ATTESTATION REPORT
OF THE
NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED

JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Issued on May 23, 2016

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BACKGROUND

The Commission for the Blind and Visually Impaired (Commission) was established as a separate agency on July 1, 2000. Prior to that time, a program in the Department of Health and Human Services provided services for the blind and visually impaired. The Commission was created to improve the autonomy and quality of existing services for blind and visually impaired people and to promote the development of new services when necessary.

The Commission is headquartered in Lincoln with offices in Kearney, Scottsbluff, North Platte, Norfolk, and Omaha. Rehabilitation counselors and teachers provide or purchase vocational rehabilitation services for persons whose defective sight limits their vocational abilities and independent living. Services include diagnostic evaluations, counseling and guidance, physical restoration, training, maintenance, job placements, tuition, and business entry expense reimbursement. The Commission provides orientation and adjustment training necessary for independent living. The Commission also contracted radio and telephone accessed reading services to provide resources otherwise only available in print and other services provided by consumers and consumer groups.

The Commission Board has five members appointed by the Governor. The Commission's Board members must have reasonable knowledge or experience in issues related to blindness and are appointed for four-year terms. At least three Commission Board members must be blind persons. One member must be a member or designee of the National Federal of the Blind (NFB) of Nebraska; one member must be a member or designee of the American Council of the Blind (ACB) of Nebraska; and one member may be a member of another consumer organization for the blind. Commission Board members receive a per diem of $70 for each day spent in the performance of their official duties and are reimbursed for expenses.

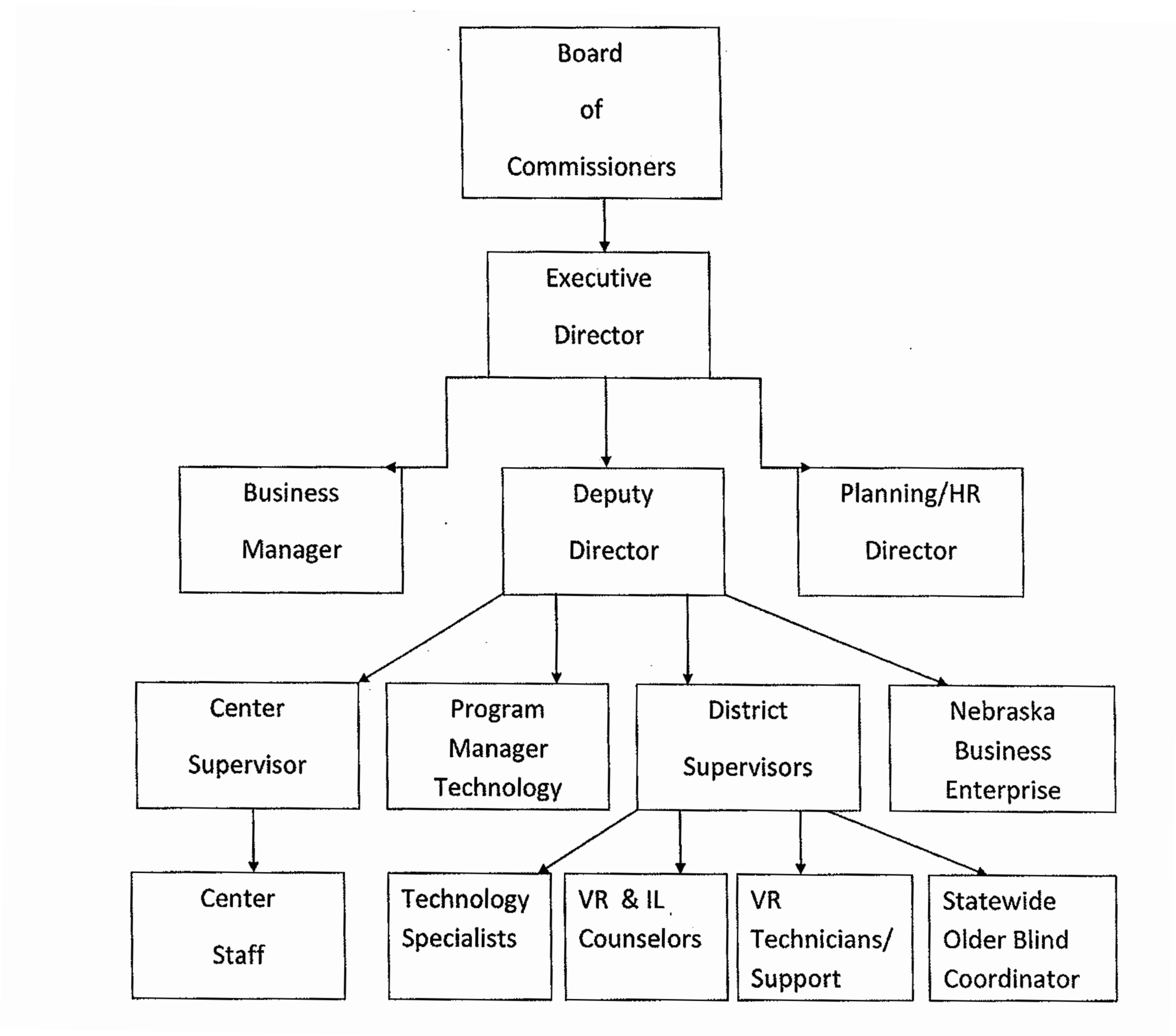
Commission Board Member	Position	Appointed	Term Expires
Chad Bell	Blind Consumer	01/01/2016	12/31/2019*
Mark Bulger	ACB Rep. / Blind	01/01/2016	12/31/2019*
Robert Newman	Blind Consumer	12/31/2014	12/31/2017
Becky Rieken	Parent of Blind Consumer	01/01/2014	12/31/2017
Mike Hansen	NFB Rep. / Blind	09/25/2009	12/31/2019
James Jirak	ACB Rep. / Blind	12/31/2007	12/31/2015
Julie Johnson	Blind Consumer	12/31/2007	12/31/2015

*New members replacing James Jirak and Julie Johnson.

MISSION STATEMENT

Empowering blind individuals, promoting opportunities, and building belief in the blind.

ORGANIZATIONAL CHART



EXIT CONFERENCE

An exit conference was held May 6, 2016, with the Nebraska Commission for the Blind and Visually Impaired (Commission) to discuss the results of our examination. Those in attendance for the Commission were:

NAME	TITLE
Dr. Pearl Van Zandt	Executive Director
Carlos Serván	Deputy Director
Michael Hansen	Chairman of the Board
Bill Brown	Business Manager III

SUMMARY OF COMMENTS

During our examination of the Nebraska Commission for the Blind and Visually Impaired (Commission), we noted certain deficiencies and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Aid Payment Documentation:*** The Commission did not always have adequate documentation on file to support aid payments to clients and also lacked documentation to support that the Commission had received the lowest price for equipment purchases for clients.

2. ***Medical Documentation:*** The Commission did not have medical documentation on file or other certifying evidence of existing or potential visual impairment in determining client eligibility for Independent Living clients, as required by Neb. Rev. Stat. § 71-8609 (Reissue 2009).

3. ***Social Security Administration Reimbursements:*** In our review of a Commission's request for reimbursement from the Social Security Administration (SSA), we noted the reimbursement by the SSA was reduced from that submitted by the Commission. The Commission did not have procedures to ensure amounts reduced by the SSA would be reviewed to determine whether the claim reduction was appropriate. In addition, we noted the Commission did not have a supervisory review of the claim process to ensure claims are processed for all eligible clients and that claims processed are accurate.

4. ***Client Allowance:*** In our review of payments to clients for allowances, we noted State warrants were issued for relatively small amounts, and allowances were distributed to clients without receipts supporting what was purchased.

5. ***Capital and Other Assets:*** In our review of asset procedures and records, we noted several issues, including the following: a lack of segregation of duties; a lack of timely review of asset reports; information not correctly entered into the accounting system; a lack of supporting documentation; sale or destruction of assets not deposited into the fund of origination; and assets not properly identified as Property of the State of Nebraska.

6. ***Internal Control Over Receipts:*** In our review of the Commission's receipt process and records, we noted several issues, including the following: a lack of segregation of duties; a lack of accounting for client supply items sold or provided to clients as aid; receipts not deposited timely; and a lack of initial control over monies received in the mail.

