funds Expended on Operations" and "Local Funds Expended on Capital." This resulted in the Local Funds Expended on Operations to be overstated by $9,723.

- We also noted the Agency did not submit a NTD Report for one subrecipient as required.

A similar finding was noted during the prior audit.

Cause: The Agency indicated it was aware of FFATA reporting requirements but did not start reporting subawards until August 2015. For the FFRs, the Agency used Federal billings submitted during the period instead of expenditures during the period. The Agency did not have a system in place to account accurately for the Recipient Share of Expenditures. Finally, the NTD reporting issues were data entry errors, including not submitting the NTD report for one subrecipient as required.

Effect: Inaccurate reporting could result in Federal sanctions.

Recommendation: We recommend the Agency implement procedures to ensure all reports are accurate, complete, and submitted as required.

Management Response: FFATA reports are being submitted in a timely manner. Please note, this was also a finding during the July State Management Review conducted by FTA. The procedure that we currently have in place to submit reports was acceptable to FTA and the finding was closed.

During the reporting period that was reviewed, the National Transit Database was in the process of being completely replaced by new software. Data entry was difficult, the new system was unpredictable and technical assistance was not always available. NDOR attributes the missing subrecipient report to this circumstance.

The expenditures reported for the periods tested were paid properly to the sub-recipient. The variances calculated were reconciled with the final FFR and FTA closed the grant without comment.

The Federal funds reported on the FFR were accurate as they were actual expenditures paid at the allowable Federal participation rates for operating and non-operating expenditures. The Controller Division will determine a method of retrieving total expenditures for an FFR reporting period that is accurate.

Finding 2015-076

Program: CFDA 20.509 – Formula Grants for Rural Areas – Suspension and Debarment

Grant Number & Year: All open grants, including NE-18-X036, FFY 2013 and NE-18-X040, FFY 2014

Federal Grantor Agency: U.S. Department of Transportation

Criteria: Per 2 CFR § 180.300 (January 1, 2014), "When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified." This is done by checking the Excluded Parties List System (EPLS), collecting a certification from that person, or adding a clause or condition to the covered transaction with that person.

Per OMB Circular A-133 § __.315(a), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings."

OMB Circular A-133 § __.315(b) adds, "The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards."

OMB Circular A-133 § __.315(b)(1) says further, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

OMB Circular A-133 § __.315(b)(2) provides also, "When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken."

Per OMB Circular A-133, § __.300, an Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls.

Condition: The Agency did not have procedures in place to review the excluded parties list prior to awarding funds. A review of the excluded parties list was performed for the subrecipients tested; however, it was done after the funds were awarded. A similar finding was noted in the prior audit. The summary schedule of prior audit findings states the corrective action plan is complete.

Questioned Costs: None

Context: Eight subrecipients were tested, and none were on the excluded parties listing. The Agency did check their excluded party status; however, it was not done prior to issuing the award, and was not performed during the fiscal year. Aid payments to 62 subrecipients for fiscal year 2015 totaled $5,853,877.

Cause: The Agency did not implement procedures until after the fiscal year ended June 30, 2015.

Effect: There is an increased risk for errors or fraud to occur and not be detected.

Recommendation: We recommend the Agency check the excluded parties list prior to awarding funds.

> **Management Response:** The information reviewed was prior to NDOR having an adequate procedure in place to check the excluded parties list. Please note, this was also a finding during the July State Management Review conducted by FTA. The procedure that we currently have in place to submit reports was acceptable to FTA and the finding was closed.

APA Response: As noted, the procedures were not in place during the fiscal year ended June 30, 2015.

AUDITEE SECTION

(This page has been intentionally left blank.)

STATE OF NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Nebraska Department of Economic Development

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-009 2013-006	14.228	Community Development Block Grants Reporting	The corrective action plan is partially completed. Procedures were implemented in order to obtain the necessary FFATA information from applicants. The Department has scheduled staff training on FFATA and will provide additional FFATA training information for staff and applicants in July 2015. The process for regular FFATA review was revised and improved during the last quarter of FY 2014. This revised process will be used for FY 2015.
2014-010	14.228	Community Development Block Grants Allowability & Subrecipient Monitoring	The corrective action plan is partially completed. Beginning in last quarter of FY 2014, procedures were developed and implemented in order to gather data on project grantees needing draw down reviews for FY 2014. Policies and procedures also developed for FY 2015 source document review and began in FY 2015. Training for grant recipients was conducted in July 2015.

Nebraska Department of Education

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-011 2013-010 12-13-04	10.558	Child and Adult Care Food Program Eligibility	Corrective action plan is complete.
2014-012 2013-015 12-13-09	84.010	Title I Grants Reporting	Corrective action plan is complete.
2014-013	84.126	Vocational Rehabilitation Grants Reporting	Corrective action plan is complete.
2014-014	84.126	Vocational Rehabilitation Grants Reporting	Corrective action plan is complete.
2014-015	84.126	Vocational Rehabilitation Grants Program Income	Currently working with federal partners to address.

Nebraska Department of Education (Continued)

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-016 2013-013	84.367	Improving Teacher Quality State Grants Special Tests & Provisions	Nebraska Department of Education (NDE) is working with US Department of Education (USDE) to resolve issue. NDE calculated equitable Title II-A amounts for FY2010, FY2011, FY2012, FY 2013, and FY 2014 and submitted to USDE. Phone conversations and emails followed, in which a plan was put in place for remedying any possible under-reservation of funds for equitable services for the listed school years. NDE emailed each public district and nonpublic school for which a shortfall occurred in the amount funds budgeted for the nonpublic school(s). In the letter, attached to the email, two options were provided as ways to reach a solution for the underfunded equitable services amount. 1. An agreement that the Local Educational Agency (LEA) will allocate additional amounts of its Title II-A funds as equitable services in the form of professional development to account for a previous shortfall. Based on consultation, the LEA will set-aside additional funds to address the current needs of the nonpublic school. While efforts should be made to begin providing any shortfall in services to Nonpublic/Private school staff, those services may be provided over the next five fiscal years ending in FY 2019-20; OR 2. An agreement that the LEA does not need to set aside additional Title II-A funds for equitable services for future years. For each LEA that received the memo, NDE is requiring a written response, by July 1, 2015, that includes the following: • Names of the LEA and Nonpublic/Private school(s), including agency id • Date consultation was conducted with the Nonpublic/Private school representative(s) • Names of the Nonpublic/Private school representative(s) and LEA representative(s) who participated in the consultation • The agreed-upon plan to resolve the prior underfunding of Title II-A equitable services • If the LEA and Nonpublic/Private school representative(s) did not agree upon a plan, information that the LEA provided to the private school representative(s) on how they might seek review by NDE

Nebraska Department of Education (Concluded)

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-017	96.001	Social Security Disability Insurance Reporting	As stated in the management response, we disagree that the level of documentation newly expected by Nebraska Auditor of Public Accounts is required either by the US Social Security Administration (SSA) procedures or by generally accepted accounting standards. Nevertheless, we have instituted a process of preserving screen shots of the systems generated computations used as the basis of the periodic reports we submit to SSA. When a convenient opportunity exists to discuss with SSA (the recipient and consumer of the reports in question), SSA's satisfaction with the documentation, we may further refine our procedures. But at present there is no reason to believe that SSA expects a higher level of documentation than has been previously preserved.

Energy Office

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-018	81.042	Weatherization Assistance for Low-Income Persons Allowable Costs	Corrective action plan is complete.
2014-019 2013-018	93.568	Low-Income Home Energy Assistance Eligibility, Earmarking, Subrecipient Monitoring	Corrective action plan is complete.

