ATTESTATION REPORT
OF
SERVENEBRASKA

JULY 1, 2015, THROUGH DECEMBER 31, 2016

Issued on March 22, 2017

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Audit Staff Working On This Examination

Cindy Janssen – Audit Manager
Joan Arnold, CPA – Senior Auditor-in-Charge
Alan Deist – Auditor II
Robert Giraud – Auditor
Marielle Saathoff – Auditor

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SERVENEBRASKA

TABLE OF CONTENTS

BACKGROUND

The Nebraska Commission for National and Community Service was created in July 1994 via Executive Order 94-5, in accordance with the National and Community Trust Act of 1993. The entity's name changed in 1999 to the Nebraska Volunteer Service Commission and in 2008 to ServeNebraska.

The purpose of ServeNebraska is to coordinate and support community involvement by Nebraskans. The Mission Statement, according to ServeNebraska's website at http://serve.nebraska.gov/about/about_mission.htm, is "Mobilizing Nebraskans to strengthen their communities through volunteering, collaboration, and national service programs." The website also includes the following six Core Values:

1. *Excellence-Pursuing the highest standards of performance in all endeavors through a spirit of continual improvement*
2. *Responsiveness-Creatively exploring and embracing dynamic approaches to addressing current and emerging societal challenges*
3. *Inclusiveness-Striving to involve and engage interested parties from all sectors of the state*
4. *Collaboration-Involving complementary parties in mutually beneficial relationships*
5. *Efficiency-Operating in a way that produces the greatest return for the least output of resources*
6. *Integrity-Conducting all activities in accord with the highest ethical and moral standards*

ServeNebraska is composed of up to 25 voting volunteer members appointed by the Governor. The Governor appoints members in April of each year, and members serve three year-terms, or until a successor is appointed. Membership selection is to be based on a variety of political parties, races, genders, ages, ethnicities, and disability characteristics. Not more than 25% of the members can be State employees. ServeNebraska commissioners are not paid, but they can be reimbursed for eligible expenses incurred as a result of attendance at meetings and activities. Executive Order 94-5 outlines the following responsibilities of ServeNebraska:

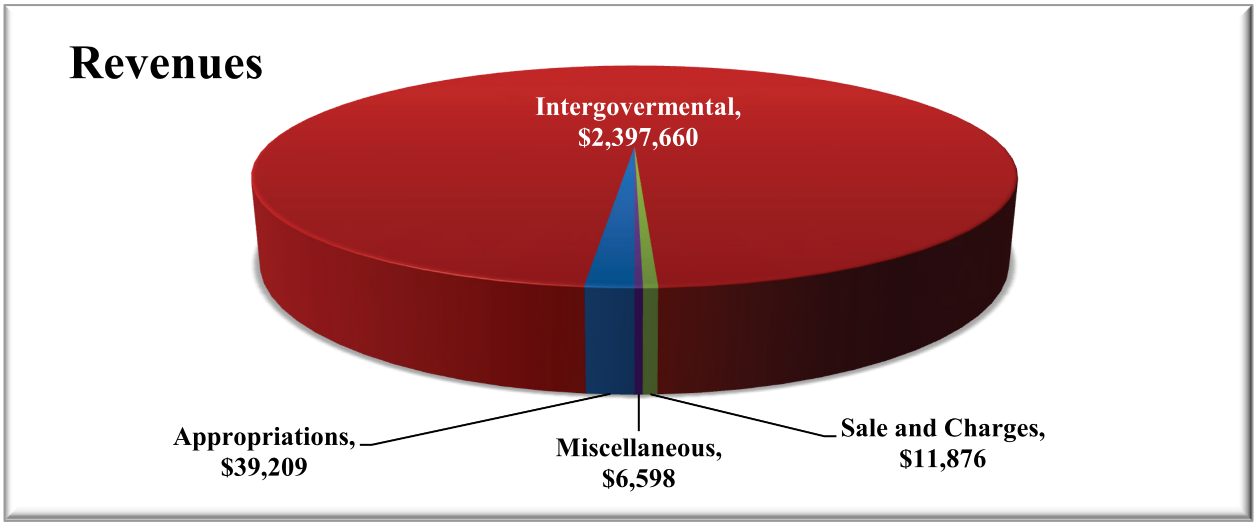
1. *To develop a state comprehensive national and community service plan.*
2. *To promote national service programs and community service in Nebraska.*
3. *To coordinate community service activities and programs in Nebraska.*
4. *To identify and solicit community service programs and projects in Nebraska and select which applications, from those submitted to the Commission, will be recommended to the Corporation for National and Community Service for funding.*
5. *To administer AmeriCorps national and community service grants in Nebraska, which shall include assistance with the provision of health care and child care benefits for AmeriCorps participants.*
6. *To provide training, technical assistance and other assistance as needed to AmeriCorps program grantees and other community service programs upon request.*
7. *To assist the Nebraska Department of Education with preparation of their AmeriCorps application.*

ServeNebraska entered into a Memorandum of Understanding with the Department of Health and Human Services (DHHS) in January 2007, which allowed DHHS to become ServeNebraska's "host" agency. This agreement essentially allows for DHHS to provide a wide range of support services, including accounting, budgeting, payroll, and grants managements, to ServeNebraska for an annual fee of $10,000. See **Attachment A** for a copy of the agreement.

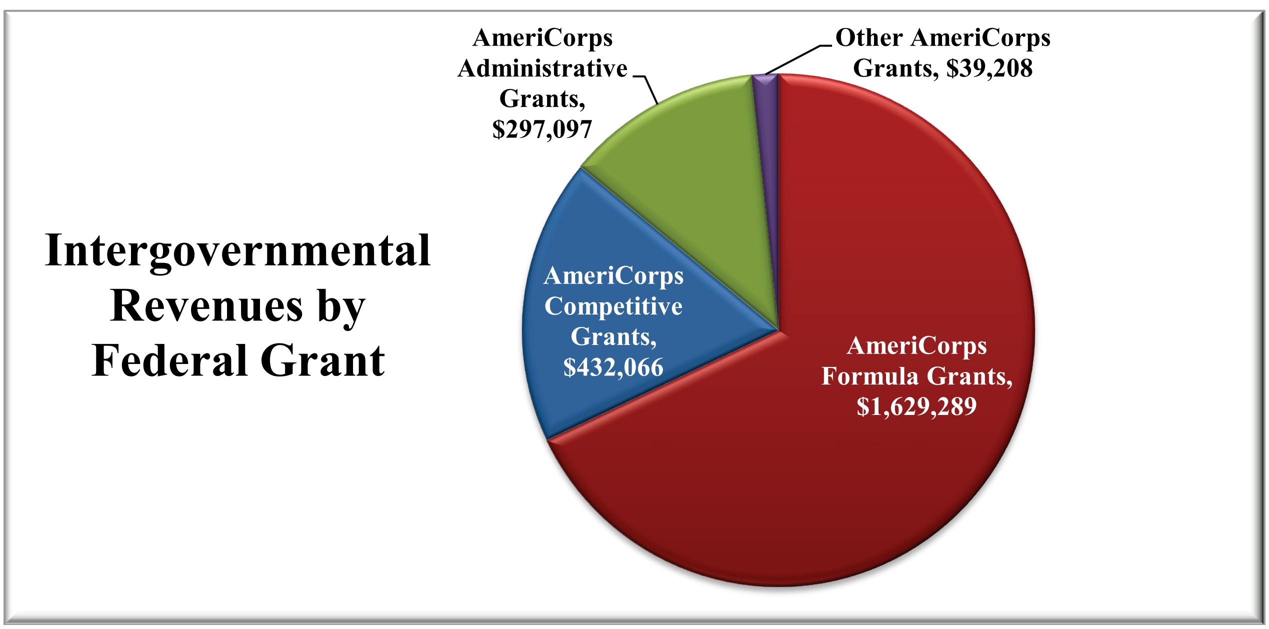
ServeNebraska is primarily funded through Federal grants. The pie chart below illustrates the various sources of funding for the 18-month period of July 1, 2015, through December 31, 2016.

BACKGROUND
(Continued)

The Federal grants are recorded as Intergovernmental, and State general funds are included as Appropriations. Annual awards registration fees are recorded as Sales and Charges, and various donations and fines are included as Miscellaneous.



The Federal grant funding comes from a variety of AmeriCorps Federal grants, and it includes administrative grant funding for ServeNebraska staff as well as larger grants that are passed through to various subrecipients. The pie chart below illustrates the different AmeriCorps grants that make up the total Intergovernmental revenues.



BACKGROUND
(Continued)

The major types of grants are described below.

- **AmeriCorps Formula Grants:** This is the primary type of subrecipient grant funding utilized by ServeNebraska. For these formula grants, ServeNebraska receives an annual amount from the Corporation for National and Community Service (CNCS) that is determined based on the State's population. The award is typically a three-year grant, which is allocated into one-year budget periods. Annually, ServeNebraska issues Requests for Application (RFA) based on the annual allotment amount and accepts applications from new applicants or from those entities that previously received funding. The RFA includes six focus areas, which are the basis for the expenditure of grant program funding by the subrecipients. Those focus areas are as follows:

    - ***Disaster Services:*** Programs with this focus area provide support to increase the preparedness of individuals for disasters and help individuals recover from disasters.

    - ***Economic Opportunity:*** Programs with this focus area contribute to the improved economic well-being and security of economically disadvantaged people, such as by enhancing financial literacy, providing housing assistance, and improving employability.

    - ***Education:*** Programs with this focus area contribute to improved educational outcomes for economically disadvantaged children, such as through behavioral support or post-secondary education preparedness.

    - ***Environmental Stewardship:*** Programs with this focus area provide support for increased individual behavioral change, leading to increased energy efficiency, renewable energy use, and ecosystem improvements, particularly for economically disadvantaged households and communities.

    - ***Healthy Futures:*** Programs with this focus area provide support for activities that increase access to health care, increase seniors' ability to remain in their own homes, and/or increase physical activity and nutrition in youth.

    - ***Veterans and Military Families:*** Programs with this focus area reach out to veterans and military families to impact positively the quality of life and encourage engagement in other CNCS-supported programs.

  Subrecipients submit applications, which are reviewed by ServeNebraska staff, Commissioners, and outside reviewers, by focus area. Contracts are entered into between ServeNebraska and the entities selected.