7. ***Board Review of Transactions:*** There was an overall lack of monitoring of the accounting activities of the Commission by the Board.

8. ***Expenditure Segregation of Duties:*** We noted a lack of segregation of duties over the expenditure process.

SUMMARY OF COMMENTS
(Concluded)

9. ***Coding Issues:*** When testing transactions of the Commission, we noted several coding errors.

10. ***Expenditures:*** Contracts were not available on the State's contract data base, as required by State statute, and the Commission did not have procedures in place for bidding for services.

11. ***Legal Review of Contracts:*** The Commission did not have procedures in place for a legal review of contracts.

12. ***Out-of-State Travel Authorization Documentation:*** Documentation for out-of-State travel was not available in accordance with Board directives.

13. ***Mileage Logs:*** We tested three vehicle logs for the month of March 2015 and recalculated two trips for each vehicle. Of the six trips recalculated, we noted two trips did not have a reasonable mileage recorded.

14. ***EnterpriseOne Access:*** In our review of staff access to the EnterpriseOne accounting system, we noted the number of staff who had access to perform certain functions in the system appeared excessive.

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

Draft copies of this report were furnished to the Commission to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

COMMENTS AND RECOMMENDATIONS

1. Aid Payment Documentation

A good internal control plan requires agencies to have adequate supporting documentation on file to support all expenditures, documentation to be maintained to ensure that tools and equipment purchased for clients was actually received by the client, and procedures in place to ensure the lowest price is paid for equipment purchases.

Per OMB Circular A-87, Attachment B, § 3, alcoholic beverages are an unallowable cost that may not be charged to Federal programs.

A memo from the Nebraska Department of Administrative Services (DAS) – Materiel Division, dated June 2, 2014, gave the Nebraska Commission for the Blind and Visually Impaired (Commission) the following purchasing authority:

> *Pursuant to Section 81-161.03, R.S. Cumulative supplement 2007 of the Nebraska Statutes, the Nebraska Commission for the Blind and Visually Impaired is hereby authorized to expend an unlimited dollar amount to make direct purchases for client equipment, services and training. The Commission should, whenever possible, solicit bids from three vendors.*

The Commission is the State's vocational rehabilitation agency for the blind. Their mission/objective is to work to help blind and visually impaired Nebraskans achieve full and rewarding lives through independent living skills and assisting with finding employment in Nebraska and across the country. The Commission uses State and Federal resources to provide aid in the form of services and equipment to clients to achieve this objective.

In our review of 31 aid payments to clients, we noted the following:

- The Commission made a payment to a Nebraska Business Enterprise vendor in the amount of $2,225 for the remainder of her vending inventory and final cash in the register. We noted supporting documentation on file included an inventory listing showing that there was $1,966 in ending inventory and $259 in ending cash in the register for a total of $2,225. However, the vendor that was leaving and the new vendor taking over the operation did not sign the inventory sheet verifying that the inventory was correct.

- The Commission made a payment to Panhandle Independent Living Services (PILS) for four months' payment that totaled $5,168. Per discussion with staff and the director of the Commission, this is something that is included in the State Plan for Independent Living. PILS operates a Center for Independent Living that provides the Core Services identified in the Rehabilitation Act of 1973 (Rehab Act) in an area not served by any Part C funded Centers for Independent Living, which is Rehab Act funding specifically for older blind adults. Per its contract with PILS, the Commission will pay $1,292 a month to help provide independent living services for individuals in the Panhandle area, and the first payment is to be for four months. Through its own Vocational Rehabilitation program (Education – VR program), the Nebraska Department of Education also provides funding to PILS. Per the State plan and the contract between the Commission and PILS, the Education – VR program staff reviews the PILS expenditures on a

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Aid Payment Documentation (Continued)

quarterly basis, and on-site reviews are required on an annual basis. Again, according to staff and the director of the Commission, the amount the Commission must pay is based on the percentage of funds that the Commission receives from the Federal Awarding Agency, and the remaining percentage is paid by the Education – VR program. However, there was no documentation on file to support this statement and, therefore, there was no documentation to support the percentage split between the Commission and the Education – VR program for the total amount paid to PILS. Thus, we were unable to determine that the contract amount paid by the Commission was reasonable.

- For a total cost of $10,346, the Commission purchased a computer, a monitor, and other assistive devices, which were given to a client to help her start a photography business. In purchasing this equipment, the Commission received two quotes; however, the two items were not exactly similar. Per discussion with staff, there is no policy on how client purchases should be handled in terms of determining the best price for the items purchased. Staff also stated that there may be times when multiple bids will be requested for items, but this is not necessarily documented.
    - During review of this client's file, we also noted the client was reimbursed for groceries that were purchased for travel to attend a training conference in Tennessee. Per discussion with staff, the reimbursement for groceries was made because the client had many disabilities and a strict diet; therefore, items were purchased to bring on the trip/drive to the conference. In review of the grocery receipt, it was noted the client was reimbursed for the purchase of two bottles of wine at $5.49 each ($10.98 + $.77 taxes = $11.75). This amount was paid out of the State's general fund but was used as match for Federal grant funds received. Purchase of alcoholic beverages is an unallowable cost.
- For two of nine applicable client files tested, there was no Acceptance and Agreement form on file. Per discussion with staff, this must have been missed during the process since this document should be in the file. The Acceptance and Agreement form is required by the Commission to be completed to document that the client received (by his or her signature) the tools and equipment that was purchased by the Commission for the client. Once the tools and equipment are purchased by the Commission and received by the client, they are no longer State property but are the client's property. Staff also indicated there is a policy that this form be completed for equipment costs of $500 or more, but it is an unwritten policy.

When the Commission does not have adequate supporting documentation on file to support all expenditures, does not maintain documentation to ensure that tools and equipment purchased for clients was actually received by the client, and does not have procedures and documentation in place to ensure the lowest price is paid for equipment purchases, there is a greater risk of fraud or abuse of State and Federal funds.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. <u>Aid Payment Documentation</u> (Concluded)

We recommend:

- The Commission maintain adequate supporting documentation for all expenditures, including the following specific recommendations:

  1) For vendors that are leaving and being paid for their ending inventory, we recommend both the vendor leaving and the new vendor taking over the operation sign the inventory sheet verifying that the inventory was correct.

  2) Obtain and maintain documentation to support the percentage split between the Commission and the Education – VR program for the total amount paid to PILS.

  3) Prepare the Acceptance and Agreement form for all clients who receive tools and equipment from the Commission and develop a written policy, adopted by the Commission, for when the Acceptance and Agreement form would be required.

- The Commission develop a policy on bidding for client equipment purchases. This policy should include the DAS Materiel Division directive that states, "The Commission should, whenever possible, solicit bids from three vendors." We further recommend that the Commission document its bidding process. If three bids are not solicited and received on purchases made by the Commission, the Commission should document the reasons why this was not done.

Commission Response: Agency recognizes the need for adequate documentation for Aid Payments. Nebraska Business Enterprises (NBE) will now require signatures of both ending and new blind vendors to verify Ending/Beginning Product Inventory of NBE facilities. This policy will be enforced and documented consistently. The Contract between PILS and NCBVI ends on September 30, 2016. New federal statute eliminates Part B funding to NCBVI; there will be no further contracts relating to these funds. Preparation of the NCBVI 1, Acceptance and Agreement form will be addressed in policy that requires signature authority, Procurement of Goods and Services, and in accordance with Auditor recommendations.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Medical Documentation

Neb. Rev. Stat. § 71-8609(1) (Reissue 2014) states the following:

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

OMB Circular A-87, Attachment A, § C(1)(c), provides the following, in relevant part:

> *To be allowable under Federal awards, costs must . . . [b]e authorized or not prohibited under State or local laws or regulations.*

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

Of the 40 clients tested, 5 received aid but did not have medical documentation indicating the level of disability in their client files. The Commission did not require medical documentation for the clients of the Independent Living program, and the five clients lacking medical documentation on file were all clients under the Independent Living program.