STATE OF NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Nebraska Department of Health and Human Services

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-020 2013-021 12-25-06	Various 10.551 93.558 93.767	Various SNAP, TANF, CHIP Cash Management	Corrective action plan is not completed. Corrective action plan will be completed by September 30, 2015.
2014-021 2013-020	Various 93.778	Various Medicaid Allowable Costs/Cost Principles	Corrective action plan is not complete. The 2014 Cost Allocation Plan has been drafted and is awaiting submission.
2014-022 2013-025	Various 93.778	Various Medicaid Allowable Costs/Cost Principles	Corrective action plan is not complete. The 2014 Cost Allocation Plan has been drafted and is awaiting submission.
2014-023	93.658 93.556	Foster Care Title IV-E Promoting Safe and Stable Families Allowable Costs/Cost Principles & Matching	Corrective action plan is partially complete. Pre-auditing standards were reiterated to accounting unit staff. Process enhancements need to be documented and implemented.
2014-024 2013-030	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Allowability, Subrecipient Monitoring	Corrective action plan is complete.
2014-025	64.015	Veterans State Nursing Home Care Reporting	Corrective action plan is complete.
2014.026 2013-033 12-25-16 11-25-15 10-25-11	93.044 93.045	Aging Cluster Allowability, Matching, Subrecipient Monitoring	Corrective action plan is partially complete. Monitoring procedures were implemented after June 30, 2015.

STATE OF NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Nebraska Department of Health and Human Services (Continued)

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-027 2013-034 12-25-17 11-25-17 10-25-12	93.044 93.045	Aging Cluster Reporting	Corrective action plan is not complete. Procedures were drafted and implemented after June 30, 2015.
2014-028 2013-035 12-25-18 11-25-16 10-25-13	93.044 93.045 93.053	Aging Cluster Cash Management	Corrective action plan is complete.
2014-029	93.044 93.045 93.053	Aging Cluster Reporting	Corrective action plan is partially complete. Procedures have been drafted but require additional enhancements.
2014-030	93.069	Public Health Emergency Preparedness Reporting	Corrective action plan is complete.
2014-031	93.069 93.889	Public Health Emergency Preparedness, National Bioterrorism Hospital Preparedness Reporting & Matching	Corrective action plan is partially complete. Procedures address matching but do not contain grant specific reporting details.
2014-032	93.069 93.889	Public Health Emergency Preparedness, National Bioterrorism Hospital Preparedness Allowability, Cash Management, Subrecipient Monitoring	Corrective action plan is not complete. Procedures were not fully implemented until after June 30, 2015.

Nebraska Department of Health and Human Services (Continued)

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-033 2013-040 12-25-52	93.283	CDC Investigations and Technical Assistance Period of Availability	Corrective action plan is complete.
2014-034 2013-038 12-25-53	93.283	CDC Investigations and Technical Assistance Allowability, Subrecipient Monitoring	Corrective action plan is complete.
2014-035 2013-036	93.283 93.270	CDC Investigations and Technical Assistance Adult Viral Hepatitis Prevention and Control Reporting	Corrective action plan is not complete. Procedures need to be reviewed and enhanced.
2014-036 2013-047	93.558	TANF Allowability	Corrective action plan is complete.
2014-037 2013-042 12-25-20 11-25-20 10-25-19 09-25-40 08-25-08 07-26-06 06-26-20 05-26-15 05-26-14 04-26-07	93.558	TANF Eligibility	Corrective action plan is complete.
2014-038 2013-043 12-25-21 11-25-24	93.558	TANF Allowability	Corrective action plan is partially complete. Foster care maintenance rates were revised July 2014. The Agency is reviewing Group Home Rates.

Nebraska Department of Health and Human Services (Continued)

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-039 2013-041 12-25-22	93.558	TANF Reporting	Corrective action plan is complete.
2014-040 2013-044 12-25-23 11-25-22	93.558	TANF Reporting	Corrective action plan is complete.
2014-041 2013-046	93.558	TANF Allowability	Corrective action plan is complete.
2014-042 2013-048 12-25-25	93.558	TANF Special Tests & Provisions	Corrective action plan is complete.
2014-043	93.558	TANF Special Tests & Provisions	Corrective action plan is complete.
2014-044 2013-050 12-25-26	93.568	Low-Income Home Energy Assistance Allowability & Eligibility	Corrective action plan is partially complete. Internal audits are ongoing.
2014-045 2013-049 12-25-27	93.568	Low-Income Home Energy Assistance Earmarking	Corrective action plan is partially complete. Internal audits are ongoing and procedures need to be drafted.
2014-046	93.568	Low-Income Home Energy Assistance Reporting	Corrective action plan is not complete. Procedures need to be drafted and implemented.
2014-047 2013-051	93.568	Low-Income Home Energy Assistance Reporting	Corrective action plan is partially complete. Procedures have been drafted, but not all sub awards have been reported.

Nebraska Department of Health and Human Services (Continued)

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-048 2013-052	93.568	Low-Income Home Energy Assistance Reporting	Corrective action plan is partially complete. Discussions are ongoing with the Nebraska Energy Office. Additional review of data used for household report is required.
2014-049 2013-049 12-25-27	93.568	Low-Income Home Energy Assistance Reporting	Corrective action plan is not complete. Procedures need to be drafted and implemented.
2014-050	93.568	Low-Income Home Energy Assistance Period of Availability	Corrective action plan is not complete. Procedures need to be drafted and implemented.
2014-051 2013-057	93.575 93.596	CCDF Cluster Reporting	Corrective action plan is partially complete. Discussions continue with our federal partner. Procedures need to be drafted and implemented.
2014-052 2013-058	93.575	Child Care Development Block Grant Earmarking	Corrective action plan is partially complete. Procedures have been revised but additional procedures need to be drafted and implemented.
2014-053 2013-056 12-25-31 11-25-31 10-25-28 09-25-35 08-25-12 07-26-12	93.575 93.596	CCDF Cluster Allowability, Eligibility	Corrective action plan is partially complete. State Policy has been revised and procedures have been revised and enhanced, but not implemented until after June 30, 2015.
2014-054 2013-055 12-25-30	93.575 93.596	CCDF Cluster Allowability	Corrective action plan is complete.

Nebraska Department of Health and Human Services (Continued)

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-055 2013-059 12-25-32 11-25-32	93.575 93.596	CCDF Cluster Special Tests & Provisions	Corrective action plan is partially complete. Monitoring procedures yet to be implemented.
2014-056 2013-060 12-25-33 11-25-33	93.575 93.596	CCDF Cluster Special Tests & Provisions	Corrective action plan is partially complete. Procedures will be drafted and implemented.
2014-057	93.575 93.596	CCDF Cluster Reporting	Corrective action plan is partially complete. Procedures will be drafted and implemented.
2014-058	93.658	Foster Care Title IV-E Special Tests & Provisions	Corrective action plan is partially complete. Foster care maintenance rates were revised July 2014. The Agency is reviewing Group Home Rates.
2014-059 2013-061 12-25-34 11-25-34 11-25-35 11-25-36 10-25-29 10-25-30 10-25-31 09-25-18 08-25-13 07-26-13 06-26-28 05-26-04 04-26-01 03-26-01	93.658	Foster Care Title IV-E Allowability, Eligibility	Corrective action plan is complete.

Nebraska Department of Health and Human Services (Continued)

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-060 2013-062	93.658	Foster Care Title IV-E Allowability, Eligibility, Reporting	Corrective action plan is partially complete. Procedures will be drafted and implemented.
2014-061 2013-063 12-25-36 11-25-39	93.659	Adoption Assistance Allowability, Eligibility	Corrective action plan is complete.
2014-062	93.667	Social Services Block Grant Period of Availability	Corrective action plan is partially complete. Policy has been drafted but not fully implemented.
2014-063 2013-065 12-25-37 11-25-40 10-25-32 09-25-15 08-25-18 07-26-16	93.667	Social Services Block Grant Allowability	Corrective action plan is complete.
2014-064 2013-066 12-25-38	93.767	Children’s Health Insurance Program Reporting	Corrective action plan is partially completed. Reconciliation procedures continue to be enhanced. System change requests scheduled to be implemented December, 2015. Prior quarter reconciliations continue.
2014-065 2013-068 12-25-40 11-25-43 10-25-38 09-25-06 08-25-21 07-26-22 06-26-07	93.778	Medicaid Matching, Reporting	Corrective action plan is partially complete. Reconciliation procedures continue to be enhanced. Prior quarter reconciliations continue.

