STATE OF NEBRASKA

STATEWIDE SINGLE AUDIT

Year Ended June 30, 2018

Issued on March 22, 2019

STATE OF NEBRASKA

Single Audit Report

Year Ended June 30, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
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Federal Agency/Program Title	State Agency	CFDA or Grant #	2018 Expenditures	2018 Subrecipients
Agriculture, U.S. Department of				
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, Department of	10.025	$ 960,916	$
Voluntary Public Access and Habitat Incentive Program	Game and Parks Commission	10.093	492,522	
Biofuel Infrastructure Partnership	Energy Office	10.117	730,044	
Specialty Crop Block Grant Program - Farm Bill	Agriculture, Department of	10.170	576,964	
Organic Certification Cost Share Programs	Agriculture, Department of	10.171	2,956	
State Mediation Grants	Agriculture, Department of	10.435	146,478	
Food Safety Cooperative Agreements	Agriculture, Department of	10.479	64,995	
SNAP Cluster:				
Supplemental Nutrition Assistance Program	Department of Health and Human Services	10.551	233,066,637	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Health and Human Services	10.561	18,701,995 ^	2,017,669
Total SNAP Cluster			251,768,632	2,017,669
Child Nutrition Cluster:				
School Breakfast Program	Education, Department of	10.553	19,731,498	19,731,498
National School Lunch Program	Education, Department of	10.555	75,475,593	75,475,593
National School Lunch Program	Department of Health and Human Services	10.555	13,311,215	
Total National School Lunch Program			88,786,808	75,475,593
Special Milk Program for Children	Education, Department of	10.556	73,015	73,015
Summer Food Service Program for Children	Education, Department of	10.559	2,905,553	2,848,016
Summer Food Service Program for Children	Department of Health and Human Services	10.559	12,993	
Total Summer Food Service Program for Children			2,918,546	2,848,016
Total Child Nutrition Cluster			111,509,867	98,128,122
Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health and Human Services	10.557	26,931,371	8,519,568
Child and Adult Care Food Program	Education, Department of	10.558	32,129,912	31,850,204
Child and Adult Care Food Program	Department of Health and Human Services	10.558	196,721	
Total Child and Adult Care Food Program			32,326,633	31,850,204
State Administrative Expenses for Child Nutrition	Education, Department of	10.560	2,018,431	
State Administrative Expenses for Child Nutrition	Department of Health and Human Services	10.560	1,259,013	
Total State Administrative Expenses for Child Nutrition			3,277,444	-

^ - Amounts taken from financial status reports.
ARRA - American Recovery and Reinvestment Act
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Agriculture, U.S. Department of (Continued)				
Food Distribution Cluster:				
Commodity Supplemental Food Program	Department of Health and Human Services	10.565	2,547,658	735,441
Emergency Food Assistance Program (Administrative Costs)	Department of Health and Human Services	10.568	517,907	
Emergency Food Assistance Program (Food Commodities)	Department of Health and Human Services	10.569	2,164,489	
Total Food Distribution Cluster			5,230,054	735,441
WIC Farmers' Market Nutrition Program (FMNP)	Agriculture, Department of	10.572	44,140	
Team Nutrition Grants	Education, Department of	10.574	285,357	
Farm to School Grant Program	Education, Department of	10.575	22,191	
Senior Farmers Market Nutrition Program	Agriculture, Department of	10.576	208,634	
WIC Grants To States (WGS)	Department of Health and Human Services	10.578	672,936	
Child Nutrition Discretionary Grants Limited Availability	Education, Department of	10.579	553,045	87,752
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	Department of Health and Human Services	10.580	415,362	
Fresh Fruit and Vegetable Program	Education, Department of	10.582	2,173,688	2,153,761
Cooperative Forestry Assistance	Game and Parks Commission	10.664	56,478	
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to Counties	Education, Department of	10.666	24,002	24,002
AG Conservation Easement PGM	Game and Parks Commission	10.931	56,700	
Regional Conservation Partnership Program	Game and Parks Commission	10.932	13,433	
Nebraska Rural Rehabilitation Program	Agriculture, Department of	10.U01	200,701	
Emerging Markets Program	Agriculture, Department of	10.603	134,309	
Total U.S. Department of Agriculture			$ 438,879,852	$ 143,516,519
Commerce, U.S. Department of				
State and Local Implementation Grant Program	Administrative Services	11.549	$ 123,360	
Total U.S. Department of Commerce			$ 123,360	-
Corporation for National and Community Service				
State Commissions	Department of Health and Human Services	94.003	$ 244,679	$
AmeriCorps	Department of Health and Human Services	94.006	1,104,549	1,084,044
Training and Technical Assistance	Department of Health and Human Services	94.009	138,929	
Total Corporation for National and Community Service			$ 1,488,157	$ 1,084,044

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Defense, U.S. Department of						
Payments to States in Lieu of Real Estate Taxes	Education, Department of	12.112	$	234,178	$	234,178
State Memorandum of Agreement Program for the Reimbursement of Technical Services	Environmental Quality, Department of	12.113		118,671		
Military Construction, National Guard	Military Department	12.400		103,757		
National Guard Military Operations and Maintenance (O&M) Projects	Military Department	12.401		21,072,815		
Total U.S. Department of Defense			$	21,529,421	$	234,178
Education, U.S. Department of						
Adult Education - Basic Grants to States	Education, Department of	84.002	$	2,216,232	$	1,906,271
Title I Grants to Local Educational Agencies	Education, Department of	84.010		77,507,582		76,717,488
Migrant Education_State Grant Program	Education, Department of	84.011		4,354,877		4,065,642
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, Department of	84.013		243,531		238,349
Special Education Cluster (IDEA):						
Special Education_Grants to States	Education, Department of	84.027		75,361,026		72,949,209
Special Education_Preschool Grants	Education, Department of	84.173		1,808,948		1,385,545
Total Special Education Cluster (IDEA)				77,169,974		74,334,754
Career and Technical Education -- Basic Grants to States	Education, Department of	84.048		6,924,381		5,931,866
Rehabilitation Services_Vocational Rehabilitation Grants to States	Blind and Visually Impaired, Commission for the	84.126		3,269,991		
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, Department of	84.126		18,733,772		51,050
Total Rehabilitation Services_Vocational Rehabilitation Grants to States				22,003,763		51,050
Migrant Education_Coordination Program	Education, Department of	84.144		74,578		58,551
Rehabilitation Services_Client Assistance Program	Education, Department of	84.161		98,077		
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Blind and Visually Impaired, Commission for the	84.177		170,296		
Special Education-Grants for Infants and Families	Education, Department of	84.181		2,505,699		1,904,928
Supported Employment Services for Individuals with the Most Significant Disabilities	Blind and Visually Impaired, Commission for the	84.187		22,981		
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, Department of	84.187		115,570		
Total Supported Employment Services for Individuals with the Most Significant Disabilities				138,551		-
Education for Homeless Children and Youth	Education, Department of	84.196		330,412		279,067
Star Schools	Education, Department of	84.203		1,922		
Rehabilitation Services Demonstration and Training Programs	Education, Department of	84.235		988,434		
Twenty-First Century Community Learning Centers	Education, Department of	84.287		5,691,801		5,334,336
Special Education - State Personnel Development	Education, Department of	84.323		1,025,699		316,607

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Education, U.S. Department of (Continued)						
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, Department of	84.326		96,741		69,143
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	Education, Department of	84.330		28,132		28,132
Rural Education	Education, Department of	84.358		73,426		67,848
English Language Acquisition State Grants	Education, Department of	84.365		3,524,972		3,387,784
Mathematics and Science Partnerships	Education, Department of	84.366		974,905		938,985
Supporting Effective Instruction State Grant	Education, Department of	84.367		9,924,051		9,568,885
Supporting Effective Instruction State Grant	Postsecondary Education, Coordinating Commission for	84.367		274,554		274,554
Total Supporting Effective Instruction State Grant				10,198,605		9,843,439
Competitive Grants for State Assessments	Education, Department of	84.368		1,277,815		
Grants for State Assessments and Related Activities	Education, Department of	84.369		3,892,020		
School Improvement Grants	Education, Department of	84.377		2,364,858		2,204,288
Student Support and Academic Enrichment Program	Education, Department of	84.424		38,027		32,540
Total U.S. Department of Education			$	223,915,310	$	187,711,068
Energy, U.S. Department of						
State Energy Program	Energy Office	81.041	$	423,842	$	
Weatherization Assistance for Low-Income Persons	Energy Office	81.042		2,231,080		1,790,511
State Energy Program Special Projects	Energy Office	81.119		152,374		48,556
State Heating Oil and Propane Program	Energy Office	81.138		6,144		
Total U.S. Department of Energy			$	2,813,440	$	1,839,067
Environmental Protection Agency, U.S.						
State Indoor Radon Grants	Department of Health and Human Services	66.032	$	133,248	$	21,248
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Quality, Department of	66.034		299,859		
State Clean Diesel Grant Program	Environmental Quality, Department of	66.040		227,743		
Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Quality, Department of	66.419		267,366		
Water Pollution Control State, Interstate, and Tribal Program Support	Game and Parks Commission	66.419		42,405		
Total Water Pollution Control State, Interstate, and Tribal Program Support				309,771		-
State Public Water System Supervision	Department of Health and Human Services	66.432		51,148		
State Underground Water Source Protection	Oil and Gas Commission	66.433		69,367		

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Environmental Protection Agency, U.S. (Continued)						
Water Quality Management Planning	Environmental Quality, Department of	66.454		60,164		
Clean Water State Revolving Fund Cluster:						
Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality, Department of	66.458		6,750,118		6,550,000
Nonpoint Source Implementation Grants	Environmental Quality, Department of	66.460		2,145,224		
Regional Wetland Program Development Grants	Game and Parks Commission	66.461		91,882		
Drinking Water State Revolving Fund Cluster:						
Capitalization Grants for Drinking Water State Revolving Funds	Environmental Quality, Department of	66.468		7,870,805		6,183,397
Underground Storage Tank Prevention, Detection and Compliance Program	Fire Marshal	66.804		437,982		
Performance Partnership Grants	Agriculture, Department of	66.605		528,102		
Performance Partnership Grants	Environmental Quality, Department of	66.605		4,430,916		
Total Performance Partnership Grants				4,959,018		-
Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Quality, Department of	66.608		7,920		
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environmental Quality, Department of	66.802		644,783		
Leaking Underground Storage Tank Trust Fund Corrective Action Program Recovery	Environmental Quality, Department of	66.805		930,746		
State and Tribal Response Program Grants	Environmental Quality, Department of	66.817		460,407		
Total U.S. Environmental Protection Agency			$	25,450,185	$	12,754,645
Equal Employment Opportunity Commission, U.S.						
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Opportunity Commission	30.002	$	558,490		
Total U.S. Equal Employment Opportunity Commission			$	558,490		-
Food and Drug Administration, U.S.						
Retail Standards Grant Program	Agriculture, Department of	93.U02	$	4		
Total Food and Drug Administration, U.S.			$	4		-
General Services Administration						
Donation of Federal Surplus Personal Property	Correctional Services, Department of	39.003	$	471,375		
Total General Services Administration			$	471,375		-

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Health and Human Services, U.S. Department of						
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Department of Health and Human Services	93.041	$	29,456	$	2,231
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Department of Health and Human Services	93.042		102,257		102,257
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Department of Health and Human Services	93.043		80,805		80,805
Aging Cluster:						
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Department of Health and Human Services	93.044		2,651,300		2,272,864
Special Programs for the Aging_Title III, Part C_Nutrition Services	Department of Health and Human Services	93.045		4,010,350		3,895,609
Nutrition Services Incentive Program	Department of Health and Human Services	93.053		1,047,453		1,047,453
Total Aging Cluster				7,709,103		7,215,926
Medicare Enrollment Assistance Program	Insurance, Department of	93.071		191,369		70,464
Lifespan Respite Care Program	Department of Health and Human Services	93.072		63,437		
Birth Defects and Developmental Disabilities-Prevention & Surveillance	Department of Health and Human Services	93.073		51,169		3,674
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	Insurance, Department of	93.048		254,917		142,798
National Family Caregiver Support, Title III, Part E	Department of Health and Human Services	93.052		941,170		866,854
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster:						
Public Health Emergency Preparedness	Department of Health and Human Services	93.069		5,320,453		4,629,298
National Bioterrorism Hospital Preparedness Program	Department of Health and Human Services	93.889		1,114,351		934,224
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster				6,434,804		5,563,522
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Education, Department of	93.079		62,804		24,999
Guardianship Assistance Recovery	Department of Health and Human Services	93.090		187,833	^	
Affordable Care Act (ACA) Personal Responsibility Education Program	Department of Health and Human Services	93.092		283,756		229,963
Well-Integrated Screening & Evaluation for Women Across the Nation	Department of Health and Human Services	93.094		1,793,884		687,403
Food and Drug Administration_Research	Agriculture, Department of	93.103		865,192		
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Department of Health and Human Services	93.104		2,152,044		2,002,051
Maternal and Child Health Federal Consolidated Programs	Department of Health and Human Services	93.110		100,615		
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Department of Health and Human Services	93.116		271,173		37,964
Emergency Medical Services for Children	Department of Health and Human Services	93.127		111,841		

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Health and Human Services, U.S. Department of (Continued)				
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	Department of Health and Human Services	93.130	151,492	
Injury Prevention and Control Research and State and Community Based Programs	Department of Health and Human Services	93.136	1,421,140	282,355
Projects for Assistance in Transition from Homelessness (PATH)	Department of Health and Human Services	93.150	276,958	276,958
Grants to State for Loan Repayment Program	Department of Health and Human Services	93.165	293,550	
Family Planning_Services	Department of Health and Human Services	93.217	1,933,994	1,682,322
Traumatic Brain Injury State Demonstration Grant Program	Education, Department of	93.234	283,264	141,840
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	Department of Health and Human Services	93.235	260,082	163,046
Grants to States to Support Oral Health Workforce Activities	Department of Health and Human Services	93.236	518,398	346,379
State Rural Hospital Flexibility Program	Department of Health and Human Services	93.241	864,056	546,388
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Department of Health and Human Services	93.243	2,078,368	1,602,323
Universal Newborn Hearing Screening	Department of Health and Human Services	93.251	247,588	1,497
Occupational Safety and Health Program	Department of Health and Human Services	93.262	120,405	3,061
Immunization Cooperative Agreements	Department of Health and Human Services	93.268	21,551,764	59,650
Viral Hepatitis Prevention and Control	Department of Health and Human Services	93.270	79,206	
Drug Abuse and Addiction Research Programs	Department of Health and Human Services	93.279	218,888	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	Department of Health and Human Services	93.283	948,193	14,278
State Partnership Grant Program to Improve Minority Health	Department of Health and Human Services	93.296	177,354	94,579
Small Rural Hospital Improvement Grant Program	Department of Health and Human Services	93.301	342,000	342,000
National State Based Tobacco Control Programs	Department of Health and Human Services	93.305	1,073,977	165,706
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Department of Health and Human Services	93.314	119,954	
Epidemiology & Laboratory Capacity for Infectious Diseases	Department of Health and Human Services	93.323	3,026,946	942,936
State Health Insurance Assistance Program	Insurance, Department of	93.324	424,944	140,860
Behavioral Risk Factor Surveillance System	Department of Health and Human Services	93.336	233,388	
ACL Independent Living State Grants	Education, Department of	93.369	9,857	
Food Safety and Security Monitoring Project	Agriculture, Department of	93.448	392,406	
State-ACL Assistive Technology	Education, Department of	93.464	452,925	
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	Insurance, Department of	93.511	312,912	
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF	Department of Health and Human Services	93.521	247,460	
Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	Department of Health and Human Services	93.524	27,977	

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Health and Human Services, U.S. Department of (Continued)					
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	Department of Health and Human Services	93.539	84,651		
Promoting Safe and Stable Families	Department of Health and Human Services	93.556	1,052,165		978,604
TANF Cluster:					
Temporary Assistance for Needy Families	Department of Health and Human Services	93.558	38,825,518	^	
Child Support Enforcement	Department of Health and Human Services	93.563	18,593,596	^	8,052,967
Refugee and Entrant Assistance_State Administered Programs	Department of Health and Human Services	93.566	2,342,120	^	1,491,487
Low-Income Home Energy Assistance	Department of Health and Human Services	93.568	28,677,838		
Low-Income Home Energy Assistance	Energy Office	93.568	2,009,408		1,842,388
Total Low-Income Home Energy Assistance			30,687,246		1,842,388
Community Services Block Grant	Department of Health and Human Services	93.569	4,679,815		4,536,842
CCDF Cluster:					
Child Care and Development Block Grant	Department of Health and Human Services	93.575	29,296,901		2,793,544
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Health and Human Services	93.596	21,405,244		
Total CCDF Cluster			50,702,145		2,793,544
Refugee and Entrant Assistance_Discretionary Grants	Department of Health and Human Services	93.576	422,180		422,180
Refugee and Entrant Assistance_Targeted Assistance Grants	Department of Health and Human Services	93.584	427,690		427,690
State Court Improvement Program	Supreme Court, Nebraska	93.586	320,761		
Grants to States for Access and Visitation Programs	Department of Health and Human Services	93.597	93,524		92,651
Chafee Education and Training Vouchers Program (ETV)	Department of Health and Human Services	93.599	423,630		422,783
Head Start	Education, Department of	93.600	114,819		4,045
Adoption and Legal Guardianship Incentive Payments	Department of Health and Human Services	93.603	367,638		149,059
Developmental Disabilities Basic Support and Advocacy Grants	Department of Health and Human Services	93.630	340,162		110,963
Children's Justice Grants to States	Department of Health and Human Services	93.643	138,479		135,697
Stephanie Tubbs Jones Child Welfare Services Program	Department of Health and Human Services	93.645	1,097,032		
Foster Care_Title IV-E	Department of Health and Human Services	93.658	15,634,692	^	3,036,336
Adoption Assistance	Department of Health and Human Services	93.659	18,293,939	^	
Social Services Block Grant	Department of Health and Human Services	93.667	7,710,779		62,718
Child Abuse and Neglect State Grants	Department of Health and Human Services	93.669	376,361		372,414
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Department of Health and Human Services	93.671	941,158		926,526
Chafee Foster Care Independence Program	Department of Health and Human Services	93.674	1,009,949		508,059

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Health and Human Services, U.S. Department of (Continued)					
ARRA Advance Interoperable Health Information Technology Services to Support Health Information Exchange	Administrative Services	93.719	742,161		742,161
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	Department of Health and Human Services	93.733	204,718		
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	Department of Health and Human Services	93.735	137,757		
PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention & Public Health Fund	Department of Health and Human Services	93.745	76,391		
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	Department of Health and Human Services	93.757	3,117,739		2,076,168
Preventive Health & Health Services Block Grant Funded Solely with Prevention & Public Health Funds (PPHF)	Department of Health and Human Services	93.758	2,602,393		591,428
Children's Health Insurance Program	Department of Health and Human Services	93.767	79,721,035	^	
Medicaid Cluster:					
State Medicaid Fraud Control Units	Attorney General	93.775	753,731		
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Department of Health and Human Services	93.777	3,812,953	^	
Medical Assistance Program	Department of Health and Human Services	93.778	1,192,315,216	^	6,062,964
Total Medicaid Cluster			1,196,881,900		6,062,964
Opioid STR	Department of Health and Human Services	93.788	186,896		68,685
Money Follows the Person Rebalancing Demonstration	Department of Health and Human Services	93.791	1,347,238		2,584
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Department of Health and Human Services	93.815	1,025,304		
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Department of Health and Human Services	93.817	699,967		699,933
Maternal, Infant, & Early Childhood Home Visiting Grant Program	Department of Health and Human Services	93.870	1,203,610		981,332
Cancer Prevention & Control Programs for State, Territorial & Tribal Organization	Department of Health and Human Services	93.898	2,373,117		352,474
Grants to States for Operation of Offices of Rural Health	Department of Health and Human Services	93.913	161,393		1,761
HIV Care Formula Grants	Department of Health and Human Services	93.917	6,248,960		5,946,641
HIV Prevention Activities_Health Department Based	Department of Health and Human Services	93.940	938,068		229,473
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Department of Health and Human Services	93.944	233,308		23,034
Assistance Programs for Chronic Disease Prevention and Control	Department of Health and Human Services	93.945	976,597		473,923
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Department of Health and Human Services	93.946	147,634		

^ - Amounts taken from financial status reports.
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STATE OF NEBRASKA
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Federal Agency/Program Title	State Agency	CFDA or Grant #		2018 Expenditures		2018 Subrecipients
Health and Human Services, U.S. Department of (Continued)						
Block Grants for Community Mental Health Services	Department of Health and Human Services	93.958		1,984,594		1,894,500
Block Grants for Prevention and Treatment of Substance Abuse	Department of Health and Human Services	93.959		7,308,517		6,870,027
Preventive Health Services_Sexually Transmitted Diseases Control Grants	Department of Health and Human Services	93.977		419,967		100,153
Maternal and Child Health Services Block Grant to the States	Department of Health and Human Services	93.994		2,835,043		622,564
Medicated Feed Inspection Contract	Agriculture, Department of	93.U03		64,138		
Tissue Residue Inspection Contract	Agriculture, Department of	93.U04		9,485		
Food Inspection Contract	Agriculture, Department of	93.U05		45,455		
Total U.S. Department of Health and Human Services			$	1,566,150,509	$	77,943,847
Homeland Security, U.S. Department of						
Homeland Security Grant Program	Military Department	97.067	$	3,175,648	$	1,993,865
Boating Safety Financial Assistance	Game and Parks Commission	97.012		1,041,904		
Community Assistance Program State Support Services Element (CAP-SSSE)	Natural Resources, Department of	97.023		92,758		
Flood Mitigation Assistance	Natural Resources, Department of	97.029		67		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	97.036		5,404,203		5,404,203
Hazard Mitigation Grant	Military Department	97.039		1,129,041		1,119,796
National Dam Safety Program	Natural Resources, Department of	97.041		246,558		
Emergency Management Performance Grants	Military Department	97.042		4,075,095		2,891,045
State Fire Training Systems Grants	Fire Marshal	97.043		14,249		
Cooperating Technical Partners	Natural Resources, Department of	97.045		834,914		
Pre-Disaster Mitigation	Military Department	97.047		822,916		822,916
Financial Assistance for Countering Violent Extremism	Military Department	97.132		60,535		22,545
Total U.S. Department of Homeland Security			$	16,897,888	$	12,254,370
Housing & Urban Development, U.S. Department of						
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Economic Development, Department of	14.228	$	9,023,437	$	8,374,193
Emergency Solutions Grant Program	Department of Health and Human Services	14.231		889,607		833,864
Home Investment Partnerships Program	Economic Development, Department of	14.239		2,639,942		2,402,878
Housing Opportunities for Persons with AIDS	Department of Health and Human Services	14.241		427,515		312,928
Continuum of Care Program	Department of Health and Human Services	14.267		67,700		
Housing Trust Fund	Economic Development, Department of	14.275		451,176		400,000
Fair Housing Assistance Program_State and Local	Equal Opportunity Commission	14.401		167,736		
Total U.S. Department of Housing & Urban Development			$	13,667,113	$	12,323,863