In our prior attestation review, conducted for the period April 1, 2008, through March 31, 2009, we had the same finding. At that time, the Commission responded as follows:

> *Agency recognizes the need for medical evidence in Vocational Rehabilitation (VR) cases. We will work to make sure that all VR cases have medical documentation or other certifying evidence of existing or potential visual impairment as required (i.e., evidence of being a recipient of Social Security Disability Benefits based on blindness).*
>
> *Independent Living (IL) cases do not require medical evidence by State Statute or Federal Regulation. State statute uses a functional definition of a blind person. NCBVI personnel are authorized to certify individuals as visually impaired for programs such as Talking Books, Radio Talking Book, Newsline for the Blind, and transportation programs, as well as for NCBVI's own services. Agency will review its' processes and assure that all cases have documentation that certifies individuals as eligible before providing services.*
>
> *We will consider a Certification Form, similar to that used by the Library of Congress Talking Books, to be completed by agency staff and to be placed in each client file.*

In our prior attestation review, we recommended the Commission obtain medical evidence of client disability for all clients to document eligibility regardless of the program in which they are participating.

From our review of the case files for the five clients in the Independent Living program, we did not see any documentation that the Commission obtained medical evidence of client disability. We did see an Eligibility Determination Report completed by the Commission staff. This report

COMMENTS AND RECOMMENDATIONS
(Continued)

2. <u>Medical Documentation</u> (Concluded)

is similar to the one we observed during our prior attestation review. We reiterate our position that a certification by staff for eligibility determination for the Independent Living program is insufficient for § 71-8609, which requires "examination from a licensed ophthalmologist or optometrist . . . or . . . other certifying evidence of existing or potential visual impairment as required by the rules and regulations of the commission." The Eligibility Determination Report completed by the Commission staff is not included in the rules and regulations of the Commission.

Without medical documentation on file or "other certifying evidence of existing or potential visual impairment" as required by the Commission's rules and regulations, there is an increased risk the Commission will serve clients who are ineligible for services and will not be in compliance with § 71-8609.

> We again recommend the Commission obtain medical evidence or revise its rules and regulations to provide "other certifying evidence of existing or potential visual impairment" for all clients served, as required by State statute. If a certification by staff is adopted in the Commission's rules and regulations as certifying evidence of existing or potential visual impairment, we recommend that certification include a supervisory review to document that two people were involved in the certification process.

Commission Response: Agency recognizes the need for medical evidence in Vocational Rehabilitation (VR) cases, in accordance with State Statute and Federal Regulations. Caseload Reviews will include assurances that all VR cases have medical documentation or other certifying evidence of existing or potential visual impairment as required (i.e., evidence of being a recipient of Social Security Disability Benefits based on blindness). Independent Living (IL) cases do not require medical evidence by State Statute or Federal Regulation. State statute uses a functional definition of a blind person. NCBVI personnel are authorized to certify individuals as visually impaired for programs such as Talking Books, Radio Talking Book, Newsline for the Blind, and transportation programs, and for NCBVI IL services. A Certification Form will be developed, similar to that used by the Library of Congress Talking Books certifying the person to qualify per State Statute. The form will be completed by agency staff, reviewed and initialed by supervisory staff, and will be placed in each client file.

APA Response: We believe § 71-8609 is clear that a certification by staff for eligibility determination for the Independent Living program is insufficient to meet the requirements of § 71-8609, without the Commission adopting in their rules and regulations to include this as a way of eligibility determination. If a method of certification by staff for eligibility determination is not adopted in the Commission's rules and regulations, then documentation from a medical professional that provides an indication of client disability needs to be obtained in accordance with § 71-8609.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Social Security Administration Reimbursements

The Social Security Administration (SSA) has a program to reimburse the Commission for expenses incurred for certain clients when the Vocational Rehabilitation (VR) services that the Commission provided allowed those individuals to meet SSA's Substantial Gainful Activity (SGA) requirements. For a client to be eligible, the VR services that were provided must have helped that individual obtain a job, and the client must meet SGA income requirements for at least 9 out of 12 months. The reimbursement to the Commission is allowed only for expenses that occurred during the months in which the client was receiving Supplemental Security Income (SSI) benefits. Upon meeting the SGA income requirements, the client would no longer receive SSI benefits.

To receive a reimbursement of client expenditures from SSA, the Commission must submit a claim form to SSA for individuals believed to have met the requirements of the program. On the claim form, the Commission will request reimbursement for all direct expenditures for the client's administrative, counseling, and placement costs during VR, as well as tracking costs after VR, which would cover the time period from when the client was referred to the program to when the client met the SGA requirement.

A good internal control plan would ensure that a reduction of the amount claimed from SSA would be reviewed to determine the propriety of the claim reduction. A good internal control plan would also include a supervisory review of the claim process to ensure claims are processed for all clients who are eligible under the program and that the claims processed are accurate and complete.

In our review of the Commission's process for claiming reimbursement for VR expenditures, we noted the following:

- Based on the claim form and supporting documentation sent to the SSA by the Commission, the SSA will determine which amounts are allowable for reimbursement. According to our understanding of the program and our discussion with staff, some expenditures for which the SSA would not reimburse the Commission are those occurring in months during which the individual did not receive SSI benefits or any requested amount greater than the savings that SSA would receive if the individual were no longer receiving SSI benefits.

  In our review of a claim submitted to SSA for reimbursement for a client by the Commission under this program, we noted the Commission claim was in the amount of $65,907, but SSA reimbursed the Commission for $48,076. Through discussion with staff, it was determined that the Commission does not pursue claims that are partially denied by SSA. Thus, the Commission did not have documentation to support the amount of the claim that was not reimbursed to ensure the SSA reduction of the claim amount was appropriate.

  The Commission received a total of $149,317 for SSA client reimbursement during calendar year 2015.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. <u>Social Security Administration Reimbursements</u> (Concluded)

- We also noted that there was no secondary supervisory review of the claim process to ensure claims are processed for all clients who are eligible under the program and that the claims processed are accurate and complete. The eligibility requirements are complex, and the data to complete a claim can cover multiple years.

When the Commission does not have procedures in place to review a SSA claim reduction, and there is no secondary supervisory review of the claim process, there is a greater risk the Commission is not being reimbursed for all eligible expenses.

> We recommend the Commission implement both a documented review of SSA claim reductions and a documented secondary supervisory review of the claim process to ensure the Commission is reimbursed for all eligible expenses.

Commission Response: Periodic review of NCBVI VR closures between the Agency Administrative Assistant III and the Deputy Director for Client services will be documented to discuss claims that appear to be ready to submit and claim denials to determine resubmission or appeal. Reduction of Claims submitted will be reviewed by Business Manager and Administrative Assistant III to determine appeal options. These conversations will be documented and retained.

4. <u>Client Allowance</u>

Good business practice would include a consideration of an efficient way to distribute allowances to clients, and a good internal control plan would include procedures for requiring clients to turn in receipts for items purchased with such allowances.

In our review of the Commission's procedures over allowance payments to clients, we noted the following:

- While at the Nebraska Center for the Blind, which is administered by the Commission, the clients receive a grocery allowance each month and also may receive an activity allowance for authorized activities. For groceries during the first couple of months, the clients are given a punch card at Ideal Grocery. However, once Center staff believe that the client understands the process, the client is given a State warrant monthly for groceries. In addition, a State warrant is issued for activity allowances. A State warrant for groceries usually amounts to $125 a month. A State warrant for activities varies but is usually for $50 or less. Issuing State warrants for small amounts on a regular basis may not be the most efficient way to distribute these allowances, as issuing such warrants can be costly for the State.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Client Allowance (Concluded)

- When the clients are going to Ideal Grocery, as noted above, they are originally given a punch card and are required to bring back to the Commission receipts noting the groceries purchased. The Commission reviews the receipts and compares them to the invoice from Ideal Grocery to ensure that only allowable items (alcohol and cigarettes prohibited) were purchased. Once given State warrants, however, the clients are no longer required to provide receipts for their purchases.

A similar finding was noted in our attestation report for the period April 1, 2008, through March 31, 2009.

When State warrants are issued for relatively small amounts on a regular basis for client allowances, there is considerable cost to the State in issuing those warrants. When cash allowances are distributed to clients without receipts supporting what was purchased, there is an increased risk for possible misuse of State and Federal funds.