Nebraska Department of Health and Human Services (Continued)

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-066 2013-080	93.778	Medicaid Allowability	Corrective action plan is complete.
2014-067	93.778	Medicaid Allowability, Eligibility	Corrective action plan is partially complete. Provider bulletin and form updates have yet to be finalized.
2014-068 2013-069	93.778	Medicaid Eligibility	Corrective action plan is complete.
2014-069 2013-074 12-25-43 11-25-45 10-25-37 09-25-11	93.778	Medicaid Allowability, Eligibility	Corrective action plan is complete.
2014-070 2013-070 12-25-46 11-25-48 10-25-39 09-25-10	93.778	Medicaid Period of Availability, Special Tests & Provisions	Corrective action plan is partially complete. Service procurement process has begun. The requisition has been issued.
2014-071 2013-078 12-25-47 11-25-51	93.778	Medicaid Special Tests & Provisions	Corrective action plan is partially complete. Risk assessments and desk audits continue. Once completed, risk assessments will be evaluated for necessity of a field audit.
2014-072 2013-077	93.778	Medicaid Allowability	Corrective action plan is complete.

Nebraska Department of Health and Human Services (Concluded)

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-073 2013-072 12-25-49 11-25-47 10-25-34 09-25-07 08-25-22	93.778	Medicaid Allowability, Subrecipient Monitoring	Corrective action plan is complete.
2014-074 2013-079	93.778	Medicaid Eligibility	Corrective action plan is complete.
2014-075 2013-075 12-25-42	93.778	Medicaid Special Tests & Provisions	Corrective action plan is partially complete. Process enhancements continue. State law amendments continue to be reviewed as well as staff workload and assignments.
2014-076	Various 93.778	Various Medicaid Allowability, Eligibility	Corrective action plan is partially complete. Internal audits are ongoing as well as the implementation of an annual review process.

Nebraska Department of Labor

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-077	17.225	Unemployment Insurance Reporting	We have updated, and continue to update our procedures and reviews in a continued effort to ensure completeness and accuracy. The accounting records are now entirely on Enterprise One and off of QuickBooks. Bank reconciliations are completed monthly. We believe the duplication of revenues has been corrected with interfund transfers (a change in our template).

Nebraska Library Commission

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-078	45.310	Grants to States Allowability	Corrective action plan is complete.
2014-079	45.310	Grants to States Allowability, Earmarking, Reporting	Corrective action plan is complete.
2014-080	45.310	Grants to States Subrecipient Monitoring	Corrective action plan is complete.

STATE OF NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Commission on Law Enforcement and Criminal Justice

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-081 2013-087 12-78-01 11-78-01	16.738	JAG Program Allowability, Subrecipient Monitoring	Corrective action plan is complete.
2014-082 2013-088 12-78-04	16.738	JAG Program Reporting	Corrective action plan is complete.

Nebraska Department of Roads

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-083 2013-094	20.509	Formula Grants for Rural Areas Allowability, Davis-Bacon Act, Suspension & Debarment, Subrecipient Monitoring	Corrective action plan is complete.
2014-084 2013-093	20.509	Formula Grants for Rural Areas Earmarking	Corrective action plan is complete.
2014-085 2013-092	20.509	Formula Grants for Rural Areas Reporting	Corrective action plan is complete.

STATE OF NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Nebraska Supreme Court

Finding Number	Catalog Number	Grant/Finding	Administrative Services/Agency Response Status of Finding
2014-086 2013-096	16.588	Violence Against Women Formula Grants Allowable Costs/Cost Principles	Corrective action plan is complete.

Nebraska Administrative Services
Pete Ricketts, Governor

Byron L. Diamond
Director

Corrective Action Plans

The State of Nebraska Administrative Services respectfully submits the following corrective action plans for the fiscal year ended June 30, 2015. The corrective action plans were prepared by the State agency noted.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

If the U.S. Department of Health and Human Services has questions regarding the corrective action plans, please contact Jerry Broz at 402-471-0600 or jerry.broz@nebraska.gov.

Sincerely yours,

GJBroz

Jerry Broz
State Accounting Administrator

State Accounting Division • Jerry Broz, Administrator
Administrative Services • Suite 1309, State Capitol • P.O. Box 94664 • Lincoln, Nebraska 68509-4664 • Phone: 402-471-2581 • Fax: 402-471-2583

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2015-012

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Cash Management

Corrective Action Plan: Will continue to monitor our processes to ensure Federal grant receipts are recorded correctly.

Contact: Ron Carlson, State Accounting Operations Manager

Anticipated Completion Date: The reconciliation and the resolution of variances will be ongoing.

Finding 2015-013

Program: Various, including CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Corrective Action Plan: Since the beginning of the current fiscal year – 2015-2016 the Agency has taken various steps, see Management Response, to address Internal Service fund balances. Once the final FY2014-2015 numbers are available and the current balances are reviewed, additional steps maybe necessary to further address any excess fund balances.

The Agency is currently working on the development of rates for the new biennium – FY2017-2018, FY2018-2019. This development will include a review of procedures/methodologies, costs (historical and projected) and the creation of documentation to support the rates that will be charged.

Contact: Ann Martinez, DAS Controller

Anticipated Completion Date: Any additional actions or plans that will be determined to be necessary to impact Internal Service fund balances will be completed prior to the end of the fiscal year – June 30, 2016.

Rates for the new biennium will be completed and approved by the middle of June 2016.

DEPARTMENT OF AGRICULTURE

Finding 2015-014

Program: CFDA 10.435 State Mediation Grants; 10.479 Food Safety Cooperative Agreements; 66.605 Performance Partnership Grants; 93.103 Food and Drug Administration Research; 93.448 Food Safety and Security Monitoring Project – Allowable Cost/Cost Principles

Corrective Action Plan: Corrective action has been taken by instructing staff to use the ERS to document time incurred working on Federal grants.

Contact: Robert Storant, Administrator – Finance and Personnel

Anticipated Completion Date: Corrective action has been taken by notifying affected personnel to accurately record their time in the ERS system. The Agency is continuing to look at upgrading our employee time recording system.

DEPARTMENT OF ECONOMIC DEVELOPMENT

Finding 2015-015

Program: CFDA 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii – Allowability and Subrecipient Monitoring

Corrective Action Plan: The Agency will continue to complete desktop monitoring; onsite monitoring; and draw down reviews. In addition, the Agency will initiate additional actions to implement a review process that will satisfy this requirement. This includes the development of a "CDBG Funds Disbursement Voucher Documentation" form that will be incorporated into the Agency's monitoring checklists. In addition, after a reasonable sample of draw downs are tested, based on the total invoice amounts and the total number of draws tested, a portion of source documents will be copied and retained by the Agency within the subrecipient project files at the Agency. This source documentation may include, but will not be limited to, time sheets; construction invoices; administration invoices; and vendor payments.

Contact: Brian Gaskill, CDBG Program Manager

Anticipated Completion Date: This modified process will be implemented beginning April 1, 2016 and will be an ongoing process.

DEPARTMENT OF EDUCATION

Finding 2015-016

Program: CFDA 10.558 – Child and Adult Care Food Program (CACFP) – Eligibility

Corrective Action Plan: By April 1, 2016: The Nebraska Department of Education will develop a Verifying Financial Viability form that will be used to determine if a new/renewing institution is financially viable during the application approval process. The form will include questions related to the "Points to Review" from the policy and procedure and program specialist will complete the form as they review applications. The completed form will become part of the institution's permanent file.