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Institute of Museum and Library Services						
Museums for America	Historical Society	45.301	$	15,524	$	
Grants to States	Library Commission	45.310		1,402,759		273,297
National Leadership Grants	Library Commission	45.312		245,170		
Total Institute of Museum and Library Services			$	1,663,453	$	273,297
Interior, U.S. Department of						
Cultural and Paleontological Resource Management	Education, Department of	15.224	$	1,204	$	1,204
Cultural Resources Management	Historical Society	15.511		32,423		
Reclamation States Emergency Drought Relief	Natural Resources, Department of	15.514		128,448		
Recreation Resources Management	Game and Parks Commission	15.524		418,664		
Fish and Wildlife Cluster:						
Sport Fish Restoration Program	Game and Parks Commission	15.605		4,927,290		
Wildlife Restoration and Basic Hunter Education	Game and Parks Commission	15.611		11,379,076		
Total Fish and Wildlife Cluster				16,306,366		-
Fish and Wildlife Management Assistance	Game and Parks Commission	15.608		94,450		
Cooperative Endangered Species Conservation Fund	Game and Parks Commission	15.615		74,666		
Enhanced Hunter Education and Safety Program	Game and Parks Commission	15.626		95,448		
State Wildlife Grants	Game and Parks Commission	15.634		1,352,896		
Migratory Bird Joint Ventures	Game and Parks Commission	15.637		64,424		
Endangered Species Conservation – Recovery Implementation Funds	Game and Parks Commission	15.657		31,182		
Cooperative Landscape Conservation	Game and Parks Commission	15.669		31,195		
Adaptive Science	Game and Parks Commission	15.670		2,090		
Historic Preservation Fund Grants-In-Aid	Historical Society	15.904		666,220		92,152
Outdoor Recreation_Acquisition, Development and Planning	Game and Parks Commission	15.916		400,625		268,811
Total U.S. Department of Interior			$	19,700,301	$	362,167
Justice, U.S. Department of						
Sexual Assault Services Formula Program	Law Enforcement and Criminal Justice, Commission for	16.017	$	342,059	$	334,360
Services for Trafficking Victims	Attorney General	16.320		116,333		
Juvenile Justice and Delinquency Prevention_Allocation to States	Law Enforcement and Criminal Justice, Commission for	16.540		310,046		257,946
Missing Children's Assistance	State Patrol	16.543		270,673		15,149
State Justice Statistics Program for Statistical Analysis Centers	Law Enforcement and Criminal Justice, Commission for	16.550		50,975		
National Criminal History Improvement Program (NCHIP)	State Patrol	16.554		1,373,760		

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Justice, U.S. Department of (Continued)						
National Institute of Justice Research, Evaluation, and Development Project Grants	Education, Department of	16.560		2,817		
Crime Victim Assistance	Law Enforcement and Criminal Justice, Commission for	16.575		9,300,055		7,862,911
Crime Victim Compensation	Law Enforcement and Criminal Justice, Commission for	16.576		146,787		
Crime Victim Assistance/Discretionary Grants	Law Enforcement and Criminal Justice, Commission for	16.582		40,036		40,036
Drug Court Discretionary Grant Program	Supreme Court, Nebraska	16.585		172,662		
Violence Against Women Formula Grants	Law Enforcement and Criminal Justice, Commission for	16.588		1,331,189		1,007,411
Special Data Collections and Statistical Studies	Law Enforcement and Criminal Justice, Commission for	16.734		57,548		
Edward Byrne Memorial Justice Assistance Grant Program	Law Enforcement and Criminal Justice, Commission for	16.738		707,039		360,612
DNA Backlog Reduction Program	State Patrol	16.741		621,327		
Paul Coverdell Forensic Sciences Improvement Grant Program	State Patrol	16.742		35,038		
Support for Adam Walsh Act Implementation Grant Program	State Patrol	16.750		49,274		
Edward Byrne Memorial Competitive Grant Program	Correctional Services, Department of	16.751		161,220		
Harold Rogers Prescription Drug Monitoring Program	Department of Health and Human Services	16.754		219,527		211,524
NICS Act Record Improvement Program	State Patrol	16.813		521,032		121,882
Equitable Sharing Program	State Patrol	16.922		1,344,337		
Total U.S. Department of Justice			$	17,173,734	$	10,211,831
Labor, U.S. Department of						
Labor Force Statistics	Labor, Department of	17.002	$	726,444	$	
Compensation and Working Conditions	Worker's Compensation Court	17.005		44,596		
Employment Service Cluster:						
Employment Service/Wagner-Peyser Funded Activities	Labor, Department of	17.207		6,170,749		
Disabled Veterans' Outreach Program (DVOP)	Labor, Department of	17.801		706,649		
Local Veterans' Employment Representative Program	Labor, Department of	17.804		220,120		
Total Employment Service Cluster				7,097,518		-
Unemployment Insurance - Federal	Labor, Department of	17.225		975,467		
Unemployment Insurance - State	Labor, Department of	17.225		72,026,495		
Unemployment Insurance - Admin	Labor, Department of	17.225		17,055,148		
Total Unemployment Insurance				90,057,110		-
Senior Community Service Employment Program	Department of Health and Human Services	17.235		715,578		687,391
Trade Adjustment Assistance	Labor, Department of	17.245		529,265		

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Labor, U.S. Department of (Continued)				
WIA/WIOA Cluster:				
WIA/WIOA Adult Program	Labor, Department of	17.258	2,255,019	1,479,982
WIA/WIOA Youth Activities	Labor, Department of	17.259	2,228,381	1,512,280
WIA/WIOA Dislocated Worker Formula Grants	Labor, Department of	17.278	2,061,347	537,713
Total WIA/WIOA Cluster			6,544,747	3,529,975
WIA Pilots, Demonstrations, and Research Projects	Labor, Department of	17.261	77,601	
H-1B Job Training Grants	Labor, Department of	17.268	4,187,633	
Work Opportunity Tax Credit Program (WOTC)	Labor, Department of	17.271	67,543	
Temporary Labor Certification for Foreign Workers	Labor, Department of	17.273	101,195	
WIOA National Dislocated Worker Grant/WIA National Emergency Grants	Labor, Department of	17.277	63,147	
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	Labor, Department of	17.281	11,767	
Apprenticeship USA Grants	Labor, Department of	17.285	134,071	
Consultation Agreements	Labor, Department of	17.504	522,358	
Total U.S. Department of Labor			$ 110,880,573	$ 4,217,366
National Endowment for the Arts				
Promotion of the Arts_Partnership Agreements	Arts Council	45.025	$ 709,707	$ 576,478
Total National Endowment for the Arts			$ 709,707	$ 576,478
President, Executive Office of				
High Intensity Drug Trafficking Areas Program	State Patrol	95.001	$ 973,387	$ 754,022
Total President, Executive Office of			$ 973,387	$ 754,022
Small Business Administration				
State Trade Expansion Program	Economic Development, Department of	59.061	$ 323,319	$ 313,798
Total Small Business Administration			$ 323,319	$ 313,798

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Social Security Administration						
Disability Insurance/SSI Cluster:						
Social Security_Disability Insurance	Education, Department of	96.001	$	11,053,779		
Supplemental Security Income	Education, Department of	96.006		771,809		
Supplemental Security Income	Blind and Visually Impaired, Commission for the	96.006		675,684		
Total Supplemental Security Income				1,447,493		-
Total Disability Insurance/SSI Cluster				12,501,272		-
Total Social Security Administration			$	12,501,272		-
Congress, The Library of						
Utilizing Library of Congress Digital Resources to Teach About Historical Controversies	Education, Department of	42.U06	$	4,446		
Total The Library of Congress			$	4,446		-
Transportation, U.S. Department of						
Airport Improvement Program	Transportation, Department of	20.106	$	15,543,620	$	15,543,620
Highway Research and Development Program	Transportation, Department of	20.200		5,057		
Highway Planning and Construction Cluster:						
Highway Planning and Construction	Transportation, Department of	20.205		298,160,903		3,810,988
Recreational Trails Program	Game and Parks Commission	20.219		1,046,770		836,688
Total Highway Planning and Construction Cluster				299,207,673		4,647,676
Highway Training and Education	Transportation, Department of	20.215		150,000		
Motor Carrier Safety Assistance	State Patrol	20.218		3,150,527		
Commercial Driver's License Program Implementation Grant	Motor Vehicles, Department of	20.232		710,384		
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	State Patrol	20.237		20,550		
Federal Transit Cluster:						
Federal Transit_Capital Investment Grants	Transportation, Department of	20.500		467,048		467,048
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Transportation, Department of	20.505		458,347		458,347
Formula Grants for Rural Areas	Transportation, Department of	20.509		8,349,918		6,676,275
Transit Services Programs Cluster:						
Enhanced Mobility for Seniors and Individuals with Disabilities	Transportation, Department of	20.513		328,175		328,175

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Transportation, U.S. Department of (Continued)						
Highway Safety Cluster:						
State and Community Highway Safety	Transportation, Department of	20.600		2,900,547		1,597,676
National Priority Safety Programs	Transportation, Department of	20.616		2,424,951		1,566,217
Total Highway Safety Cluster				5,325,498		3,163,893
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	Transportation, Department of	20.614		62,767		
Pipeline Safety Program State Base Grant	Fire Marshal	20.700		372,051		155,336
Interagency Hazardous Materials Public Sector Training and Planning Grants	Military Department	20.703		214,687		2,700
Defense Access Roads	Transportation, Department of	20.U07		159,158		
Total U.S. Department of Transportation			$	334,525,460	$	31,443,070
Veterans Affairs, U.S. Department of						
Grants to States for Construction of State Home Facilities	Department of Veterans' Affairs	64.005	$	24,803,403	^	
Veterans State Domiciliary Care	Department of Veterans' Affairs	64.014		1,504,088	^	
Veterans State Nursing Home Care	Department of Veterans' Affairs	64.015		14,789,815	^	
Total U.S. Department of Veterans Affairs			$	41,097,306		-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	2,851,498,062	$	497,813,630

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Administrative Services						
State and Local Implementation Grant Program	Commerce, U.S. Department of	11.549	$	123,360	$	
ARRA Advance Interoperable Health Information Technology Services to Support Health Information Exchange	Health and Human Services, U.S. Department of	93.719		742,161		742,161
Total Administrative Services			$	865,521	$	742,161
Agriculture, Department of						
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, U.S. Department of	10.025	$	960,916		
Specialty Crop Block Grant Program - Farm Bill	Agriculture, U.S. Department of	10.170		576,964		
Organic Certification Cost Share Programs	Agriculture, U.S. Department of	10.171		2,956		
State Mediation Grants	Agriculture, U.S. Department of	10.435		146,478		
Food Safety Cooperative Agreements	Agriculture, U.S. Department of	10.479		64,995		
WIC Farmers' Market Nutrition Program (FMNP)	Agriculture, U.S. Department of	10.572		44,140		
Senior Farmers Market Nutrition Program	Agriculture, U.S. Department of	10.576		208,634		
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		528,102		
Food and Drug Administration_Research	Health and Human Services, U.S. Department of	93.103		865,192		
Food Safety and Security Monitoring Project	Health and Human Services, U.S. Department of	93.448		392,406		
Medicated Feed Inspection Contract	Health and Human Services, U.S. Department of	93.U03		64,138		
Tissue Residue Inspection Contract	Health and Human Services, U.S. Department of	93.U04		9,485		
Food Inspection Contract	Health and Human Services, U.S. Department of	93.U05		45,455		
Nebraska Rural Rehabilitation Program	Agriculture, U.S. Department of	10.U01		200,701		
Emerging Markets Program	Agriculture, U.S. Department of	10.603		134,309		
Retail Standards Grant Program	Food & Drug Administration, U.S. Department of	93.U02		4		
Total Department of Agriculture			$	4,244,875		-
Arts Council						
Promotion of the Arts_Partnership Agreements	National Endowment for the Arts	45.025	$	709,707	$	576,478
Total Arts Council			$	709,707	$	576,478
Attorney General						
Services for Trafficking Victims	Justice, U.S. Department of	16.320	$	116,333		
Medicaid Cluster:						
State Medicaid Fraud Control Units	Health and Human Services, U.S. Department of	93.775		753,731		
Total Attorney General			$	870,064		-

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State Agency/Program Title	Federal Agency	CFDA or Grant #	2018 Expenditures	2018 Subrecipients
Blind and Visually Impaired, Commission for the				
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	$ 3,269,991	
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Education, U.S. Department of	84.177	170,296	
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187	22,981	
Disability Insurance/SSI Cluster:				
Supplemental Security Income	Social Security Administration	96.006	675,684	
Total Commission for the Blind and Visually Impaired			$ 4,138,952	-
Correctional Services, Department of				
Edward Byrne Memorial Competitive Grant Program	Justice, U.S. Department of	16.751	$ 161,220	
Donation of Federal Surplus Personal Property	General Services Administration	39.003	471,375	
Total Department of Correctional Services			$ 632,595	-
Economic Development, Department of				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing & Urban Development, U.S. Department of	14.228	$ 9,023,437	$ 8,374,193
Home Investment Partnerships Program	Housing & Urban Development, U.S. Department of	14.239	2,639,942	2,402,878
Housing Trust Fund	Housing & Urban Development, U.S. Department of	14.275	451,176	400,000
State Trade Expansion Program	Small Business Administration	59.061	323,319	313,798
Total Department of Economic Development			$ 12,437,874	$ 11,490,869
Education, Department of				
Child Nutrition Cluster:				
School Breakfast Program	Agriculture, U.S. Department of	10.553	$ 19,731,498	$ 19,731,498
National School Lunch Program	Agriculture, U.S. Department of	10.555	75,475,593	75,475,593
Special Milk Program for Children	Agriculture, U.S. Department of	10.556	73,015	73,015
Summer Food Service Program for Children	Agriculture, U.S. Department of	10.559	2,905,553	2,848,016
Total Child Nutrition Cluster			98,185,659	98,128,122
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558	32,129,912	31,850,204
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560	2,018,431	
Team Nutrition Grants	Agriculture, U.S. Department of	10.574	285,357	
Farm to School Grant Program	Agriculture, U.S. Department of	10.575	22,191	
Child Nutrition Discretionary Grants Limited Availability	Agriculture, U.S. Department of	10.579	553,045	87,752
Fresh Fruit and Vegetable Program	Agriculture, U.S. Department of	10.582	2,173,688	2,153,761

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Education, Department of (Continued)				
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to Counties	Agriculture, U.S. Department of	10.666	24,002	24,002
Payments to States in Lieu of Real Estate Taxes	Defense, U.S. Department of	12.112	234,178	234,178
Utilizing Library of Congress Digital Resources to Teach About Historical Controversies	Congress, The Library of	42.U06	4,446	
Cultural and Paleontological Resource Management	Interior, U.S. Department of	15.224	1,204	1,204
National Institute of Justice Research, Evaluation, and Development Project Grants	Justice, U.S. Department of	16.560	2,817	
Adult Education - Basic Grants to States	Education, U.S. Department of	84.002	2,216,232	1,906,271
Title I Grants to Local Educational Agencies	Education, U.S. Department of	84.010	77,507,582	76,717,488
Migrant Education_State Grant Program	Education, U.S. Department of	84.011	4,354,877	4,065,642
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, U.S. Department of	84.013	243,531	238,349
Special Education Cluster (IDEA):				
Special Education_Grants to States	Education, U.S. Department of	84.027	75,361,026	72,949,209
Special Education_Preschool Grants	Education, U.S. Department of	84.173	1,808,948	1,385,545
Total Special Education Cluster (IDEA)			77,169,974	74,334,754
Career and Technical Education -- Basic Grants to States	Education, U.S. Department of	84.048	6,924,381	5,931,866
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	18,733,772	51,050
Migrant Education_Coordination Program	Education, U.S. Department of	84.144	74,578	58,551
Rehabilitation Services_Client Assistance Program	Education, U.S. Department of	84.161	98,077	
Special Education-Grants for Infants and Families	Education, U.S. Department of	84.181	2,505,699	1,904,928
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187	115,570	
Education for Homeless Children and Youth	Education, U.S. Department of	84.196	330,412	279,067
Star Schools	Education, U.S. Department of	84.203	1,922	
Rehabilitation Services Demonstration and Training Programs	Education, U.S. Department of	84.235	988,434	
Twenty-First Century Community Learning Centers	Education, U.S. Department of	84.287	5,691,801	5,334,336
Special Education - State Personnel Development	Education, U.S. Department of	84.323	1,025,699	316,607
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, U.S. Department of	84.326	96,741	69,143
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	Education, U.S. Department of	84.330	28,132	28,132
Rural Education	Education, U.S. Department of	84.358	73,426	67,848
English Language Acquisition State Grants	Education, U.S. Department of	84.365	3,524,972	3,387,784
Mathematics and Science Partnerships	Education, U.S. Department of	84.366	974,905	938,985
Supporting Effective Instruction State Grant	Education, U.S. Department of	84.367	9,924,051	9,568,885
Competitive Grants for State Assessments	Education, U.S. Department of	84.368	1,277,815	
Grants for State Assessments and Related Activities	Education, U.S. Department of	84.369	3,892,020	

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Education, Department of (Continued)						
School Improvement Grants	Education, U.S. Department of	84.377		2,364,858		2,204,288
Student Support and Academic Enrichment Program	Education, U.S. Department of	84.424		38,027		32,540
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Health and Human Services, U.S. Department of	93.079		62,804		24,999
Traumatic Brain Injury State Demonstration Grant Program	Health and Human Services, U.S. Department of	93.234		283,264		141,840
ACL Independent Living State Grants	Health and Human Services, U.S. Department of	93.369		9,857		
State-ACL Assistive Technology	Health and Human Services, U.S. Department of	93.464		452,925		
Head Start	Health and Human Services, U.S. Department of	93.600		114,819		4,045
Disability Insurance/SSI Cluster:						
Social Security_Disability Insurance	Social Security Administration	96.001		11,053,779		
Supplemental Security Income	Social Security Administration	96.006		771,809		
Total Disability Insurance/SSI Cluster				11,825,588		
Total Department of Education			$	368,561,675	$	320,086,621
Energy Office						
Biofuel Infrastructure Partnership	Agriculture, U.S. Department of	10.117	$	730,044	$	
State Energy Program	Energy, U.S. Department of	81.041		423,842		
Weatherization Assistance for Low-Income Persons	Energy, U.S. Department of	81.042		2,231,080		1,790,511
State Energy Program Special Projects	Energy, U.S. Department of	81.119		152,374		48,556
State Heating Oil and Propane Program	Energy, U.S. Department of	81.138		6,144		
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		2,009,408		1,842,388
Total Energy Office			$	5,552,892	$	3,681,455
Environmental Quality, Department of						
State Memorandum of Agreement Program for the Reimbursement of Technical Services	Defense, U.S. Department of	12.113	$	118,671	$	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Protection Agency, U.S.	66.034		299,859		
State Clean Diesel Grant Program	Environmental Protection Agency, U.S.	66.040		227,743		
Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Protection Agency, U.S.	66.419		267,366		
Water Quality Management Planning	Environmental Protection Agency, U.S.	66.454		60,164		
Clean Water State Revolving Fund Cluster:						
Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency, U.S.	66.458		6,750,118		6,550,000
Nonpoint Source Implementation Grants	Environmental Protection Agency, U.S.	66.460		2,145,224		
Drinking Water State Revolving Fund Cluster:						
Capitalization Grants for Drinking Water State Revolving Funds	Environmental Protection Agency, U.S.	66.468		7,870,805		6,183,397

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

State Agency/Program Title	Federal Agency	CFDA or Grant #		2018 Expenditures		2018 Subrecipients
Environmental Quality, Department of (Continued)						
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		4,430,916		
Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Protection Agency, U.S.	66.608		7,920		
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environmental Protection Agency, U.S.	66.802		644,783		
Leaking Underground Storage Tank Trust Fund Corrective Action Program Recovery	Environmental Protection Agency, U.S.	66.805		930,746		
State and Tribal Response Program Grants	Environmental Protection Agency, U.S.	66.817		460,407		
Total Department of Environmental Quality			$	24,214,722	$	12,733,397
Equal Opportunity Commission						
Fair Housing Assistance Program_State and Local	Housing & Urban Development, U.S. Department of	14.401	$	167,736		
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Employment Opportunity Commission, U.S.	30.002		558,490		
Total Equal Opportunity Commission			$	726,226		-
Fire Marshal						
Pipeline Safety Program State Base Grant	Transportation, U.S. Department of	20.700	$	372,051	$	155,336
Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Protection Agency, U.S.	66.804		437,982		
State Fire Training Systems Grants	Homeland Security, U.S. Department of	97.043		14,249		
Total Fire Marshal			$	824,282	$	155,336
Game and Parks Commission						
Voluntary Public Access and Habitat Incentive Program	Agriculture, U.S. Department of	10.093	$	492,522	$	
Cooperative Forestry Assistance	Agriculture, U.S. Department of	10.664		56,478		
AG Conservation Easement PGM	Agriculture, U.S. Department of	10.931		56,700		
Regional Conservation Partnership Program	Agriculture, U.S. Department of	10.932		13,433		
Recreation Resources Management	Interior, U.S. Department of	15.524		418,664		
Fish and Wildlife Cluster:						
Sport Fish Restoration Program	Interior, U.S. Department of	15.605		4,927,290		
Wildlife Restoration and Basic Hunter Education	Interior, U.S. Department of	15.611		11,379,076		
Total Fish and Wildlife Cluster				16,306,366		
Fish and Wildlife Management Assistance	Interior, U.S. Department of	15.608		94,450		
Cooperative Endangered Species Conservation Fund	Interior, U.S. Department of	15.615		74,666		
Enhanced Hunter Education and Safety Program	Interior, U.S. Department of	15.626		95,448		
State Wildlife Grants	Interior, U.S. Department of	15.634		1,352,896		
Migratory Bird Joint Ventures	Interior, U.S. Department of	15.637		64,424		
Endangered Species Conservation – Recovery Implementation Funds	Interior, U.S. Department of	15.657		31,182		