> We recommend the Commission consider setting up a petty cash fund, issuing prepaid cards, or look into other ways to distribute allowances to clients. In addition, we recommend the Commission require receipts from clients for all allowance purchases to ensure purchases are reasonable and necessary.

Commission Response: Agency will work with DAS State Accounting and State Treasury Management to determine if any changes to Allowance warrants are better handled using other methods of payment.

5. Capital and Other Assets

Neb. Rev. Stat. § 81-161.04(2) (Reissue 2014) provides the following, in relevant part:

> *Except as otherwise provided in this subsection, the proceeds of the sales shall be deposited with the State Treasurer and credited to the General Fund unless the using agency certifies to the materiel division that the property was purchased in part or in total from either cash accounts or federal funds or from a percentage of such accounts or funds, in which case the proceeds of the sale to that extent shall be credited to the cash or federal account in the percentage used in originally purchasing the property. The cost of selling surplus property shall be deducted from the proceeds of the surplus property sold.*

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

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

A good internal control plan should require the following:

- An adequate segregation of duties to ensure no one person handles all phases of a transaction from beginning to end;

COMMENTS AND RECOMMENDATIONS
(Continued)

5. <u>Capital and Other Assets</u> (Continued)

- Procedures to ensure asset reports are reviewed and the review is documented and completed timely; and

- Procedures to ensure asset information is correctly entered into the accounting system and adequate supporting documentation is kept on file.

We noted the following related to the Commission's capital assets, which are those assets with a cost of $1,500 or more, and other assets below that threshold:

- The Commission did not maintain an adequate segregation of duties over Commission assets, as one individual maintained and added assets, changed asset information, and initiated the disposal of assets in the accounting system. The same individual also performed the annual inventory. A second individual was capable of performing all the same functions in the accounting system but was not involved in the asset process.

- There was not a documented review of the Asset Integrity Reports or the Additions and Retirements Report. Commission staff indicated they review the Unposted Fixed Asset Transaction Report; however, we noted 12 assets purchased that were on the report between two months to over seven months without being posted to an asset tag number. We also noted several instances of the Commission having initially passed on posting the items as capital assets because the purchase included multiple items that needed to be tagged as separate assets. A journal entry is completed to post each asset with its own tag number. The items we noted were purchased in January 2015 and not posted to an asset tag number until June 2015, or five months later.

- For one capital asset addition tested, we noted the asset cost and fund of purchase were not correctly entered in the accounting system. The total cost of the asset was $2,440; however, only $2,208 was entered as the cost of the asset. When payment for the asset was made, the cost of the asset was split according to the Commission's cost allocation plan, and only a portion of the cost was added as the cost of the asset. The fund of purchase entered in the accounting system for the asset was Fund 40000; however, the payment was made from Fund 48140. We also noted there was no documentation to support the date added as the acquisition date of the asset.

- For one capital asset retirement tested, we noted that $292 in proceeds from the destruction of the asset was not deposited into the asset's fund of origination or into the State's general fund. The asset was recycled, and the proceeds were deposited into the Commission's cash fund; however, the asset was originally paid for with general funds.

- One item, a U2 Braille Sense with an approximate cost of $10,000, was not tagged and included as a Commission asset in the accounting system. According to Commission staff, this item was sent directly to the employee for whose use it was purchased. It was not sent first to the employee who checks all items to ensure what was purchased agrees to what the Commission received and tags those items accordingly.

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Capital and Other Assets (Concluded)

- While walking through the Commission's facilities during testing, we noted items that did not meet the Commission's capitalization level (i.e. tables, chairs, etc.) were not identified as "Property of the State of Nebraska," as required by § 81-1118.02(3).

A similar finding was noted in our attestation report for the period April 1, 2008, through March 31, 2009.

Without procedures to ensure an adequate segregation of duties over Commission assets, there is an increased risk of loss or misuse of those assets. Without a documented and timely review of the asset reports, there is an increased risk of inaccurate capital asset records. When asset information is not correctly entered into the accounting system and supporting documentation is not kept on file, there is an increased risk of inaccurate capital asset records and assets not being properly depreciated. When proceeds from the sale or destruction of assets are not deposited into the fund of origination or the State's general fund, the Commission is not in compliance with State statute. When Commission assets are not properly identified as "Property of the State of Nebraska," the Commission is not in compliance with State statue.

> We recommend the Commission implement an adequate segregation of duties over Commission assets by having a separate individual perform the annual inventory and ensure a documented and timely review of the asset reports is completed. We also recommend the Commission implement procedures to ensure asset information is correctly entered into the accounting system and adequate supporting documentation is kept on file. We further recommend the Commission ensure proceeds from the sale of assets are deposited into the fund of origination or the State's general fund, and Commission assets are properly identified as "Property of the State of Nebraska" in accordance with State statute.

Commission Response: While the agency has a process of posting fixed assets to Fixed Asset transactions that incorporates additional staff into the Fixed Asset process, it is noted that those postings need to occur on a timely basis. The agency is in the process of hiring additional staff who will be involved in the fixed asset process/procedures. Agency will apply surplus proceeds to the fund originating the purchase of each fixed asset. Agency will apply "Property of State of Nebraska" stickers to non-consumable items.

6. Internal Control Over Receipts

Neb. Rev. Stat. § 84-710 (Reissue 2014) states the following, in relevant part:

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

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Internal Control Over Receipts (Continued)

A good internal control plan requires the following:

- An adequate segregation of duties to ensure no one person is in a position both to perpetrate and to conceal errors or irregularities;
- An accounting for client supply items;
- Monies to be receipted when received;
- Amounts receipted to be deposited timely in accordance with State statute; and
- All mail to be opened by two individuals and a log of monies received to be completed and signed to help ensure all receipts coming through the mail are being deposited. This log should then be compared to the deposit by a separate person to document and validate that all receipts received were deposited.

We noted the following related to Commission receipts:

1) The Commission's main office is in Lincoln, Nebraska, but the Commission has five field office locations throughout the State. At each of these locations, the Commission purchases and maintains a stock of client supply items. Supply items include, for example, canes, cane tips, sleep shades, and a wide variety of other items most requested by the visually impaired. These items are provided for sale or can be provided at no cost to clients. If provided at no cost, the items are considered aid, and a purchase order is prepared to record the item as aid in the client's file. Reviewing the Commission's procedures for accounting for these client supply items, we noted the following:

    - There was a lack of segregation of duties in the field offices, as staff was responsible for receipting money for client items sold, entering the amount received into EnterpriseOne, the State's accounting system, and depositing the money in the bank.
    - An accounting for the client supply items purchased to be sold or provided as aid to clients at the Lincoln office and field offices was not maintained, so the Commission was unable to support that all client supply items purchased were properly accounted for, either as receipts deposited or recorded as aid to the client's file.

2) During our testing of receipts, we noted two of five Commission receipts in the amounts of $6,600 and $143 were not deposited timely. During the cash count performed at the Lincoln office, on March 17, 2016, we noted 25 receipts, totaling $2,352, were not deposited timely. The untimely deposits ranged from 1 to 26 days late for the receipt testing and cash count deposit combined.

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Internal Control Over Receipts (Continued)

3) We noted that one staff member in the Lincoln office receives and opens the mail and then distributes that mail to appropriate staff members when the mail includes cash receipts. The staff members then receipt the money in a receipt book and prepare the deposit. A copy of the receipt is mailed out to whoever sent in the monies. However, as noted previously, only one person opens and distributes the mail and, in addition, we noted that no initial log of money received is prepared at the time the mail is opened.

4) We noted that one staff member in the Lincoln office did not enter monies received in the manual receipt book until the monies were to be deposited.

A similar finding was noted in our attestation report for the period April 1, 2008, through March 31, 2009.

When there is not an adequate segregation of duties, there is an increased risk that errors or irregularities will occur and go undetected. When there is a lack of accounting for client supply items sold or provided to clients as aid, there is a greater risk of fraud occurring and irregularities going undetected. When receipts are not deposited timely, the Commission is not in compliance with State statute, and there is greater risk that receipts will be misplaced or lost and remain undetected. When an initial log of monies received is not prepared by two individuals, there is an increased risk that all monies received will not be deposited.