April 11, 2016: Staff training on the form and evaluation of the institution's documentation will occur at the monthly staff meeting.

May 1, 2016: The revised policy and procedure will be implemented for program year 2017 application renewal period.

Contact: Sharon L. Davis, Director Nutrition Services

Anticipated Completion Date: October 1, 2016

Finding 2015-017

Program: CFDA 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Program Income

Corrective Action Plan: Program income will be spent as it is received via a journal entry in Enterprise One.

Contact: Cathy Callaway, Administrative Specialist II

Anticipated Completion Date: Immediately

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2015-018

Program: Various, including CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Corrective Action Plan: In all subsequent quarters, the Agency has confirmed that total costs flowing into and out of the quarterly cost allocation are equal. The Agency will update the current procedures to include a specific step verifying the total costs into and out of quarterly cost allocation are equal.

Contact: Patrick Werner, Fiscal Project Analyst

Anticipated Completion Date: December 31, 2015

Finding 2015-019

Program: Various, including CFDA 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles & Procurement

Corrective Action Plan: Additional training has already been given to staff reviewing these expenses in the Accounting unit. New contracts with this contractor will have the language terms clarified with regard to the reimbursement of travel related expenses. Additionally, procurement guidelines will be reiterated to the respective DHHS contacts related to this contract.

Contact: Don Swartz, Accounting Unit Manager
Patrick Weber, Chief Financial Officer
Brad Gianakos, Legal Services

Anticipated Completion Date: December 15, 2015

Finding 2015-020

Program: Various, including CFDA 93.568 Low-Income Home Energy Assistance (LIHEAP); CFDA 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP); CFDA 93.658 – Foster Care Title IV-E – Allowable Costs/Cost Principles

Corrective Action Plan: Upon Administrative review of RMTS, the Cost Allocation Unit may request additional information about specific training(s) to determine which program(s) may be selected. Any updates will be added to the established review procedures.

Contact: Patrick Werner, Fiscal Project Analyst

Anticipated Completion Date: December 31, 2015

Finding 2015-021

Program: Various, including CFDA 93.568 Low-Income Home Energy Assistance (LIHEAP); CFDA 93.575 and 93.596 – CCDF Cluster; CFDA 93.558 – Temporary Assistance for Needy Families (TANF); CFDA 93.658 – Foster Care Title IV-E; CFDA 10.561 – State Administrative Grants for the Supplemental Nutrition Assistance Program (SNAP); CFDA 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles

Corrective Action Plan: Formal procedures have been written to guide the process of manually allocating statistics. Additionally, a formalized process for reviewing the quarterly cost allocation has been established.

Contact: Patrick Werner, Fiscal Project Analyst

Anticipated Completion Date: Complete

Finding 2015-022

Program: Various, including CFDA 93.767 – Children's Health Insurance Program (CHIP); CFDA 93.778 – Medical Assistance Program – Cash Management

Corrective Action Plan: The mechanism for monitoring and reconciling expenditures for CHIP and Medicaid programs has been reviewed and determined to require modifications to the quarterly monitoring and reconciliation process. The Agency will modify the procedures to monitor the CHIP program the same as the Medicaid program, on an annual grant basis. Procedures will be developed and cost allocation to these programs will be addressed to ensure the costs are allocated to the appropriate benefiting program based on best practice methodology.

Contact: Barb Hike, Cost Allocation and Grants Management Unit Manager
Don Swartz, Accounting Unit Manager
Patrick Werner, Fiscal Project Analyst
Catherine Matzke, Federal Aid Administrator

Anticipated Completion Date: March 31, 2016

Finding 2015-023

Program: Various, including CFDA 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles

Corrective Action Plan: The Agency will continue to utilize this distribution process and has explained this in detail in the 2016 Public Assistance Cost Allocation Plan (PACAP).

Contact: Don Swartz, Accounting Unit Manager,
Barb Hike, Cost Accounting and Grants Management Unit Manager
Patrick Werner, Fiscal Project Analyst

Anticipated Completion Date: Complete

Finding 2015-024

Program: CFDA 10.551 – Supplemental Nutrition Assistance Program (SNAP) – Allowable Costs/Cost Principles

Corrective Action Plan: The Agency will update regulations to include the treatment of overpayments on Transitional Benefit cases. Effective July 2015, the Repayment Method of an Accounts Receivable (AR) will automatically change when a Responsible Party goes from Closed to Pending or Active in a related program case. This will allow recoupment to begin when the first month of benefits are approved and authorized. NFOCUS created new architecture for correspondences that now stores all demand letters that have been created instead of deleting after a predetermined timeframe. The Agency will add recoupment against TBR SNAP cases to the NAC manual as well as distribute information to Economic Assistance staff.

Contact: Sam Pfister, SNAP Program Manager

Anticipated Completion Date: December 31, 2016

Finding 2015-025

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Allowability, Matching & Subrecipient Monitoring

Corrective Action Plan: Monitoring tools are in place and are provided to the Area Agency on Aging (AAA) one month prior to the monitoring visit. Copies of the reviewed documentation are kept on file at the State Unit on Aging (SUA). Additional monitoring of expenditures is done via a desk audit for each AAA by the Fiscal Program Manager (FPM). The subrecipient Single Audit findings and Financial Statement Reviews done by DHHS Internal Audit are reviewed, and if necessary, additional expenditures are pulled during the on-site monitoring visit to accommodate for programs not audited as a major program by the CPA firm.

Contact: Renee Savidge, Fiscal Program Manager

Anticipated Completion Date: Complete

Finding 2015-026

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Reporting

Corrective Action Plan: The clerical errors have been reviewed by management and will be corrected. The Auditors of Public Accounts (APA) noted one error which was not a part of Grants Management's procedure in regards to the Aging semiannual reporting or

AAA reports. We are examining the validity and nature of APA's proposal as it relates to the AAA reports, and will add updates to the reporting process if deemed necessary and appropriate. Review of the before mentioned proposal will include Program personnel, Grants Management personnel and other experts in Aging Program/reporting.

Contact: Marc Crawford, Fiscal Project Analyst

Anticipated Completion Date: June 30, 2016

Finding 2015-027

Program: CFDA 93.069 – Public Health Emergency Preparedness; CFDA 93.889 – National Bioterrorism Hospital Preparedness Program – Allowability, Cash Management & Subrecipient Monitoring

Corrective Action Plan: No additional action steps are necessary. During the audit period, changes were implemented at the Program Level to correct previous audit findings covering the same period. As such, all corrective action plans were completed prior to this current audit and no further action is necessary.

Contact: Eric Sergeant, Administrator

Anticipated Completion Date: Complete

Finding 2015-028

Program: CFDA 93.217 – Family Planning Services – Allowability & Program Income & Subrecipient Monitoring

Corrective Action Plan: The Agency will meet with staff of Title X subrecipients that had onsite audits to determine the nature of the audited activities and the allowability of the expenditures for those activities identified by the State Auditor's Office. Additionally, the Agency will develop a corrective action plan for each subrecipient by June 30, 2016 and monitor compliance during FY 2016-2017.

The Agency will also adopt a desk auditing process with the assistance of Internal Audit and implement the desk audit process for subrecipients not having onsite monitoring visit during the FY 2016-2017.

The financial review form used by the contracted financial reviewer will be modified to ensure a more complete and documentable review of the allowability of expenditures according to Office of Population Affairs expectations/Federal requirements.

Contact: Paula Eurek, Administrator

Anticipated Completion Date: June 30, 2016

Finding 2015-029

Program: CFDA 93.217 – Family Planning Services – Cash Management & Subrecipient Monitoring

Corrective Action Plan: Nebraska Reproductive Health will contact the Federal Office of Grants Management through our Regional Program Consultant to obtain a determination on the allowability of the current two month prospective payment procedure. The procedure will be revised based on this consultation.