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State Agency/Program Title	Federal Agency	CFDA or Grant #		2018 Expenditures		2018 Subrecipients
Game and Parks Commission (Continued)						
Cooperative Landscape Conservation	Interior, U.S. Department of	15.669		31,195		
Adaptive Science	Interior, U.S. Department of	15.670		2,090		
Outdoor Recreation_Acquisition, Development and Planning	Interior, U.S. Department of	15.916		400,625		268,811
Highway Planning and Construction Cluster:						
Recreational Trails Program	Transportation, U.S. Department of	20.219		1,046,770		836,688
Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Protection Agency, U.S.	66.419		42,405		
Regional Wetland Program Development Grants	Environmental Protection Agency, U.S.	66.461		91,882		
Boating Safety Financial Assistance	Homeland Security, U.S. Department of	97.012		1,041,904		
Total Game and Parks Commission			$	21,714,100	$	1,105,499
Health and Human Services, Department of						
Child Nutrition Cluster:						
National School Lunch Program	Agriculture, U.S. Department of	10.555	$	13,311,215	$	
Summer Food Service Program for Children	Agriculture, U.S. Department of	10.559		12,993		
Total Child Nutrition Cluster				13,324,208		
SNAP Cluster:						
Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.551		233,066,637		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.561		18,701,995	^	2,017,669
Total SNAP Cluster				251,768,632		2,017,669
Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture, U.S. Department of	10.557		26,931,371		8,519,568
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558		196,721		
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560		1,259,013		
Food Distribution Cluster:						
Commodity Supplemental Food Program	Agriculture, U.S. Department of	10.565		2,547,658		735,441
Emergency Food Assistance Program (Administrative Costs)	Agriculture, U.S. Department of	10.568		517,907		
Emergency Food Assistance Program (Food Commodities)	Agriculture, U.S. Department of	10.569		2,164,489		
Total Food Distribution Cluster				5,230,054		735,441
WIC Grants To States (WGS)	Agriculture, U.S. Department of	10.578		672,936		
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	Agriculture, U.S. Department of	10.580		415,362		
Emergency Solutions Grant Program	Housing & Urban Development, U.S. Department of	14.231		889,607		833,864
Housing Opportunities for Persons with AIDS	Housing & Urban Development, U.S. Department of	14.241		427,515		312,928
Continuum of Care Program	Housing & Urban Development, U.S. Department of	14.267		67,700		

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See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2018

State Agency/Program Title	Federal Agency	CFDA or Grant #	2018 Expenditures		2018 Subrecipients
Health and Human Services, Department of (Continued)					
Harold Rogers Prescription Drug Monitoring Program	Justice, U.S. Department of	16.754	219,527		211,524
Senior Community Service Employment Program	Labor, U.S. Department of	17.235	715,578		687,391
State Indoor Radon Grants	Environmental Protection Agency, U.S.	66.032	133,248		21,248
State Public Water System Supervision	Environmental Protection Agency, U.S.	66.432	51,148		
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Health and Human Services, U.S. Department of	93.041	29,456		2,231
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Health and Human Services, U.S. Department of	93.042	102,257		102,257
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Health and Human Services, U.S. Department of	93.043	80,805		80,805
Aging Cluster:					
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Health and Human Services, U.S. Department of	93.044	2,651,300		2,272,864
Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, U.S. Department of	93.045	4,010,350		3,895,609
Nutrition Services Incentive Program	Health and Human Services, U.S. Department of	93.053	1,047,453		1,047,453
Total Aging Cluster			7,709,103		7,215,926
National Family Caregiver Support, Title III, Part E	Health and Human Services, U.S. Department of	93.052	941,170		866,854
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster:					
Public Health Emergency Preparedness	Health and Human Services, U.S. Department of	93.069	5,320,453		4,629,298
National Bioterrorism Hospital Preparedness Program	Health and Human Services, U.S. Department of	93.889	1,114,351		934,224
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster			6,434,804		5,563,522
Lifespan Respite Care Program	Health and Human Services, U.S. Department of	93.072	63,437		
Birth Defects and Developmental Disabilities-Prevention & Surveillance	Health and Human Services, U.S. Department of	93.073	51,169		3,674
Guardianship Assistance Recovery	Health and Human Services, U.S. Department of	93.090	187,833	^	
Affordable Care Act (ACA) Personal Responsibility Education Program	Health and Human Services, U.S. Department of	93.092	283,756		229,963
Well-Integrated Screening & Evaluation for Women Across the Nation	Health and Human Services, U.S. Department of	93.094	1,793,884		687,403
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Health and Human Services, U.S. Department of	93.104	2,152,044		2,002,051
Maternal and Child Health Federal Consolidated Programs	Health and Human Services, U.S. Department of	93.110	100,615		
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health and Human Services, U.S. Department of	93.116	271,173		37,964
Emergency Medical Services for Children	Health and Human Services, U.S. Department of	93.127	111,841		
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	Health and Human Services, U.S. Department of	93.130	151,492		

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State Agency/Program Title	Federal Agency	CFDA or Grant #	2018 Expenditures		2018 Subrecipients
Health and Human Services, Department of (Continued)					
Injury Prevention and Control Research and State and Community Based Programs	Health and Human Services, U.S. Department of	93.136	1,421,140		282,355
Projects for Assistance in Transition from Homelessness (PATH)	Health and Human Services, U.S. Department of	93.150	276,958		276,958
Grants to State for Loan Repayment Program	Health and Human Services, U.S. Department of	93.165	293,550		
Family Planning_Services	Health and Human Services, U.S. Department of	93.217	1,933,994		1,682,322
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	Health and Human Services, U.S. Department of	93.235	260,082		163,046
Grants to States to Support Oral Health Workforce Activities	Health and Human Services, U.S. Department of	93.236	518,398		346,379
State Rural Hospital Flexibility Program	Health and Human Services, U.S. Department of	93.241	864,056		546,388
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, U.S. Department of	93.243	2,078,368		1,602,323
Universal Newborn Hearing Screening	Health and Human Services, U.S. Department of	93.251	247,588		1,497
Occupational Safety and Health Program	Health and Human Services, U.S. Department of	93.262	120,405		3,061
Immunization Cooperative Agreements	Health and Human Services, U.S. Department of	93.268	21,551,764		59,650
Viral Hepatitis Prevention and Control	Health and Human Services, U.S. Department of	93.270	79,206		
Drug Abuse and Addiction Research Programs	Health and Human Services, U.S. Department of	93.279	218,888		
Centers for Disease Control and Prevention_Investigations and Technical Assistance	Health and Human Services, U.S. Department of	93.283	948,193		14,278
State Partnership Grant Program to Improve Minority Health	Health and Human Services, U.S. Department of	93.296	177,354		94,579
Small Rural Hospital Improvement Grant Program	Health and Human Services, U.S. Department of	93.301	342,000		342,000
National State Based Tobacco Control Programs	Health and Human Services, U.S. Department of	93.305	1,073,977		165,706
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Health and Human Services, U.S. Department of	93.314	119,954		
Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, U.S. Department of	93.323	3,026,946		942,936
Behavioral Risk Factor Surveillance System	Health and Human Services, U.S. Department of	93.336	233,388		
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF	Health and Human Services, U.S. Department of	93.521	247,460		
Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	Health and Human Services, U.S. Department of	93.524	27,977		
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	Health and Human Services, U.S. Department of	93.539	84,651		
Promoting Safe and Stable Families	Health and Human Services, U.S. Department of	93.556	1,052,165		978,604
TANF Cluster:					
Temporary Assistance for Needy Families	Health and Human Services, U.S. Department of	93.558	38,825,518	^	
Child Support Enforcement	Health and Human Services, U.S. Department of	93.563	18,593,596	^	8,052,967
Refugee and Entrant Assistance_State Administered Programs	Health and Human Services, U.S. Department of	93.566	2,342,120	^	1,491,487

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State Agency/Program Title	Federal Agency	CFDA or Grant #	2018 Expenditures		2018 Subrecipients
Health and Human Services, Department of (Continued)					
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568	28,677,838		
Community Services Block Grant	Health and Human Services, U.S. Department of	93.569	4,679,815		4,536,842
CCDF Cluster:					
Child Care and Development Block Grant	Health and Human Services, U.S. Department of	93.575	29,296,901		2,793,544
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services, U.S. Department of	93.596	21,405,244		
Total CCDF Cluster			50,702,145		2,793,544
Refugee and Entrant Assistance_Discretionary Grants	Health and Human Services, U.S. Department of	93.576	422,180		422,180
Refugee and Entrant Assistance_Targeted Assistance Grants	Health and Human Services, U.S. Department of	93.584	427,690		427,690
Grants to States for Access and Visitation Programs	Health and Human Services, U.S. Department of	93.597	93,524		92,651
Chafee Education and Training Vouchers Program (ETV)	Health and Human Services, U.S. Department of	93.599	423,630		422,783
Adoption and Legal Guardianship Incentive Payments	Health and Human Services, U.S. Department of	93.603	367,638		149,059
Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, U.S. Department of	93.630	340,162		110,963
Children's Justice Grants to States	Health and Human Services, U.S. Department of	93.643	138,479		135,697
Stephanie Tubbs Jones Child Welfare Services Program	Health and Human Services, U.S. Department of	93.645	1,097,032		
Foster Care_Title IV-E	Health and Human Services, U.S. Department of	93.658	15,634,692	^	3,036,336
Adoption Assistance	Health and Human Services, U.S. Department of	93.659	18,293,939	^	
Social Services Block Grant	Health and Human Services, U.S. Department of	93.667	7,710,779		62,718
Child Abuse and Neglect State Grants	Health and Human Services, U.S. Department of	93.669	376,361		372,414
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, U.S. Department of	93.671	941,158		926,526
Chafee Foster Care Independence Program	Health and Human Services, U.S. Department of	93.674	1,009,949		508,059
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	Health and Human Services, U.S. Department of	93.733	204,718		
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	Health and Human Services, U.S. Department of	93.735	137,757		
PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention & Public Health Fund	Health and Human Services, U.S. Department of	93.745	76,391		
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	Health and Human Services, U.S. Department of	93.757	3,117,739		2,076,168
Preventive Health & Health Services Block Grant Funded Solely with Prevention & Public Health Funds (PPHF)	Health and Human Services, U.S. Department of	93.758	2,602,393		591,428
Children's Health Insurance Program	Health and Human Services, U.S. Department of	93.767	79,721,035	^	

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State Agency/Program Title	Federal Agency	CFDA or Grant #	2018 Expenditures	2018 Subrecipients
Health and Human Services, Department of (Continued)				
Medicaid Cluster:				
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services, U.S. Department of	93.777	3,812,953 ^	
Medical Assistance Program	Health and Human Services, U.S. Department of	93.778	1,192,315,216 ^	6,062,964
Total Medicaid Cluster			1,196,128,169	6,062,964
Opioid STR	Health and Human Services, U.S. Department of	93.788	186,896	68,685
Money Follows the Person Rebalancing Demonstration	Health and Human Services, U.S. Department of	93.791	1,347,238	2,584
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Health and Human Services, U.S. Department of	93.815	1,025,304	
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health and Human Services, U.S. Department of	93.817	699,967	699,933
Maternal, Infant, & Early Childhood Home Visiting Grant Program	Health and Human Services, U.S. Department of	93.870	1,203,610	981,332
Cancer Prevention & Control Programs for State, Territorial & Tribal Organization	Health and Human Services, U.S. Department of	93.898	2,373,117	352,474
Grants to States for Operation of Offices of Rural Health	Health and Human Services, U.S. Department of	93.913	161,393	1,761
HIV Care Formula Grants	Health and Human Services, U.S. Department of	93.917	6,248,960	5,946,641
HIV Prevention Activities_Health Department Based	Health and Human Services, U.S. Department of	93.940	938,068	229,473
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Health and Human Services, U.S. Department of	93.944	233,308	23,034
Assistance Programs for Chronic Disease Prevention and Control	Health and Human Services, U.S. Department of	93.945	976,597	473,923
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health and Human Services, U.S. Department of	93.946	147,634	
Block Grants for Community Mental Health Services	Health and Human Services, U.S. Department of	93.958	1,984,594	1,894,500
Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, U.S. Department of	93.959	7,308,517	6,870,027
Preventive Health Services_Sexually Transmitted Diseases Control Grants	Health and Human Services, U.S. Department of	93.977	419,967	100,153
Maternal and Child Health Services Block Grant to the States	Health and Human Services, U.S. Department of	93.994	2,835,043	622,564
State Commissions	Corporation For National and Community Service	94.003	244,679	
AmeriCorps	Corporation For National and Community Service	94.006	1,104,549	1,084,044
Training and Technical Assistance	Corporation For National and Community Service	94.009	138,929	
Total Department of Health and Human Services			$ 1,862,630,738	$ 89,257,969
Historical Society				
Cultural Resources Management	Interior, U.S. Department of	15.511	$ 32,423	$
Historic Preservation Fund Grants-In-Aid	Interior, U.S. Department of	15.904	666,220	92,152
Museums for America	Institute of Museum and Library Services	45.301	15,524	
Total Historical Society			$ 714,167	$ 92,152

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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2018

State Agency/Program Title	Federal Agency	CFDA or Grant #		2018 Expenditures		2018 Subrecipients
Insurance, Department of						
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	Health and Human Services, U.S. Department of	93.048	$	254,917	$	142,798
Medicare Enrollment Assistance Program	Health and Human Services, U.S. Department of	93.071		191,369		70,464
State Health Insurance Assistance Program	Health and Human Services, U.S. Department of	93.324		424,944		140,860
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	Health and Human Services, U.S. Department of	93.511		312,912		
Total Department of Insurance			$	1,184,142	$	354,122
Labor, Department of						
Labor Force Statistics	Labor, U.S. Department of	17.002	$	726,444	$	
Employment Service Cluster:						
Employment Service/Wagner-Peyser Funded Activities	Labor, U.S. Department of	17.207		6,170,749		
Disabled Veterans' Outreach Program (DVOP)	Labor, U.S. Department of	17.801		706,649		
Local Veterans' Employment Representative Program	Labor, U.S. Department of	17.804		220,120		
Total Employment Service Cluster				7,097,518		
Unemployment Insurance - Federal	Labor, U.S. Department of	17.225		975,467		
Unemployment Insurance - State	Labor, U.S. Department of	17.225		72,026,495		
Unemployment Insurance - Admin	Labor, U.S. Department of	17.225		17,055,148		
Total Unemployment Insurance				90,057,110		
Trade Adjustment Assistance	Labor, U.S. Department of	17.245		529,265		
WIA/WIOA Cluster:						
WIA/WIOA Adult Program	Labor, U.S. Department of	17.258		2,255,019		1,479,982
WIA/WIOA Youth Activities	Labor, U.S. Department of	17.259		2,228,381		1,512,280
WIA/WIOA Dislocated Worker Formula Grants	Labor, U.S. Department of	17.278		2,061,347		537,713
Total WIA/WIOA Cluster				6,544,747		3,529,975
WIA Pilots, Demonstrations, and Research Projects	Labor, U.S. Department of	17.261		77,601		
H-1B Job Training Grants	Labor, U.S. Department of	17.268		4,187,633		
Work Opportunity Tax Credit Program (WOTC)	Labor, U.S. Department of	17.271		67,543		
Temporary Labor Certification for Foreign Workers	Labor, U.S. Department of	17.273		101,195		
WIOA National Dislocated Worker Grant/WIA National Emergency Grants	Labor, U.S. Department of	17.277		63,147		
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	Labor, U.S. Department of	17.281		11,767		
Apprenticeship USA Grants	Labor, U.S. Department of	17.285		134,071		
Consultation Agreements	Labor, U.S. Department of	17.504		522,358		
Total Department of Labor			$	110,120,399	$	3,529,975

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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2018

State Agency/Program Title	Federal Agency	CFDA or Grant #		2018 Expenditures		2018 Subrecipients
Law Enforcement and Criminal Justice, Commission for						
Sexual Assault Services Formula Program	Justice, U.S. Department of	16.017	$	342,059	$	334,360
Juvenile Justice and Delinquency Prevention_Allocation to States	Justice, U.S. Department of	16.540		310,046		257,946
State Justice Statistics Program for Statistical Analysis Centers	Justice, U.S. Department of	16.550		50,975		
Crime Victim Assistance	Justice, U.S. Department of	16.575		9,300,055		7,862,911
Crime Victim Compensation	Justice, U.S. Department of	16.576		146,787		
Crime Victim Assistance/Discretionary Grants	Justice, U.S. Department of	16.582		40,036		40,036
Violence Against Women Formula Grants	Justice, U.S. Department of	16.588		1,331,189		1,007,411
Special Data Collections and Statistical Studies	Justice, U.S. Department of	16.734		57,548		
Edward Byrne Memorial Justice Assistance Grant Program	Justice, U.S. Department of	16.738		707,039		360,612
Total Commission for Law Enforcement and Criminal Justice			$	12,285,734	$	9,863,276
Library Commission						
Grants to States	Institute of Museum and Library Services	45.310	$	1,402,759	$	273,297
National Leadership Grants	Institute of Museum and Library Services	45.312		245,170		
Total Library Commission			$	1,647,929	$	273,297
Military Department						
Military Construction, National Guard	Defense, U.S. Department of	12.400	$	103,757	$	
National Guard Military Operations and Maintenance (O&M) Projects	Defense, U.S. Department of	12.401		21,072,815		
Interagency Hazardous Materials Public Sector Training and Planning Grants	Transportation, U.S. Department of	20.703		214,687		2,700
Homeland Security Grant Program	Homeland Security, U.S. Department of	97.067		3,175,648		1,993,865
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security, U.S. Department of	97.036		5,404,203		5,404,203
Hazard Mitigation Grant	Homeland Security, U.S. Department of	97.039		1,129,041		1,119,796
Emergency Management Performance Grants	Homeland Security, U.S. Department of	97.042		4,075,095		2,891,045
Pre-Disaster Mitigation	Homeland Security, U.S. Department of	97.047		822,916		822,916
Financial Assistance for Countering Violent Extremism	Homeland Security, U.S. Department of	97.132		60,535		22,545
Total Military Department			$	36,058,697	$	12,257,070
Motor Vehicles, Department of						
Commercial Driver's License Program Implementation Grant	Transportation, U.S. Department of	20.232	$	710,384		
Total Department of Motor Vehicles			$	710,384		-

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

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2018

State Agency/Program Title	Federal Agency	CFDA or Grant #		2018 Expenditures		2018 Subrecipients
Natural Resources, Department of						
Reclamation States Emergency Drought Relief	Interior, U.S. Department of	15.514	$	128,448		
Community Assistance Program State Support Services Element (CAP-SSSE)	Homeland Security, U.S. Department of	97.023		92,758		
Flood Mitigation Assistance	Homeland Security, U.S. Department of	97.029		67		
National Dam Safety Program	Homeland Security, U.S. Department of	97.041		246,558		
Cooperating Technical Partners	Homeland Security, U.S. Department of	97.045		834,914		
Total Department of Natural Resources			$	1,302,745		-
Oil and Gas Commission						
State Underground Water Source Protection	Environmental Protection Agency, U.S.	66.433	$	69,367		
Total Oil and Gas Commission			$	69,367		-
Postsecondary Education, Coordinating Commission for						
Supporting Effective Instruction State Grant	Education, U.S. Department of	84.367	$	274,554	$	274,554
Total Coordinating Commission for Postsecondary Education			$	274,554	$	274,554
State Patrol						
Missing Children's Assistance	Justice, U.S. Department of	16.543	$	270,673	$	15,149
National Criminal History Improvement Program (NCHIP)	Justice, U.S. Department of	16.554		1,373,760		
DNA Backlog Reduction Program	Justice, U.S. Department of	16.741		621,327		
Paul Coverdell Forensic Sciences Improvement Grant Program	Justice, U.S. Department of	16.742		35,038		
Support for Adam Walsh Act Implementation Grant Program	Justice, U.S. Department of	16.750		49,274		
NICS Act Record Improvement Program	Justice, U.S. Department of	16.813		521,032		121,882
Equitable Sharing Program	Justice, U.S. Department of	16.922		1,344,337		
Motor Carrier Safety Assistance	Transportation, U.S. Department of	20.218		3,150,527		
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	Transportation, U.S. Department of	20.237		20,550		
High Intensity Drug Trafficking Areas Program	Executive Office of the President	95.001		973,387		754,022
Total State Patrol			$	8,359,905	$	891,053
Supreme Court, Nebraska						
Drug Court Discretionary Grant Program	Justice, U.S. Department of	16.585	$	172,662		
State Court Improvement Program	Health and Human Services, U.S. Department of	93.586		320,761		
Total Nebraska Supreme Court			$	493,423		-

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

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2018

State Agency/Program Title	Federal Agency	CFDA or Grant #		2018 Expenditures		2018 Subrecipients
Transportation, Department of						
Airport Improvement Program	Transportation, U.S. Department of	20.106	$	15,543,620	$	15,543,620
Highway Research and Development Program	Transportation, U.S. Department of	20.200		5,057		
Highway Planning and Construction Cluster:						
Highway Planning and Construction	Transportation, U.S. Department of	20.205		298,160,903		3,810,988
Highway Training and Education	Transportation, U.S. Department of	20.215		150,000		
Federal Transit Cluster:						
Federal Transit_Capital Investment Grants	Transportation, U.S. Department of	20.500		467,048		467,048
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Transportation, U.S. Department of	20.505		458,347		458,347
Formula Grants for Rural Areas	Transportation, U.S. Department of	20.509		8,349,918		6,676,275
Transit Services Programs Cluster:						
Enhanced Mobility of Seniors and Individuals with Disabilities	Transportation, U.S. Department of	20.513		328,175		328,175
Highway Safety Cluster:						
State and Community Highway Safety	Transportation, U.S. Department of	20.600		2,900,547		1,597,676
National Priority Safety Programs	Transportation, U.S. Department of	20.616		2,424,951		1,566,217
Total Highway Safety Cluster				5,325,498		3,163,893
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	Transportation, U.S. Department of	20.614		62,767		
Defense Access Roads	Transportation, U.S. Department of	20.U07		159,158		
Total Department of Transportation			$	329,010,491	$	30,448,346
Veterans' Affairs, Department of						
Grants to States for Construction of State Home Facilities	Veterans Affairs, U.S. Department of	64.005	$	24,803,403 ^		
Veterans State Domiciliary Care	Veterans Affairs, U.S. Department of	64.014		1,504,088 ^		
Veterans State Nursing Home Care	Veterans Affairs, U.S. Department of	64.015		14,789,815 ^		
Total Department of Veterans' Affairs			$	41,097,306		-
Worker's Compensation Court						
Compensation and Working Conditions	Labor, U.S. Department of	17.005	$	44,596		
Total Worker's Compensation Court			$	44,596		-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	2,851,498,062	$	497,813,630

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

(1) General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all Federal awards programs of the State of Nebraska (the State), except as noted in note 2 below. The State's reporting entity is defined in note 1(b) to the State's financial statements. Federal awards received directly from Federal agencies, as well as those passed through other government agencies, are included in the Schedule. Unless otherwise noted on the Schedule, all programs are received directly from the respective Federal agency.