We recommend the following:

1) The Commission develop procedures to ensure accountability over client supply items purchased. Such procedures might include a record of items purchased and a checkout sheet noting the items sold and the items provided as aid, in both dollar amount and quantity. A quarterly inventory of client items might then be done and reconciled to the checkout sheet. For amounts sold, further reconciliation should be done to ensure sales were properly deposited. The quarterly inventory records and reconciliations could then be provided to the Business Manager for review.

2) The Commission deposit receipts timely in accordance with State statute.

3) When the Lincoln office receives cash receipts in the mail, a procedure be developed for two people to open the mail and prepare an initial log of receipts, with both people signing the log to certify that all money received was recorded on the log. This log should then be compared to the deposit by a separate person to document and validate that all cash receipts received were deposited.

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Internal Control Over Receipts (Concluded)

> 4) The Commission record monies received in the manual receipt book upon receipt, instead of waiting until the monies are to be deposited.

Commission Response: Better definition of Agency provided/sold supply items will be provided to staff and items for issuance because of program need or for sale will be separated from supply items for distribution to new contacts. Items for program need/sale will be inventoried and documented as to distribution whether by cash sale or program authorization. Inventory will reflect remaining items. Mail in the Lincoln office will be available to either of two (2) staff at the shared reception desk to open. Staff members opening mail containing checks or cash will have an agency receipt book available and will immediately document any funds received. Receipts will be tracked as to sequential receipts into agency deposits. Deposits will be made in a timely manner complying with state statute.

7. Board Review of Transactions

The Commission Board has created a written job description for the performance of its duties. Item #13 of that job description states, "Commissioners shall receive and read NCBVI (Nebraska Commission for the Blind and Visually Impaired) budgetary information and monitor that process, asking for follow-up materials and/or clarification as needed." A control environment conducive to fair and complete financial reporting includes effective monitoring and review of processes related to policies, procedures, and accounting functions by those charged with governance.

Despite the job description, the Board failed to monitor properly the accounting activities of the Commission. The Board was not involved in the day-to-day operations of the Commission, and Commission staff did not provide detailed information to the Board. This was also noted in our prior attestation review.

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

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

COMMENTS AND RECOMMENDATIONS
(Continued)

7. Board Review of Transactions (Concluded)

Commission Response: At the May 8, 2016 meeting of NCBVI Board of Commissioners, an Audit Committee was formed to identify and recommend to the Board a methodology by which it can more closely monitor the financial activities of the Commission on a regular basis and in accordance with this Audit Recommendation. Any training determined to be desirable by the board will be provided by the appropriate agency staff.

8. Expenditure Segregation of Duties

A good internal control plan requires an adequate segregation of duties to ensure no one person is in a position both to perpetrate and to conceal errors or irregularities.

EnterpriseOne (E1), the State's accounting system, has controls limiting access to and activity within the system. Accounts Payable (AP) function 20 access to E1 allows an employee to prepare, approve, and post expenditure batches. Batch management in E1, if set up properly, segregates the duties so that the person preparing an expenditure document cannot approve and post his/her own document. However, E1 does allow approvers and posters to change information in documents in E1 without the revised information going back to the preparer. E1 allows the approver and poster to change both coding and amounts but not the vendor.

One Commission employee is primarily responsible for performing the pre-audit, approving, and posting the expenditure documents in E1 and reviewing the general ledger to ensure transactions are posted correctly. Given the fact that E1 allows the approver and poster to change coding and amounts on a document without the revised information going back to the preparer, there is a risk of an inappropriate change being made on a document and that change going undetected.

When there is a lack of segregation of duties in the expenditure process, there is an increased risk of errors or irregularities occurring and going undetected.

> We recommend the Business Manager review and document his review of the E1 general ledger on a regular basis to provide further assurance that all Commission expenditures are proper and necessary.

Commission Response: After Business office staff enters, approves, and posts payments, Agency Business Manager will run Periodic General Ledger Reports and keep a file of these reports to document their review.

9. Coding Issues

A good internal control plan would require procedures to be in place to ensure transactions are properly coded for presentation in the financial statements and in accordance with the Department of Administrative Services (DAS) accounting manual.

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Coding Issues (Continued)

When testing transactions of the Commission, we noted the following coding errors:

- The Commission did not properly record the payment of lodging expenses for contracted interpreters. The expenditure was recorded as "Other contractual services" rather than as "Contractual services – travel." This resulted in an overstatement of operating expenses and understatement of travel expenses by $498.

- For 4 of 31 aid transactions tested, we noted the following:

    1) A payment of $210 was made to the DAS Transportation Service Bureau (TSB) for a State car rental. The transportation was to the Winnerfest Conference, for three clients and two staff. The entire amount of $210 was coded as an aid payment. Our understanding of aid expenditures for clients is that the cost of staff using the TSB vehicle should not be coded to aid but to travel, an operating expense. Two-fifths of the $210, or $84, should be coded to a travel expense account code.

    2) A payment of $8,382 was made to Calvin Crest Camp, Conference & Retreat Center for the 2015 Project Independence activity. The entire cost of the conference was coded to aid. Sixteen clients and nine staff attended the activity. The cost for staff should not be coded to aid, but to travel operating expense. Based on this criteria, $3,354 should have been coded to travel for expenses related to staff, and $5,028 should have been coded to aid for expenses related to clients.

    3) A payment of $37 was made to a cab company for cab rides for clients, and the expenditure was coded to Other Operating Expense. Based on the documentation provided by the Commission, this amount should have been coded to an aid expense account. Per discussion with Commission staff, the item was coded to operating expenses because the rides were for multiple clients. When something like this occurs and involves a small dollar amount, the Commission will code it as an operating expense instead of filling out a purchase order (PO) for each client and then coding it to aid. The APA discussed this with staff and suggested that these small amounts could simply be coded to the general aid object account.

    4) A payment of $5,950 was made to the Leadership Center for the Winnerfest Conference, which 22 clients and 10 staff attended. The entire cost of the conference was coded to aid. The cost for staff should not be coded to aid, but to travel operating expense. Based on this criteria, $2,118 should have been coded to travel, and $3,832 should have been coded to aid.

- A purchase of reading aids for clients was coded as an operating expenditure, in the amount of $3,768. As these reading aids are for clients, the Commission should code this expenditure to aid expense. The Commission's current procedure to account for the

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Coding Issues (Concluded)

expenditure for these reading aids is somewhat complex in that, when the Commission issues the reading aids to clients, it will use this information as a starting point to replenishment their stock of reading aids. Upon receiving the reading aids ordered and paying the invoice to the vendor, the Commission then codes the payment of this invoice to an aid account and also codes to an individual client sub-ledger account an aid amount to maintain accounting for aid at the client level. However, the result of this procedure is that the original purchase of, or additions to, the inventory of reading aids is never recorded as aid.

- For one travel expense, the entire payment was coded to the Vocational Rehabilitation grant, but should have been split amongst the Vocational Rehabilitation, Older Blind, and Independent Living grants according to the Commission's cost allocation plan. The expense was an airline ticket in the amount of $564 for an employee to attend the National Rehabilitation Leadership Institute seminar.

When transactions are not properly coded, there is an increased risk that the financial statements will be misstated.

> We recommend the Commission implement procedures to ensure that transactions are properly coded for financial statement presentation. In addition, for the coding of the purchase of reading aids, we recommend the Commission use an aid object account to record the purchase of the initial stock of these items, and, as reading aids are provided to clients, prepare a journal entry to code the expenditure to individual client sub-ledger accounts.

Commission Response: Agency will train staff to insure more uniform interpretation and coding of agency expenditures. Staff expenditures will not be coded to Government Aid accounts. Program expenditures will be split with dedicated staff expenditures coded to operations and other expenses coded to Government Aid if appropriate. Purchases of items for client distribution will be coded to Services to Groups initially and then coded to individual cases as they are distributed. Cost Allocation Plan expenditures will be monitored to assure proper distribution of expenses among agency grants.