Contact: Paula Eurek, Administrator

Anticipated Completion Date: June 30, 2016

Finding 2015-030

Program: CFDA 93.217 – Family Planning Services – Reporting

Corrective Action Plan: Grant #FPHPA076128 Final Report Response: The $49,247 Reported amount on line 10i. Total Recipient Share Required was identified on the prior annual FFR as the actual amount of recipient share expenditures. Grants Management took the conservative approach and used this amount which exceeded the required reporting amount of $25,000.

Grant #FPHPA070097 March 31, 2015 Quarterly Report

Response 1: On line 10i. Total Recipient Share Required, Grants Management reported the $750,000 amount of Other Funds.

Response 2: On line 10l. Grants Management reported the Total Federal Program Income Earned amount of $11,795,826, which was supplied by the program area staff. Grants Management will work closely with the Family Planning program staff to ensure that accurate income earned amounts are reported on the FFR.

Contact: Bob Halada, Federal Aid Administrator

Anticipated Completion Date: Complete

Finding 2015-031

Program: CFDA 93.217 – Family Planning Services – Procurement

Corrective Action Plan: Nebraska Reproductive Health will follow State of Nebraska procurement requirements for future contracts including the referenced contract for onsite clinical reviews.

Contact: Paula Eurek, Administrator

Anticipated Completion Date: June 30, 2016

Finding 2015-032

Program: CFDA 93.283 – Center for Disease Control & Prevention – Investigations and Technical Assistance – Allowability, Matching & Subrecipient Monitoring

Corrective Action Plan: The Agency will review established procedures to ensure the required information is included on subaward agreements. The Agency will review the subaward template and determine if additional language is appropriate to include on the template. The Agency will revise established procedures which ensure subrecipient payments are for allowable costs, so that expectations of documentation types are clarified.

Contact: Kay Wenzl, MPA

Anticipated Completion Date: April 30, 2016

Finding 2015-033

Program: CFDA 93.283 – Center for Disease Control & Prevention – Investigations and Technical Assistance – Reporting

Corrective Action Plan: The Agency revised policies and procedures in late Fall 2014 to include more specific details regarding report submission and reporting data only through the budget period of the grant instead of including data through the liquidation period of the grant unless specifically requested to do so by federal agencies or Notice of Award terms and conditions. The Agency implemented these policies and procedures prior to December 31, 2014; however, the Auditor did not test any Federal Financial Reports for this program after implementation.

The Agency also agrees that indirect cost rates were approved after the effective date and previous management decided to implement the indirect cost rate at the federal fiscal year instead of the approved effective date. A policy will be written and implemented to indicate that indirect cost rates are applied based on approved effective dates and not internal Agency management determination.

Contact: Barbra J Hike, Manager – Grants & Cost Accounting

Anticipated Completion Date: June 30, 2016

Finding 2015-034

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowable Costs/Cost Principles, Eligibility & Special Tests and Provisions

Corrective Action Plan: During the fall of 2015, the Agency began assigning ADC cash assistance cases to Social Service Workers in units specializing in TANF benefits. As cases were assigned to staff, TANF Policy Staff provided one-on-one training as well as ongoing support to those staff members and their supervisors. The Agency believes assigning caseloads will result in improved management of TANF cases due to supervisory monitoring of SSW's activity.

Contact: Betty Toelle, TANF Program Manager

Anticipated Completion Date: June 30, 2016

Finding 2015-035

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Corrective Action Plan: In November 2015, the Agency began conducting monthly reviews of a random sample of paid claims for all Child Welfare contracted service providers to verify that source documentation submitted by the providers supports the payments made to the providers. Upon receipt of source documentation that is inconsistent or inaccurate with what was paid, or in any way does not support the payment, and is not related to a reporting format, the Agency will disallow the claim and will initiate action to recoup the payment. The Agency recognizes that an independent child welfare rate study has not been completed since 1995 and is currently exploring options to conduct its own independent rate study for child welfare services. The Division of Children and Family Services will work closely with the Financial Services in developing these plans and options.

Contact: Doug Kreifels, CFS Financial Officer

Anticipated Completion Date: Monthly audits of sample paid claims began in November 2015 and will continue on an ongoing basis. The target date for the implementation of an independent rate study is July 1, 2017.

Finding 2015-036

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Corrective Action Plan: The Agency continues to complete a random review of approximately 85 supportive service claims each month. In addition, we conduct a monthly review of paid claims to assure supporting documentation matches the amount of the paid claim. We continuously review our Supportive Services Guide to improve the quality of services and assure they are issued in accordance with State and Federal requirements.

Contact: Betty Toelle, TANF Program Manager

Anticipated Completion Date: Complete

Finding 2015-037

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Reporting

Corrective Action Plan: Staff assigned to the review had not been provided with specific guidelines to follow when reviewing line items. The Agency has been provided with a list of such guidelines which we will begin using with February 2016 reviews of line items.

Contact: Betty Toelle, TANF Program Manager

Anticipated Completion Date: March 31, 2016

Finding 2015-038

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Reporting

Corrective Action Plan: One of the two errors was discovered by DHHS Grants Management and corrected prior to this audit and requires no further corrective action. The other error will be corrected in the grant reporting for the quarter ended 12/31/2015, due Tuesday, February 16, 2016. Because TANF reporting is cumulative, the two errors have a zero dollar impact. DHHS Grants Management will continue to review and improve procedures as necessary to reduce the possibility of clerical errors in reporting.

Contact: Patrick Werner, Fiscal Project Analyst

Anticipated Completion Date: February 16, 2016

Finding 2015-039

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Special Tests and Provisions

Corrective Action Plan: The Agency will continue to monitor the report of CSE Sanctions Not Imposed and will take steps to ensure the report provides the information that is necessary for consistent monitoring. Assignment of ADC cases will also improve the timeliness of action. The Agency is revising refresher training on all ADC sanctions, including CSE sanctions.

Contact: Betty Toelle, TANF Program Manager

Anticipated Completion Date: June 30, 2016

Finding 2015-040

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Corrective Action Plan: Effective 7/1/2016 the Agency's agreements with EF Providers will become subawards. Policy staff will be provided with training in subrecipient monitoring requirements.

Contact: Teri Chasten, Economic Assistance Policy Chief

Anticipated Completion Date: June 30, 2016

Finding 2015-041

Program: CFDA 93.568 – Low-Income Home Energy Assistance – Allowability & Eligibility

Corrective Action Plan: Field staff training will be conducted for instances where the workers issued payments to those households living in public housing. The regulations have been updated for the ineligible household members. Quality controls have been put into place to guarantee the payment charts in the State Plan match those in NFOCUS.

Contact: Karma Stockwell, Program Manager

Anticipated Completion Date: June 30, 2016

Finding 2015-042

Program: CFDA 93.568 – Low-Income Home Energy Assistance – Reporting

Corrective Action Plan: The Agency has been aware of this issue and has been working with the Federal HHS to alleviate it. In the 2015 household report this issue has been alleviated due to the Nebraska Energy Office collecting social security numbers. The 2015 Household Report has unduplicated numbers.

Contact: Karma Stockwell, Program Manager

Anticipated Completion Date: Complete

Finding 2015-043

Program: CFDA 93.568 – Low-Income Home Energy Assistance – Reporting

Corrective Action Plan: All remaining 2015 subawards will be reported and Program Staff will work with Grants Management to ensure the reporting is done timely in the future.

Contact: Barb Hike, Cost Allocation and Grants Management Unit Manager
Karma Stockwell, Program Manager

Anticipated Completion Date: June 30, 2016

Finding 2015-044

Program: CFDA 93.568 – Low-Income Home Energy Assistance – Period of Availability

Corrective Action Plan: Agency Program Staff has been working with Grants Management to create subsidiary codes for fan purchases. Grants management is working on closing out prior year grants timely to ensure expenditures will be charged correctly.