(2) Summary of Significant Accounting Policies

(a) Reporting Entity

The State's reporting entity is defined in note 1(b) to the financial statements. The accompanying Schedule includes the Federal awards programs administered by the State (the primary government) for the fiscal year ended June 30, 2018.

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

University of Nebraska
Nebraska State College System

(b) Basis of Presentation

The accompanying Schedule presents total expenditures for each Federal award program in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Because the Schedule presents only a selected portion of the operations of the State, it is not intended to and does not present the financial position, changes in net assets or cash flows of the State. Federal program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA) whenever possible.

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

Major Programs—In accordance with Uniform Guidance, major programs are determined using a risk-based approach.

(c) Basis of Accounting

The accompanying Schedule was prepared on the cash basis of accounting, except for certain amounts reported by the Department of Health and Human Services (DHHS) and the Department of Veterans' Affairs (DVA). The amounts for DHHS and DVA denoted with a caret (^) were taken from the Federal financial status reports. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

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

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

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

(d) Indirect Cost Rate

The State has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) Nonmonetary Assistance Inventory

Nonmonetary assistance is reported in the Schedule based on the amounts disbursed. As of June 30, 2018, the inventory balance of nonmonetary assistance for food commodities at the State level was $0.

(4) Commodity and Vaccine Programs

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

CFDA #	Program	Commodities
10.555	National School Lunch Program	$13,311,215
10.558	Child and Adult Care Food Program	196,721
10.559	Summer Food Service Program for Children	12,993
10.565	Commodity Supplemental Food Program	1,763,790
10.569	Emergency Food Assistance Program	2,164,489

The U.S. Department of Agriculture, upon direction from the Nebraska Department of Health and Human Services, delivers a portion of the food commodities directly to the subrecipients for distribution. During the fiscal year, a total of $8,321,661 was delivered directly to subrecipients.

The Immunization Cooperative Agreements (CFDA 93.268) included expenditures of $20,781,198 of nonmonetary Federal assistance in the form of vaccines.

(5) Surplus Property Program

The State agency responsible for surplus property distributes Federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property (CFDA 39.003) program. Donated Federal surplus personal property in 2018 was valued at the historical cost of $3,142,502 as assigned by the Federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule is 15% of the historical cost, which approximates the fair market value of the property.

(6) Federal Loans Outstanding

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

CFDA #	Program	Outstanding Balance at June 30, 2018
66.458	Capitalization Grants for Clean Water State Revolving Funds	$237,398,916
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$86,518,785

New loans provided from these programs totaling $11,349,450 are included as current year expenditures on the Schedule.

(7) Airport Improvement Program

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


GREAT SEAL OF THE STATE OF NEBRASKA
EQUALITY BEFORE THE LAW
MARCH 1ST 1867

AUDITOR SECTION

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NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements, and have issued our report thereon dated January 4, 2019. Our report on such financial statements was qualified because we were unable to obtain sufficient appropriate audit evidence in the form of management representations signed by the Director of the Nebraska Department of Administrative Services.

Our report includes a reference to other auditors who audited the financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, the Nebraska State College System Foundations, the activity of the Nebraska State College System Revenue and Refunding Bond Program, the Nebraska State Colleges Facilities Corporation, the College Savings Plan, and Enable Savings Plan as described in our report on the State of Nebraska's financial statements. The financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the activity of the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-007 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-003, 2018-004, 2018-005, and 2018-006 to be significant deficiencies.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the State of Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-001.

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

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

Purpose of this Report

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

Lincoln, Nebraska	Philip J. Olsen, CPA, CISA
January 4, 2019	Assistant Deputy Auditor

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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the State of Nebraska's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018. The State of Nebraska's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The basic financial statements of the State of Nebraska include the operations of the University of Nebraska and State College System component units, which received Federal awards which are not included in the schedule of expenditures of Federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of the University of Nebraska or the State College System because the component units engaged other auditors to perform separate audits of compliance.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Nebraska's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State of Nebraska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our adverse, qualified, and unmodified opinions on compliance for major Federal programs. However, our audit does not provide a legal determination of the State of Nebraska's compliance.

Basis for Qualified Opinion on Special Education Cluster (IDEA), Aging Cluster, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster, CCDF Cluster, Crime Victim Assistance, Formula Grants for Rural Areas

As described in Findings 2018-012, 2018-025, 2018-026, 2018-035, 2018-062, and 2018-068 in the accompanying schedule of findings and questioned costs, the State of Nebraska did not comply with requirements regarding the following:

Finding #	CFDA #	Federal Program	Compliance Requirement
2018-012	84.027, 84.173	Special Education Cluster (IDEA)	Allowability & Subrecipient Monitoring
2018-025	93.044, 93.045	Aging Cluster	Allowability & Subrecipient Monitoring
2018-026	93.069, 93.889	HPP and PHEP Cluster	Allowability & Subrecipient Monitoring
2018-035	93.575, 93.596	CCDF Cluster	Allowability & Eligibility
2018-062	16.575	Crime Victim Assistance	Allowability & Subrecipient Monitoring
2018-068	20.509	Formula Grants for Rural Areas	Allowability & Subrecipient Monitoring

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

Qualified Opinion on Special Education Cluster (IDEA), Aging Cluster, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster, CCDF Cluster, Crime Victim Assistance, Formula Grants for Rural Areas

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Education Cluster (IDEA), Aging Cluster, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster, CCDF Cluster, Crime Victim Assistance and Formula Grants for Rural Areas for the year ended June 30, 2018.

Basis for Adverse Opinion on Foster Care Title IV-E, HIV Care Formula Grants

As described in Findings 2018-017, 2018-043, 2018-056, and 2018-057 in the accompanying schedule of findings and questioned costs, the State of Nebraska did not comply with requirements regarding the following:

Finding #	CFDA #	Federal Program	Compliance Requirement
2018-017	93.658	Foster Care Title IV-E	Allowable Costs
2018-043	93.658	Foster Care Title IV-E	Reporting
2018-056	93.917	HIV Care Formula Grants	Allowability, Cash Management & Subrecipient Monitoring
2018-057	93.917	HIV Care Formula Grants	Eligibility & Subrecipient Monitoring

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

Adverse Opinion on Foster Care Title IV-E, HIV Care Formula Grants

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the State of Nebraska did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Foster Care Title IV-E and HIV Care Formula Grants for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

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

Finding #	CFDA #	Federal Program	Compliance Requirement
2018-008	Various, 93.778	Various, Medical Assistance Program	Allowable Costs
2018-009	Various, 93.767, 20.205	Various, Children's Health Insurance Program, Highway Planning and Construction	Reporting

Finding #	CFDA #	Federal Program	Compliance Requirement
2018-010	14.228	Community Development Block Grants/State's Program	Program Income & Subrecipient Monitoring
2018-011	10.558	Child and Adult Care Food Program	Eligibility
2018-013	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Allowability
2018-014	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Eligibility
2018-015	84.367	Supporting Effective Instruction State Grant	Allowability & Subrecipient Monitoring
2018-016	93.568	Low-Income Home Energy Assistance	Allowability, Eligibility & Subrecipient Monitoring
2018-018	10.561, 93.568, 93.575, 93.596, 93.558, 93.778	Various, State Administrative Grants for the SNAP, LIHEAP, CCDF Cluster, TANF, Medicaid	Allowable Costs
2018-019	93.778, 17.235	Medical Assistance Program, Senior Community Service Employment Program	Allowable Costs
2018-020	10.557, 10.561, 93.778	WIC, State Administrative Grants for the SNAP, Medical Assistance Program	Allowable Costs
2018-021	10.551	Supplemental Nutrition Assistance Program	Special Tests
2018-022	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Reporting
2018-023	10.557	WIC	Special Tests
2018-024	10.557	WIC	Allowability & Subrecipient Monitoring
2018-027	93.217	Family Planning Services	Allowability & Subrecipient Monitoring
2018-028	93.217	Family Planning Services	Reporting

Finding #	CFDA #	Federal Program	Compliance Requirement
2018-029	93.283, 93.898	Centers for Disease Control and Prevention_Investigations and Technical Assistance; Cancer Prevention & Control Programs	Allowability & Subrecipient Monitoring
2018-030	93.556, 93.671	Promoting Safe and Stable Families, Family Violence Prevention and Services	Subrecipient Monitoring
2018-031	93.558	Temporary Assistance for Needy Families	Allowability
2018-032	93.558	Temporary Assistance for Needy Families	Allowability
2018-033	93.558	Temporary Assistance for Needy Families	Allowability & Subrecipient Monitoring
2018-034	93.568	Low-Income Home Energy Assistance	Reporting
2018-036	93.575, 93.596	CCDF Cluster	Reporting
2018-037	93.575, 93.596, 93.778	CCDF Cluster, Medical Assistance Program	Special Tests
2018-038	93.575, 93.596	CCDF Cluster	Special Tests
2018-039	93.575	Child Care and Development Block Grant	Allowability, Period of Performance & Subrecipient Monitoring
2018-040	93.575	Child Care and Development Block Grant	Allowability & Earmarking
2018-041	93.658	Foster Care Title IV-E	Allowability & Eligibility
2018-042	93.658	Foster Care Title IV-E	Subrecipient Monitoring
2018-044	93.658	Foster Care Title IV-E	Matching & Period of Performance
2018-045	93.659	Adoption Assistance	Reporting
2018-046	93.778	Medical Assistance Program	Reporting

Finding #	CFDA #	Federal Program	Compliance Requirement
2018-047	93.778	Medical Assistance Program	Allowability
2018-048	93.778	Medical Assistance Program	Allowability & Eligibility
2018-049	93.778	Medical Assistance Program	Allowability
2018-050	93.778	Medical Assistance Program	Allowability
2018-051	93.778	Medical Assistance Program	Allowability & Eligibility
2018-052	93.778	Medical Assistance Program	Special Tests
2018-053	93.778	Medical Assistance Program	Allowability
2018-054	93.778	Medical Assistance Program	Special Tests
2018-055	93.778	Medical Assistance Program	Subrecipient Monitoring
2018-058	93.917	HIV Care Formula Grants	Reporting
2018-059	93.917	HIV Care Formula Grants	Earmarking
2018-060	93.945, 93.757	Assistance Programs for Chronic Disease Prevention and Control; State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke	Allowable Costs & Subrecipient Monitoring
2018-061	93.994	Maternal and Child Health Services Block Grant to the States	Allowable Costs & Subrecipient Monitoring
2018-063	16.575	Crime Victim Assistance	Earmarking
2018-064	16.575	Crime Victim Assistance	Allowability
2018-065	16.575	Crime Victim Assistance	Cash Management
2018-066	16.575	Crime Victim Assistance	Cash Management & Reporting
2018-067	20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Allowability & Subrecipient Monitoring
2018-069	20.509	Formula Grants for Rural Areas	Reporting

Finding #	CFDA #	Federal Program	Compliance Requirement
2018-070	20.600, 20.616	Highway Safety Cluster	Allowability & Subrecipient Monitoring
2018-071	20.600	State and Community Highway Safety	Earmarking

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

Report on Internal Control Over Compliance

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

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-012, 2018-017, 2018-025, 2018-026, 2018-035, 2018-043, 2018-056, 2018-057, 2018-062, and 2018-068 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-009, 2018-016, 2018-018, 2018-037, 2018-038, 2018-039, 2018-040, 2018-046, 2018-047, 2018-063, 2018-069, and 2018-070 to be significant deficiencies.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the State of Nebraska as of and for the year ended June 30, 2018, and have issued our report thereon dated January 4, 2019, which contained a qualified opinion on those financial statements, as we were unable to obtain a management representation letter from the Director of the Nebraska Department of Administrative Services. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the schedule of expenditures of Federal awards of being unable to obtain a management representation letter from the Director of the Nebraska Department of Administrative Services, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Pat Reding

Lincoln, Nebraska	Pat Reding, CPA, CFE
March 19, 2019	Assistant Deputy Auditor

I. Summary of Auditors' Results

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

b) Significant deficiencies in internal control were disclosed by the audit of the financial statements and are included in the schedule of findings and questioned costs in Part II as items 2018-003, 2018-004, 2018-005, and 2018-006. Items 2018-001, 2018-002, and 2018-007 were considered material weaknesses.

c) The audit disclosed one instance of noncompliance, which is material to the State's basic financial statements and is included in the schedule of findings and questioned costs in Part II as item 2018-001.

d) Significant deficiencies in internal control over the major programs were disclosed by the audit and are included in the schedule of findings and questioned costs in Part III as items 2018-009, 2018-016, 2018-018, 2018-037, 2018-038, 2018-039, 2018-040, 2018-046, 2018-047, 2018-063, 2018-069, and 2018-070.

   We consider items 2018-012, 2018-017, 2018-025, 2018-026, 2018-035, 2018-043, 2018-056, 2018-057, 2018-062, and 2018-068 to be material weaknesses in internal control over the major programs.

e) Type of report issued on compliance for major programs: Unmodified opinion for all major programs except for Crime Victim Assistance, Formula Grants for Rural Areas, Special Education Cluster (IDEA), Aging Cluster, Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements Cluster and CCDF Cluster which were qualified and Foster Care Title IV-E and HIV Care Formula Grants which were which were adverse.

f) The audit disclosed audit findings, which are required to be reported in accordance with 2 CFR § 200.516(a) and are included in the schedule of findings and questioned costs in Part III.

g) The following table shows programs tested as major programs:

CFDA	10.551, 10.561	SNAP Cluster
CFDA	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA	16.575	Crime Victim Assistance
CFDA	20.509	Formula Grants for Rural Areas
CFDA	20.600, 20.616	Highway Safety Cluster

CFDA	84.027, 84.173	Special Education Cluster (IDEA)
CFDA	93.044, 93.045 and 93.053	Aging Cluster
CFDA	93.069 and 93.889	Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements Cluster
CFDA	93.568	Low-Income Home Energy Assistance
CFDA	93.575 and 93.596	CCDF Cluster
CFDA	93.658	Foster Care Title IV-E
CFDA	93.767	Children's Health Insurance Program
CFDA	93.775, 93.777 and 93.778	Medicaid Cluster
CFDA	93.917	HIV Care Formula Grants

h) Dollar threshold used to distinguish between Type A and Type B programs: $8,554,494

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

II. Findings Related to the Financial Statements:

DEPARTMENT OF ADMINISTRATIVE SERVICES

<u>Finding 2018-001</u>

<u>CAFR Preparation</u>

The Department of Administrative Services (DAS), State Accounting Division (DAS – State Accounting), prepares the State of Nebraska Comprehensive Annual Financial Report (CAFR). In accordance with Neb. Rev. Stat. § 81-1125.01 (Reissue 2014), the CAFR is to be completed "at least twenty days before the commencement of each regular session of the Legislature." For the fiscal year ended June 30, 2018, CAFR, this date was determined to be December 20, 2018.

Section 81-1125.01 states, in relevant part, the following:

> *It shall be the duty of the Director of Administrative Services to digest, prepare, and report to the Governor, the Tax Commissioner, the Clerk of the Legislature, and the Legislative Fiscal Analyst, at least twenty days before the commencement of each regular session of the Legislature:*
>
> * * * *
>
> *(2) The Comprehensive Annual Financial Report showing fully all liabilities and resources of the state[.]*

Article III-10 of the Nebraska State Constitution sets the beginning date for the annual legislative session:

> *Beginning with the year 1975, regular sessions of the Legislature shall be held annually, commencing at 10 a.m. on the first Wednesday after the first Monday in January of each year.*

DAS failed to issue the CAFR in accordance with 81-1125.01. Instead, the report was issued on January 4, 2019, or 15 days late. The Auditor of Public Accounts (APA) agreed to a list of items to be prepared by DAS – State Accounting and submitted to the APA for testing by specific dates. Contributing to the noncompliance with 81-1125.01, DAS submitted 57 items more than seven days after the agreed-upon dates.

Of those agreed-upon items, a first draft of the report was to be provided to the APA by December 4, 2018; however, it was not received until December 13, 2018. That first draft was incomplete, contained numerous errors, and required several revisions to correct formatting problems and incorrect or missing information. The final draft was to be provided to the APA by December 14, 2018, but was not received until January 4, 2019.

The State is a large, complex entity boasting $16.5 billion in primary government assets, and it processed $8.9 billion in primary government expenses during fiscal year 2018. The DAS CAFR team responsible for assimilating and reviewing the statewide information comprising the report, adhering to multifarious Generally Accepted Accounting Principles, including the preparation and posting of $16.8 billion in adjusting entries, was comprised of five full-time employees with duties extending beyond the annual CAFR project. It is the opinion of the APA that the DAS CAFR team was, and has been for many years, grossly understaffed for completing a project of this size and complexity in an accurate and efficient manner.

Due, in significant part, to the lack of DAS resources dedicated to the CAFR, we noted material errors in information processed and prepared by DAS – State Accounting, as follows:

- We proposed 38 adjustments during the audit, 14 of which were not made by DAS – State Accounting. At the fund level, the accumulated uncorrected errors ranged from an overstatement of $7,877,365 to an understatement of $4,978,699. There were also unadjusted investment misclassifications, totaling $21,168,728, in Footnote 2. At the government-wide level, the accumulated uncorrected errors ranged from an overstatement of $9,079,353 to an understatement of $8,363,338.

- When preparing the government-wide journal entries, DAS did not correctly record net pension expense, deferred outflows of resources, and deferred inflows of resources for the Omaha School Employee Retirement System (OSERS) plan due to a change in proportion of the net pension liability attributed to the State, a non-employer contributing entity. Net pension expense and deferred outflows of resources were overstated by $5,234,000 and $2,547,000, respectively. Deferred inflows of resources were understated by $22,885,000. As a result, education expenses were also understated by $30,983,975. An APA's proposed adjustment was posted by DAS.

- An entry to record miscellaneous trust investments receivables and payables was not proper and reasonable based on the accounting policy. DAS improperly recorded $13,000,000 of investments receivable to equity securities when it should have been recorded to healthcare fixed income. The APA proposed an adjustment to reallocate long-term investments and accounts receivable to various CAFR funds affected by the error. An APA's proposed adjustment was posted by DAS.

- DAS did not have adequate procedures to review miscellaneous adjustment object accounts to ensure balances in the accounts were proper and reflected current-year activity. DAS only reviewed entries greater than $500,000, leading to significant activity needing adjustment. The APA proposed $9,273,292 in adjustments to ensure the financial statements were properly reflected. DAS did not post the adjustment.

- DAS did not perform adequate procedures to ensure revenue activity recorded after the fiscal year end should have been accrued for financial reporting requirements. We tested 14 revenue documents posted after fiscal year end and noted that 8 of the 14 needed to be adjusted for inclusion in the financial statements. The APA proposed adjustments totaling $9,253,466. DAS did not post the adjustment.

- The OSERS appropriations receivable accrual was not consistent with the Nebraska Public Employees Retirement System (NPERS) entry. DAS recorded a receivable of $7,110,576 in the school retirement system CAFR fund, rather than the CAFR fund used for outside trust funds. Consequently, an adjustment was proposed to move the receivable from the fiduciary fund to the correct Agency Fund. The APA's proposed adjustment was posted by DAS.

- DAS did not initially include the College Savings Plan (CSP) in the investment holdings report used to create the investment footnote. DAS must manually add certain investments, including the CSP, held outside of the State's custodial bank, to the investment holdings report. The value of the College Savings Plan at June 30, 2018, was $4,854,902,120. DAS corrected the error after the APA brought it to its attention.

- When compiling the Component Units Statement of Net Position, DAS incorrectly included Chadron State College Foundation's investments in unrestricted cash and cash equivalents. Cash and cash equivalents was overstated and investments understated by $19,904,450. DAS corrected the error after the APA brought it to its attention.

- DAS did not obtain fair value reporting levels for deferred compensation retirement investments held by Mass Mutual totaling $33,934,810. Investments reported in Footnote 2 of the CAFR were to be classified in levels depending on how the fair value was determined, as required by Generally Accepted Accounting Principles. This amount was instead included as "Other Investments Not Classified."

- DAS did not perform an adequate review of journal entry activity posted after the year end for the period July through September 2018, which related to the fiscal year ended June 30, 2018. General Fund aggregate activity during that period was ($4,607,267), and Federal Fund aggregate activity was $4,719,952. The majority of activity occurred through five journal entries that moved expenditures from the General Fund to the Federal Fund. The APA proposed an adjusting entry to accurately record activity from those journal entries totaling $4,448,335. DAS posted the proposed adjustment.