10. Expenditures

During our testing of expenditures for the Commission, we noted the following:

Contracts not Available on the State's Contract Data Base

Neb. Rev. Stat. § 84-602.02(3)(a)(i) (Reissue 2014) requires all State agencies to provide to the Department of Administrative Services, in electronic form, a copy of all contracts they enter into for inclusion in a Statewide data base. Specifically, § 84-602.02(3)(a)(i) requires the following:

COMMENTS AND RECOMMENDATIONS
(Continued)

10. <u>Expenditures</u> (Continued)

> *A data base that includes a copy of each active contract that is a basis for an expenditure of state funds, including any amendment to such contract and any document incorporated by reference in such contract. For purposes of this subdivision, amendment means an agreement to modify a contract which has been reduced to writing and signed by each party to the contract, an agreement to extend the duration of a contract, or an agreement to renew a contract. The data base shall be accessible by the public and searchable by vendor, by agency, board, commission, or department, and by dollar amount. All agencies, boards, commissions, and departments of the state shall provide to the Department of Administrative Services, in electronic form, copies of such contracts for inclusion in the data base beginning with contracts that are active on and after January 1, 2014 . . .*

A good internal control plan would require the Commission to have procedures in place to ensure compliance with § 84-602.02(3)(a)(i).

For two of two expenditures tested related to contracts, the contracts were not available to be viewed on the State's contract data base, as required by State statute. Contracts for Abilities Fund Inc. and Elkhorn West Construction Inc. were not on the data base.

When the contracts the Commission has entered into are not on the State's contract data base, the Commission is not in compliance with § 84-602.02(3)(a)(i).

> We recommend the Commission implement procedures to ensure that, as required by § 84-602.02(3)(a)(i), all contracts are available on the State's contract data base.

<u>Bidding for Services</u>

Neb. Rev. Stat. § 73-504 (Reissue 2014) requires a competitive bidding process to be performed, as prescribed by the DAS Materiel Division, for services in excess of $50,000; however, a good business plan would include Policies and Procedures (P&P) regarding bidding for services costing less than $50,000 in order to ensure the Commission is obtaining those services for the best price.

In our review of a sample of the Commission's expenditures, we noted the following two substantial expenditures, for which the Commission did not solicit bids:

- A payment of $10,611 to Play Creative for a video series focusing on how to become a client of the Commission and the possible employment opportunities with which the Commission may assist a client. Staff indicated that they did not receive quotes from other vendors because they had used this vendor in the past, and the vendor was familiar with their activities and needs.

- A payment of $17,626 to Taylor Productions to translate and subtitle a video training series produced by the Commission. Again, staff indicated that they did not receive quotes from other vendors because they had used this vendor in the past, and the vendor was familiar with their activities and needs.

COMMENTS AND RECOMMENDATIONS
(Continued)

10. Expenditures (Concluded)

When the Commission lacks policies and procedures to ensure the lowest price is paid for services procured, there is a greater risk the lowest possible price will not be obtained for those services.

> We recommend the Commission develop P&P for when bidding should be performed for services costing less than $50,000. We believe the P&P should set a reasonable dollar threshold for when bidding procedures will be performed. The P&P also might include, for example, whether an informal process will be used where quotes from three vendors might be solicited by phone and where the phone conversations are documented. The P&P might also include requirements for when a more formal bidding process is to be performed. This procedure would normally include preparing written requirements for the services requested and soliciting bids from at least three vendors by requiring written quotes from those vendors. For services that meet the Commission's established dollar thresholds, we further recommend that, if three bids are not solicited and received on services procured, the Commission document the reasons why this was not considered necessary.

Commission Response: Agency processes are being modified to better accommodate the Public facing State Contract Database. Agency policy addressing Bids for Goods and services will be revised as noted in item 1 and will be uniformly administered.

11. Legal Review of Contracts

A good internal control plan requires a legal review to be performed on all contracts entered into by the Commission to ensure all required State and Federal language is included, the contract entered into meets all legal requirements, and the terms of the contract are favorable to the Commission.

The Commission lacked procedures for a legal review of its contracts. In our testing of expenditures, we noted that no legal review was performed for two of two contracts tested. According to Commission staff, no contracts entered into by the Commission for the year ended December 31, 2015, would have had a legal review.

The Commission staff noted that they do not have legal counsel on staff and did not think the Attorney General's Office provided this service.

This same issue was noted in our previous attestation review completed in 2009.

COMMENTS AND RECOMMENDATIONS
(Continued)

11. Legal Review of Contracts (Concluded)

Without a legal review of contracts, there is less assurance that the contracts will include all required State and Federal language, will meet all legal requirements, and will contain terms favorable to the Commission.

> We recommend the Commission establish procedures to have a legal review performed on all of its contracts. Such procedures might include, among others, working with DAS Materiel Division on required "boiler plate" contract language and seeking guidance from the Attorney General's Office on the legal aspects of significant contracts.

Commission Response: Agency Contract form will be revised and then reviewed for compliance with state and federal regulations. All contracts will be reviewed for legal compliance. Significant contracts will be submitted for expert legal review.

12. Out-of-State Travel Authorization Documentation

The Board of the Commission gave the Executive Director authority to approve all out-of-State business travel during the Board meeting on May 8, 2015.

In our review of eight travel expenditures related to out-of-State travel, we noted six lacked proper documentation for authorization for that travel. Our review, noted the following:

- For three out-of-State travel trips taken, no out-of-State travel authorization form approved by the Executive Director could be located.
- For one out-of-State travel trip taken, the out-of-State travel authorization form was completed and signed by the Executive Director after the travel was completed.
- For one out-of-State travel trip, we noted the signature of the employee and her immediate supervisor on the out-of-State travel authorization form; however, the form was not signed by the Executive Director.
- For one out-of-State travel trip, we noted the employee signature on the out-of-State travel authorization form; however, the form was not signed by the Executive Director.

When documentation is not maintained to support the approval of out-of-State travel in accordance with Board directives, or such documentation is not completed timely, there is a greater risk of non-compliance with those directives.

> We recommend the Commission implement procedures for the timely completion and maintenance of all out-of-State travel authorization forms, which should be approved by the Executive Director in accordance with Board directives.

12. Out-of-State Travel Authorization Documentation (Concluded)

Commission Response: Agency Staff has been advised of Out-of-State travel procedures and management understands the need for this documentation. Agency staff has been informed that any request for expense reimbursements will be paid only if previously approved in writing on the appropriate form, by the Agency Executive Director or her designee.

13. Mileage Logs

Neb. Rev. Stat. § 81-1176(1) (Reissue 2014) states the following, in relevant part:

> *[O]nly one mileage request shall be allowed for each mile actually and necessarily traveled in each calendar month by the most direct route . . . .*

Neb. Rev. Stat. § 81-1025(1) (Reissue 2014) states the following:

> *Each operator of a bureau fleet vehicle shall report the points between which the bureau fleet vehicle traveled each time used, the odometer readings at such points, the time of arrival and departure, the necessity and purpose for such travel, the license number of such vehicle, and the department to which such vehicle is assigned.*

A good internal control plan would include procedures to ensure vehicle logs are accurate, complete, used for State business only, and are completed in accordance with State statute.

We tested three vehicle logs for the month of March 2015 and recalculated two trips for each vehicle. Of these six trips recalculated, we noted two trips did not have reasonable mileage recorded. We noted the following:

- For one trip, we noted the log showed a starting and ending point as Lincoln – Local/Mead, with 158 miles traveled. Per Mapquest, a round trip between Lincoln and Mead is 80 miles based on the most direct route.

- For a second trip, we noted the log showed a trip from Scottsbluff to North Platte and back. The log noted the trip as 400 miles. Per Mapquest, the round trip is 353 miles.

Without proper procedures in place to ensure mileage is reasonable, there is an increased risk of loss or misuse of Federal and State funds and non-compliance with State statute.

> We recommend the Commission implement procedures to ensure all mileage recorded on DAS – TSB vehicle logs is reasonable based on the most direct route of travel, the travel agrees to supporting documentation, and all points of destination are documented, as required by State statute.

Commission Response: Agency staff has been advised that mileage logs must be representative of the most direct route of travel, in accordance with supporting documentation, and document all points of destination traveled, as required by State statute. Logs will be reviewed by local support staff prior to submission.

COMMENTS AND RECOMMENDATIONS
(Concluded)

14. EnterpriseOne Access

A good internal control plan requires access to functions in EnterpriseOne (E1), the State's accounting system, to be limited to only those staff who require the access to perform their job duties.