  The formula grants can be awarded either on a cost reimbursement basis or on a fixed amount basis. Under the cost reimbursement basis all allowable costs incurred by the subrecipient in operating the program will be reimbursed. Meanwhile, under the fixed amount basis, grantees receive an award for a specific amount per member which is the only Federal funding that will be received.

BACKGROUND
(Continued)

The cost reimbursement basis grants include a provision in which the entity is required to match the grant funding received. This matching ratio depends on the number of years that the subrecipient has received AmeriCorps grant funding, increasing from around 20% during the first couple of years to 50% after 10 years.

ServeNebraska is responsible for monitoring the subrecipients to ensure the grant funding is used in accordance with the specified program objectives and the subrecipients comply with all grant requirements.

- **AmeriCorps Competitive Grants:** Competitive grants are another type of subrecipient grant funding utilized by ServeNebraska and are comparable to the formula grants in regards to the types of programs for which funding can be used and the grant requirements. The primary difference between formula grants and competitive grants is that the CNCS, rather than ServeNebraska, selects the subrecipients and allotment amounts for these competitive grants.

  Subrecipients compete with other programs nationwide, and the CNCS has limited funding to programs that will recruit 10 or more members; consequently, only the larger programs in Nebraska are typically able to apply for this grant. The benefit of the competitive grants to subrecipients is that such grants are guaranteed for three years, dependent upon Federal funding allocated to the CNCS. In the grant years after the initial award, the subrecipients need only submit a summary of any changes or budget changes.

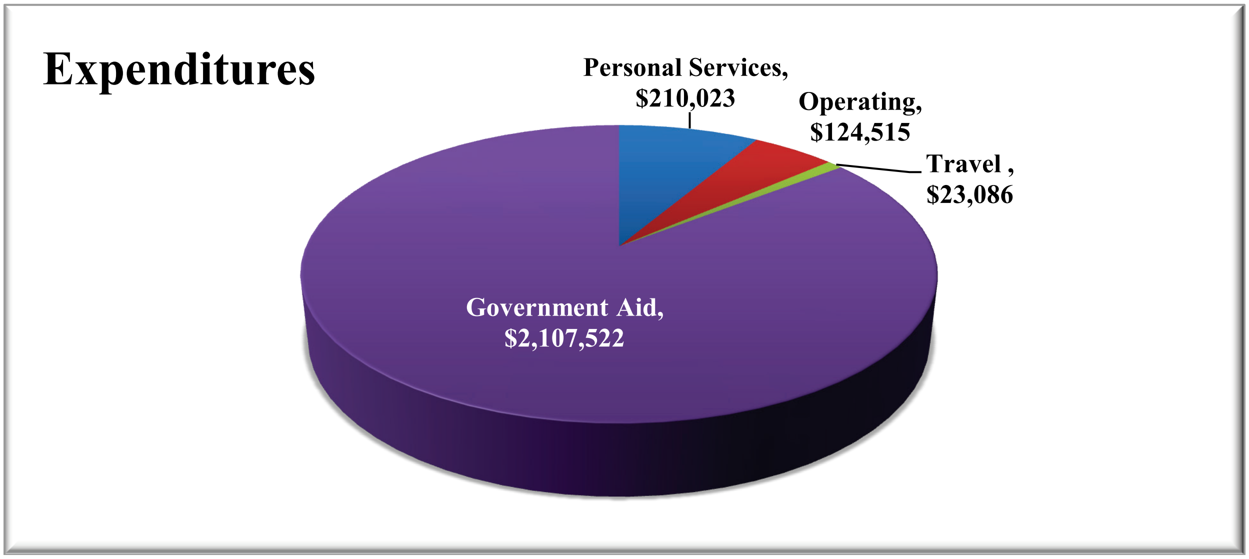
  Competitive subrecipients still enter contracts with ServeNebraska. Therefore, ServeNebraska is also responsible for monitoring these subrecipients to ensure the grant funding was used in accordance with the specified program objectives, and the subrecipients complied with all grant requirements. Similar matching requirements apply to these grants, as well.

- **AmeriCorps State Commission Administrative Grant:** This grant provides approximately $250,000 in Federal funding to ServeNebraska for its administrative costs. The dollar amount of the grant is based on the size of the State. The funds are used for any costs related to personnel, training, monitoring, development, and other expenses incurred by the ServeNebraska in overseeing AmeriCorps grants. This grant requires that the State provide dollar-for-dollar matching funds in the form of non-Federal dollars or in-kind contributions.

- **AmeriCorps Training and Technical Assistance Grant:** This is a separate, smaller Federal grant to State commissions administering AmeriCorps grants and used for training and technical assistance, specifically for costs of attendance at certain required annual training events. This grant does not have a Federal match requirement.

BACKGROUND
(Continued)

The majority of expenditures recorded by ServeNebraska are classified as Government Aid, which includes the Federal funding passed through to AmeriCorps subrecipients. The pie chart below illustrates the various types of expenditures incurred by ServeNebraska for the 18-month period of July 1, 2015, through December 31, 2016.



A breakdown of the Government Aid expenditures by subrecipient is shown in the table below. The focus area(s) for each subrecipient is also listed in the table.

Subrecipient	Focus Areas	Amount
Lutheran Family Services	Economic Opportunity Veterans and Military Families	$487,907
College Possible	Education	$408,894
Center For People In Need	Economic Opportunity	$249,698
University Of Nebraska Medical Center	Healthy Futures	$225,302
City of Lincoln - Parks & Recreation	Education	$205,338
Supreme Court	Economic Opportunity Education	$160,924
Goodwill Industries	Education	$99,949
YWCA Of Adams County	Education	$88,401
Kearney Public Schools Foundation	Education	$59,078
Blue Valley Community Action	Education	$40,822
University Of Nebraska - Lincoln	Healthy Futures Economic Opportunity	$38,588
Volunteers Of America	Healthy Futures	$20,185
Community Crops	Healthy Futures	$8,912
Scottsbluff Public Schools	Economic Opportunity	$7,025
Metropolitan Community College	Education	$5,488
Public Health Solutions	Disaster Services	$1,011
Total Government Aid Expenditures		**$2,107,522**

BACKGROUND
(Concluded)

ServeNebraska has also established a relationship with the Nebraska Community Foundation (Foundation), a 501(c)(3) non-profit corporation. The Foundation collects, holds, and distributes monies on behalf of ServeNebraska as an "Affiliated Fund." This relationship allows donors to make contributions through the Foundation to ServeNebraska, which can be used for a variety of purposes. The APA summarized the activity of the Foundation in **Exhibit B**. According to that summary, the donations were primarily used for grants and leadership training. The Nebraska Community Foundation is audited annually by a private CPA firm. Please contact the Nebraska Community Foundation for a copy of the annual audit.

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

ServeNebraska Commissioners

Name	Title
Diane Mallette	Chairperson
Ronald Sedlacek	Vice-Chair
Nancy Faber	Chair of Community Volunteering Committee
Deborah Neary	Chair of Governance and Funding Committee
Jamesena Moore	Chair of Nebraska 150 Committee
Susan Rocker	Chair of AmeriCorps & National Service Committee
Gregg Christensen	Commission Member
Jean Heriot	Commission Member
Julie Nash	Commission Member
Kevin Warneke	Commission Member
Rose White	Commission Member
Sara Woods	Commission Member

ServeNebraska Staff

Name	Title
Cathleen Plager	Executive Director
Audrey Jackson	Program Specialist
Christina Franklin	Program Specialist

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SUMMARY OF COMMENTS

During our examination of ServeNebraska, we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comments #2 (Inadequate Review Procedures) and #3 (Financial Schedule Adjustment) are considered to be significant deficiencies, and Comment #1 (Insufficient Subrecipient Monitoring) is considered to be a material weakness.

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

1. ***Insufficient Subrecipient Monitoring:*** Despite the fact that nearly 90% of its financial activity, or over $2 million dollars, is Federal funding provided to subrecipients, ServeNebraska lacked procedures and documentation to monitor adequately those subrecipients.

2. ***Inadequate Review Procedures:*** ServeNebraska failed to review its detailed transactions that posted to the accounting system or activity reports from the Nebraska Community Foundation to ensure the accurate and complete recording of its financial activity. Additionally, ServeNebraska failed to provide its Commissioners with any useful financial reports.

3. ***Financial Schedule Adjustment:*** Upon advice obtained from the Department of Health and Human Services (DHHS), ServeNebraska incorrectly recorded as operating expenditures $1.5 million in subrecipient payments that should have been recorded as government aid expenditures. Both the financial schedule presented in this report and the State of Nebraska Schedule of Expenditures of Federal Awards were adjusted to correct this error.

4. ***Revenue and Receipting Issues:*** The APA identified several internal control issues over the receipt and deposit of funds, including the following: 1) Recorded receipts did not agree to corresponding deposits; 2) deposits were not made in a timely fashion; 3) receipt logs were not reviewed; 4) checks were not restrictively endorsed; and 5) no formal guidance was provided for the payment of fines.

5. ***Payroll Issues:*** The APA also found two concerns related to ServeNebraska's procedures for processing payroll transactions. The first concern pertained to an incorrect calculation of a terminated employee's payout, resulting in an underpayment, and the second concern had to do with the lack of approval for the Director's timesheet.

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

Draft copies of this report were furnished to ServeNebraska 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. <u>Insufficient Subrecipient Monitoring</u>

Nearly 90%, or over $2 million, of ServeNebraska's expenditures are paid to subrecipients. As such, financial monitoring of those subrecipients should be of primary importance; however, ServeNebraska lacked procedures and documentation to monitor adequately those subrecipients.

Each grantee of Federal funds provides monthly Periodic Expense Reports to ServeNebraska. Listing simply the total expenses incurred to date, those reports are organized into standard category descriptions, such as Member Living Allowances, Training Costs, or Administrative Costs. Additionally, each subrecipient is required to send in a monthly matching report summarizing the sources of matching funds. Below is an example of the Period Expense Report.

Name of Subrecipient's AmeriCorps Program

The CNCS columns represent the portion to be reimbursed with Federal AmeriCorps grant funds, and the Grantee column represents the non-Federal matching funds expended by the subrecipient.