- As of June 30, 2018, a bank account was inappropriately held by the State Treasurer outside of the State's accounting system, EnterpriseOne (E1). To record the cash for CAFR reporting, DAS used the balance as of July 23, 2018, the date the State Treasurer receipted the funds into E1. The CAFR entry recorded the entire balance to a revenue object account, instead of properly accounting for the beginning fund balance, actual revenues and expenditures, and ending fund balance. Consequently, the APA proposed an adjustment to record a beginning balance of $2,328,916, revenues of $1,447,316, expenditures of $842,173, and ending balance of $2,758,108. DAS posted the proposed adjustment.

- DAS omitted $5,468,507 budgeted for capital projects on the Budgetary Comparison Schedule – Revolving Funds. DAS revised the budgetary schedule when the APA brought the error to its attention.

- DAS did not properly post an APA's proposed adjusting entry to decrease proceeds from bond issuances. As a result, proceeds from other financing arrangements were overstated, and licenses, fees and permits revenue was understated on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances by $2,560,000.

- A reconciliation between unemployment compensation (UC) activity processed through the Department of Labor Tax Management System (TMS) and E1 identified the following:

  - A $1,672,683 payable at June 30, 2018, represented interfund activity that should have been eliminated. DAS posted an adjustment proposed by the APA.

  - The reversal of a UC correcting entry done in the fiscal year 2017 CAFR (reversed during fiscal year 2018) incorrectly affected "other revenue" when it should have been recorded as a transfer out. This resulted in an understatement of other revenue and transfers out of $1,613,119. DAS posted an adjustment proposed by the APA.

  - A June 30, 2018, a UC payable for interest and penalties, totaling $132,702, was appropriately recorded as due to another fund. A corresponding entry in the other fund was needed in order to establish a receivable and a transfer in for $132,702. DAS posted an adjustment proposed by the APA.

  - Bad debt expense was understated and receivables were overstated by $112,624 based on activity in TMS. The beginning fund balance and receivables were overstated by $317,707 for prior years' uncollectible amounts. DAS did not post an adjustment proposed by the APA.

- DAS did not perform a review of the object account used to record operating grants between State agencies to determine if adjusting entries were necessary for duplicative activity. Based on the APA's review, adjustments were proposed to eliminate $1,191,705 of revenues and expenditures from the Game and Parks CAFR fund, and $334,110 from other special revenue funds. An APA adjustment was also proposed to report $139,637 as transfers in and out in other special revenue funds and the Highway Fund, rather than revenues and expenditures. The proposed adjustments were not posted by DAS.

- Two capital assets had fiscal year 2017 acquisition dates but were included as additions in fiscal year 2018. This caused additions to be overstated and the beginning balance to be understated by $1,122,480. There were also prior year depreciation expenses that were not recorded, causing accumulated depreciation to be understated by $92,478. Five other capital assets did not have any depreciation expense reported, causing depreciation expense to be understated by $469,163.

- A prior year adjustment for child support enforcement cash was not properly reversed in fiscal year 2018, causing balances to be duplicated for activity recorded by the Department of Health and Human Services (DHHS). Cash was overstated in the General Fund, private purpose trust, and agency funds by $1,002,893, $199,102, and 123,613, respectively. The APA-proposed adjustment was not posted by DAS.

- DHHS calculated a State ward education payable, including payable activity through August 31, 2018. DAS also included the same amounts in a separate payable entry. As a result, payables and expenses were overstated by $745,658.

- DAS identified two fund balances, totaling $829,111, as unrestricted in the financial statements; however, both funds were established by State statutes, which restricted the funds' usage for specific purposes. Therefore, the funds should have been classified as restricted. DAS agreed and corrected the errors.

- The operating investment pool adjustment did not include the short-term liquidity fund dividend receivable of $451,673 or the time deposit fund interest receivable of $85,568. This caused the entry for cash and investment adjustments to be overstated.

- To verify that DAS had an adequate segregation of duties over CAFR entries, we reviewed 25 accrual entries in E1. Four were prepared, approved, and posted in E1 by the same individual. This increases the risk that an error could occur and remain undetected. Eight of the 25 entries tested were not included on a DAS tracking sheet provided to the APA.

- The following issues related to internal service fund capital assets:

  - Two assets acquired during fiscal year 2016 were transferred between two internal service funds during fiscal year 2018. The movement was reported as additions and deletions in the funds, totaling $381,803, with accumulated depreciation of $158,911. The transfer between funds should have been reported as a beginning balance adjustment.

  - One asset had costs of $8,990 removed due to prior year findings. The asset was incorrectly capitalized on January 17, 2017, and should have been a reduction to the beginning balance; however, DAS included the amount as a deletion.

- When preparing the proprietary funds statement of cash flows, DAS overstated net cash provided by (used for) investing activities and understated net cash provided by (used for) operating activities from the Nebraska Lottery audited Statement of Cash Flows by $364,000.

- The lease commitment footnote was incorrect. Two of five building leases tested did not agree to the support provided by DAS. Additionally, the APA followed up on issues revealed during the fiscal year 2017 audit, noting that three of five leases were still incorrect. The footnote disclosed commitments for each year from 2019 through 2023 and the aggregate amount committed for 2024 through 2028. All years contained errors. The errors ranged from overstatements of $523,065 to understatements of $166,622. DAS corrected the footnote.

- DAS did not record the Department of Correctional Services pharmacy inventory of $278,826 and the Department of Veteran's Affairs pharmacy inventory of $130,990 in the financial statements. DAS posted correcting entries for both.

- The master lease executive summaries prepared by DAS for the lease commitments footnote excluded a total of $169,153 in interest expense related to the 2017 Master Leases. DAS corrected the error.

- DAS performed a review of transfers between funds to eliminate interfund activity in accordance with financial reporting requirements. During the transfer review, DAS misclassified a transfer out of the Unemployment Compensation Fund to other special revenue funds for $133,949. This resulted in an overstatement of revenues, as $120,696 should have been eliminated and the remaining amount of $13,289 should have been reclassified as an expense. An APA-proposed adjustment was not posted by DAS.

- During procedures performed by DAS to eliminate internal service fund activity, to ensure there was no duplicative activity reported, DAS used prior year expenses in the allocation, causing expenses allocated by function to be incorrect by a total of $71,610.

- One capital asset was reported as an addition in fiscal year 2018; however, the asset was acquired on November 9, 2000. The error caused the capital asset's beginning balance to be understated by $70,000, and additions to be overstated by $70,000. The asset should have been entirely depreciated, causing beginning accumulated depreciation balance to be understated by $70,000 and depreciation expense to be overstated by $70,000.

- One capital asset completed and placed into service in fiscal year 2018 was entered in E1 with an acquisition date in fiscal year 2017. Depreciation expense was erroneously calculated using a fiscal year 2017 acquisition date, causing depreciation expense to be overstated by $41,296.

- An entry to adjust the Health and Social Services Fund cash understated both the assets and liabilities by $30,000. DAS incorrectly credited $30,000 to medium-term investments instead of crediting $30,000 to the Member Interest liability.

- The APA noted various errors in other DAS-prepared information, such as errors in restricted-for and assigned-to fund balances on the combining balance sheet for special revenue funds. Additionally, the summary of long-term liabilities footnote was not properly presented and required several revisions, fixed assets were incorrectly adjusted, and DAS did not reverse a prior year Department of Motor Vehicles receivable entry or consider the need for an entry for fiscal year 2018 to account for the change in the receivable.

Similar findings related to errors in the preparation of the CAFR have been noted since the fiscal year 2007 audit. Adequate DAS staff resources needed to prepare and review the CAFR and supporting documentation in a timely manner was lacking, and these deficiencies appear to have been the primary causes of the material noncompliance and material weakness addressed in this comment, as well as similar ones preceding it for the past several years.

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

A good internal control plan requires an adequate review of draft financial reports and information used to prepare the CAFR, including the information provided by other State agencies. A sound business plan includes dedicating adequate staffing resources to meet the requirements of State statute.

Without adequate procedures and staffing to ensure the accuracy of the financial reports and information used to prepare the CAFR, there is an increased risk that material misstatements may occur and remain undetected. Furthermore, when DAS lacks adequate staff to prepare and submit information to the APA on a timely basis, there is an increased risk that DAS will be noncompliant with State statute.

We recommend DAS dedicate or hire a sufficient number of staff to ensure internally prepared information is complete, accurate, and submitted timely to the auditors. We also recommend DAS utilize resources to work with State agency personnel to ensure accrual information is supported and has a sound accounting base.

DAS Response: State Accounting will assess resource allocation to CAFR process to ensure the function is adequately resourced.

BOARD OF EDUCATIONAL LANDS AND FUNDS

Finding 2018-002

Land Not Reported as an Investment and Unauthorized Bank Account

During testing, the Auditor of Public Accounts (APA) noted that the State-owned land managed by the Board for educational purposes was not valued at fair market value on the State's accounting system, as required by the Government Accounting Standards Board (GASB) Codification section I50, Investments, nor was it reported to the Department of Administrative Services (DAS) for inclusion in the State of Nebraska's Comprehensive Annual Financial Report (CAFR). The requirement to report land held for investment purposes at fair market value was to be implemented starting with the fiscal year ended June 30, 2016.

The fair market value of the land held by the Board as of June 30, 2017, was $1,395,121,093 and as of June 30, 2018, was $1,310,848,849. During testing of the fair market valuation calculations, the APA found errors that overstated the June 30, 2017, balance by $758,944 and understated the June 30, 2018, balance by $514,704, which the Board adjusted once brought to its attention. The APA proposed an adjustment to reflect the investment balances in the CAFR; the adjustment was made by DAS.

We also noted during testing that the Board sold land and, with the sale proceeds, purchased new property to be added to the educational land trust. The Board used a local title company to handle the funds being exchanged during these transactions. Such funds were deposited into, as well as disbursed from, an outside bank account held by the Board under the State's Federal Tax Identification Number (FTIN). The balance in this account at June 30, 2018, was $2,296,257, with a balance as high as $7,566,839 during the fiscal year ended June 30, 2018.

The Board's outside bank account was not authorized by the State Treasurer or adequately collateralized, as required by State statute. After taking into account the Federal Deposit Insurance Corporation (FDIC) limit of $250,000, the Board was lacking $7,463,176 in collateral in order to be in compliance with the statutory requirement of no less than 102%. Furthermore, the Board did not track the balance or activity in the bank account in the State's accounting system, nor did it report this information to DAS for inclusion in the CAFR. The APA's proposed adjustment was made by DAS to correct the error.

GASB Codification section I50, Investments, paragraph .108, states the following:

> *[I]nvestments should be measured at fair value . . . . Examples of investments that should be measured at fair value include investments in the following:*
>
> > *f. Land and other real estate held as investments by endowments (including permanent and term endowments) or permanent funds.*

Neb. Rev. Stat. § 77-2301(1) (Reissue 2018) provides the following:

> *The State Treasurer shall deposit, and at all times keep on deposit for safekeeping, in the state or national banks, or some of them doing business in this state and of approved standing and responsibility, the amount of money in his or her hands belonging to the several current funds in the state treasury. Any bank may apply for the privilege of keeping on deposit such funds or some part thereof.*

Neb. Rev. Stat. § 77-2309 (Reissue 2018) states the following:

> *It is made the duty of the State Treasurer to use all reasonable and proper means to secure to the state the best terms for the depositing of the money belonging to the state, consistent with the safekeeping and prompt payment of the funds of the state when demanded.*

Neb. Rev. Stat. § 77-2395(1) (Reissue 2018) provides, in relevant part, the following:

> *[T]the custodial official shall not have on deposit in such depository any public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation, unless and until the depository has furnished to the custodial official securities, the market value of which are in an amount not less than one hundred two percent of the amount on deposit which is in excess of the amount so insured or guaranteed.*

Good internal control requires procedures to ensure the State's accounting system reflects accurately fair market land valuations in accordance with GASB, and the value is properly documented. Without such procedures, there is an increased risk that amounts reported in the CAFR will be materially misstated and noncompliant with GASB.

Furthermore, a good internal control plan requires procedures to ensure that all Board bank activity and balances are reported to DAS for accurate financial statement representation. Without such procedures, there is an increased risk that the State's CAFR will be materially misstated.

When there is not proper authorization by the State Treasurer for outside bank accounts, there is an increased risk for loss or misuse of State funds. Any funds held by a financial institution, whether under the control of the State or otherwise, are at greater risk of loss when the amounts in excess of FDIC coverage are not properly secured. When State funds are involved, moreover, failure to ensure proper collateralization disregards State statute.

> We recommend the Board ensure the fair market value of land owned is reported to DAS for inclusion in the CAFR, in accordance with GASB. We also recommend the Board strengthen procedures to ensure the land fair value calculation is accurate. We recommend the Board work with the State Treasurer to address concerns raised regarding the outside bank account, including properly collateralizing the account in accordance with State statute. Lastly, we recommend the Board work with DAS to ensure activity in the bank account is included in the State's accounting system and the CAFR.

Board Response: The Board was not advised of the recent change to this regulation, and has never before been required to report the value of its property on the State's accounting system. The Board has already met with DAS, and has begun the process of reporting the value of the Board's land onto the State's accounting system.

During the course of the audit, the Board received a letter from the Nebraska State Treasurer demanding that the Board close its escrow account as soon as possible, and transfer those funds into the custody of the State Treasurer. The Board disagrees with the determination of *the Auditor and Treasurer. Notwithstanding this; however, the Board immediately applied for an escrow exchange account, and received the approval of the Department of Administrative Services, State Accounting, and the Treasurer. The funds are now in the custody of the Treasurer.*

The escrow account was in the custody of one of the largest title companies in Lincoln, Nebraska, which is underwritten by the largest title insurer in the United States. Both the local company, with its errors and omissions insurance policy, and the national underwriter, were fully bonded and insured, and would have been liable to the Board for loss caused by any insufficient collateralization of the account. As stated earlier, this account has already been transferred to the Treasurer's office.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2018-003

Material Adjustments

The Department of Administrative Services, State Accounting Division (DAS), prepares the State of Nebraska Comprehensive Annual Financial Report (CAFR) and requires all State agencies to determine and report accurate amounts for financial reporting.

The Department of Health and Human Services (Department) indicated in its response to the Summary Schedule of Prior Audit Finding that its corrective action plan was complete regarding errors in accrual information. However, throughout testing, we noted that the following items were not accurately reported to DAS:

- The Medicaid drug rebate receivable was understated by $22,549,624, mainly due to the Department not calculating an estimated amount for the managed care organizations point-of-service plan for the last quarter of the fiscal year. Included in this amount was interest due for $67,158, which the Department excluded from the calculation. The APA's proposed adjustment was made by DAS to correct the error.

- The Department had a holding fund used to deposit refunds for overpayments made to providers, clients, etc., while staff researched the proper accounts receivable to apply the payments. At June 30, 2018, the fund balance was classified as a due to vendor for financial statement presentation, which was not accurate. The balance should have reduced outstanding receivables or been classified as due to/from other funds. The Department did not have adequate policies and procedures to research the amounts in the holding fund at year-end to ensure the balances were proper for financial statement presentation. For the balance at June 30, 2018, we noted the following:

    - The holding account had $19,646,806 in Medicaid receipts. Of this amount, $18,256,843 was a receipt from Magellan for a contractual agreement related to excess profits. The amount had been deposited in April 2018, and the Department was still working to apply the receipt to the proper funding sources at year-end. The remaining balance was refunds for third-party liability, program integrity, and estate recovery programs. The APA's proposed adjustment was made by DAS to correct the error.

    - The holding account included $3,077,659 from refunds for drug rebates. If the Department had researched the balance timely, the refunds would have been applied to the proper outstanding accounts receivable and reduced the initial expenditure for the prescription costs. The APA's proposed adjustment was made by DAS to correct the error.

- The Medicaid refund receivable was overstated by $8,660,414, as an amount related to a fraud case deemed to be uncollectable was improperly included. The APA's proposed adjustment was made by DAS to correct the error.

- The Nebraska Family Online Client User System (NFOCUS) receivable was understated by $5,420,387, due to several errors in the calculation for the allowance. The APA's proposed adjustment was made by DAS to correct the error.

- The intergovernmental receivable amount due from the Federal government was overstated by $2,710,339, as several incorrect figures from Federal reports were used when calculating the balance. Furthermore, the intergovernmental payable amount due to the Federal government was overstated by $5,229,153, due to expenditure adjustments not included when calculating the balance. The Department made a correcting entry in the State's accounting system to expenditures in March 2018; however, the correction was not included in the Federal reports until September 2018. The APA's proposed adjustment was not made by DAS to correct the error.

- The third-party liability receivable was overstated by $4,256,729, due to the Department using an inconsistent and unreasonable annual estimate instead of a 45-day estimate for the accrual. The APA's proposed adjustment was not made by DAS to correct the error.

- The patient and county billings receivable was overstated by $3,248,416, due to various errors. The patient and county billings are receivables based on services provided by the Beatrice State Development Center as well as the Department's three operated Regional Centers in Lincoln, Hastings, and Norfolk. For 10 of 25 account balances tested, the balances were inaccurately reported as receivables, or the Department was not actively following up on outstanding accounts timely. The APA's proposed adjustment was made by DAS to correct the error.

- The state ward education payable was understated by $461,924, due to several expenditures excluded from the calculation.

- The Department did not report a payable to the Nebraska Families Collaborative, for child welfare expenditures, at year-end. This caused payables to be understated by $330,898.

- The indirect and direct medical education payable was understated by $240,972, due to the Department using estimated amounts for the short-term payable instead of actual amounts known at the time of the calculation.

- Four of eight program integrity receivable balances tested were not calculated properly. An additional incorrect calculation was also identified; in total, the receivable was understated by $59,105. The Department also did not calculate an allowance for doubtful accounts.

- The NFOCUS payable was overstated by $14,932, due to one payable being excluded from the calculation and for one of four calculations tested, the State and Federal funding splits were not updated from the previous fiscal year.

A similar finding was noted during the previous audit.

Title 2 CFR part 200.511(a) (January 1, 2018) requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

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

Without such procedures, there is a greater risk that material misstatements may occur and remain undetected.

> We recommend the Department implement procedures to ensure information is complete and accurate. The Department should also have adequate procedures in place for a secondary review to verify the information is supported, reasonable, and accurate.

Management Response: Agree

Finding 2018-004

Overpayment Mailbox

On November 30, 2011, the Department set up the Overpayment Mailbox for eligibility overpayments. Previously, Social Service Workers (SSWs) would set up overpayments and underpayments in NFOCUS as they discovered them. Eligibility overpayments were referred via email to the Mailbox to be worked by an Overpayment (OP) Unit team. In April of 2017, the Department converted the Mailbox to a database with an online submission form. Referrals from the Mailbox were transitioned to the new database.

During the previous audit, we reviewed the new database and noted that 10,614 Supplemental Nutrition Assistance Program (SNAP) overpayment referrals were closed without the OP team working them. According to the Department, the referrals were not pursuable because they were over 12 months old. For the fiscal year ended June 30, 2018, an additional 322 SNAP overpayment referrals were closed without the OP team working them, due to the Department's determination that they were not pursuable.

A similar finding was noted during the previous three audits.

Per Title 475 Nebraska Administrative Code (NAC) Chapter 4-007.01A, "Overpayments must be established against households who were issued benefits they were not entitled to receive due to an AE [Administrative Error] for no more than 12 months before the month of initial discovery." However, this State regulation appears to conflict with Title 7 Code of Federal Regulations (CFR) § 273.18(c)(1), which requires the Department to "calculate a claim back to at least twelve months prior to when you became aware of the overpayment." (Emphasis added.) Currently, the Department's definition of the date of discovery is the date the Department confirms an overpayment occurred. This definition allows referrals to be unworked for an extended period of time and allows the Department to create an overpayment at any point in time, effectively circumventing regulations requiring referrals to be established as receivables within specific time frames.

Even if the Federal regulations did not exist, good internal control would suggest the original intent of the State regulation was not to allow the Department to sit on overpayment referrals until they are over 12 months old, and then close them.

We also performed testing of nine overpayment receivables and noted that one account with an overpayment to the Aid to Dependent Children program had no demand letter included in NFOCUS in accordance with the Department's collection policy and State regulations. During testing of the NFOCUS receivable accrual, we noted there were no policies and procedures requiring a supervisory review of changes to client accounts. Department accounting clerks were able to suspend an account for various reasons, such as unknown address, client's appeal of an overpayment, bankruptcy, etc., but there was no supervisor review of the account status changes to ensure it was proper.

Per the Department's regulations at Title 468 NAC Chapter 3-008.07B:

> *The agency must take all reasonable steps necessary to promptly correct overpayments regardless of cause. The worker must record in the case record all steps taken to recoup any overpayments.*
>
> *The worker must first send a demand letter, giving the client the choice of reimbursing all or part of the overpayment or having future assistance reduced.*

Good internal controls require policies and procedures to ensure all steps taken to correct overpayments are kept on file for subsequent inspection, and changes to client accounts are reviewed and approved by a supervisor.

Without adequate controls and resources to work suspected overpayments, timeframes set by Federal regulations may not be met. Overpayments not worked timely have a lesser chance of collection. Overpayments not worked at all will have no chance of collection. There is less incentive for the Department to pursue collection on SNAP AE overpayments, as the Federal government requires all of those collections to be returned in their entirety to the Federal government. However, those overpayments increase the taxpayer burden at the Federal level, and the Department should actively pursue those receivables. Considering the number of referrals not worked, there are potentially millions of dollars in overpayments that the Department has not attempted to recover.

We recommend the Department:

- Implement procedures and devote adequate resources to investigating and establishing NFOCUS receivables.
- Define the date of discovery as the date the regular SSW first becomes aware of a potential overpayment.
- Work with the Federal agency to resolve the potential SNAP overpayments and comply with Federal regulations.
- Implement procedures to reduce the number of SNAP AE overpayments.
- Establish policies and procedures for a supervisory review of changes to client account statuses.

Management Response: Agree

Finding 2018-005

External NFOCUS User Access

The NFOCUS application is used to automate benefit/service delivery and case management for several Department programs. NFOCUS processes include client/case intake, eligibility determination, case management, service authorization, benefit payments, claims processing and payments, provider contract management, interfacing with other State and Federal organizations, and management and government reporting.