In our review of Commission staff access to E1, we noted the following:

- There were six employees with access to the fixed asset records in E1. Three of these individuals were not involved in the asset process.
- In addition, 15 staff members had access to the accounts payable and accounts receivables functions in E1. Considering the agency needs and size, this number appears excessive.

We had a similar finding in our April 1, 2008, through March 31, 2009, attestation report.

With excessive access to E1, there is an increased risk of loss or misuse of the Commission's assets and an increased risk inappropriate transactions could be processed.

> We again recommend the Commission review staff access to E1 and limit such access to only those system functions required to perform their job duties.

Commission Response: Agency Business Manager will review E1 access and adjust access to better reflect agency needs for security.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Commission for the Blind and Visually Impaired
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Commission for the Blind and Visually Impaired (Commission) for the calendar year ended December 31, 2015. The Commission's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Revenues, Expenditures, and Changes in Fund Balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Commission for the calendar year ended December 31, 2015, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule of Revenues, Expenditures, and Changes in Fund Balances and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of

Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards.*

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

C. J. Janssen

May 16, 2016

Charlie Janssen
Auditor of Public Accounts

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Calendar Year Ended December 31, 2015

	State General Fund 10000	CBVI Cash Fund 28110	CBVI Enhancement Fund 28140	State Federal Fund 40000	CBVI Federal Fund 48140	CBVI Trust Fund 68400	**Totals (Memorandum Only)**
REVENUES:							
Appropriations	$ 674,887	$ -	$ -	$ -	$ -	$ -	$ 674,887
Intergovernmental	-	-	-	4,343,804	149,317	-	4,493,121
Sales & Charges	-	56,139	-	-	-	-	56,139
Miscellaneous	-	3,636	12,525	-	149	1,322	17,632
TOTAL REVENUES	674,887	59,775	12,525	4,343,804	149,466	1,322	5,241,779
EXPENDITURES:							
Personal Services	479,961	23,129	713	2,184,940	122,139	-	2,810,882
Operating	31,580	34,845	23,007	1,020,429	12,351	-	1,122,212
Travel	7,010	1,999	-	218,124	4,195	-	231,328
Capital Outlay	19	2,359	-	170,431	2,208	-	175,017
Government Aid	156,317	256	12,878	749,880	10,903	-	930,234
TOTAL EXPENDITURES	674,887	62,588	36,598	4,343,804	151,796	-	5,269,673
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,813)	(24,073)	-	(2,330)	1,322	(27,894)
OTHER FINANCING SOURCES (USES):							
Sales of Assets	635	4,389	-	-	-	-	5,024
Deposit to General Fund	(635)	-	-	-	-	-	(635)
TOTAL OTHER FINANCING SOURCES (USES)	-	4,389	-	-	-	-	4,389
Net Change in Fund Balances	-	1,576	(24,073)	-	(2,330)	1,322	(23,505)
FUND BALANCES, JANUARY 1, 2015	23	43,919	86,559	-	2,510	64,598	197,609
FUND BALANCES, DECEMBER 31, 2015	$ 23	$ 45,495	$ 62,486	$ -	$ 180	$ 65,920	$ 174,104
FUND BALANCES CONSIST OF:							
General Cash	$ -	$ 52,202	$ 63,804	$ -	$ 180	$ 65,920	$ 182,106
Due From Other Government	23	(79)	-	-	-	-	(56)
Due to Vendors	-	(1,050)	(28)	-	-	-	(1,078)
Deposits	-	(984)	(1,290)	-	-	-	(2,274)
Due to Government	-	(4,594)	-	-	-	-	(4,594)
TOTAL FUND BALANCES	$ 23	$ 45,495	$ 62,486	$ -	$ 180	$ 65,920	$ 174,104

The accompanying notes are an integral part of the schedule.

NOTES TO THE SCHEDULE

For the Calendar Year Ended December 31, 2015

1. Criteria

The accounting policies of the Nebraska Commission for the Blind and Visually Impaired (Commission) are on the basis of accounting, as prescribed by the State of Nebraska Director of the Department of Administrative Services.

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), the duties of the State of Nebraska's Director of the Department of Administrative Services (DAS) include:

> *The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]*

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2008), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Commission to record all accounts receivable and related revenues in EnterpriseOne; as such, the Commission's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2015, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2015, **does not** include amounts for goods and services received before December 31, 2015, which had not been posted to the general ledger as of December 31, 2015.

Other liabilities are recorded in accounts entitled, Deposits and Due to Government for the Commission. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity.

The Commission had no accounts receivable at December 31, 2015. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Continued)

The fund types established by the State that are used by the Commission are:

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

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

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

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

The major revenue account classifications established by State Accounting and used by the Commission are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

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

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and donations.

The major expenditure account classifications established by State Accounting and used by the Commission are:

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

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

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

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

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Other significant accounting classifications and procedures established by State Accounting and used by the Commission include:

Assets – Resources owned or held by a government that have monetary value. Assets of the Commission consist of cash accounts. Cash accounts are also included in fund balance and are reported as recorded in the general ledger.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the Commission's funds at December 31, 2015, included amounts recorded in Due to Vendor, Deposits and Due to Government. The activity of these accounts are not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

Other Financing Sources – Proceeds of fixed asset dispositions, and Deposits to General fund.

2. Reporting Entity

The Commission is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The schedule includes all funds of the Commission included in the general ledger.

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

3. Totals

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

4. General Cash

General cash accounts 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, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets

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

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

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

Equipment is depreciated in the CAFR using the straight-line method with estimated useful lives of 3 to 10 years.

Capital asset activity of the Commission recorded in the State Accounting System for the calendar year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	$ 1,104,167	$ 248,165	$ 165,919	$ 1,186,413
Less accumulated depreciation for:				
Equipment				649,556
Total capital assets, net of depreciation				$ 536,857

NOTES TO THE SCHEDULE
(Concluded)

6. Lease Commitments

The Commission leases office facilities under operating leases. Operating lease payments for the year ended December 31, 2015, totaled $356,340. The future minimum annual lease payments are as follows:

2016	$	366,081
2017	$	289,862
2018	$	205,275
2019	$	206,028
2020	$	206,781
2021-2027	$	1,005,382

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

EXHIBIT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2015, and Calendar Year Ended December 31, 2015