	Budget			Current Expenses			Year to Date Expenses			Balance		
	CNCS	Grantee	Total	CNCS	Grantee	Total	CNCS	Grantee	Total	CNCS	Grantee	Total
Section 1. Program Operating Costs												
A. Personnel Expenses	8037.00	64038.00	72075.00	810.59	9309.11	10119.70	9568.18	127134.52	136702.70	-1531.18	-63096.52	-64627.70
B. Personnel Fringe Benefits	2177.00	13898.00	16075.00	186.43	2143.39	2329.82	2234.55	30748.01	32982.56	-57.55	-16850.01	-16907.56
C. Travel												

Form was cropped for illustrative purposes

	Budget			Current Expenses			Year to Date Expenses			Balance		
	CNCS	Grantee	Total	CNCS	Grantee	Total	CNCS	Grantee	Total	CNCS	Grantee	Total
Total	172872.00	186554.00	359426.00	12350.36	26216.93	38567.29	156296.07	348074.60	504370.67	16575.93	-161520.60	-144944.67
CNCS/Grantee Ratio	48.1%	51.9%	100.0%	32.0%	68.0%	100.0%	31.0%	69.0%	100.0%	-11.4%	111.4%	100.0%

Signatures

The CNCS/Grantee Ratio represents the matching rates. In this example, the required rate is 52% and the subrecipient was actually matching at 69%, so the required rate was met.

Print Name ______ Sign ______ Date ___/___/___

Adequate monitoring of the subrecipients would require ServeNebraska to verify that the amounts included on the summary reports agree to actual detailed documentation of allowable expenditures and matching sources. However, ServeNebraska could not provide any evidence to support that a review of detailed documentation had occurred during the audit period.

Title 45, Chapters 12 and 25, of the Code of Federal Regulations (CFR) provide the regulations for the Corporation for National and Community Service (CNCS), the Federal agency charged with overseeing these grant funds. Within those regulations, 45 CFR § 2550.80 describes the duties of State entities, such as ServeNebraska. Specifically, 45 CFR § 2550.80(e) states the following:

> *State entities, in concert with the Corporation, shall be responsible for implementing comprehensive, non-duplicative evaluation and monitoring systems.*

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **Insufficient Subrecipient Monitoring** (Continued)

The APA was informed that the employee primarily responsible for performing the financial monitoring procedures was terminated in June 2016. Standardized forms used in performing the subrecipient reviews were observed by the APA; however, completed versions of the forms were not found. In the eight months since the employee's termination, ServeNebraska has taken no steps to perform adequate reviews of its subrecipients, instead relying only on periodic email correspondence with them.

Subrecipient Detailed Documentation
Due to this complete lack of monitoring, the APA selected a sample of the three largest recipients of Federal funding from ServeNebraska and obtained detailed supporting documentation directly from them. The table below summarizes the months tested.

Subrecipient	Grant Type	Grant Year	Month	Amount Reimbursed	Matching Expenses	Questioned Costs
Subrecipient 1	Formula Cost Reimbursement	September 2014 - August 2015	August 2015	$21,958	$59,487	$24,193
Subrecipient 2	Competitive	September 2015 - August 2016	March 2016	$24,474	$37,700	$20,900
Subrecipient 3	Competitive Fixed	September 2016 - August 2017	September 2016	$34,022	$0	$0
		Totals		**$80,454**	**$97,187**	**$45,093**

Testing of the three subrecipients revealed the following concerns:

- Two of the three subrecipients tested lacked documentation to support the non-Federal expenditures used to meet the matching requirements, resulting in total questioned costs of $24,937 for the one month reviewed. In other words, more than 25% of the total matching expenses claimed were not adequately supported. Included below are the details for the lack of documentation.

Subrecipient	Amount Questioned for Month Tested	Explanation
Subrecipient 2	$15,840	The subrecipient claimed in-kind matching expenditures for the non-Federal matching portion of the AmeriCorps grants, which in some cases were not adequately supported. This included $3,477 for salaries of individuals (not subrecipient staff) responsible for supervising AmeriCorps members who work offsite; $10,611 for office space and other miscellaneous supplies provided to members at these offsite facilities; and $1,752 for salaries of subrecipient staff members who are responsible for supervising AmeriCorps members.
Subrecipient 1	$5,590	The subrecipient allocated certain costs to the non-Federal matching portion of the AmeriCorps grants based on the amount of building space used for AmeriCorps activities. The rate was either 6% or 9%; however, no analysis of the actual square footage, or other supporting documentation, could be provided to support these rates. A total amount of $712 was charged as matching expenses using the 6% allocation rate and $4,878 using the 9% allocation rate.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **Insufficient Subrecipient Monitoring** (Continued)

Subrecipient	Amount Questioned for Month Tested	Explanation
Subrecipient 2	$1,955	The subrecipient allocated certain costs to the non-Federal matching portion of the AmeriCorps grants based on the amount of building space used for AmeriCorps activities. The rate was either 15% or 20%; however, no analysis of the actual square footage, or other supporting documentation, could be provided to support these rates. A total amount of $1,874 was charged as matching expenses using the 15% allocation rate and $81 using the 20% allocation rate.
Subrecipient 1	$1,019	The subrecipient allocated a portion of a supervisor's time as matching costs for the AmeriCorps grant; however, the supervisor's timesheets did not indicate actual hours worked on the program each day, as required by 2 CFR 200.430(h)(8)(i), which states, in part, the following: *Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:* *(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . . .*
Subrecipient 2	$181	The subrecipient allocated a portion of its unemployment taxes as matching expenses for the AmeriCorps grant. However, there was a lack of documentation to support the overall estimate. The subrecipient estimated unemployment taxes to be 0.7% of total payroll costs, which resulted in $6,382 to be allocated to its various programs for the month tested. Approximately 3% of these costs were matching funds for the AmeriCorps grant, resulting in $181 of questionable costs.
Subrecipient 2	$126	The subrecipient used food expenses provided at meetings as matching expenses; however, the subrecipient lacked documentation to identify the purpose of the meetings or whether they related to the AmeriCorps grant.
Subrecipient 1	$69	The subrecipient used a portion of its information technology expenditures for the matching portion of the AmeriCorps grant. The expenses were allocated based on the number of users for each program. The subrecipient erroneously noted that there were 15 AmeriCorps members; however, only 13 members should have been included in the allocation calculation. Therefore, $69 was included as matching expenditures and should not have been.
Subrecipient 2	$65	The subrecipient used a portion of its workers' compensation costs as matching expenses for the AmeriCorps grant. For the month tested, the subrecipient estimated $10,500 in monthly workers' compensation insurance premiums; however, according to an invoice obtained, the actual monthly premium was only $8,210. Therefore, the subrecipient included $2,290 in premiums that were not supported. Approximately 3% of these costs were used as AmeriCorps matching funds, resulting in $65 of questionable costs.
Subrecipient 2	$53	The subrecipient used a portion of its telephone service charges as matching expenses for the AmeriCorps grant; however, no documentation was available to support the allocation of $53 of the total $3,244 phone bill as matching expenses.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **<u>Insufficient Subrecipient Monitoring</u>** (Continued)

Subrecipient	Amount Questioned for Month Tested	Explanation
Subrecipient 2	$39	The subrecipient failed to provide documentation for two transactions used as matching expenditures. The first transaction included $3 coded as conference travel, and the second transaction included $36 coded as a mileage reimbursement.
Total	**$24,937**	

The instances of inadequate supporting documentation included above appear to be violations of 2 CFR 200.403 (October 1, 2015), which states, in relevant part: "[C]osts must meet the following general criteria in order to be allowable under Federal awards . . . (g) Be adequately documented . . . ." Additionally, 2 CFR 200.405(a) (October 1, 2015) states, in part, the following:

> *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.*

Moreover, 2 CFR 200.405(d) adds the following:

> *If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then . . . the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.*

- For one of the three subrecipients tested, the monthly periodic expense report included nearly $15,000 in unallowable in-kind matching expenditures. The APA reviewed the August 2015 report and identified three different types of unallowable in-kind costs, as well as one duplicated amount, as follows:

In-Kind Match Type	Amount for Month Tested	Explanation
Member Bonus Points	$8,900	Bonus Points is a program offered by the subrecipient, which allows low-income individuals to receive points that equal the amount of household goods they can receive at no cost. The program location has a large warehouse of goods and food. The subrecipient also allowed AmeriCorps' members to earn bonus points, and, therefore, household goods by providing services at their work site each day. In March 2016, ServeNebraska contacted the CNCS to determine whether this practice was an allowable source of matching expenditures. The CNCS determined that the practice was an unallowable match source as it is "a supplement to their living allowances, rather than the use of the goods as part of the program." ServeNebraska notified the subrecipient that this was an unallowable match source in March 2016.
Member Food Distribution	$5,611	Food Distribution is another program offered by the subrecipient, which allows low-income individuals to obtain food items at no cost. Similar to the Bonus Points described above, the subrecipient allowed AmeriCorps' members to receive food at no cost. This appears to fall under the same "supplement to their living allowances, rather than the use of the goods as part of the program" criteria noted above. ServeNebraska notified the subrecipient that this was an unallowable match source in March 2016.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **Insufficient Subrecipient Monitoring** (Continued)

In-Kind Match Type	Amount for Month Tested	Explanation
Member Teen Event	$400	Teen Event is a program offered by the subrecipient, which allows low-income teens to obtain clothing and hygiene products at no cost. Again, the subrecipient allowed AmeriCorps' members to receive these items at no cost. This appears to fall under the same "supplement to their living allowances, rather than the use of the goods as part of the program" criteria noted above. ServeNebraska did not notify the subrecipient that this was an unallowable match source.
Duplicated Costs	$50	The subrecipient included the cost for a $50 cable service invoice twice, in error.
Total	**$14,961**	

Although the grant year ended in August 2015, ServeNebraska failed to contact the CNCS until March 2016 for a determination of whether the "Bonus Points" were allowable. Upon receiving a response from the CNCS that indicated the expenses were unallowable, ServeNebraska also applied the determination to the "Food Distribution" costs. However, the determination was not applied to the "Teen Event" amounts.