Contact: Barb Hike, Cost Allocation and Grants Management Unit Manager
Karma Stockwell, Program Manager

Anticipated Completion Date: Complete

Finding 2015-045

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Allowability and Eligibility

Corrective Action Plan: The Agency restructured the organization of Resource Development (RD) workers. Effective 1-1-16, RD workers became specialized in child care only, report to one supervisor, and are now under the Child Care and Development Fund (CCDF) Program Manager. The Agency is currently working on revising processes, creating standardized templates, and will provide a statewide training for all RD workers regarding billing, background checks, monitoring, and provider Subsidy Agreements. The Agency will evaluate the current day and hour rate schedule. The Agency is currently reviewing policy and making revisions to NAC 392 to align with new federal requirements, which will address some of these audit findings. Field staff will be provided trainings, tools and tips.

Contact: Nicole Vint, Program Manager

Anticipated Completion Date: June 30, 2016

Finding 2015-046

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Reporting

Corrective Action Plan: The Agency has and will continue to work hand in hand with the Administration for Children and Families (ACF) to resolve questions/concerns from the past and enhance processes and procedures to ensure accurate reporting as well as appropriate and accurate claiming of expenditures. A significant amount of changes have occurred over the course of the last 18 - 20 months based on the cooperative effort by both the Agency and ACF through weekly, biweekly and now monthly telephone conference calls, on site visits, and selected targeted meetings/areas. The complexity of the Child Care Cluster which includes two CFDA numbers, funding spent through memorandum of understanding by Nebraska Department of Education (NDE), funding from other federal funds (TANF) and the specific requirements necessary to meet the requirements and regulations including 5 categories of funding (aid, administration, subawards, NDE and licensure) have been addressed in an order based on the cooperative decisions with the Agency and ACF. Due to the complexity of these issues and grants, resolution has taken time and much effort by all parties involved.

Additionally, the Agency does not have resources committed to only this grant cluster of funding to correct and fix reporting and journal entries.

It was the Agency's decision to have FFY15 grant award follow new procedures for claiming expenditures and reporting of the actual expenditures on a cash basis in full rather than claim accrual based for administrative expenditures and cash basis for aid expenditures. This decision was supported by ACF until further clarification and work could be completed in identification of administrative expenditures, how these expenditures are compiled and allocated through DHHS Cost Allocation Plan and how shared Field office administrative expenditures are distributed by program prior to the quarterly Cost Allocation process.

It was also the Agency's decision, with ACF support, to work on grants most recent first and then move to older grant years. Thus reporting quarterly for grant years that were not corrected in business unit and expenditures reviewed was determined to serve no purpose since the Agency could not defend the claiming on the reports without completing a review of all expenditures by year and source (NDE, TANF, Admin, etc.)

Through the extensive work the Agency has completed to date, it was determined that business units were incorrectly categorized as targeted funds or non-targeted funds for the FFY13 and FFY14 grant years. Once this determination was completed, all expenditures were reviewed and properly categorized. This information was shared with the APA and this is represented in the charts of this report.

FFY15 clerical errors in reporting for 3/31/15 quarter are attributable to the lack of staff available to specifically be assigned grant reporting and reconciliation. These reports are cumulative and were corrected with the 6/30/15 report submission.

The Agency continues to make significant progress in the Restricted Draw process and is expected to be removed from this process and have processes and procedures implemented to reduce the possibility of errors by September 30, 2016.

Contact: Barbra J Hike, Manager – Grants & Cost Accounting

Anticipated Completion Date: September 30, 2016

Finding 2015-047

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Special Tests and Provisions

Corrective Action Plan: The Agency's Special Investigation Unit (SIU) will develop procedures to monitor child care investigations on at least a quarterly basis to ensure timeliness. The Financial Responsibility Unit will continue to ensure consistency in the treatment of those receivable accounts which age to greater than 90 days overdue. IS & T have updated their monthly reporting so that staff now have CCDF accounts receivable visibility to pursue accounts for further action.

Contact: Jana McDonough, SIU Program Manager
Craig Barnett, Administrator, Financial Responsibility Unit

Anticipated Completion Date: June 30, 2016

Finding 2015-048

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Reporting

Corrective Action Plan: The Agency will continue to report actual expenditures going forward and will update SEFA procedures to reflect this more accurate methodology. The Agency however, would suggest the revision to SEFA (with the exception of the journal entry corrections) should be corrected for 2014 if a correction is to be made.

Contact: Barbra J Hike, Manager – Grants & Cost Accounting

Anticipated Completion Date: June 30, 2016

Finding 2015-049

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Reporting

Corrective Action Plan: In response to the restricted draw, the Agency worked in cooperation with both DAS - State Accounting and the Administration for Children and Family (ACF) to develop the current process for claiming administrative expenditures. To discontinue this process as recommended in the audit would be overly burdensome and not feasible. This was already outlined, discussed, and approved by our ACF as demonstrated by federal approval of administrative expenditure reports and draws. The Agency acknowledges internally processing contributed to additional delays in federal draws and has already taken steps to improve the timeliness of drawdowns as noted in the auditor's table.

The Agency will make all necessary adjustments to ensure accurate account balances are reflected in the accounting systems. Additionally, the Agency will work with DAS - State Accounting to develop policies and procedures for reconciling grant expenditures recorded in the accounting system to federal drawdowns.

Contact: Patrick Weber, Chief Financial Officer

Anticipated Completion Date: June 30, 2016

Finding 2015-050

Program: CFDA 93.658 – Foster Care Title IV-E – Special Tests & Provisions

Corrective Action Plan: The State Plan will be amended to include specific periods for review of foster care and congregate care rates every three years. The Agency collaborated with Nebraska's Foster Care Rate Committee of the Children's Commission to establish a methodology for determining the proper allocation of costs for the maintenance portion of the rate, the administrative portion of the rate, and for other services associated with the delivery of congregate care. The Agency submitted a Group Home Rate Determination Methodology to the Administration for Children and Families (ACF) on December 22, 2015. The Agency received draft decision language on 02-08-2016 indicating that our group home rate submission appears to resolve the group home rate issues cited in the 2013 audit finding. We are just awaiting ACF/Children's Bureau language clarifications to address the auditor's statement about "profit."

Contact: Doug Kreifels, CFS Financial Officer

Anticipated Completion Date: June 30, 2016

Finding 2015-051

Program: CFDA 93.658 – Foster Care Title IV-E – Allowability and Eligibility

Corrective Action Plan: The Agency restructured the organization of Resource Development (RD) workers. Effective 1-1-16, RD workers became specialized in child care only, report to one supervisor, and are now under the Child Care and Development Fund (CCDF) Program Manager. The Agency is currently working on revising processes, creating standardized templates, and will provide a statewide training for all RD workers regarding billing, background checks, monitoring, and provider Subsidy Agreements. The Agency will evaluate the current day and hour rate schedule.

Contact: Nanette Simmons, Administrator DHHS – Division of Children and Family Services

Anticipated Completion Date: June 30, 2016

Finding 2015-052

Program: CFDA 93.658 – Foster Care Title IV-E – Subrecipient Monitoring

Corrective Action Plan: The Agency's CFS Contract Monitoring will check a random sample from each Agency Supported Foster Care (ASFC) contractor claims for payment, on a monthly basis, and ask the ASFC contractor for source documentation indicating that the ASFC contractor made payment to the foster parent within that sample in accordance with the agreement entered into between the contractor and the foster parent. The Contract Monitoring team will notify the Division Financial Officer of any instances where the foster parents did not receive payment and take action to correct the payment issue with the ASFC contractor. The Contract Monitoring team will create a quarterly report of samples, any missed payments and actions taken by DCFS to correct the payment issue.