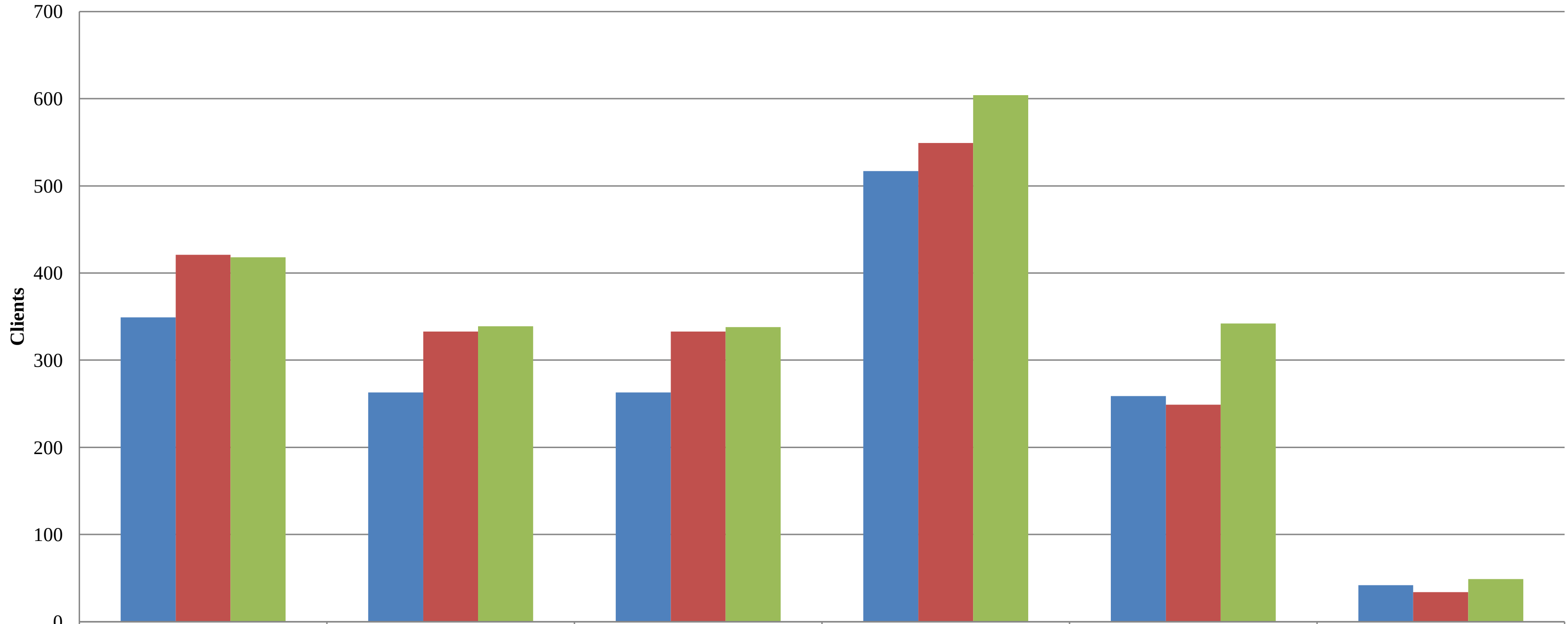
	July 1, 2014, through December 31, 2014	January 1, 2015, through June 30, 2015	Total Fiscal Year Ended June 30, 2015	July 1, 2015, through December 31, 2015	Total Calendar Year Ended December 31, 2015
REVENUES:					
Appropriations	$ 585,646	$ 460,343	$ 1,045,989	$ 214,544	$ 674,887
Intergovernmental	2,018,936	2,223,636	4,242,572	2,269,485	4,493,121
Sales & Charges	29,755	19,287	49,042	36,852	56,139
Miscellaneous	15,148	3,207	18,355	14,425	17,632
TOTAL REVENUES	2,649,485	2,706,473	5,355,958	2,535,306	5,241,779
EXPENDITURES:					
Personal Services	1,389,379	1,372,829	2,762,208	1,438,053	2,810,882
Operating	490,565	568,974	1,059,539	553,238	1,122,212
Travel	135,148	123,410	258,558	107,918	231,328
Capital Outlay	168,300	153,810	322,110	21,207	175,017
Government Aid	561,157	409,855	971,012	520,379	930,234
TOTAL EXPENDITURES	2,744,549	2,628,878	5,373,427	2,640,795	5,269,673
Excess (Deficiency) of Revenues Over (Under) Expenditures	(95,064)	77,595	(17,469)	(105,489)	(27,894)
OTHER FINANCING SOURCES (USES):					
Sales of Assets	521	4,181	4,702	843	5,024
Deposit to General Fund	(521)	53	(468)	(688)	(635)
TOTAL OTHER FINANCING SOURCES (USES)	-	4,234	4,234	155	4,389
Net Change in Fund Balances	(95,064)	81,829	(13,235)	(105,334)	(23,505)
BEGINNING FUND BALANCES	292,673	197,609	292,673	279,438	197,609
ENDING FUND BALANCES	$ 197,609	$ 279,438	$ 279,438	$ 174,104	$ 174,104
FUND BALANCES CONSIST OF:					
General Cash	$ 205,180	$ 286,661	286,661	$ 182,106	182,106
Due From Other Government	(56)	(56)	(56)	(56)	(56)
Due to Vendors	(285)	-	-	(1,078)	(1,078)
Deposits	(1,774)	(2,074)	(2,074)	(2,274)	(2,274)
Due to Government	(5,456)	(5,093)	(5,093)	(4,594)	(4,594)
TOTAL FUND BALANCES	$ 197,609	$ 279,438	$ 279,438	$ 174,104	$ 174,104

Source: Information obtained from the State accounting system, EnterpriseOne.

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

INDEPENDENT LIVING

The Nebraska Commission for the Blind and Visually Impaired Independent Living program's goal is to teach independent living skills to blind and visually impaired clients who do not have a vocational goal. Training includes, but is not limited to, managing medicine, cane travel, shopping, cooking, cleaning, etc. Successful completion of the program occurs when the client has achieved his or her independent living goal.



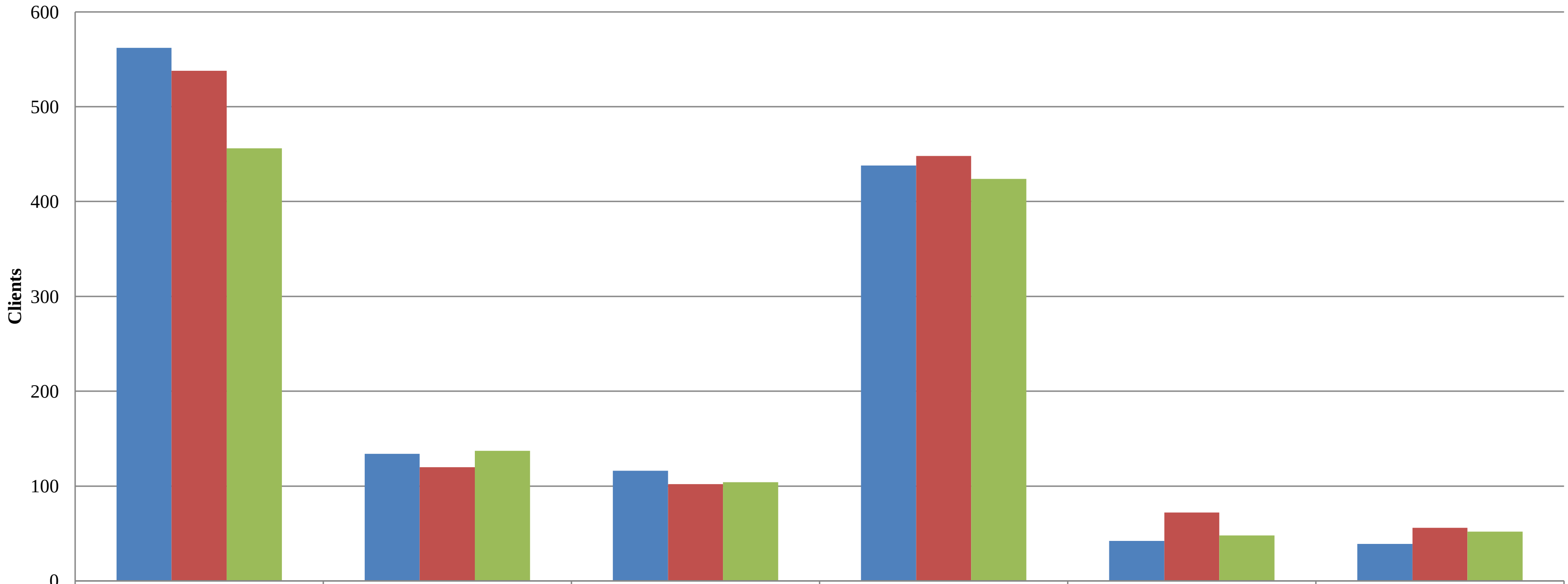
	Referral	Application for Services	New Clients Accepted	Active Clients During the Year	Successful Program Completion	Unsuccessful Program Completion
2013	349	263	263	517	259	42
2014	421	333	333	549	249	34
2015	418	339	338	604	342	49

Note: Data presented above is on a Federal fiscal year, which runs from October 1st to September 30th.

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

VOCATIONAL REHABILITATION

The Nebraska Commission for the Blind and Visually Impaired (Commission) vocational rehabilitation program's goal is to enable blind persons to achieve competitive employment. To become employed, clients need to have training and opportunities. The Commission first provides training in the alternative skills of blindness, including cane travel, technology, Braille, independent living skills, and self-advocacy. The Commission vocational rehabilitation program then works with clients to set and achieve an employment goal. Along with providing training for work skills, the Commission program will also assist with schooling, placement services, and post-placement services. Successful completion of the vocational rehabilitation program occurs when the client has achieved his or her work goal and has been working for over 90 days.



	Referral	Application for Services	New Clients Accepted	Active Clients During the Year	Successful Program Completion	Unsuccessful Program Completion
2013	562	134	116	438	42	39
2014	538	120	102	448	72	56
2015	456	137	104	424	48	52

Note: Data presented above is on a Federal fiscal year, which runs from October 1st to September 30th.