The primary criteria for the unallowability of these costs is outlined in 2 CFR 200.306(b) (October 1, 2015), which states, in part, the following:

> *For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria . . . (3) Are necessary and reasonable for accomplishment of project or program objectives[.]*

- AmeriCorps members received a living allowance, as opposed to an hourly wage. Two of the three subrecipients increased member living allowances to make up missed payments for members who signed up late for the program, which is contradictory to Federal regulations and grant terms. Specifically, 45 CFR 2522.245 (October 1, 2015) states, in relevant part, the following:

> *A living allowance is not a wage and programs may not pay living allowances on an hourly basis. Programs must distribute the living allowance at regular intervals and in regular increments, and may increase living allowance payments only on the basis of increased living expenses such as food, housing, or transportation.*

The Terms and Conditions for the AmeriCorps State and National Grants (section VIII.A) explain further, as follows:

> *A living allowance is not a wage . . . . If a member serves all required hours and is permitted to conclude his or her term of service before the originally agreed upon end of term, the recipient may not provide a lump sum payment to the member. Similarly, if a member is selected after the program's start date, the recipient must provide regular living allowance payments from the member's start date and may not increase the member's living allowance incremental payment or provide a lump sum to make up any missed payments.*

1. <u>Insufficient Subrecipient Monitoring</u> (Continued)

For the two subrecipients tested, members received a living allowance every two weeks based on the standard annual allowance divided by 26 bi-weekly pay periods. However, for members who started late and missed previous living allowance payments, the subrecipients increased the bi-weekly allowance amount to make up for the previously missed payments.

The table below illustrates the amounts paid to members in the one month tested for each subrecipient, compared to the correct amounts that should have been paid in accordance with the above Federal regulations.

Subrecipient	Allowance Paid	Prorated Amount	Amount Overpaid
Subrecipient 1	$19,773	$17,219	($2,554)
Subrecipient 2	$23,313	$20,672	($2,641)
Totals	**$43,086**	**$37,891**	**($5,195)**

It appears that the subrecipients overpaid certain members in excess of $5,000 for the month tested by the APA. If this amount is extrapolated to the full grant year, potentially $60,000 may have been overpaid to members for these two subrecipients.

- One subrecipient paid its members' living allowances using a fixed amount each month, regardless of the number of hours worked. However, ServeNebraska reimbursed the subrecipient based on the actual hours each month, which varied from the fixed amount paid to the members. For the month tested, the subrecipient paid its members less than the amount reimbursed by ServeNebraska. While the methodology utilized by the subrecipient for reimbursement appears to comply with the terms and conditions of a fixed amount grant, it failed to comply with the subrecipient's contract award language.

  The contract between ServeNebraska and the subrecipient includes the following language in Section IX, Billing and Payment, subsection B:

  > *Subawardee shall be paid through reimbursement for actual expenses only.*

  The actual expenses paid to members, as compared to the amount reimbursed, are illustrated in the table below.

Subrecipient	Amount Paid to Member	Amount Reimbursed to Subrecipient	Variance
Subrecipient 3	$28,714	$34,022	($5,308)

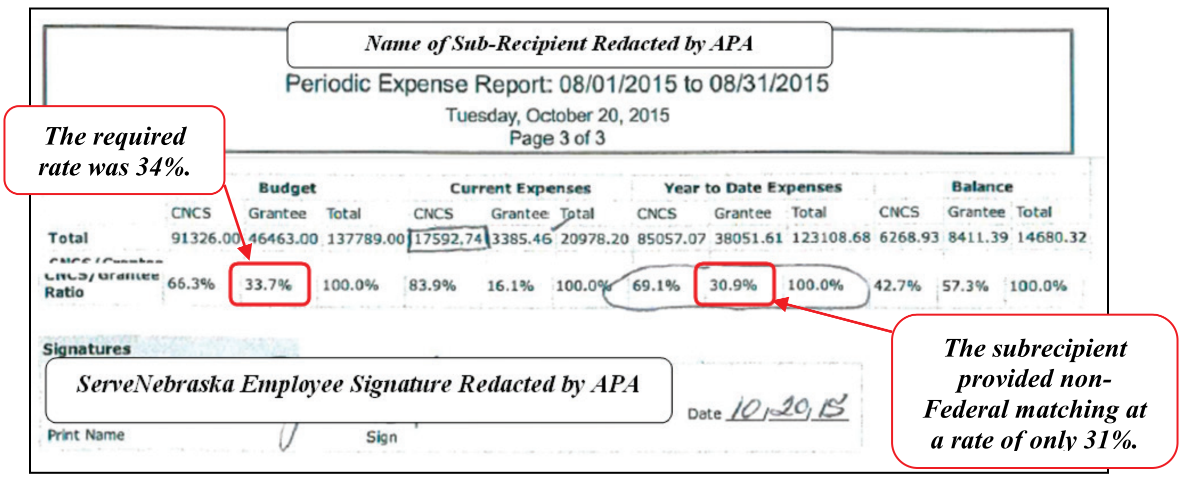
Review of Periodic Expense Reports
The APA also performed testing of the Periodic Expense Reports for a larger sample of 22 subrecipient payments. Additional monitoring concerns were noted during that review, as outlined below.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **<u>Insufficient Subrecipient Monitoring</u>** (Continued)

- One subrecipient tested failed to meet its matching requirement of 34%. The matching requirement specifies the amount of non-Federal funding the subrecipient must provide or obtain through in-kind contributions. For example, in an AmeriCorps program budget of $100,000, a matching rate of 34% would mean that the entity had to provide $34,000 of non-Federal funds or in-kind contributions to match the $66,000 in Federal grant funds received. For the grant year ending August 30, 2015, the subrecipient received $85,057 in Federal funding. The required match on this amount was $43,817. However, the subrecipient provided only a matching level of 31%, or $38,052.

  Additionally, the documentation reviewed by the APA appears to indicate that a ServeNebraska employee reviewed the matching rate but made no attempt to follow up with the subrecipient regarding the unmet match. Instead, the reimbursement payment was processed in full, as requested. See reviewed request below.



Name of Sub-Recipient Redacted by APA

Periodic Expense Report: 08/01/2015 to 08/31/2015

Tuesday, October 20, 2015

Page 3 of 3

	Budget			Current Expenses			Year to Date Expenses			Balance		
	CNCS	Grantee	Total	CNCS	Grantee	Total	CNCS	Grantee	Total	CNCS	Grantee	Total
Total	91326.00	46463.00	137789.00	17592.74	3385.46	20978.20	85057.07	38051.61	123108.68	6268.93	8411.39	14680.32
CNCS / Grantee Ratio	66.3%	33.7%	100.0%	83.9%	16.1%	100.0%	69.1%	30.9%	100.0%	42.7%	57.3%	100.0%

Signatures

ServeNebraska Employee Signature Redacted by APA

Print Name Sign Date 10/20/15

- The APA determined that one subrecipient's August 2016 Periodic Expense Report was never paid. The report was submitted in October 2016 and requested reimbursement of expenses totaling $12,350. ServeNebraska was unaware that the report had not been reviewed or paid until the APA pointed it out.

- ServeNebraska also received monthly reports from subrecipients to support the matching expenditures reported on the monthly expense reports and to ensure the match was from allowable sources. For 1 of 22 subrecipient payments tested, the matching report for March 2016 was not on file but was obtained after the APA reported that it was missing. ServeNebraska processed the subrecipient's reimbursement for March and April 2016 expenses at the same time; however, ServeNebraska staff failed to notice that the subrecipient included the April 2016 match report as support for both the March and April payments.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Insufficient Subrecipient Monitoring (Continued)

In addition to the aforementioned Federal requirements, good internal control requires procedures to ensure that payments to subrecipients are for allowable expenses, and required matching percentages are met. Such procedures should include adequate processes and documentation to ensure sufficient fiscal monitoring, even in the event of employee turnover. Without documented monitoring procedures in place, ServeNebraska risks losing Federal funding due to its lack of compliance with Federal regulations.

This finding is considered a material weakness.

We recommend ServeNebraska implement procedures to ensure compliance with Federal regulations and develop a formal, documented fiscal review process over payments made to subrecipients. That review should include procedures to verify that subrecipients do the following:

- Maintain adequate supporting documentation for all costs charged to the grant, or used as match, especially for in-kind costs and allocation rates.
- Include only allowable sources of non-Federal matching funds.
- Adhere to Federal regulations related to the payment of living allowances.
- Request reimbursement for actual costs only.
- Meet required matching rates.

We also recommend ServeNebraska ensure the questioned costs are thoroughly reviewed to make certain that no overpayments were made to the subrecipients, and any overpayments identified are recovered.

ServeNebraska Response: Since the departure of the Federal Aid Administrator, ServeNebraska has been monitoring periodic expense reports from sub grantees monthly. This method is not comprehensive and/or a standard of monitoring acceptable to ServeNebraska, but it provides a process of monitoring that allows ServeNebraska to explore and question costs submitted within 30 days of the expenditure from the subgrantee. The former position identified in the report has been posted for rehire twice since June 2016 and then ServeNebraska adhered to the Governor's hiring freeze. This position is a necessary position for ServeNebraska in order to monitor its subrecipients to the extent needed. ServeNebraska has requested to fill this position.

Subrecipient 2, as identified in the report, ServeNebraska has questioned and disallowed costs since March of 2016, and has been working with the Corporation for National and Community Service Office of Inspector General since June 2016 to address the issues pertaining to the subrecipient. ServeNebraska did not enter into another program year of funding and has submitted the findings to the Corporation for National and Community Service Office of Inspector General and waiting for final direction.

1. <u>Insufficient Subrecipient Monitoring</u> (Concluded)

Subrecipient 3, this subrecipients is not funded in the same cost reimbursement basis that all the other subrecipients in the ServeNebraska portfolio is funded. The grant is funded per the number of AmeriCorps members recruited by the subrecipient based on the number of hours served by each member. The amount reimbursed has nothing to do with the member living allowance. ServeNebraska has reimbursed this subrecipient exactly what they are needing to be reimbursed. ServeNebraska will be amending the subrecipient agreement to change the manner in which the reimbursement should occur. This will occur prior to June 1, 2017.

Subrecipient 1, this subrecipient has been notified that they did not achieve the agreed upon federal match. ServeNebraska will work with this subrecipient to amend their final periodic expense reimbursement in order to meet the agreed upon match. This will occur prior to June 1, 2017.

2. <u>Inadequate Review Procedures</u>

The APA determined that ServeNebraska lacked procedures to review properly its internal transactions posted by DHHS or for the funds held by the Nebraska Community Foundation on its behalf. Additionally, adequate financial information was not provided to the ServeNebraska's commissioners for their review. Finally, the terms of the DHHS Agreement with ServeNebraska were not followed, and compliance with those provisions was not monitored.

Internal Accounting Transactions
ServeNebraska has contracted to pay DHHS an annual fee of $10,000 to provide support services, which include recording the financial activity of ServeNebraska into the State's accounting system. See **Attachment A** for a copy of the service agreement.