There are seven Child Advocacy Centers (Centers) across the State of Nebraska providing Child and Family Services (CFS) for the Department. Each county in the State is assigned to a Center. The Center is to provide a child-focused location for conducting forensic interviews and medical evaluations for alleged child victims of abuse and neglect.

A Department review of case files accessed by the Centers from March 22, 2018, through April 22, 2018, revealed users accessed master case files in NFOCUS for which they had no business purpose to access. In total, 584 cases were identified with inappropriate access by the Centers. The inappropriate access included the following:

- Records with no active CFS case or the CFS case was closed.
- Cases not related to CFS.
- Active court cases with no recent intakes.
- Cases outside of the Centers' jurisdiction.
- Non-court cases.
- Cases where the Center employee was previously employed.
- Adult Protection Service cases.
- Intakes that were placement concerns.

Users at the Centers had broad access to cases on the NFOCUS system not restricted by case type (e.g., CFS, Medicaid, SNAP, etc.) or geographical area. Other non-State entities the Department works with access NFOCUS data through a separate portal, which contains only specific records necessary for the entities' review. Full access to NFOCUS is not granted to the majority of non-State entities.

Furthermore, during our testing of external NFOCUS user access, we noted 2 of 77 external users tested from 6 external entities no longer required access due to a role change or termination of employment. A similar finding was noted during the previous audit.

Nebraska Information Technology Commission (NITC) Standards & Guidelines, Information Security Policy 8-701 (July 2017), Auditing and compliance; responsibilities; review, provides the following, in relevant part, the following:

> *An agency review to ensure compliance with this policy and applicable NIST SP 800-53 security guidelines must be conducted at least annually.*

National Institute of Standards and Technology (NIST) Special Publication 800-53, Security and Privacy Controls for Federal Information Systems and Organizations, Access Control 6 Least Privilege, states, in part, the following:

> *The organization employs the principle of least privilege, allowing only authorized accesses for users (or processes acting on behalf of users) which are necessary to accomplish assigned tasks in accordance with organizational missions and business functions.*

Furthermore, a good internal control plan requires a periodic review of user access and requires terminated users' access to be disabled in a timely manner.

When external users have access to review all cases in NFOCUS, there is an increased risk that users will access confidential information restricted by State and Federal laws. Furthermore, when terminated users retain access to the system, there is an increased risk for inappropriate access to data, which may violate Federal laws.

> We recommend the Department remove external entity access to the NFOCUS application and instead provide limited access to data through the separate portal, so only necessary data required by the entity can be accessed. We also recommend the Department establish processes with external entities to ensure they report timely all instances of roll changes or terminations affecting user access requirements. Lastly, we recommend the Department periodically inform external entities of the importance of notifying the Department to remove employee access to information resources upon termination.

Management Response: Agree

<u>Finding 2018-006</u>

<u>Program 354 – Child Welfare Aid</u>

The APA performed an attestation examination of the Nebraska Department of Health and Human Services Program 354 – Child Welfare Aid for the period July 1, 2016, through December 31, 2017. The following issues were determined to be significant to the audit of the State of Nebraska CAFR for fiscal year ended June 30, 2018.

<u>*NFOCUS Claim Overpayments and Errors*</u>

Department expenditures for the period July 1, 2016, through December 31, 2017, included $177,724,786 in aid assistance paid through NFOCUS with 416,067 lines of claims. NFOCUS is a subsystem of the State's accounting system used to record detailed information regarding clients and services. Claims paid through NFOCUS are for the regional service areas managed by the Department, which do not include the eastern service area managed by the Nebraska Families Collaborative (NFC).

We performed a statistical random sample of NFOCUS claims, excluding adoption subsidies paid with Federal IV-E funds. The adoption subsidies were subject to testing as a major program for the fiscal year 2017 Single Audit. We used statistical software to stratify our sample, selecting 21 claim lines of $2,000 or over and 92 claim lines of less than $2,000. Our sample was based on a 90% confidence level with a sample precision of 15.44%. Based on our testing, the projected errors for the population totaled $25,771,153.

	Under $2,000	$2,000 and over	Total
$ Population	$110,632,414	$28,501,070	$139,133,484
# lines of claims tested	92	21	113
Dollars tested	$28,470.92	$98,435.66	$126,906.58
$ errors in sample	$3,580.93	$40,943.83	$44,524.76
$ error rate	12.58%	41.59%	
Projection to population	$13,917,558	$11,853,595	$25,771,153

Our NFOCUS random sample testing noted 45 of 113 claim lines tested with errors, a 40% error rate. We questioned costs, totaling $44,524.76, for the claim lines tested. We also noted additional questioned costs totaling $1,639,951.33. Several issues were noted, including: State wards were placed in unsafe homes; adequate documentation was not available to support payments for services; the Department did not have adequate policies and procedures to ensure services billed were actually received; payments did not agree to contract terms; payments exceeded service authorizations and referrals; staff providing services did not meet qualifications specified in contracts; State funds were paid for services provided to children eligible for Federal programs; Federal funds paid for services provided to children ineligible for Federal programs; services were provided before contracts were signed; and services were paid for eastern area cases that were the responsibility of NFC.

We selected 10 additional individuals to review based on high dollars or unusual rates. For 8 of 10 individuals tested, payments were incorrect or unreasonable, with questioned costs totaling $679,081.58. Issues included: one adoptive parent was overpaid by $226,378.80; Kansas Medicaid eligibility was not applied for timely; child welfare funds were used to pay for home modifications for a case under NFC management; the rate for lower level of care was significantly higher than previous placement; a Department employee was paid as a private consultant; authorized transportation was unreasonable; travel and mileage were not reasonable; and student fees and tuition paid for one client were not reasonable.

Detailed descriptions for each of the issues noted above for the random sample and additional test of 10 individuals can be found in the Nebraska Department of Health and Human Services Program 354 – Child Welfare Aid Report, for the period July 1, 2016, through December 31, 2017, which is available on the Nebraska Auditor of Public Accounts' website, at www.auditors.nebraska.gov.

We noted the Department lacked adequate policies and procedures to ensure services billed were actually received, and the Department did not require contractors to have families sign documentation to evidence that services billed were performed. Department workers determine the type and level of services needed by families. The caseworkers determined which contractor to use, and sent service referrals detailing the services to be performed. A service authorization was approved by a supervisor, stating the maximum number of hours and length of time for services. However, there were not adequate controls to ensure that authorizations were reasonable or that services billed were in accordance with the referral, authorization, and contract provisions.

Lastly, we noted that contract provisions allowed providers to round time up to the nearest 15-minute interval for services and round up to the nearest 15-minute interval each way for travel time. No-shows were allowed a full hour, and planned drop-ins allowed rounding from 30 to 60 minutes. As a result, there was little incentive for a provider to spend as much time as billed. There was also a high risk for abuse to occur. For example, if a provider spent 29 minutes at a drop-in visit, he or she would have received $23.50; however, for spending 31 minutes, the provider would have received $47.00. There was no incentive to spend the full 60 minutes, as the provider would still receive $47.00. We also noted situations in which a worker traveled less than one mile – for a total of two minutes – each way; however, that charge was for 15 minutes each way. Consequently, the contractor was paid 30 minutes for 4 minutes of actual time traveled.

A good internal control plan and sound accounting practices require procedures to ensure the following:

- Payments and services provided are reasonable, adequately supported, and agree to service authorization and referrals.
- Contracts are signed before services are provided, and all contract provisions are followed.
- Adequate supporting documentation is maintained for services provided.
- Staff providing services meet required qualifications.
- Payments are properly charged to Federal or State programs, as appropriate.
- Federal and State regulations are observed.
- Rates paid for services are reasonable.

> We recommend the Department implement procedures to ensure payments are accurate, that only services provided are paid for, and payments are in accordance with contract provisions and State and Federal regulations.

<u>Federal Funds Not Fully Utilized for Adoption Assistance</u>

For the period July 1, 2016, through December 31, 2017, the Department failed to charge Federal funds for respite care costs arising from adoption assistance (AA) agreements signed prior to July 1, 2014. Consequently, at least $962,485 in such costs were paid for with State funds when Federal funds were available to cover those expenses.

The subsidized adoption program provides assistance to ensure that financial barriers or costs associated with a child’s special needs do not prevent adoption. Department rules and regulations, as set out at 479 NAC 8-001.02A, permit subsidized adoption payments, including respite care, to be made with either State or Federal funds.

Before a State ward is adopted, the Department determines both the need for a subsidy and the child's eligibility for it. A written AA agreement signed by the Department and the prospective adoptive parents specifies the nature, duration, and amount of assistance to be given to those who adopt eligible special needs children. These monthly payments, which often include money for respite care, generally continue until the child's 18th birthday.

During testing of the NFOCUS random sample, we noted AA claims that were being split between the "adoption subsidy" for maintenance costs and the "respite care for adoption subsidy" for respite costs. For 10 claims tested, the "adoption subsidy" was charged to IV-E Federal funds, and the "respite care for adoption subsidy" was charged only to State funds.

On March 13, 2018, we asked the Department to explain why respite care for IV-E eligible children was charged only to State funds. Staff stated that it was the understanding of the Department that respite care was not a IV-E claimable service. The Department then contacted the Federal grantor, Administration for Children and Families (ACF), for clarification. On June 13, 2018, the Department received a response from ACF, which stated the following:

> *Please see below the response we received to your recent question concerning title IV-E adoption assistance and respite payments:*
>
> *In attempting to answer the question posed, central office staff noted that it appears Nebraska is indicating that it seeks to now claim federal financial participation (FFP) for respite payments as part of title IV-E adoption assistance (AA) assistance payments.*
>
> *If so, the answer seems to be that the total amount of a title IV-E AA assistance payment is the amount as specified in an adoption assistance agreement, but for title IV-E claiming purposes that amount may not exceed the amount that would be payable as title IV-E foster care maintenance payments for that child if he/she were in a foster family home. Unlike in foster care, adoption assistance payments may not be required to be used for specified purposes.*
>
> *So, even though respite care is not, per se, allowable as a title IV-E foster care maintenance payment, <u>if the total adoption subsidy payment that NE is making does not exceed the amount that would be title IV-E allowable as foster care maintenance payments, it may claim such payments (including respite payments) for title IV-E AA FFP regardless of how classified in the adoption assistance agreement.</u>*
>
> *With respect to payments made by NE for earlier periods, title IV-E claimed for <u>allowable costs may be claimed as prior quarter adjustments subject to the filing time limits specified at 45 CFR Part 95.7.</u>*

(Emphasis added.) AA agreements signed prior to July 1, 2014, often included separate amounts for maintenance and respite costs. Those agreements were generally drafted so that AA costs totaled $1 less than the foster care reimbursement rate, ensuring compliance with the Federal requirement that the amount of the former does not exceed that of the latter.

Due to subsequent changes in foster care reimbursement rates, AA agreements drafted after July 1, 2014, do not differentiate between maintenance and respite costs. The present issue pertains, therefore, to AA agreements signed before that date. Nevertheless, those earlier agreements continue until the adopted child turns 18 years old, so the Department should review payments being made pursuant thereto to determine if Federal funding could still be used to pay for future respite care costs.

To calculate the total respite care amount that could have been charged to Federal funds, we determined which IV-E eligible children had respite care paid only with State funds. We then compared the total AA payment ("adoption subsidy" plus "respite care for adoption subsidy") to the amount that would be allowable as foster care maintenance for the period. If less than the allowable foster care payment, we multiplied the amount of the total AA payment by the Federal financial participation (FFP) rate. To be conservative, our calculations used the "foster care essential rate" for determining if the AA payment was less than the foster care rate. The foster care "essential rate" is smaller than either the foster care "enhanced" or foster care "intensive" rates. Based on our calculations, at least $962,485 in such costs were paid for with State funds when Federal funds were available to cover those expenses. Additional respite care payments were also charged exclusively to State funds on behalf of IV-E eligible children. These amounts totaled $857,627 and may have also been eligible for Federal funding if the "foster care enhanced" or "foster care intensive" rates were appropriate.

As also referenced in the above-quoted ACF response, 45 CFR § 95.7 allows the Department two years to make claims for service provided, as follows:

> *Under the programs listed in § 95.1 [which includes "Title IV-E - Foster Care and Adoption Assistance."], we will pay a State for a State agency expenditure made after September 30, 1979, only if the State files a claim with us for that expenditure within 2 years after the calendar quarter in which the State agency made the expenditure. Section 95.19 lists the exceptions to this rule.*

(Emphasis added.) Thus, in addition to ensuring that Federal money is obtained, when possible, to pay for any future respite care costs arising from pre-July 1, 2014, AA contracts still in effect, the Department should review past respite care expenditures made within the last two years for potential Federal funding eligibility.

Good internal control and sound business practices require procedures to ensure that AA expenditures are charged to the proper funding source, and Federal funding is utilized for all allowable costs.

Without such procedures, State money will be expended in place of available Federal funds, increasing unnecessarily the burden to Nebraska taxpayers.

> We recommend the Department implement procedures to ensure all allowable AA expenditures are charged to Federal funds.

<u>Contractual Aid Payments Not Adequately Monitored</u>

Program 354 – Child Welfare Aid expenditures for the period July 1, 2016, through December 31, 2017, included $18,959,135 for contractual aid payments to contractors other than NFC. We noted that 7 of 10 payments tested were not adequately monitored to ensure costs were allowable and contract provisions were met. Furthermore, the Department stated that Program 354 did not conduct site reviews of contractors and subrecipients.

- We tested two payments, totaling $83,561, for child advocacy services. The Department did not obtain adequate documentation to support that personnel costs charged were for actual time spent on the subaward or documentation to support how the amounts were allocated between funding sources. Also, the Department did not ensure that the subrecipients were accredited, as required by statute. The cost of child advocacy services paid with State General Funds for the period July 1, 2016, through December 31, 2017, totaled $3,558,975.

- None of the three payments tested for domestic abuse and family violence prevention services were adequately monitored. The Department did not have adequate documentation to support amounts charged were proper. Domestic abuse expenditures for the period totaled $4,096,509.

- We tested one payment for post adoption and guardianship services. The payment totaled $129,967, which was charged to State General Funds. Total payments for the period totaled $1,996,084. The following was noted:

  - The payment support was not detailed, and there was a lack of monitoring procedures to ensure the expenditures were reasonable and necessary. The Department claimed to have performed monitoring of the contractor in 2016; however, there was no documentation of the monitoring being performed.

  - Furthermore, an indirect cost rate of 16.6% was charged – which, according to the Request for Proposal, was a federally approved rate. However, that rate was found not to be federally approved, and no further supporting documentation was available. The Department had not performed any follow-up to ensure that the indirect cost rate was reasonable and supported.

A good internal control plan requires procedures to ensure adequate supporting documentation is reviewed for all expenses paid, and contracts and subawards are adequately monitored.

Without adequate monitoring, there is an increased risk for misuse of funds. Additionally, such noncompliance with Federal requirements increases the risk for unallowable costs and resultant Federal sanctions.

> We recommend the Department implement procedures to ensure contractors and subrecipients are monitored, and adequate documentation is maintained to support that expenditures are allowable and in accordance with State and Federal requirements.

Management Response: Agree

INVESTMENT COUNCIL

Finding 2018-007

Improper Investment Classification

The Nebraska Investment Council (Council) contracted with State Street Bank (SSB) to perform custodial banking services of the State's investments for the fiscal year ended June 30, 2018. SSB ensured the State's investments were properly recorded, including investment balances, sales and purchases, investment classifications, ratings, etc. The Council was responsible for reviewing the activity to ensure investments held by the custodian were accurate and complete.

The Department of Administrative Services – State Accounting (DAS) utilized the SSB investment holdings report to generate the investment classifications contained in the financial statements, and Deposits and Investments Portfolio note disclosure, for the Comprehensive Annual Financial Report (CAFR). During testing of the SSB investment holdings report, we noted two securities were not properly presented at June 30, 2018, as follows:

- One security, valued at $1,762,896,802 was correctly classified by SSB with an investment type name of mutual funds. However, SSB incorrectly classified the investment major and minor industry names as cash equivalents when they should have been commingled funds. DAS utilizes all of those classifications to make a determination of how to report for financial statement presentation. The Auditor of Public Accounts (APA) questioned the DAS financial statement presentation of short-term investment, and the Council confirmed with SSB the security should have been presented as commingled funds. DAS made the correction for the CAFR.
- A second security, valued at $76,854,796, was correctly classified by SSB with an investment type name of limited partnership. However, SSB incorrectly classified the investment major and minor industry names as cash equivalents when they should have been venture capital. The APA questioned the DAS financial statement presentation of private real estate, and the Council determined it should have been classified as a private equity investment. DAS made the correction for the CAFR.

Good business practices include collaboration between DAS and the Council to review the accuracy of investments classifications for CAFR financial statement presentation.

Without such a review process, there is an increased risk for material misstatement of financial reporting.

> We recommend the Council work with DAS to review the accuracy of CAFR investment classifications.

Council Response: We agree. The Council does assist when classifications are questioned by other state agencies or state auditors merging the bank classifications into the state's established classifications. This practice is outlined in the most recent APA Cash & Investment Presentation & Disclosure Memo dated 6.30.18, section titled "DAS Procedures for Preparation of Footnote." The Council will continue to assist agencies whenever asked to help ensure they meet GASB investment codification standards. Furthermore, the Council will continue to educate agencies about the State's various investment portfolios as requested.

III. Findings and Questioned Costs Relating to Federal Awards:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2018-008

Program: Various, including CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Grant Number & Year: Various, including #1805NE5ADM, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 2 CFR § 200.403 (January 1, 2018) states, in part, the following:

> *Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*
>
> * * * *
>
> *(g) Be adequately documented.*

2 CFR § 200, Appendix V, subsection (G)(4), (January 1, 2018) states, in part, the following:

> *Billing rates used to charge Federal awards must be based on the estimated costs of providing the services, including an estimate of the allocable central service costs. A comparison of the revenue generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable costs of the service will be made at least annually, and an adjustment will be made for the difference between the revenue and the allowable costs. These adjustments will be made through one of the following adjustment methods: (a) a cash refund including earned or imputed interest from the date of transfer and debt interest, if applicable, chargeable in accordance with applicable Federal cognizant agency for indirect costs regulations to the Federal Government for the Federal share of the adjustment, (b) credits to the amounts charged to the individual programs, (c) adjustments to future billing rates, or (d) adjustments to allocated central service costs.*

Per the DAS "Facility Use Manual" (Rev. 6-10-2015), Section XIII ("Your Lease"), "Rental rates are based on Facility historical operation costs and projected market price changes. Each Facility is budgeted to operate on a break even basis."

A good internal control plan requires the following:

- Procedures to ensure rate charges are equitable, reflect actual costs incurred, and are reviewed periodically to ensure charges are appropriate for the services provided.
- Adequate documentation is maintained to support both rates charged and the approval of those rates.

Condition: We reviewed the Agency's Materiel Division and Building Division services billed to other State agencies for the year ended June 30, 2018. We noted the Agency did not maintain adequate documentation to support that charges were reasonable, equitable, and consistently applied. Additionally, the Agency did not have adequate documentation to support the allocation of Lincoln grounds keeping and Lincoln security costs in developing the building rental rates. A similar finding was noted in the prior audit.

Repeat Finding: 2017-007

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested 40 receipts (26 Building Division, 14 Materiel Division) to ensure the rates billed were proper. These divisions offer services such as office leasing and printing. We noted the following:

<u>Building Division</u>

- One lessee tested received a rent reduction of $2,041 per month. Per the Agency, this reduction was due to the high cost of rent at the North Platte Office Building and the hardship of splitting a State agency between two locations if the lessee were to lease elsewhere. Documentation was not adequate to support the amount of the rate reduction. In addition, if lessees are not treated consistently, other agencies and Federal programs could bear an unequitable share of costs.

- A non-State agency with a month-to-month sublease agreement was not charged the standard 2% administrative fee. This fee should be applied consistently for all lease agreements.

- One State agency tested had a lease agreement that, including the 2% fee, totaled $10,338; however, for October 2017, only $10,238 was received.

- The Building Division rate for work orders was based on March 2014 salaries and had not been updated.

- The rental rate charged to agencies for building space includes an allocation for indirect costs for administration, grounds keeping, security, and energy management. We noted the Agency did not have adequate support for the allocation for Lincoln grounds and Lincoln security indirect costs in developing the building rental rates. The grounds keeping allocation was split 46% turf maintenance, 31% snow removal, and 23% parking maintenance and clean up; the Agency did not have support for the split. The fiscal year 2018 indirect allocations for grounds keeping and security were $376,261 and $625,486, respectively.

<u>Materiel Division</u>

- Four receipts tested for Print Shop work orders lacked support for charges to a cost center. The cost center 808 “Miscellaneous Amount” did not have a standardized rate; rates billed for the receipts tested varied between $52 and $836. The Agency did not provide support for the rates billed.

- A 35% surcharge was established for special purchases, paper costs, plate material, special order supplies, and colored ink. However, the Agency did not have support for this surcharge. This was first noted during our audit of the Materiel Division for the period July 1, 2009, through December 31, 2011. During the fiscal year, the surcharge was increased to 39%, but there was no documentation to support the reasonableness of this amount.

- Our prior audit noted the Print Shop had not reviewed and updated its rates since the fiscal year ended June 30, 2010. We requested support for eight different rates charged for printing and copy services. Per Agency staff, there had been no change in how rates were set for the Print Shop. Staff explained further that the current accounting system did not provide the necessary information needed to determine a rate per cost center, but the goal was for a new system that could be used to develop rates starting with fiscal year 2021.

Cause: Lack of supporting documentation and adequate procedures. Per Agency staff, support for the allocation of grounds and security was not developed due to staff changes and vacancies. Per Agency staff, the current accounting system did not provide the necessary information to develop Print Shop rates by cost center.

Effect: Without adequate controls and procedures to ensure rates are equitable and based on actual costs, there is an increased risk that Federal programs will be overcharged for services. Without adequate procedures to ensure billings are proper and consistently charged, there is an increased risk that agencies and Federal programs will not be treated equitably.

Recommendation: We recommend the Agency maintain adequate documentation to support that rates are equitable and reflect the actual costs incurred for services provided. We further recommend all rates be charged consistently.