Contact: Ross Manhart, Administrator DHHS – Division of Children and Family Services

Anticipated Completion Date: March 31, 2016

Finding 2015-053

Program: CFDA 93.658 – Foster Care Title IV-E – Reporting

Corrective Action Plan: Although the Agency agrees that there was a clerical error in the reporting of the cumulative tracking figures, these are not an error in reporting expenditures for claiming, but an error in the tracking of the cumulative five year project. Since these figures are cumulative over the life of the project, if an error occurs once, it will be an error for each subsequent report until corrected. The Agency does take exception to the condition the Auditors noted indicating that this tracking section of the report is material or warrants a finding. The Cumulative numbers will be corrected with the assistance of the Federal Partners and tracking numbers will be reconciled quarterly in the future.

Contact: Barbra J Hike, Manager – Grants & Cost Accounting

Anticipated Completion Date: June 30, 2016

Finding 2015-054

Program: CFDA 93.659 – Adoption Assistance – Allowability & Eligibility

Corrective Action Plan: The Agency will initiate recoupment of overpayments. The Agency will initiate targeted refresher training for staff who were involved in any audit findings. This targeted refresher training will be provided by Central Office Adoption Program Specialist, and the IV-E Program Specialist.

Contact: Nanette Simmons, Administrator DHHS – Division of Children and Family Services

Anticipated Completion Date: May 31, 2016

Finding 2015-055

Program: CFDA 93.659 – Adoption Assistance – Reporting

Corrective Action Plan: The Agency will reconcile the Adoption Assistance Program grant to the accounting system and reports.

Contact: Barbra J Hike, Manager – Grants & Cost Accounting

Anticipated Completion Date: June 30, 2016

Finding 2015-056

Program: CFDA 93.667 – Social Services Block Grant (SSBG) – Allowability

Corrective Action Plan: The Agency will update the Social Services to the Aged and Disabled (SSAD) Transportation Job Aid for the field staff by clarifying when out of town shopping can be allowed for eligible individuals who do not have stores in their community to meet their needs. In addition, the service authorization descriptions on the Job Aid will be updated. Once the updates are made to the Job Aid, a memo will be communicated to all necessary staff members notifying them of the changes. Included in the memo will be a reminder of the requirement for of the DSS-2A form. The Agency has also begun a review of the process for obtaining documentation of home delivered meals.

Contact: William Varicak, SSBG Coordinator

Anticipated Completion Date: November 30, 2015

Finding 2015-057

Program: CFDA 93.767 – Children's Health Insurance Program (CHIP) – Allowability & Eligibility

Corrective Action Plan: The Agency developed a system change to correctly identify the Medicaid cases where CHIP claiming is allowed. This system change will be implemented in April 2016. A report is also being generated to identify which cases may have been incorrectly claimed. With this report, a journal entry will be entered to correct any found claims.

Contact: Catherine Gekas-Steeby, Administrator

Anticipated Completion Date: May 31, 2016

Finding 2015-058

Program: CFDA 93.767 – Children's Health Insurance Program (CHIP) – Eligibility

Corrective Action Plan: A report has been run to determine if there are current cases with overdue reviews. Identified cases have been assigned out to ensure a review is completed. Program Accuracy Specialists (PAS) will develop a tip sheet for field staff regarding the process for completing reviews and updating review tracking. The tip sheet will be distributed state-wide and posted to SharePoint.

An NFOCUS alert for overdue reviews will also be created. Detailed business requirements have been developed to address renewals in the new Medicaid eligibility system, to be implemented March 2017.

Contact: Catherine Gekas-Steeby, Administrator

Anticipated Completion Date: March 31, 2016

Finding 2015-059

Program: CFDA 93.778 – Medical Assistance Program – Matching & Reporting

Corrective Action Plan: The reconciliation process established in early SFY 2014 has continued to be a work in progress with improvements made each quarter. The current reconciliation process now identifies transactional level inconsistencies. Corrections/adjustments to the CMS-64 working file for identified issues are made in the quarter of discovery.

To ensure reconciling items are resolved, each quarter the CMS-64 preparer, the accountant responsible for reconciling the CMS-64, and the FAPA Administrator will meet to discuss reconciling items to ensure any necessary follow-up action is completed. During the quarterly meeting, the team will review reconciling items, determine the party responsible for follow-up action, and track the items as they are completed.

This process has been implemented in January of 2016 (to discuss QE 9/30/2015) and will continue to evolve as we learn more. The eventual goal is for the meeting to be held prior to CMS onsite visits to ensure the State has discussed follow up action to differences noted between the State's accounting system and the amounts reported on the CMS-64.

Contact: Kim Collins, Financial and Program Analysis Unit Manager
Jared Jelinek, Accountant III
John Burns, Program Analyst

Anticipated Completion Date: Continuous

Finding 2015-060

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: The Agency will continue to enhance existing internal controls related to this program and adopt additional controls as warranted. The Agency will pursue collection of overpayments in accordance with DHHS Collection Policy, NAC, and Federal guidance.

Contact: Karen Gatherer, Deputy Director, Finance & Program Integrity

Anticipated Completion Date: June 30, 2016

Finding 2015-061

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Eligibility

Corrective Action Plan: To meet State and Federal supporting documentation requirements the decision was made to change the Provider Record of Service form from the MC-39 back to the previously used form MC-37. This required developing a Provider Bulletin (15-30), drafting several revisions, obtaining approval and sending out the form in a mass mailing September 1, 2015, with an October 15, 2015 effective date. Prior to obtaining approval on the updated form, Resource Development administrative staff were informed of the change to be prepared for incoming questions from providers.

Additional items noted by the auditor, such as, mathematical errors, overbilling or billing in excess of services authorized will be addressed in a random sample post-audit of claims to be done by this unit. A new report was created to pull these claims and staff selected to work on processing the post-audit of claims. The staff will be able to manually check for Third Party Liability in the MMIS system.

The auditor noted that, "The Agency did not check to see if the private insurance would have paid for the PAS." On three (3) of the cases noted as having private insurance, all of the policies were limited benefit policies. These included multiple cancer benefit policies, a hospital indemnity, and Medicare Advantage policy (excluding prescriptions). These limited benefit policies would not have covered PAS services and are generally purchased as a spend down to meet Medicaid income requirements.

PAS claims are paid out of the N-FOCUS system, which does not have the system capability to edit against Third Party Liability information contained in the MMIS. The Agency will continue to analyze the feasibility of moving the PAS claims payment function to the current MMIS or include in the scope of the MMIS replacement project.

Contact: Deb Flower, Program Specialist
Catherine Gekas-Steeby, Administrator II

Anticipated Completion Date: April 29, 2016

Finding 2015-062

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: A summary of issues found in the Single Audit will be distributed to all AD (Aged and Disabled) Local Level Agency Supervisors. Updated training will be conducted for AD Waiver staff regarding service authorizations and billing practices. Additionally, Local Level On-Site and HCBS Off-Site Section C (Claims) file reviews will continue on an on-going basis per the HCBS Waiver Local Level Supervisory On-Site Review Process and the HCBS Waivers HCBS Unit Off-Site Review Process.

Contact: Kim Ono, Program Manager II

Anticipated Completion Date: April 30, 2016

Finding 2015-063

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: The Agency will implement procedures to ensure final adjustments for critical access hospitals' inpatient and outpatient rates are performed timely. The anticipated completion date for 2007 final adjustments is June 30, 2016. The Department has procured the services of Navigant to rebase all inpatient rates for non-critical and critical access hospitals. The anticipated completion date of the rebasing project is June 30, 2016.

Contact: Jerad Jelinek (for Critical Access Hospital Final Adjustment/Settlement)
Flora Coan (Rebasing)

Anticipated Completion Date: June 30, 2017

Finding 2015-064

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: The Department has contracted with Myers and Stauffer, an outside accounting firm, to complete nine field audits of Nursing Homes and ICD/DD providers. The audit report will be available on or before June 30, 2016. Based on the result of the audit, the Department will determine if additional field audits are necessary.