Through its Director, ServeNebraska reviews and approves individual transactions and supporting documentation prior to notifying DHHS, which then processes the transactions in the accounting system. While the approval and notification methods differ slightly depending on the type of transactions – for example, payroll, revenues, expenditures – all transactions follow this same basic process. Therefore, all of the transactions that comprise the more than $2.4 million in expenditures for the period were recorded in the State's accounting system by DHHS.

Once DHHS recorded the transactions in the accounting system, ServeNebraska failed to review the detailed transactions to ensure the activity was complete and accurate.

During our testing, the APA identified a discrepancy that could have been investigated had a detailed review of transactions been performed by ServeNebraska after they were recorded in the accounting system. For one travel expenditure tested, ServeNebraska staff manually indicated on the invoice the coding and amounts to be entered into the accounting system; however, the actual coding recorded in the accounting system did not agree to the coding noted on the invoice by ServeNebraska. The table below illustrates the variances in the coding identified by ServeNebraska compared to that recorded in the accounting system.

2. <u>Inadequate Review Procedures</u> (Continued)

Account Description	Code	Amount Requested	Amount Posted	Variance
Board & Lodging	571100	$581	$1,202	($621)
Meals, Not Travel Status	571600	$1,242	$621	$621

Good internal control procedures require an after-the-fact review to ensure the transactions were properly posted and there were no unauthorized transactions. Without such procedures, there is an increased risk not only that transactions could be posted incorrectly with incorrect coding or amounts but also that unauthorized transactions from DHHS could be recorded to ServeNebraska's funds.

Financial Reporting to Commission
The Director failed to provide adequate financial activity reports to the Commission. Again, the APA is aware that some of the normal financial reporting has not been accomplished due to the loss of a fiscal administrator on staff; however, even when ServeNebraska had such an employee, the reports provided to the Commission were insufficient. The ServeNebraska commissioners do not appear to have received any summary or detail reports of financial activity, including Nebraska Community Foundation activity, for the period prior to each quarterly meeting.

Good internal control procedures require the presentation of financial information to an entity's oversight body for its review. Without such procedures, there is an increased risk of unauthorized transactions being posted.

Funds Held by Nebraska Community Foundation
The Nebraska Community Foundation (Foundation) holds monies on behalf of ServeNebraska as an "Affiliated Fund," which allows donors to make donations through the Foundation to ServeNebraska. The Foundation sends ServeNebraska quarterly reports of its fund activity; however, ServeNebraska failed to document a review of these reports.

Good internal control requires procedures for a proper review of Foundation fund activity to ensure that transactions and balances are accurately recorded. Without such a procedure, there is an increased risk of unauthorized transactions being posted.

Outdated Agreement Terms
The terms of the service agreement between ServeNebraska and DHHS lacked clarity, resulting in possible violations of those contractual provisions by both parties.

As previously noted, the agreement appears to require a $10,000 payment from ServeNebraska to DHHS. Specifically, Section III, Part C, entitled "NVSC Contribution," states, in part, the following:

> *NVSC [ServeNebraska] agrees to provide $10,000 State General funds annually from the NVSC state appropriation into the HHS pooled cost center to ensure the NVSC participation in the HHS Cost Allocation Plan.*

COMMENTS AND RECOMMENDATIONS
(Continued)

2. <u>Inadequate Review Procedures</u> (Continued)

The APA reviewed the 18 months of financial activity for ServeNebraska and found no such payment made to DHHS.

Section III, Part C, also states the following:

> *The $10,000 NVSC State General funds appropriated annually by the Nebraska Legislature for use by the NVSC shall be transferred to the HHS budget program annually on December 15 for use by the NVSC during its federal grant year.*

This particular language is ambiguous, at best. In practice, DHHS allocates $20,000 of its General fund monies to ServeNebraska. The Nebraska Legislature does not make a specific appropriation to either NVSC or ServeNebraska.

Finally, the service agreement between ServeNebraska and DHHS states, "Host Services to be provided by HHS to NVSC [ServeNebraska] shall consist of any services included or added to the HHS Cost Allocation Pool." The subsections following that language list these services:

- Telecommunications (phones, monthly use charges)
- Building Division Support (space planning, temporary parking)
- Capitol Commission Support (moving office space, wall-mounting)
- Office Space Rental and Utilities at the Capitol
- Contracts & Records Management (records retention, storage)
- Human Resources Support (payroll, benefits, recruitment, SOS temporary employees)
- Staff Development Opportunities (training)
- Printing and Postage (letterhead, envelopes, special reports, postage)
- Supplies and Operations Materials (paper, office supplies, copy services)
- Financial Services Division Support (budgeting, accounting, grants management)
- Information Systems & Technology Division Support (technical support, hardware, repairs, software)
- DAS Transportation (use of vehicles, gas, mileage)
- Legal Division Support (legal opinions, contract review)
- State Capitol Security (access cards, security)

Therefore, the financial activity of ServeNebraska excluded any regular, recurring support expenses for many of the above-noted items. However, several one-time expenses for similar services were charged to ServeNebraska by DHHS, including the following:

Type of Service	Amount
SOS Temporary Employee Bills	$26,699
Training Bills	$305
Temporary Parking Bills	$275
Print Shop Bills	$263
Cable Installation Bill	$197
Total Support Services Bills	**$27,739**

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Inadequate Review Procedures (Continued)

With the exception of one $120 temporary parking bill, ServeNebraska did not approve or initiate any of the expenses listed above.

After comparing the expenses included in the table above to the services listed in the service agreement between ServeNebraska and DHHS, one could conclude that ServeNebraska should not have been charged for those expenses; rather, those costs should have been covered by the express terms of the service agreement.

The APA's attempt to clarify the specifics of the service agreement between ServeNebraska and DHHS was unsuccessful, primarily due to turnover at DHHS since 2007. Complicating matters further is the fact that the agreement has not been updated for almost 10 years.

Overall, the payments for the questioned expenses, which were initiated and recorded without notification to ServeNebraska, are an additional indication of the need for an after-the-fact review of detailed transactions by ServeNebraska. Likewise, the lack of review prevented ServeNebraska from verifying whether the required $10,000 annual payment was being made.

Good internal control procedures require monitoring of contractual provisions to ensure both compliance therewith and that the terms of the agreement are properly updated to reflect any changes made over time. Without such procedures, there is an increased risk for loss or misuse of ServeNebraska funds.

This finding is considered a significant deficiency.

We recommend ServeNebraska implement procedures to ensure that all financial activity is accurately recorded and reviewed. Such procedures might include the following:

- The Director should document her review of a general ledger report that shows detailed information for revenue and expense transactions.
- The Director should document a review of the historical payroll register report to ensure wages and deductions are appropriate for all ServeNebraska employees.
- The Director should document a review of the quarterly financial reports provided by the Foundation.
- All reports and financial information reviewed should be summarized and provided to the ServeNebraska commissioners at each quarterly meeting, with the detailed versions of each report also made available for examination.

Additionally, we recommend the terms of the service agreement between ServeNebraska and DHHS be monitored for compliance. If those terms do not reflect accurately current practices, ServeNebraska should work with DHHS to update the agreement.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. **Inadequate Review Procedures** (Concluded)

ServeNebraska Response: As it pertains to ServeNebraska, ServeNebraska recognizes that its internal controls have not been adequate and identified this prior to the State Audit by presenting the State Auditor with an internal corrective action plan at the entrance interview. ServeNebraska hired a contractor in December of 2016 to assist the office in assessing policies and procedures around internal controls and continues to work through updating procedures in order to address this issue.

The Executive Director has provided the Commission with expenditure reports and will continue to enhance the financial report.

ServeNebraska will continue to work with Department of Health and Human Services to update the Memorandum of Understanding.

DHHS Response: DHHS adhered to and followed established pre-auditing procedures per the Department of Administrative Services (DAS) which included one person collecting and entering all necessary supporting documentation in EnterpriseOne, a second person to review the documentation entered, and a third person who posts the document after ensuring that all documentation met statutory requirements, Accounting Policies, and Agency policies. DHHS accurately entered the expenditure information into EnterpriseOne as requested and verified by ServeNebraska via the standard OnBase approval process.

Additionally, DHHS will work with ServeNebraska to update the agreement between our Agencies to align with current practices and ensure that all terms of the agreement are enforced and updated as necessary.

3. **Financial Schedule Adjustment**

Based on advice received from DHHS, ServeNebraska incorrectly recorded as operating expenditures $1.5 million in subrecipient payments that should have been recorded as government aid expenditures.

Specifically, in January 2016, DHHS instructed ServeNebraska to change the account code utilized for subrecipient aid payments from account code 594100, Subrecipient Payments, to account code 550101, Administrative Sub-Grants. The table below illustrates the breakdown of how these subrecipient payments were coding during the review period.

Code	Account Description	July 2015 - June 2016	July 2016 - Dec 2016	July 2015 - Dec 2016
594100	Subrecipient Payments – SEFA	$558,224	$0	$558,224
550101	Administrative Sub-Grants	$1,062,886	$486,412	$1,549,298
Government Aid Payments to Subrecipients		**$1,621,110**	**$486,412**	**$2,107,522**

3. <u>Financial Schedule Adjustment</u> (Concluded)

Generally, the "Administrative Sub-Grant" account would be included as operating expenditures on a financial schedule; however, that is not an accurate depiction of these expenditures. The APA proposed, therefore, an adjustment to the ServeNebraska financial schedule to move the $1,549,298 recorded as an operating expenditure to the government aid expenditures, and ServeNebraska management agreed.

In addition to adjusting the ServeNebraska financial schedule presented in this report, the State of Nebraska Schedule of Expenditures of Federal Awards (SEFA) also required an adjustment to correct for the coding error. The SEFA originally included only the $558,224 as AmeriCorps subrecipient payments for the period July 1, 2015, through June 30, 2016. DHHS agreed with the APA's recommendation to include the additional $1,062,886 amount as subrecipient payments, producing in an accurate total of $1,621,110 for the fiscal year.

Good internal controls require procedures to ensure financial activity is properly recorded. Without such procedures, there is an increased risk that financial schedules will be materially misstated, resulting in management, the Legislature, and other users of financial reports being mislead.

This finding is considered a significant deficiency.

> We recommend DHHS and ServeNebraska work together to record properly the subrecipient payments as government aid expenses.