Management Response: None

<u>Finding 2018-009</u>

Program: Various, including CFDA 93.767 – Children's Health Insurance Program; CFDA 20.205 – Highway Planning and Construction – Reporting

Grant Number & Year: Various, including #1805NE5021, FFY 2018

Federal Grantor Agency: Various, including U.S. Department of Health and Human Services; U.S. Department of Transportation

Criteria: A good internal control plan requires adequate procedures to ensure the Schedule of Expenditures of Federal Awards (SEFA) is presented properly. A good internal control plan also requires the auditee to reconcile the SEFA to the financial statements to ensure the schedule is complete and accurate.

Title 2 CFR § 200.510(b) (January 1, 2018) states, in part, the following:

> *The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended . . . . At a minimum, the schedule must:*

> * * * *
>
> *(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.*
>
> *(4) Include the total amount provided to subrecipients from each Federal program.*

Neb. Rev. Stat. § 81-1111(1) (Reissue 2014) states, in part, the following:

> *Subject to the supervision of the Director of Administrative Services, the Accounting Administrator shall have the authority to prescribe the system of accounts and accounting to be maintained by the state and its departments and agencies, develop necessary accounting policies and procedures, coordinate and approve all proposed financial systems, and manage all accounting matters of the state's central system.*

EnterpriseOne is the official accounting system of the State.

Condition: Several programs did not have expenditures or the amount provided to subrecipients accurately reported on the SEFA. We notified the Agency of the errors, and the SEFA was subsequently adjusted. We also noted the Agency did not perform a reconciliation of the SEFA to the financial statements. A similar finding was noted in the prior audit.

Repeat Finding: 2017-010

Questioned Costs: None

Statistical Sample: No

Context: The Agency is responsible for managing the accounting matters of the State and certifies the data collection form for the Statewide Single Audit. The Agency compiles the SEFA from information provided by the individual agencies and submits it to the Auditor of Public Accounts. During our review, we noted the following:

- The Nebraska Department of Transportation (NDOT) did not accurately report expenditures for CFDA 20.205 Highway Planning and Construction, and CFDA 20.505 Metropolitan Transportation Planning.

CFDA	Original SEFA	Revised	Adjustment
20.205	$ 294,381,334	$ 298,160,903	$ 3,779,569
20.505	$ 4,237,916	$ 458,347	$ (3,779,569)

- The Department of Health and Human Services did not accurately report expenditures for several programs, including the following:

CFDA	Original SEFA	Revised	Adjustment
93.767	$ 69,980,464	$ 79,721,035	$ 9,740,571
93.575	$ 31,741,640	$ 29,296,901	$ (2,444,739)
93.268	$ 20,781,198	$ 21,551,764	$ 770,566
93.069	$ 6,006,077	$ 5,320,453	$ (685,624)
93.889	$ 428,727	$ 1,114,351	$ 685,624

An additional 14 programs for various State agencies needed correction. The total expenditures and amounts provided to subrecipients originally reported and per the final SEFA were as follows:

Original SEFA		Final SEFA	
Expenditures	Subrecipients	Expenditures	Subrecipients
$ 2,843,092,585	$ 483,875,868	$ 2,851,498,062	$ 497,813,630

Cause: The Agency lacked adequate procedures for ensuring the accuracy of amounts not taken directly from the accounting system. The Agency established a specific account code for aid to subrecipients, but not all agencies utilized this account code.

Effect: Increased risk for the SEFA to be inaccurate, which could lead to Federal sanctions or programs not audited that should be.

Recommendation: We recommend the Agency implement procedures to ensure the SEFA is complete and accurate.

Management Response: DAS will review procedures to ensure the SEFA is complete and accurate.

DEPARTMENT OF ECONOMIC DEVELOPMENT

Finding 2018-010

Program: CFDA 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii – Program Income & Subrecipient Monitoring

Grant Number & Year: All open, including B-17-DC-31-0001, FFY 2017

Federal Grantor Agency: U.S. Department of Housing and Urban Development

Criteria: 2 CFR § 200.303(a) (January 1, 2018) states, in part, the following:

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

** * * **

(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

2 CFR § 200.331 (January 1, 2018) states, in part, the following:

All pass-through entities must:

** * * **

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

24 CFR § 570.492(a) (April 1, 2017) provides the following:

The state shall make reviews and audits including on-site reviews, of units of general local government as may be necessary or appropriate to meet the requirements of section 104(e)(2) of the Act.

OMB Circular A-87, Attachment A, § C, and 2 CFR § 200.403 (January 1, 2018) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

A good internal control plan requires procedures sufficient to ensure that monitoring of subrecipient revolving loan funds is performed both adequately and timely.

Condition: Revolving loan funds administered by subrecipients were not adequately monitored by the Agency.

Repeat Finding: 2017-014

Questioned Costs: Unknown

Statistical Sample: No

Context: Program income is derived mainly from repayments of principal and interest on loans made with Federal grants that were originally awarded to an Agency subrecipient (local government) and then loaned out to a business. This would include interest earned on balances repaid that are held by subrecipients and that have not yet been loaned out again. According to Title 24 CFR § 570.489(e)(2)(i) (April 1, 2017), if interest and loan repayments during the year are greater than $35,000, the amounts are considered program income. When loans are repaid, the subrecipient deposits the monies into a revolving loan fund, which can be reused for future loans. Those subrecipients that maintain revolving loan funds submit semiannual reports to the Agency documenting the activity in the funds, including program income received, administrative expenses paid, interest earned, and new loans made. The revolving loan funds are managed by the subrecipients unless the subrecipient decides to discontinue its loan program – at which time, all money received by the subrecipient will be remitted to the Agency.

During the fiscal year, 14 subrecipients had program income greater than $35,000, totaling $897,808. We tested two of these subrecipients and noted that the Agency had not performed formal monitoring of either subrecipient to ensure funds were properly accounted for and Federal requirements were met. We noted the following:

- For the City of Schuyler, no on-site monitoring had been performed. The last monitoring procedure was performed in 2015, and included only a comparison of the June 30, 2014, bank balance to the semi-annual report submitted by the city. After we began testing procedures, the Agency obtained the June 30, 2018, bank balance to compare to the semi-annual report. Total program income reported by the subrecipient during the fiscal year was $65,427, and $1,565 was reported by the city in administrative expenditures.

- For the City of Hastings, no on-site monitoring had been performed. The Agency provided three loan files. Two of the files had monitoring procedures performed in 2017. The third had monitoring procedures performed after we started testing procedures, which included a comparison of the city's balance sheet to the semi-annual report as of December 31, 2018. The financial documentation did not include a review of the bank statement. Total program income reported by the subrecipient during the fiscal year was $84,286.

- Furthermore, the Agency's policy required subrecipient reuse plans to be approved by the Agency. However, the Agency did not approve the reuse plan for either of the subrecipients tested.

Due to the lack of formal monitoring, we requested a listing for the remaining 12 subrecipients to determine whether monitoring had been performed as of February 2019. Although some monitoring had been performed, a formal monitoring report had not been completed for 6 of the 12 subrecipients. For the six that did have formal monitoring, the last review covered a period that was several years ago, dating back to 2015 and 2016.

Cause: The Agency did not devote adequate resources to monitoring the subrecipient revolving loan funds.

Effect: Without adequate monitoring and policies, there is an increased risk of loss or misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure that timely and adequate monitoring of subrecipient revolving loan funds is performed.

Management Response: The agency continues to make improvements to the programmatic procedures and strengthen its internal controls.

DEPARTMENT OF EDUCATION

Finding 2018-011

Program: CFDA 10.558 – Child and Adult Care Food Program (CACFP) – Eligibility

Grant Number & Year: #201717N202043, #201717N109943, and #201717N105043, FFY 2017; #201818N202043, #201818N109943, and #201818N105043, FFY 2018

Federal Grantor Agency: U.S. Department of Agriculture

Criteria: Per 7 CFR § 226.6(b) (January 1, 2018):

> *Each State agency must establish application review procedures, in accordance with paragraphs (b)(1) through (b)(3) of this section, to determine the eligibility of new institutions, renewing institutions, and facilities for which applications are submitted by sponsoring organizations.*

In order to demonstrate financial viability, a new or renewing institution is required by 7 CFR § 226.6(b)(1)(xviii)(A)(2) and 7 CFR § 226.6(b)(2)(vii)(A)(2), respectively, to do the following:

> *[D]emonstrate that it has adequate financial resources to operate the CACFP on a daily basis, has adequate sources of funds to continue to pay employees and suppliers during periods of temporary interruptions in Program payments and/or to pay debts when fiscal claims have been assessed against the institution, and can document financial viability (for example, through audits, financial statements, etc.)[.]*

State agencies may disburse CACFP funds only to organizations that meet eligibility requirements.

Condition: The Agency did not have adequate documentation or procedures to ensure that subrecipients met eligibility requirements. A similar finding was noted in the prior audit.

Repeat Finding: 2017-016

Questioned Costs: None

Statistical Sample: No

Context: The Agency paid $31,859,377 to 301 subrecipients during the fiscal year. The subrecipients provide meals and snacks to eligible children and adults who receive care at participating childcare centers, adult day care centers, outside-school-hours care centers, at-risk afterschool programs, family and group day care homes, and emergency shelters.

For one of three subrecipients tested, there was not adequate documentation to support that the subrecipient was financially viable. All three subrecipients tested were new institutions. The subrecipient submitted financial information, such as profit and loss statements and fund balance reports; however, the information was not audited, and the Agency did not obtain support, such as bank statements, etc., to verify the accuracy of the financial information submitted. Without such support, there is an increased risk for inaccurate or false information.

Cause: The Agency's procedures did not require audited financial statements or other outside verification, such as bank statements.

Effect: Without adequate procedures to ensure compliance with regulations, there is an increased risk for misuse of Federal funds.

Recommendation: We recommend the Agency obtain adequate documentation to ensure subrecipients meet eligibility requirements.

> **Management Response:** In May 2018, the Agency modified their policy and procedure based on advice from the USDA Regional Office to include the optional submission of two (2) months of bank statements. The Regional Office indicated there were no federal requirements for bank statements however; the requirement could be a barrier to participation in the CACFP. In addition, because there is no federal requirement for bank statements, an appeal of such action could go against the Agency. Financial viability is captured within the application process. A complete application contains all required information as described in 7CFR 226.6(b).

APA Response: The APA's comment does not say that bank statements are, or should be, required. To the contrary, the comment calls for "audited financial statements or other outside verification, such as bank statements." This is a virtual duplication of language in the applicable Federal regulations. Thus, bank statements are but one form of proof that would suffice. Moreover, in the interest of full disclosure, the above-referenced response from the USDA says the following: "However, what I would suggest is that you meet in the middle with your auditors by asking for Bank Statements (to please the internal auditors office), but not make them mandatory. . . . I think more often than not the Sponsors would submit a bank statement. If one of the Sponsors didn't want to share such information and you as a SA could verify VCA through other means on a case by case basis I think that would be fine." This is perfectly congruent with our comment, which recommends some form of independent verification, whether audited financial statements, bank statements, or other satisfactory evidence. Our point is not that bank statements are required, but that compliance with Federal eligibility requirements must be adequately supported. Bank statements are offered as merely one example of a possible means for doing so.

<u>Finding 2018-012</u>

Program: CFDA 84.027 and 84.173 – Special Education Cluster (IDEA) – Allowability & Subrecipient Monitoring

Grant Number & Year: H027A150079, FFY 2016; H027A160079, FFY 2017; H027A170079, FFY 2018; H173A150077, FFY 2016; H173A160077, FFY 2017; and H173A170077, FFY 2018

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 2 CFR § 200.403 (January 1, 2018), allowable costs must be necessary, reasonable, and adequately documented.

2 CFR § 200.430(i)(1) (January 1, 2018) states, in relevant 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:*
>
> * * * *
>
> *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award: an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*

2 CFR § 200.331 (January 1, 2018) states, in relevant part, the following:

> *All pass-through entities must:*
>
> *(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:*
>
> *(1) Federal Award Identification.*
>
> * * * *
>
> *(iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;*
>
> * * * *
>
> *(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part . . . .*
>
> * * * *
>
> *(d) Monitor the activities of the subrecipient as necessary to ensure the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:*
>
> *(1) Reviewing financial and performance reports required by the pass-through entity.*
>
> *(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.*
>
> *(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 Management decision.*

Per 2 CFR § 200.521(d) (January 1, 2018) "The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC [Federal Audit Clearinghouse]."

A good internal control plan requires that adequate documentation be maintained to support amounts claimed by and paid to subrecipients. Good internal control also requires procedures to ensure subrecipients are utilizing Federal funds passed through for authorized purposes and in compliance with all applicable regulations. Finally, good internal control requires procedures to ensure subawards contain all required information, management decisions are issued, and audits are reviewed timely.

Condition: The Agency did not have adequate support on file for 25 of 28 subrecipient aid payments tested. Additionally, subawards did not have all required information, subrecipient Single audits were not reviewed timely, and a management decision was not issued timely.

Repeat Finding: No

Questioned Costs: $577,262 known

Grant	Questioned Costs
H027A150079	$ 43
H027A160079	$ 400,892
H027A170079	$ 165,643
H173A150077	$ 700
H173A160077	$ 6,815
H173A170077	$ 3,169

Statistical Sample: No

Context: We tested 28 subrecipient payments, totaling $666,104, and noted $577,262 did not have adequate documentation to support that expenditures were allowable and in accordance with Federal cost principles. Supporting documentation was provided with the reimbursement request; however, this was usually a general ledger printout and some invoices. The Agency did not have time-and-effort logs, time certifications, or other payroll documentation on file. In addition, some invoices did not have adequate support for hours or rates billed. We also reviewed 4 of the 33 school districts that had on-site monitoring completed during the fiscal year and noted the on-site monitoring did not have adequate support on file to ensure the subrecipients used the subaward for allowable activities.

We also noted the following:

- The subawards for all 28 subrecipients tested did not contain the requirement that the subrecipient permit the pass-through entity and auditors to have access to the records and financial statements, as necessary. In addition, the Federal award date was not listed correctly.

- The Agency did not issue a management decision on two IDEA Federal award findings noted in one subrecipient audit tested.

- Three subrecipient Single audits were not reviewed timely. The fiscal year 2017 audits were filed with the Federal Clearinghouse by February 2018, but they were not reviewed until January 2019, after the auditor had asked for the reviews.

Subrecipient aid payments for the fiscal year ended June 30, 2018, totaled $74,334,754. We noted that 37 subrecipients, paid a total of $37,588,318 during the fiscal year, did have a Single Audit with the Special Education Cluster as a major program. This would provide some assurance that those subrecipients' expenditures were allowable and in accordance with Federal cost principles.

Cause: Inadequate procedures.

Effect: Without adequate supporting documentation and adequate monitoring procedures, there is an increased risk that Federal awards could be used for unallowable costs.

Recommendation: We recommend the Agency improve procedures to monitor subrecipients, including a review of payroll documentation from each subrecipient. We further recommend adequate documentation be maintained to support that expenditures are allowable and in accordance with Federal cost principles. Finally, we recommend the Agency ensure subawards contain all required information, audits are reviewed timely, and management decisions are issued.

> **Management Response:** The Nebraska Department of Education is appreciative of the Auditor of Public Accounts recommendation and will make appropriate changes to our policies and procedures.

Finding 2018-013

Program: CFDA 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Allowability

Grant Number & Year: #H126A180039, FFY 2018

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 2 CFR § 200.403 (January 1, 2018), allowable costs must be necessary, reasonable, and adequately documented.

Per Title 92 NAC 72-005.01, "The program shall retain a vested interest in any items of equipment in which its share of the current market value is $5,000 or more."

Per Title 92 NAC 72-004.07, a cash advance is an allowable method of procurement; however, if a cash advance is used, Title 92 NAC 72-004.07A3 states, "The recipient is responsible for providing to program staff itemized receipts or other agreed on evidence to verify appropriate use of the cash advance."

2 CFR § 200.302 (January 1, 2018) states, in relevant part, the following:

> *The financial management system of each non-Federal entity must provide for the following . . . :*
>
> * * * *
>
> *(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. . . .*

Condition: The Agency did not have adequate procedures to ensure expenditures were adequately supported in accordance with State and Federal requirements. A similar finding was noted in the prior audit.

Repeat Finding: 2017-017

Questioned Costs: $128 known

Statistical Sample: No

Context: We tested five expenditures and noted the following:

For two clients tested, the Agency did not have an agreement to establish the Agency's vested interest in equipment.

- Client 1 received a 2018 Polaris Ranger XP1000 EPS Utility Vehicle for $18,305 to assist him with his farm duties.
- Client 2 received a John Deere XUV for $7,000 to assist him in his job duties as ranch manager.

The equipment cost more than $5,000 for each of these clients, yet the Agency did not have any equipment agreements to establish formally the Agency's vested interest in these items. However, we did not consider these costs to be questioned, as it appeared the equipment was still in use.

For one expenditure tested, the cash advance amount was more than the purchase amount of the items. Client 3 received a cash advance of $3,231 for daycare supplies based on cost estimates. However, the client provided receipts for only $3,103 of supplies. Consequently, there was no evidence to verify the appropriate use of $128, resulting in that amount being considered questioned costs.

We tested five expenditures totaling $40,160. Total Federal aid expenditures for the fiscal year was $5,335,225.

Cause: Employee oversight.

Effect: When policies and procedures are not followed, there is an increased risk for the misuse of funds.

Recommendation: We recommend the Agency implement procedures to ensure that only necessary and reasonable expenditures are authorized. Additionally, the Agency should require receipts for all cash advances. Finally, staff should follow Agency rules and regulations when authorizing aid payments to clients.

> **Management Response:** VR has developed policy and process which address equipment recoupment and the Agency's vested interest in specific items. Additionally, VR's case management system, QE2, has been modified with internal controls to ensure equipment agreements are completed as required. The policy and changes to the case management system will be finalized and staff training completed by April 1, 2019.

The current Case Service Procurement policy requires proof of purchase documentation for all cash advances and the Consumer Accountability policy is in place to hold consumers accountable in the use of cash advances. Cash advances are one component of the Compliance Reviews completed yearly for each team.

Finding 2018-014

Program: CFDA 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Eligibility

Grant Number & Year: Various, including H126A180039, FFY 2018

Federal Grantor Agency: U.S. Department of Education

Criteria: 29 USC § 722(b)(3)(F) (2017) states, in relevant part, the following:

The individualized plan for employment shall be developed as soon as possible, but not later than a deadline of 90 days after the date of the determination of eligibility described in paragraph (1), unless the designated State unit and the eligible individual agree to an extension of that deadline to a specific date by which the individualized plan for employment shall be completed.

Per the Vocational Rehabilitation (VR) Program Manual:

The IPE is to be completed within 90 days of the date the client was determined eligible for VR. If the IPE is approved 91 days or more after the Eligibility Decision VR must obtain the client's agreement to the extension, identify the date when the IPE will be completed, and provide an explanation as to why the time required for IPE Approval has exceeded 90 days must be documented.

A good internal control plan requires procedures to ensure Individual Plans for Employment (IPEs) are developed within 90 days of eligibility determination. Such procedures could include on-site reviews for compliance with this requirement, if performed regularly and timely.

2 CFR § 200.511(b) (January 1, 2018) states, in relevant part, the following:

The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs . . . .

** * * **

(2) When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation.

Condition: For 2 of 10 clients tested, the IPE was not developed within 90 days of eligibility determination, as required. We also noted there was not an annual compliance review during the fiscal year for five of the nine field offices. A similar finding was noted in the prior audit.

Repeat Finding: 2017-019

Questioned Costs: None

Statistical Sample: No

Context: For 2 of 10 clients tested, the IPE was not developed within 90 days of eligibility determination; the IPEs were 8 and 128 days late. There was no documentation of an agreement allowing for the extensions of the deadline to a specific date.

Central office staff perform reviews of each separate office location, which include verification that IPEs were developed within the 90-day timeframe. Of the nine separate office locations, five locations did not have an annual review performed during fiscal year 2018.

In addition, the Summary Schedule of Prior Audit Findings was not properly reported. The Agency stated, "VR's intent is to complete a Compliance Review of each field office annually . . . ."

Cause: Employee oversight and staff turnover.

Effect: The IPE's purpose is to document the client's goal for employment, the services needed, and the job being pursued. When the IPE is not completed timely, the client is left without a formal plan for success, jeopardizing his or her opportunity to succeed in the program.

Recommendation: We recommend the Agency implement procedures to ensure annual on-site reviews are performed timely, and IPEs are developed within 90 days of eligibility determination.

> **Management Response:** Internal controls are being refined in the case management system, QE2, to assist in ensuring IPEs are completed timely and appropriate documentation is captured if there is agreement to extend the 90 day timeline per state and federal regulations. VR will be including a requirement to monitor IPE completion as a goal for Office Directors in their 2019 performance evaluation.
>
> VR now has an automated process for generating and completing the Team Compliance Reviews. As noted, VR's fiscal team has been impacted by staff resignations which affected the completion of these reviews in 2018. It is not likely VR can hire another position in the near future due to the Agency's hiring freeze; therefore, VR is implementing a new peer review process to ensure all Team Compliance reviews are completed on an annual basis. Each VR Office Director will complete a compliance review for another team using the automated system. The Office Directors will be trained prior to any compliance reviews being completed. The electronic system will assist in ensuring consistent documentation is being reviewed and reports are available in a timely manner. State Office will provide oversight of this process.

<u>Finding 2018-015</u>

Program: CFDA 84.367 – Supporting Effective Instruction State Grant – Allowability & Subrecipient Monitoring

Grant Number & Year: #S367A150026, grant period 7/1/2015 to 9/30/2017; #S367A160026, grant period 7/1/2016 to 9/30/2018; #S367A170026, grant period 7/1/2017 to 9/30/2019

Federal Grantor Agency: U.S. Department of Education

Criteria: 2 CFR § 200.403 (January 1, 2018) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

2 CFR § 200.430(i)(1) (January 1, 2018) states, in relevant 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:*
>
> > * * * *
> >
> > *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*

2 CFR § 200.331 (January 1, 2018) states, in relevant part, the following:

> *All pass-through entities must:*
>
> > * * * *
> >
> > *(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]*

A good internal control plan requires that adequate documentation be maintained to support amounts paid to subrecipients. Good internal control also requires procedures to ensure subrecipients are utilizing Federal funds for authorized purposes and in compliance with all applicable regulations.