Contact: Dale Shallenberger, Auditor Supervisor

Anticipated Completion Date: June 30, 2016

Finding 2015-065

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: The Agency will meet and work with IntelliRide to address these issues. A monthly reporting system that will monitor the NET Broker has been implemented. This will be ongoing for the duration of the contract.

A revision to IntelliRide's Auto Trip Assignment Policy has been requested for Department approval. The new policy will be compliant with Neb. Rev. Stat. § 75-301(2). The revised IntelliRide Auto Trip Assignment Policy was approved and implemented on January 6, 2016.

All IntelliRide policies will be reviewed and updated as needed to ensure compliance with the contract and State and Federal requirements. This will be completed during monthly meetings between the Contract Manager and IntelliRide management staff.

A system change request (SCR) is being written for Department approval to develop the claims file that will allow IntelliRide to audit the 10% of trips as stated in the contract on a monthly basis to ensure that trips were to a Medicaid approved provider.

Contact: Bill Wisell, Program Specialist – Contract Manager

Anticipated Completion Date: June 30, 2016

Finding 2015-066

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: The Agency will expand the current procedures to include documentation from the provider on salary costs, payroll taxes, Fidelity and Adherence, Rent and Postage Expense. In the December, 2015 on-site audit, all line item invoices and payments were reviewed for the month of March 2015, including salary, payroll taxes, rent, and postage expenses. The Agency will further evaluate this program and its contracts to determine any enhancements.

Contact: Kim McFarland, Program Coordinator

Anticipated Completion Date: June 30, 2016

Finding 2015-067

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Subrecipient Monitoring

Corrective Action Plan: A written report has been completed of the Spring 2015 quarterly review. Additionally, the Agency put a review process in place, looking at 10% of the total number of school districts in Nebraska to begin with the Spring 2015 quarter.

Five percent of the Random Moment Time Study (RMTS) samples for each consortium and in relation to applicable quarters will now be reviewed beginning with the Fall 2015 quarter sample data. The Fall quarter will be reviewed in January 2016. The Agency is currently receiving RMTS detail via Excel from Go Solutions and working to receive electronic access to their database for real time data. Procedures to review, assess, and verify reasonableness of costs have been put in place to be fully tested for the Fall 2015 quarter. Please see the revised NEBMAC (Nebraska Medicaid Administrative Claim) Procedures for reviewing quarterly claims.

Contact: Angie Ludemann, Program Manager

Anticipated Completion Date: February 1, 2016

Finding 2015-068

Program: CFDA 93.778 – Medical Assistance Program – Eligibility

Corrective Action Plan: A report has been run to determine if there are current cases with overdue reviews. Identified cases have been assigned out to ensure a review is completed. Program accuracy specialists (PAS) will develop a tip sheet for field staff regarding the process for completing reviews and updating review tracking. The tip sheet will be distributed state-wide and posted to SharePoint.

Contact: Catherine Gekas Steeby, Administrator II

Anticipated Completion Date: March 31, 2016

Finding 2015-069

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Special Tests and Provisions

Corrective Action Plan: The Finance and Accounting Units have recently implemented a check handling and immediate deposit process. Program Integrity has requested training and has attempted to follow the process. It is anticipated that this process will decrease the length of time it takes to deposit a check.

Contact: Anne Harvey, Program Manager II

Anticipated Completion Date: Continuous

Finding 2015-070

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: The March 2015 payments that were incorrectly paid out of Medicaid funds for CHIP eligible will be corrected by journal entries. The Federal and State Medicaid funds will be backed out of the original business units and then applied to the CHIP business units using the enhanced Federal match rate. The corrections to the funding will be reported to CMS through the CMS-64.

The process for determining and calculating the retroactive rate reconciliations had been changed since the time that the March 2015 was incorrectly made. The current process requires DHHS Financial and Program Analysis staff to create the reconciliation from payment data, rather than the enrollment reports that were used by MLTC staff to create the incorrect reconciliations.

Contact: Dannie Elwood, Managed Care
Emi Giles, Financial Services

Anticipated Completion Date: April 30, 2016

LIBRARY COMMISSION

Finding 2015-071

Program: CFDA 45.310 – Grants to States – Subrecipient Monitoring

Corrective Action Plan: The Commission will present a funding proposal for Commission Board approval prior to the beginning of the next fiscal year. The Commission will compare the Systems' detailed expenditure listings to compiled financial statements and implement procedures to review supporting material for these expenditures. The Commission will notify the Systems of their award numbers as required by OMB Circular A-133.

Contact: Rod Wagner, Director, or Richard Miller, Library Development Director

Anticipated Completion Date: May 2016

Finding 2015-072

Program: CFDA 45.310 – Grants to States – Allowability

Corrective Action Plan: The Commission will implement a plan to obtain Personnel Activity Reports from staff whose payroll is coded between state and federal activities. These reports will be dated after-the-fact records that account for total activity for which the employee is compensated. They will be completed biweekly and signed by the affected employees, and will coincide with biweekly time periods. The Commission will periodically review the reports to assure that activities support budget estimates used for interim accounting purposes; if there are significant differences, the Commission will reset percentage distribution of total activities.

Contact: Jerry Breazile, Business Manager

Anticipated Completion Date: Implementation will begin on or before the biweekly payroll period beginning on April 6, 2016.

Finding 2015-073

Program: CFDA 45.310 – Grants to States – Allowability, Earmarking & Reporting

Corrective Action Plan: Administrative costs are restricted to no more than four percent of the granted amount. All expenditures from the federal grant are currently being used for projects and activities except for a portion of the Director's salary (25%) and applicable costs from his office that are applied to administrative costs of managing the federal grant. The percentage will be supported and evaluated with a Personnel Activity Report that shall be completed biweekly coinciding with biweekly time periods. The Commission will periodically review the report to assure that activities support budget estimates used for interim accounting purposes; if there are significant differences, the Commission will reset the percentage distribution.

Contact: Jerry Breazile, Business Manager

Anticipated Completion Date: Identification of appropriate administrative costs of administering the federal grant are currently in place; implementation of the Personnel Activity Report process will begin on or before the biweekly payroll period beginning on April 6, 2016.

DEPARTMENT OF ROADS

Finding 2015-074

Program: CFDA 20.509 – Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring

Corrective Action Plan: NDOR will include more frequent reviews of personnel costs on operating assistance invoices as suggested. The financial desktop review procedure will continue as currently conducted until, and if, FTA finds the process to be deficient.

Procedures are in place to review agreements prior to routing to ensure the CFDA and other Federal grant information is included.

Contact: Kari Ruse

Anticipated Completion Date: Completed

Finding 2015-075

Program: CFDA 20.509 – Formula Grants for Rural Areas and ARRA Formula Grants for Rural Areas – Reporting

Corrective Action Plan: FFATA Report – Continue to submit FFATA reports by the deadline.

FFR Submittals – The expenditures reported for the periods tested were paid properly to the sub-recipient. The variances calculated were reconciled with the final FFR and FTA closed the grant without comment.

The Federal funds reported on the FFR were accurate as they were actual expenditures paid at the allowable Federal participation rates for operating and non-operating expenditures. The Controller Division will determine a method of retrieving total expenditures for an FFR reporting period that is accurate.

NTD Report – Data for the NTD report is now collected through an online invoice submittal system. The data is more accurate and accessible. NDOR anticipates that our improved data collection efforts will reduce the minimal errors identified during this review.

Contact: FFATA Report – Kari Ruse
FFR Submittals – Frank Faughn
NTD Report – Kari Ruse and Teddy Pika

Anticipated Completion Date: Completed

Finding 2015-076

Program: CFDA 20.509 – Formula Grants for Rural Areas – Suspension and Debarment

Corrective Action Plan: Continue to check the excluded parties list as per our current procedure.

Contact: Kari Ruse

Anticipated Completion Date: Completed