DHHS Response: DHHS was notified of the SEFA errors in the FY2016 Single Audit during the fall of 2016. Since that time, DHHS worked with DAS to identify and resolve the source of the reporting error, which was due to the omission of all necessary object codes from the EnterpriseOne SEFA report. Both DAS and DHHS have noted this and have updated our process to manually include this information in SEFA report until such time that EnterpriseOne can be modified to automatically include all data.

APA Response: The DHHS response does not adequately address the issue. The ServeNebraska expense was not accurately recorded as government aid expenditures or reported on the SEFA. DHHS should ensure government aid expenditures are accurately recorded. Additionally, the creation of a manual process to ensure the amounts are properly recorded on the SEFA does not provide the necessary assurance that the amounts will be accurately recorded.

4. <u>Revenue and Receipting Issues</u>

The APA identified several issues related to the procedures over the receipt and deposit of funds, including the following: 1) Recorded receipts did not agree to corresponding deposits; 2) deposits were not made in a timely fashion; 3) receipt logs were not reviewed; 4) checks were not restrictively endorsed; and 5) no formal guidance was provided for the payment of fines. Each of these five issues is addressed in greater detail below.

4. Revenue and Receipting Issues (Continued)

Recorded Receipts Did Not Agree to Deposits
The APA reviewed the collection of registration fees for the 2015 annual awards luncheon and, per the accounting system, determined that $5,680 in fees was deposited; however, according to the supporting documentation provided, $5,820 was actually collected for this event. Therefore, either the documentation provided was inaccurate, or $140 was collected but never deposited.

The supporting documentation provided by ServeNebraska included a listing of individuals who had registered and paid to attend the event. The APA identified variances from the supporting documentation between the amounts paid by cash versus the amounts paid by check. It appears that $220 more in checks and $360 less in cash were deposited compared to the registration listing. The table below illustrates these variances.

Type	No. of Attendees	Amount Received*	Amount Deposited	Variance
Paid by Check	74	$4,420.00	$4,640.00	$220.00
Paid Cash	28	$1,120.00	$760.00	($360.00)
ACH Transfer	1	$280.00	$280.00	$0
Not Charged	40	$0	$0	$0
Totals	**143**	**$5,820.00**	**$5,680.00**	**($140.00)**

**While the standard registration fee charged to each individual was $40, sponsorships were available for amounts ranging from $500 to $2,000. These amounts are also included in the "Amounts Received" column.*

The APA noted also that the documentation provided did not detail adequately the number of attendees at the event. For example, ServeNebraska received an ACH payment of $280, shown above, that included only one attendee's name. However, alternate documentation obtained by the APA reveals that the payment was actually for seven individuals, but the list provided by ServeNebraska does not contain any such indication.

Other documentation related to this conference indicated that 150 individuals attended the event, while the registration listing accounted for only 143 attendees. This discrepancy also raises concerns as to the accuracy of the documentation provided to support the amount of fees paid.

Good internal controls require procedures to ensure that all money received is properly recorded and deposited. Without such procedures, there is an increased risk of loss or misuse of State funds.

> We recommend ServeNebraska maintain adequate supporting documentation to ensure that all registration fees are properly collected and deposited. The lists of the attendees and sponsors should agree to the amounts deposited.

Untimely Deposits
The APA tested two deposits and determined that neither was made in a timely manner. The details of each of those deposits are outlined below.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. <u>Revenue and Receipting Issues</u> (Continued)

- The first deposit tested was for $5,156; however, due to the inadequate supporting documentation maintained by ServeNebraska, the APA was unable to verify whether the receipts were deposited timely. The receipt dates ranged from September 30, 2015, to November 4, 2015, and the deposits occurred between October 27, 2015, and December 9, 2015. Thus, it appears unlikely that all receipts were deposited within the statutorily required three to seven days.

  The documentation provided indicates also that $2,436 had actually been sent to ServeNebraska several years ago. Three separate checks were received between October 2008 and January 2010. The checks were returned to the company due to miscommunication and lack of follow up by ServeNebraska; therefore, the funds were not deposited until November 9, 2015, which is clearly a violation of the timely deposit statute.

- The second deposit tested was for $3,000, of which $160 was not deposited timely. These receipts were received on October 19 and 20, 2016, but they were not sent to DHHS to be deposited into the State treasury until October 31, 2016, which was more than the seven days required by statute.

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

> *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, 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 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.*

Without adequate documentation to support the timely deposit of receipts, there is a risk for not only noncompliance with State law but also the loss or misuse of State funds.

> We recommend ServeNebraska implement procedures to ensure all receipts are deposited in a timely manner and supporting documentation is maintained for all such deposits.

No Review of Receipt Logs
For most of the period reviewed, cash and checks received were logged into a receipt log; however, ServeNebraska failed to document a review of the initial receipt log to verify that all receipts recorded on the log were deposited. With the hiring of a new staff member in December 2016, ServeNebraska began to document this review.

Good internal controls require a documented review of the receipt log to ensure that all amounts collected are properly deposited. Without such a review, there is an increased risk of loss or misuse of State funds.

4. Revenue and Receipting Issues (Concluded)

> We recommend ServeNebraska continue to perform a documented review of the initial receipt log.

Checks Not Restrictively Endorsed
Checks were not restrictively endorsed immediately upon receipt. The Director explained that ServeNebraska had not been provided with a "For Deposit Only" stamp to enable such endorsement.

Good internal controls require that checks be restrictively endorsed immediately upon receipt to prevent a diversion of funds. There is a risk that checks not stamped "For Deposit Only" upon receipt could be stolen and not deposited into the State treasury.

> We recommend that all checks be restrictively endorsed immediately upon receipt to prevent loss or misuse of State funds.

No Formal Guidance on Fines
ServeNebraska assesses fines to subrecipients who fail to comply with the provision of the grant awards. The fines range from $250 to $1,500 depending on the level of noncompliance and any mitigating circumstances. During the 18-month review period, ServeNebraska recorded a total of $2,250 in fines collected.

According to the Director of ServeNebraska, the overseeing Federal agency, the Corporation for National and Community Service (CNCS), has allowed State commissions to assess fines, referred to as disallowance fees, when subgrantees fail to comply with certain grant requirements. The fines are deposited into the ServeNebraska Cash Fund to be used for various administrative purposes. However, there is no formal Federal guidance for how ServeNebraska is to assess or utilize these fines.

Good internal controls require adequate documentation, including appropriate authoritative guidance, to support the assessment and utilization of any fines to subrecipients. Without the needed documentation, there is a risk that ServeNebraska might inappropriately collect and retain such fines.

> We recommend that ServeNebraska work with the CNCS to obtained formal guidance regarding the assessment and disposition of fines levied against subrecipients.

ServeNebraska Response: As stated in the report ServeNebraska has made improvements to its process of collecting registration fees especially over the last eight months but recognizes that this system still needs more improvement. Checks need to be deposited in a timely manner with "For Deposit Only" written or stamped on the back of each check, again the Commission has already made significant improvements over the last eight months and will continue to improve upon this internal procedure.

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Payroll Issues

The APA identified two concerns related to ServeNebraska's payroll transaction procedures. Those concerns are outlined below.

Incorrect Termination Payout
The APA determined that one employee was slightly underpaid for both vacation and sick leave balances at termination. The amount paid was calculated by DHHS and did not agree to the APA's calculation due to the amount of prorated earnings calculated for the final pay period.

Vacation leave was underpaid by $66, and sick leave was underpaid by $12, resulting in a total underpayment of $78.

The differences between the APA's calculation and the DHHS calculation are summarized in the following table.

	Vacation Payout			***Sick Payout***		
	DHHS	**APA**	**Variance**	**DHHS**	**APA**	**Variance**
Prior Pay Period Balance*	282.77	282.77	0.00	1259.80	1259.80	0.00
Final Pay Period Hours Worked**	8.00	40.00	(32.00)	8.00	40.00	(32.00)
Hourly Leave Earnings Rate	0.09615	0.09615	0.09615	0.06923	0.06923	0.06923
Final Pay Period Earnings	0.77	3.85	(3.08)	0.55	2.77	(2.22)
Total Leave Balance	283.54	286.62	(3.08)	1260.35	1262.57	(2.22)
One-Quarter Leave Balance	n/a	n/a	n/a	315.09	315.64	(0.55)
Hourly Pay Rate	$21.61	$21.61	$21.61	$21.61	$21.61	$21.61
Leave Payout	$6,127	$6,193	**($66)**	$6,808	$6,820	**($12)**

**The prior pay period balance was per the pay period ended May 29, 2016 (Sunday).*
***The employee's termination date was June 3, 2016; therefore, the APA calculated the final pay period hours to be eight hours per day for the five days between May 30, 2016, (Monday) and June 3, 2016 (Friday). This also agreed to the 40 hours of pay noted on the employee's final paycheck. It is unknown how DHHS calculated only eight hours worked in the final pay period.*

As outlined in Comment and Recommendation #2 above, ServeNebraska staff should have been reviewing such payroll transactions in order to detect the discrepancy.

Neb. Rev. Stat. § 81-1328(8) (Cum. Supp. 2016) states, in relevant part, the following:

> *Each state employee, upon retirement, dismissal, or voluntary separation from state employment, shall be paid for unused accumulated vacation leave.*

Section 14.8, Vacation Leave Payment, of the 2015-2017 Nebraska Association of Public Employees (NAPE) contract states the following:

> *Employees who leave employment shall be paid for any unused accumulated vacation leave earned, calculated on their base hourly rate. Pay for the unused accumulated vacation leave shall be in a lump sum addition to the employee's last paycheck.*

COMMENTS AND RECOMMENDATIONS
(Concluded)

5. <u>Payroll Issues</u> (Concluded)

Likewise, section 14.14 of the 2015-2017 NAPE contract states, in relevant part, the following:

> *All sick leave shall be forfeited upon separation from employment, except that an employee age 55 or above, or of a younger age if the employee meets all criteria necessary to retire under the primary retirement plan covering his/her State employment, or at death, shall receive a one-time payment of one quarter of his/her accumulated sick leave not to exceed 480 hours.*

Without proper procedures to ensure that vacation and sick leave balances are correctly calculated and paid at termination, there is an increased risk of not only an employee receiving inaccurate payments but also ServeNebraska failing to comply with relevant provisions of State statute and bargaining agreement requirements.

> We recommend DHHS and ServeNebraska work together to determine whether any additional compensation is owed to the terminated employee. Additionally, we recommend ServeNebraska review any termination payout calculations performed by DHHS in the future.

No Approval of Director's Timesheet
The APA determined that the timesheets submitted by the Director of ServeNebraska were not adequately reviewed prior to payment. The only review of her timesheets was performed by DHHS personnel, who lack sufficient familiarity with the Director's activities to carry out that function appropriately.

According to the Director, DHHS had previously initiated an automated process that involved emailing her timesheets to the ServeNebraska Chairperson for approval. However, whether due to the subsequent replacement of the Chairperson or turnover of DHHS personnel, this process was no longer in place during the review period.

Good internal controls require procedures to ensure timesheets are properly reviewed and approved by a supervisor to ensure accuracy. Without such procedures, there is a risk that the time coded on the timesheets could be inaccurate.

> We recommend the ServeNebraska Chairperson perform a documented review and approval of the Director's timesheets to ensure their accuracy.

DHHS Response: The calculation of leave earnings on separating employees is a manual calculation due to a system limitation in EnterpriseOne. DHHS developed a template to perform this calculation and will modify this template to include additional edit checks and controls to ensure accuracy. DHHS has established protocols to grant system access to external users. Upon request from ServeNebraska, DHHS will review and process that request to grant appropriate access to systems to meet their needs.

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SERVENEBRASKA

INDEPENDENT ACCOUNTANT'S REPORT

ServeNebraska
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of ServeNebraska for the period July 1, 2015, through December 31, 2016. ServeNebraska'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, Revenues, Expenditures, and Changes in Fund Balances of ServeNebraska for the period July 1, 2015, through December 31, 2016, based on the accounting system and procedures prescribed by the Department of Administrative Services, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or an assertion about the subject matter and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement; and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments and Recommendations Section of the report.

This report is intended solely for the information and use of management, the ServeNebraska commissioners, others within ServeNebraska, 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

March 20, 2017

Charlie Janssen
Auditor of Public Accounts

SERVENEBRASKA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Period July 1, 2015, through December 31, 2016

	General Fund 10000	HHS Cash Fund 22550	Americorp Federal Fund 42642	**Totals (Memorandum Only)**
REVENUES:				
Appropriations	$ 39,209	$ -	$ -	$ 39,209
Intergovernmental	-	-	2,397,660	2,397,660
Sales & Charges	-	11,876	-	11,876
Miscellaneous	-	6,848	(250)	6,598
TOTAL REVENUES	39,209	18,724	2,397,410	2,455,343
EXPENDITURES:				
Personal Services	-	-	210,023	210,023
Operating	39,201	15,770	69,544	124,515
Travel	8	498	22,580	23,086
Government Aid	-	-	2,107,522	2,107,522
TOTAL EXPENDITURES	39,209	16,268	2,409,669	2,465,146
Net Change in Fund Balances	-	2,456	(12,259)	(9,803)
FUND BALANCES, BEGINNING	-	3,988	63,397	67,385
FUND BALANCES, ENDING	$ -	$ 6,444	$ 51,138	$ 57,582
FUND BALANCES CONSIST OF:				
General Cash	$ -	$ 6,444	$ 47,659	$ 54,103
Accounts Receivable Invoiced	-	-	23,381	23,381
Due to Vendors	-	-	(19,902)	(19,902)
TOTAL FUND BALANCES	$ -	$ 6,444	$ 51,138	$ 57,582

The accompanying notes are an integral part of the schedule.

NOTES TO THE SCHEDULE

For the period July 1, 2015, through December 31, 2016

1. Criteria

The accounting policies of ServeNebraska are on the basis of accounting prescribed by the Department of Administrative Services (DAS). Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of DAS include the following:

> *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 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require ServeNebraska to record all accounts receivable and related revenues in EnterpriseOne; as such, ServeNebraska'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, 2016, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2016, **does not** include amounts for goods and services received before December 31, 2016, which had not been posted to the general ledger as of December 31, 2016.

Other liabilities are recorded in accounts entitled Due to Vendors for ServeNebraska. 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. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

ServeNebraska uses the following fund types established by the State:

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

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Continued)

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.

ServeNebraska uses the following major revenue account classifications established by State Accounting:

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 donations and fines/penalties.

ServeNebraska uses the following major expenditure account classifications established by State Accounting:

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

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.

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.

NOTES TO THE SCHEDULE
(Concluded)

1. **Criteria** (Concluded)

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

> **Assets –** Resources owned or held by a government that have monetary value. Assets include cash accounts and receivable accounts. Accounts receivable are recorded as an increase to revenues resulting in an increase to fund balance on the schedule. 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 ServeNebraska's funds at December 31, 2016, included amounts recorded in Due to Vendors.

2. **Reporting Entity**

ServeNebraska is a State agency established in 1994 via Executive Order 94-5 and in accordance with the National and Community Trust Act of 1993. As such, ServeNebraska is exempt from State and Federal income taxes. The schedule includes all funds of ServeNebraska included in the general ledger.

ServeNebraska 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.

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.

SERVENEBRASKA

Exhibit A

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For Fiscal Year 2016 and for the Period July 2016 to December 2016

	For the period July 1, 2015, through June 30, 2016				For the period July 1, 2016, through December 31, 2016				For the period July 1, 2015, through December 31, 2016			
	General Fund 10000	HHS Cash Fund 22550	Americorp Federal Fund 42642	**Totals (Memorandum Only)**	General Fund 10000	HHS Cash Fund 22550	Americorp Federal Fund 42642	**Totals (Memorandum Only)**	General Fund 10000	HHS Cash Fund 22550	Americorp Federal Fund 42642	**Totals (Memorandum Only)**
REVENUES:												
Appropriations	$20,038	$ -	$ -	$ 20,038	$19,171	$ -	$ -	$ 19,171	$ 39,209	$ -	$ -	$ 39,209
Intergovernmental	-	-	1,807,961	1,807,961	-	-	589,699	589,699	-	-	2,397,660	2,397,660
Sales & Charges	-	8,116	-	8,116	-	3,760	-	3,760	-	11,876	-	11,876
Miscellaneous	-	725	-	725	-	6,123	(250)	5,873	-	6,848	(250)	6,598
TOTAL REVENUES	20,038	8,841	1,807,961	1,836,840	19,171	9,883	589,449	618,503	39,209	18,724	2,397,410	2,455,343
EXPENDITURES:												
Personal Services	-	-	148,136	148,136	-	-	61,887	61,887	-	-	210,023	210,023
Operating	20,038	6,300	54,163	80,501	19,163	9,470	15,381	44,014	39,201	15,770	69,544	124,515
Travel	-	430	14,731	15,161	8	68	7,849	7,925	8	498	22,580	23,086
Government Aid	-	-	1,621,110	1,621,110	-	-	486,412	486,412	-	-	2,107,522	2,107,522
TOTAL EXPENDITURES	20,038	6,730	1,838,140	1,864,908	19,171	9,538	571,529	600,238	39,209	16,268	2,409,669	2,465,146
Net Change in Fund Balances	-	2,111	(30,179)	(28,068)	-	345	17,920	18,265	-	2,456	(12,259)	(9,803)
FUND BALANCES, BEGINNING	-	3,988	63,397	67,385	-	6,099	33,218	39,317	-	3,988	63,397	67,385
FUND BALANCES, ENDING	$ -	$ 6,099	$ 33,218	$ 39,317	$ -	$ 6,444	$ 51,138	$ 57,582	$ -	$ 6,444	$ 51,138	$ 57,582
FUND BALANCES CONSIST OF:												
General Cash	$ -	$ 6,099	$ 33,218	$ 39,317	$ -	$ 6,444	$ 47,659	$ 54,103	$ -	$ 6,444	$ 47,659	$ 54,103
Accounts Receivable Invoiced	-	-	-	-	-	-	23,381	23,381	-	-	23,381	23,381
Due to Vendors	-	-	-	-	-	-	(19,902)	(19,902)	-	-	(19,902)	(19,902)
TOTAL FUND BALANCES	$ -	$ 6,099	$ 33,218	$ 39,317	$ -	$ 6,444	$ 51,138	$ 57,582	$ -	$ 6,444	$ 51,138	$ 57,582

SERVENEBRASKA

Exhibit B

SCHEDULE OF FOUNDATION ACTIVITY - UNAUDITED

For the Periods Noted Below

	For the period July 1, 2015, through June 30, 2016			For the period July 1, 2016, through December 31, 2016			For the period July 1, 2015, through December 31, 2016		
	General Fund	Conference on Volunteerism Fund	**Totals (Memorandum Only)**	General Fund	Conference on Volunteerism Fund	**Totals (Memorandum Only)**	General Fund	Conference on Volunteerism Fund	**Totals (Memorandum Only)**
REVENUES:									
Contributions	$ 3,904	$ 500	$ 4,404	$ 69	$ -	$ 69	$ 3,973	$ 500	$ 4,473
Grants from Foundations	-	-	-	91	-	91	91	-	91
Event Admissions	-	-	-	298	-	298	298	-	298
TOTAL REVENUES	3,904	500	4,404	458	-	458	4,362	500	4,862
EXPENDITURES:									
Program Expenditures:									
Community Beautification & Historical Preservation	750	-	750	-	-	-	750	-	750
Public Safety	745	-	745	-	-	-	745	-	745
Basic Human Services	750	-	750	-	-	-	750	-	750
Leadership Training	1,612	-	1,612	-	-	-	1,612	-	1,612
Environmental Quality & Stewardship Grant	1,000	-	1,000	-	-	-	1,000	-	1,000
Opiod Abuse Recovery Grant	-	-	-	2,241	-	2,241	2,241	-	2,241
Federal Grant Repayment	-	-	-	1,058	-	1,058	1,058	-	1,058
ServeNE Director Expense Reimbursements	799	-	799	-	-	-	799	-	799
Foundation Fees:									
Support Fee	141	-	141	82	-	82	223	-	223
Affiliation Fee	600	60	660	300	30	330	900	90	990
Credit Card Processing Fee	-	-	-	11	-	11	11	-	11
TOTAL EXPENDITURES	6,397	60	6,457	3,693	30	3,723	10,089	90	10,179
Net Change in Fund Balances	(2,493)	440	(2,053)	(3,235)	(30)	(3,265)	(5,727)	410	(5,317)
FUND BALANCES, BEGINNING	23,951	8,263	32,214	21,458	8,703	30,161	23,951	8,263	32,214
FUND BALANCES, ENDING	$ 21,458	$ 8,703	$ 30,161	$ 18,223	$ 8,673	$ 26,896	$ 18,224	$ 8,673	$ 26,897
FUND BALANCES CONSIST OF:									
General Cash	$ 21,458	$ 8,703	$ 30,161	$ 18,223	$ 8,673	$ 26,896	$ 18,224	$ 8,673	$ 26,897
TOTAL FUND BALANCES	$ 21,458	$ 8,703	$ 30,161	$ 18,223	$ 8,673	$ 26,896	$ 18,224	$ 8,673	$ 26,897

The Lincoln Community Foundation is audited annually by a private CPA firm. Please contact the Lincoln Community Foundation to request a copy of the annual audit.

SERVENEBRASKA

Attachment A

DHHS HOST SUPPORT AGREEMENT

For the period July 1, 2015, through December 31, 2016

AGREEMENT No. NVSC-07-HOSTSUP-01

Memorandum of Agreement for Nebraska State Agency "Host" State Match Support to the Nebraska Volunteer Service Commission

The Nebraska Volunteer Service Commission (hereinafter referred to as the NVSC) and the Nebraska Department of Health and Human Services (hereinafter referred to as HHS) have entered into an Memorandum of Agreement (hereinafter referred to as Agreement) for HHS host support services for the NVSC to enable the Commission to access federal Corporation for National and Community Services (CNCS) Administration Grant funding.

WHEREAS, the NVSC is a separate state agency created in Nebraska to operate as the designated State Commission required by Executive Order No. 94-5 and required by the federal government through its agency, CNCS, and

WHEREAS, HHS is the state agency designated by the Governor of Nebraska to serve as the "host" state agency to provide support and state match for the Nebraska State Volunteer Service Commission, and

WHEREAS, the parties agree to provide the state match to comply with the requirement of the federal CNCS Administration Grant that the NVSC receives annually to operate the Nebraska Volunteer Service Commission,

NOW THEREFORE, it is hereby agreed that:

TERM OF AGREEMENT

The term of this AGREEMENT shall be effective from January 1, 2007 and shall be automatically renewed from year to year thereafter unless otherwise modified or terminated pursuant to this Agreement.

II. PURPOSE OF "HOST" AGENCY

"Host" support from another state agency (HHS) enables the NVSC to comply with Executive Order 94-5 and to meet the federal CNCS match requirement to operate a Commission in the State of Nebraska.

III. AGREEMENTS MADE FEBRUARY 28, 2007

A. Representatives for the Parties.

On February 28, 2007, HHS/Financial Services Director, Willard Bouwens, HHS/Financial Analyst, Brad Pope, and NVSC Executive Director, Barbara W. Thomas, agreed to contribute to the HHS "Host" pursuant to this Agreement. The parties recognize that ninety percent of the required state match for the federal CNCS Administrative Grant must be provided by the host agency and that NVSC will periodically use its Foundation to pay for NVSC activities by transferring funds from HHS to the Foundation as needed.

B. HHS Contribution.

HHS agrees to annually provide the indirect cost amount from the Cost Allocation System to be used as state match for the NVSC federal CNCS Administration Grant.

2. HHS/Finance & Support staff will re-journal entry all transactions since January 1, 2007, by June 1, 2007 in order to put NVSC federal grant funds that were used to pay any expenses that should be included in MOA Section C.1. back into the applicable NVSC grant program. HHS/Finance & Support staff shall ensure no expenses covered by the cost allocation pool shall be charged against any funds managed by NVSC.

C. NVSC Contribution.

NVSC agrees to provide $10,000 State General funds annually from the NVSC state appropriation into the HHS pooled cost center to ensure the NVSC participation in the HHS Cost Allocation Plan. These funds will be applied to the federal state match requirement of the federal CNCS Administration Grant.

2. The $10,000 NVSC State General funds appropriated annually by the Nebraska Legislature for use by the NVSC shall be transferred to the HHS budget program annually on December 15 for use by the NVSC during its federal grant year. The NVSC operates the Commission Office on a calendar year per the funding cycle of the CNCS Administration Grant.

IV. "HOST" SERVICES PROVIDED BY HHS TO NVSC SHALL CONSIST OF ANY SERVICES INCLUDED OR ADDED TO THE HHS COST ALLOCATION POOL

A. Telecommunication including but not limited to the following:
   1. Desk Phones – purchase equipment and monthly use charges.
   2. 800 Toll Free Number – monthly use charges.
   3. Cell Phones – lease equipment and monthly use charges.
   4. Blackberrys – lease equipment and monthly use charges.
   5. Closed Circuit TV – Basic Service.
   6. Videoconferencing and teleconferencing.

B. Building Division Support:
   1. Space planning.
   2. Reorganization of space - provide used furniture, panels, workstation, and office equipment including access to used panels for physical office reorganization and surplus property.
   3. Temporary East Garage parking tags when state vehicles are used for business purposes.

C. Capitol Commission:
   1. Office area support for general equipment moving, mounting items on walls, office operational equipment, maintenance and repairs.
   2. Reorganization of space – physical moving and adjustments to office space arrangement.

D. Office Space Rental and Utilities in the State Capitol.

E. Contracts and Records Management Division Support:
   1. Support in Creating a Records and Retention Schedule for the Commission.
   2. Stored Records Fees.

F. Human Resources Division Support Resources for NVSC Decisions:
   1. Position Classification.
   2. Payroll and Benefits.
   3. Employee Recruitment, Reference Checks, Retention, Release, and SOS/Temps.

G. Staff Development Opportunities Available to All HHS staff.

H. Printing and Postage:
   1. Commission Letterhead Stationery and Envelopes.
   2. Commission special reports and documents that include, but are not limited to NVSC Governor's Report. Annual Report, Strategic Plan, Governor's Conference Program, Awards Recognition Materials, Promotional Materials, Brochures and Pamphlets including lamination.
   3. Postage and Mailing Costs.

Supplies and Operations Materials:
   1. Copy and printer paper.
   2. General office and operational supplies and materials.
   3. Copy machine rental, copy machine supplies, maintenance, and replacement costs.
   4. Copy services in the copy centers serving multiple agencies in the State Capitol and the State Office Building.

Financial Services Division Support:
   1. Budget including annual request for NVSC state general funds in the agency appropriations request to maintain current NVSC state funding level, at a minimum.
   2. Accounting including processing and payment of all billings, deposits and fiscal obligations of the NVSC.
   3. Grants Management including Financial Status Reports (FSR), and management of all NVSC grants in the state accounting system.

K. IS&T Division Support:
   1. Technical assistance support.
   2. Computers including CPUs and monitors where the replacement cycle is every three years or if the equipment fails.

3. Repair.
4. Software.
5. Printers including the color, and black and white laser printers, equipment and accessory upgrades and support including a keyboard and a mouse.

L. DAS Transportation:
1. Use of state vehicles.
2. Cost of gas and mileage for NVSC business using state vehicles.

M. Legal Division Support including legal opinions, contract language updates and contract review, as requested.

N. State Capitol Security including access cards and workplace security.

V. AMENDMENTS TO THE AGREEMENT

A. The Agreement may be amended by the mutual consent of both parties.

B. Any amendment shall be in writing and signed by both parties.

C. The Agreement may be revised upon written notice to the other party in the event that sufficient or anticipated state funds are not appropriated or allocated to the NVSC.

VI. TERMINATION OF AGREEMENT

A. The Agreement may be terminated or revised upon written notice to the other party in the event that sufficient or anticipated federal funds are not available to NVSC.

B. Unless otherwise specified in the Agreement, either party may terminate this Agreement at the end of a NVSC Administrative Grant year, provided that the parties give one hundred eighty (180) days written notice prior to termination date. The federal funding cycle of the CNCS Administration Grant is based on a calendar year.

The undersigned have read this Agreement and understand and agree to abide by its terms.

IN WITNESS THEREOF, the parties have duly executed this Agreement hereto and each party acknowledges receipt from the other party of a duly executed copy of the Agreement with original signatures.

For the Department of Health and Human Services

5/21/07
Scott Adams, Director
Department of Health and Human Services
Date

For the Nebraska Volunteer Service Commission

Barbara N. Thomas
5-18-07
Barbara Wilson Thomas, Executive Director
Nebraska Volunteer Service Commission
Date

Curt Krueger
6-1-07
Curt Krueger, Chairperson
Nebraska Volunteer Service Commission Board
Date

SERVENEBRASKA **Attachment A**

DHHS HOST SUPPORT AGREEMENT

For the period July 1, 2015, through December 31, 2016

ADDENDUM TO AGREEMENT No. NVSC-07-HOSTSUP-01

Addendum to the Memorandum of Agreement for Nebraska State Agency "Host" State Match Support to the Nebraska Volunteer Service Commission

This an Addendum to the Memorandum of Agreement between the Nebraska Volunteer Service Commission (hereinafter referred to as the NVSC) and the Nebraska Department of Health and Human Services (hereinafter referred to as HHS) for HHS host support services for the NVSC to enable the Commission to access federal Corporation for National and Community Services (CNCS) Administration Grant funding.

ADDENDUM #1 REVISES SECTION III. A. to read:

III. AGREEMENTS MADE FEBRURARY 28, 2007

A. Representatives for the Parties.
On February 28, 2007, HHS/Financial Services Director, Willard Bouwens, HHS/Financial Analyst, Brad Pope, and NVSC Executive Director, Barbara W. Thomas, agreed to contribute to the HHS "Host" pursuant to this Agreement. The parties recognize that ninety percent of the required state match for the federal CNCS Administrative Grant must be provided by the host agency.

All other terms and agreements remain in effect.

The undersigned have read this Agreement and understand and agree to abide by its terms.

IN WITNESS THEREOF, the parties have duly executed this Agreement hereto and each party acknowledges receipt from the other party of a duly executed copy of the Agreement with original signatures.

For the Department of Health and Human Services

[signature] 7/16/07

Scot Adams, Director Date
Department of Health and Human Services

For the Nebraska Volunteer Service Commission

Barbara W. Thomas 6-29-07

Barbara Wilson Thomas, Executive Director Date
Nebraska Volunteer Service Commission

Curt K[signature] 8-6/07

Curt Krueger, Chairperson Date
Nebraska Volunteer Service Commission Board