Condition: The Agency did not have adequate subrecipient monitoring procedures. For three of five subrecipient payments tested, documentation was not adequate to support that the amounts paid were in accordance with Federal requirements. A similar finding was noted in the prior audit.

Repeat Finding: 2017-020

Questioned Costs: $25,046 known (S367A150026, $7,484; S367A160026, $17,562)

Statistical Sample: No

Context: The Agency awards subgrants to schools for the Supporting Effective Instruction State Grant (Title IIA), and these subrecipients request reimbursement periodically during the fiscal year. The Agency requires supporting documentation to be provided with the reimbursement request. However, for payroll expenditures, the Agency required only a report from the subrecipients' accounting system that showed the amount paid with Title IIA funds to each employee. The Agency did not require time-and-effort logs, time certifications, or other payroll documentation.

Subrecipient payments made by the Agency for the fiscal year totaled $9,568,885. We tested five subrecipient payments, totaling $148,876, and reviewed the monitoring for each. We noted the following:

- Four of these payments tested included reimbursement for payroll expenses. Two of those payments did not have adequate documentation on file to support that the payroll costs were allowable and in accordance with Federal cost principles, nor did the on-site reviews include documentation that Title IIA payroll records were tested. The two payments were made on October 16, 2017, and December 12, 2017, before the corrective action plan was implemented.

- The fifth payment tested was a reimbursement for travel expenses. We noted that one meal receipt for $27 was reimbursed twice. We also noted that the subrecipient was reimbursed for six Uber rides, totaling $239, but there was no documentation for the points of travel or purpose of the rides.

Cause: Corrective action procedures were not complete during the fiscal year.

Effect: Without adequate supporting documentation and adequate monitoring procedures, there is an increased risk that Federal awards could be used for improper/unallowable costs.

Recommendation: We recommend the Agency improve procedures to ensure subrecipient payments are in accordance with Federal requirements.

> **Management Response:** The Nebraska Department of Education is appreciative of the Auditor of Public Accounts recommendation and will make appropriate changes to our policies and procedures.

ENERGY OFFICE

Finding 2018-016

Program: CFDA 93.568 – Low-Income Home Energy Assistance (LIHEAP) – Allowability, Eligibility, & Subrecipient Monitoring

Grant Number & Year: G17B1NELIEA, FFY 2017

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 96.30(a) (October 1, 2017) requires fiscal control and accounting procedures sufficient to "permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant."

A good internal control plan requires the pass-through entity to establish controls, including procedures for monitoring fiscal activities related to Federal expenditures, to ensure subrecipients use Federal awards in accordance with Federal compliance requirements and the terms and conditions of the subaward. A good internal control plan also requires the pass-through entity to establish written procedures to ensure adequate subrecipient monitoring is completed, and adequate documentation is retained.

10 CFR § 440.22(a) (January 1, 2017) states, in relevant part, "A dwelling unit shall be eligible for weatherization assistance under this part if it is occupied by a family unit: (1) Whose income is at or below 200 percent of the poverty level . . . ."

10 CFR § 440.22(b) (January 1, 2017) states, in relevant part, the following:

> *A subgrantee may weatherize a building containing rental dwelling units using financial assistance for dwelling units eligible for weatherization assistance under paragraph (a) of this section, where:*
>
> * * * *
>
> *(2) Not less than 66 percent . . . of the dwelling units in the building:*
>
> *(i) Are eligible dwelling units . . . .*

According to the "Proof of Eligibility" section, regarding self-certification, of the Weatherization Program Notice 17-3 (April 5, 2017) from the Department of Energy:

> *After all other avenues of documenting income eligibility are exhausted, self-certification is allowable. However, evidence of the various attempts at proving eligibility must be contained in the client file,* ***including*** *a notarized statement signed by the potential applicant indicating that he has no other proof of income.*

Additionally, a good internal control plan requires procedures to ensure adequate documentation is obtained to confirm that clients meet eligibility requirements.

Condition: The Agency did not have adequate monitoring procedures and did not adequately document the monitoring performed. The Agency did not have adequate documentation or procedures to ensure clients met eligibility requirements.

Repeat Finding: No

Questioned Costs: $4,710 known

Statistical Sample: No

Context: During the fiscal year, the Agency paid $1,842,388 to seven subrecipients. The Agency receives reimbursement requests from the subrecipients, which include a breakdown of the current expenses by cost categories. Agency staff review the reimbursement requests; however, no invoices or detailed expense reports are required at the time of payment. The Agency also performs annual fiscal on-site monitoring of each subrecipient. The time period reviewed varies for the subrecipients, depending on when the fiscal monitoring is conducted.

We selected two subrecipients and tested one payment made to each, totaling $28,716 and $33,268, respectively. We also reviewed the Agency monitoring completed during fiscal year 2018 for these two subrecipients. We noted the following:

- The annual fiscal on-site monitoring for both subrecipients was performed by the Agency in June 2018. The Agency's monitoring files did not contain sufficient evidence for the APA to determine what procedures were performed for the detailed testing of expenditures. The monitoring files also lacked adequate documentation to support that many subrecipient expenditures were allowable and in accordance with Federal regulations. For example, hours worked did not agree to the timesheets due to adjustments, and the adjustment information was not on file; credit card statements were in the monitoring files, but not the supporting itemized receipts; and support for the property insurance premium amounts were not in the monitoring files. The APA subsequently obtained supporting documentation from the subrecipients that was not included in the Agency's monitoring files to complete testing of reimbursement payments.

- For one subrecipient tested, the monitoring completed by the Agency did not include testing of all expense categories reimbursed with LIHEAP funds. For this subrecipient, the following categories were not reviewed for calendar year 2017 expenses: Materials and Labor for both Weatherization and Health & Safety; Administration; and Training & Technical Assistance. The amount reimbursed during State fiscal year 2018 for these expense categories was $105,380. The total paid to this subrecipient during the fiscal year was $187,154.

- The payments to subrecipients included reimbursed costs attributable to specific homes or units weatherized during the month being reimbursed. For the payments tested, one subrecipient requested reimbursement for 3 units weatherized, and the other subrecipient tested requested reimbursement for 12 units weatherized. According to the LIHEAP State Plan, LIHEAP Weatherization is administered in accordance with Department of Energy Weatherization Assistance Program rules for income threshold and weatherization of entire multi-family housing structures, as set out at 10 CFR § 440. We tested the eligibility determination completed by the subrecipients for each of the 15 units and noted the following:

- One subrecipient incorrectly calculated annual income for one client. Annual income was calculated as $22,502, but it should have been $31,770. The client was still eligible using the correct annual income.

- For the other subrecipient, five clients tested did not have adequate documentation on file to support the eligibility determination, as outlined below.

  - One client did not sign the basic intake form certifying that the information provided to determine eligibility was valid.

  - For two clients, the Weatherization Zero Income Verification form was on file; however, neither form was notarized in accordance with Weatherization program requirements, resulting in questioned costs of $520 and $457. In addition, one form was not signed by the client. These clients lived in a 6-plex building.

  - Two clients with annual incomes greater than 200% of the Federal poverty level lived in the same 6-plex building as the clients who were ineligible due to lack of proper zero income verification. Therefore, the building no longer meets the requirement that not less than 66% of the units in the building be eligible units. As a result, these two clients are now similarly ineligible – with questioned costs of $919 and $801, respectively – for the two units.

  - According to the Agency's monitoring files, the clients noted above were tested by the Agency with no findings. Therefore, the Agency's monitoring was not adequate to ensure all clients receiving LIHEAP weatherization assistance were eligible.

- In addition to the two payments selected for testing, we also tested additional expenditures, totaling $10,037, incurred by the subrecipients in other months of State fiscal year 2018 that were reviewed by the Agency during the on-site monitoring. We noted that one subrecipient paid $513 for pollution liability insurance and audit costs of $1,500 based on budgeted amounts rather than using a reasonable method for cost allocation to determine the actual amount attributable to the LIHEAP program, resulting in questioned costs of $2,013.

Cause: Inadequate monitoring procedures.

Effect: When adequate monitoring is not performed, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations. When adequate income documentation is not obtained, the subrecipient is not in compliance with Federal regulations for client eligibility determination.

Recommendation: We recommend the Agency improve procedures for monitoring subrecipients. Monitoring should include a written plan with procedures to ensure reimbursement requests are accurate and agree to support, expenditures and eligibility determinations are in accordance with Federal requirements, and adequate documentation is retained. We also recommend the Agency implement procedures to ensure subrecipients obtain adequate documentation to support that clients meet eligibility requirements.

Management Response: NEO has taken steps to address inadequate monitoring procedures and presented the issues from the audit findings, recommendations and concerns with the Weatherization Assistance Program network of service providers that NEO will be producing a new Policy and Procedures Manual outlining program guidance and requirements.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2018-017

Program: CFDA 93.658 – Foster Care Title IV-E – Allowable Costs/Cost Principles

Grant Number & Year: Various, including #1801NEFOST, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.405(a) (October 1, 2017):

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

Per 45 CFR § 75.303 (October 1, 2017):

The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Per the Cost Allocation Plan:

Except for client or program specific travel, meetings or training where the worker is expected to be away from his/her workstation, program observations should be accomplished within 15 minutes of the sampled moment. . . . Past due observations should be completed by the supervisor within 24 hours after the current period. . . . The RMTS Administrator will follow up with the supervisor within five business days if an observation remains incomplete for more than two days past the current period.

* * * *

Each RMTS [Random Moment Time Study] will be drawn from all active staff subject to each RMTS on the 15th day of the month preceding the sample month (i.e. the RMTS for the month of July will be drawn from the June active employees for each RMTS).

Title 45 CFR § 75.511(a) (October 1, 2017), requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

A good internal control plan requires procedures to ensure observations selected by workers are correct, observations are submitted whenever possible, and terminated employees are not included in the sample.

Condition: We tested 56 RMTS observations and noted four workers selected Foster Care Title IV-E, which results in charges to Federal funds, when they should have selected Not IV-E. A similar finding was noted in the prior audit. The summary schedule of prior audit findings states that the corrective action plan is complete.

We also noted one observation form was never submitted, and nine observations were non-countable because the employees had terminated.

Repeat Finding: 2017-024

Questioned Costs: $14,548 known

Statistical Sample: No

Context: The RMTS is conducted on an ongoing basis to provide data for the allocation of direct and indirect costs to various programs. The objective is to identify employee efforts directly related to the programs administered by the Agency. The method is based upon the laws of probability and statistical sampling techniques.

Children served by Children and Family Services are identified as either Title IV-E Foster Care (Federal and State-funded) or Child Welfare (State-funded). To be eligible for Federal funding, cases must meet strict Federal criteria. During our initial testing of 46 individual observations, we noted one Child and Family Service worker selected an observation for "Foster Care IV-E Case" when he should have selected an observation for "Foster Care Not IV-E Case." We selected 10 additional observations where IV-E was selected and found similar errors in three more observations.

These errors resulted in an overcharge to Federal Foster Care funds of $14,548. Looking at the total charged to Foster Care based on the RMTS each quarter, we observed that Foster Care appeared to bear an excessive portion of costs. Although Foster Care children made up only about 6% of the total children in the system, the Foster Care grant was charged approximately 37% of the RMTS allocation.

Based on our testing, 4 of 11 RMTS observations were charged to Foster Care that should not have been, a 36.36% error rate. We calculated the Foster Care dollars at risk for the fiscal year to be $4,605,312 with a Federal share of $2,302,656. (Total Foster Care dollars allocated per RMTS of $12,665,876 multiplied by 36.36% error rate. Foster Care administration costs are funded 50% Federal, 50% State).

We also noted one employee never submitted the observation form. The employee was not on extended leave, so her supervisor should have submitted the form. When the form was not submitted, the RMTS Administrator should have reminded the supervisor, but he did not. He told the auditor he has no authority over the workers or their supervisors.

Finally, we noted nine cases were non-countable because the employees had terminated. Employees were selected for observation in November 2017 but had terminated far earlier than the 15th of the month preceding the sample month; termination dates ranged from November 2016 to August 2017. There was an issue with the Workday file, which appears to have been corrected.

Cause: Workers, supervisors, and the RMTS administrator did not review cases in adequate detail to ensure selection of IV-E Foster Care was appropriate.

Effect: Random moment sampling is based on the laws of probability, which state, in essence, that there is a high probability that a relatively small number of random observations will yield an accurate depiction of the overall characteristics of the population for which the sample was taken. If RMTS observations are not accurate, there is an increased risk costs will be allocated incorrectly between programs. The Foster Care program was likely significantly overcharged.

Recommendation: We recommend the Agency implement procedures to ensure random moment observations are accurate and adequately reviewed. If the Agency is unable to ensure the accuracy of the RMTS, the Agency should consider amending the Cost Allocation Plan to allocate costs based on the number of recipients in each program.

Management Response: Agree

Finding 2018-018

Program: Various, including CFDA 10.561 – State Administrative Grants for the Supplemental Nutrition Assistance Program (SNAP); CFDA 93.568 – Low-Income Home Energy Assistance (LIHEAP); CFDA 93.575 & 93.596 CCDF Cluster; CFDA 93.558 – Temporary Assistance for Needy Families (TANF); CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Grant Number & Year: Various, including 201818S251443, FFY 2018; G18B1NELIEA, FFY 2018; G1801NECCDF, FFY 2018; 1801NETANF, FFY 2018; 1805NE5ADM, FFY 2018

Federal Grantor Agency: U.S. Department of Agriculture; U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.303 (October 1, 2017):

> *The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

Per 45 CFR § 75.405(a) (October 1, 2017), "A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received."

Per the Cost Allocation Plan, the cost centers noted below are allocated as follows:

- IST [Information Systems & Technology] Customer Service Help Desk, the CFS [Children & Family Services] Director's Office, and FS [Financial Services] Accounting, are all allocated to other cost centers based on the labor hours in each cost center.

- Special Investigations is "allocated to the benefiting programs based on daily time and effort reports maintained by the investigators."

- Program Evaluation and Review is "allocated to the benefiting programs based on daily time and effort reports maintained by the reviewers."

- Field Office Social Services Casework is "allocated to the benefiting programs based on the SSW [Social Service Worker] Random Moment Time Study results."

- Eligibility Program Accuracy Unit is "split into 25C44160 Medicaid 50% and 25C44100 Children's Health Insurance Program (CHIP) based on eligibility status."

A good internal control plan requires procedures to ensure programs are charged costs in accordance with relative benefits received and the Cost Allocation Plan (CAP).

Condition: The Agency did not properly allocate costs in accordance with relative benefits received for all four CAP allocation methodologies tested: labor hours, time and effort, the Random Moment Time Study (RMTS), and recipient allocations. A similar finding has been noted since 2013.

Repeat Finding: 2017-025

Questioned Costs: $107,868 known

CFDA	Grant #	Federal Share of Known Questioned Costs
10.561	201818S251443	$ 37,816
93.568	G18B1NELIEA	$ 21,701
93.575, 93.596	G1801NECCDF	$ 27,019
93.558	1801NETANF	$ 14,626
93.778	1805NE5ADM	$ 6,706

Statistical Sample: No

Context: The following errors were noted:

<u>Labor Hours</u>

The contractor omitted labor hours for all three cost centers tested, as follows:

Quarter Tested	Cost Center	Hours Allocated	Hours Omitted	Total Hours	% Omitted
12/31/2017	IST Customer Service Help Desk	1,684,879	66,546	1,751,425	3.80%
6/30/2018	CFS Director's Office	752,210	51,755	803,965	6.44%
6/30/2018	FS Accounting	1,657,406	112,918	1,770,324	6.38%

We could not determine the dollar error associated with these issues because the Agency no longer completes the Step Down, a restatement of the CAP in Excel that provides a method to calculate the effects of changes in the CAP.

We also noted that for the FS Accounting cost center, the Agency charged $26,630 to Medicaid cost centers with either 75% or 90% Federal match, which should have been charged to the Medicaid 50% Federal match cost center. This resulted in questioned costs to Medicaid of $6,706.

A total of 62 cost centers are allocated based on labor hours; we tested three of these and had issues with all of them: a 100% error rate. Total costs allocated via labor hours were $16,837,285 for the quarter ended December 31, 2017, and $14,411,524 for the quarter ended June 30, 2018.

<u>Time and Effort</u>

We tested the Special Investigations cost center allocation for the quarter ended June 30, 2018, which allocated $199,485 to various Federal programs based on time and effort reporting. When calculating the allocation statistics, the Agency inadvertently used hours from pay types that did not reflect actual work performed. This resulted in questioned costs of $10,735 for the CCDF Cluster.

We also tested the Program Evaluation and Review cost center allocation for the quarter ended December 31, 2017, which allocated $484,808 to CFDA 93.563 Child Support Enforcement and SNAP. The CAP states the allocation will be based on time and effort reporting; however, when we reviewed the timesheets for 3 of the 29 employees within the cost center, we noted they were *not* reporting time and effort. Instead, the employees coded all of their time to one program. Therefore, it appears the CAP is incorrect.

Total costs allocated via time and effort were $3,171,649 for the quarter ended December 31, 2017, and $2,796,892 for the quarter ended June 30, 2018.

<u>RMTS</u>

We noted the Field Office Social Services Casework cost center, totaling $8,065,807, was allocated incorrectly. The Agency excluded certain observations if the worker selecting them did not normally work on that program. However, the observations selected by the workers were valid and should be included in the allocation.

The errors resulted in the following questioned costs:

CFDA	Grant #	Known Questioned Costs
10.561	201818S251443	$ 37,816
93.568	G18B1NELIEA	$ 21,701
93.575, 93.596	G1801NECCDF	$ 16,284
93.558	1801NETANF	$ 14,626

A total of six cost centers are allocated based on the RMTS; we tested two of these and had issues with one. Total costs allocated via the RMTS were $17,334,937 for the quarter ended December 31, 2017, and $17,098,989 for the quarter ended June 30, 2018.

Recipient Allocations

We tested the Eligibility Program Accuracy Unit's cost center allocation for the quarter ended June 30, 2018, which allocated $321,253 to Medicaid and CHIP based on recipient counts. The Agency maintains the detail for the recipient counts for other programs, but not Medicaid or CHIP. The Agency was able to provide a report after the fact. It includes changes made since June 30, and the totals were lower. The variance was 0.96% for Medicaid and 0.62% for CHIP.

Total costs allocated via the count of recipients were $5,511,968 for the quarter ended December 31, 2017, and $5,398,483 for the quarter ended June 30, 2018.

Cause: Ineffective/untimely review.

The contractor made labor hour errors that were not detected by the Agency. Many errors were similar to those in our prior two audits; however, the contractor did not correct for subsequent quarters, and the Agency did not notice the contractor continued to make the same errors.

Since the prior audit, the Agency began including Medicaid observations in the RMTS statistic but failed to include observations for Foster Care Title IV-E, the Social Services Block Grant, or State Child Welfare.

The Agency has chosen not to maintain the detailed support for the Medicaid and CHIP recipient counts.

Effect: When costs are not correctly allocated, programs are not charged in accordance with relative benefits received.

Recommendation: We recommend the Agency implement procedures to ensure programs are charged costs in accordance with relative benefits received. The Agency should review the contractor's labor hour calculations to ensure prior errors are corrected. The Agency should ensure the CAP accurately reflects the method cost centers are allocated. The Agency should include all valid RMTS observations in its allocation statistics. Finally, the Agency should maintain detail-level reports to support the Medicaid and CHIP recipient counts.

> **Management Response:** Partially Agrees. Labor Hours: Primary issue is with two cost centers that included 52K hours and were included with each of the three cost centers in the table above. Contractor did not interpret an allocation "to all cost centers in this unit" appropriately which had the impact of decreasing Federal earnings.
>
> Regarding the Medicaid 90/75/50 issue: contractor switched around treatment of overhead with regards to enhanced rate cost centers.
>
> Time and Effort: Agree to error with exclusion of pay types that did not reflect work performed.
>
> Performance Eval and Review Center: PACAP is correct, allocates based on time study. For the staff that were coding 100% of their time to particular programs, we will carve them out of the cost center and allocate them directly to the program that they are in direct support of.

RMTS: Agency disagrees. DHHS Cost Allocation Services Regional Office mandated that DHHS Nebraska split RMTS into two surveys based on work that each pool of workers performed. It was based on work that they do or do not perform, not work that they do or do not normally perform. After the appropriate programs were identified for each pool but before the new surveys were implemented (new surveys would make it impossible for workers to select activities that they do not perform) there were workers that selected activities outside of the work they perform; DHHS excluded these. Surveys are now implemented and workers cannot select the activities outside the scope of their work so it is corrected in an automated fashion going forward.

Recipient Allocations: Agree that report did not reconcile to statistics provided.

APA Response: If the Agency did not believe the RMTS observations were correct, the Agency should have worked with the employees to document and use the proper observations; rather than simply excluding those observations.

<u>Finding 2018-019</u>

Program: Various, including CFDA 93.778 – Medical Assistance Program; CFDA 17.235 – Senior Community Service Employment Program – Allowable Costs/Cost Principles

Grant Number & Year: Various, including #1805NE5ADM, FFY 2018; #AD304181755A31, year ended June 30, 2018

Federal Grantor Agency: U.S. Department of Health and Human Services; U.S. Department of Labor

Criteria: Per 45 CFR § 75.405(a) (October 1, 2017), "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."

2 CFR § 200.430(i)(1)(viii) (January 1, 2018), "Compensation – personal services," provides, in relevant part, the following:

> *Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:*
>
> > *(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;*
> >
> > *(B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and*
> >
> > *(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.*

2 CFR § 200.430(i)(5) adds the following:

> *For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of or in addition to the records described in paragraph (1) if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, "rolling" time studies, case counts, or other quantifiable measures of work performed.*

A good internal control plan requires procedures to ensure employee information is promptly updated upon transfer, and employee costs are properly allocated.

Condition: One of 27 employees tested transferred positions during the pay period. However, the Agency did not change the coding of her payroll for several months. Another employee tested had charges coded to a Federal grant that were not supported by an approved allocation method, nor trued up to actual costs.

Repeat Finding: 2017-027

Questioned Costs: $5,932 known (1805NE5MAP, $5,790; AD304181755A31, $142)

Statistical Sample: No

Context: We tested 27 employees paid from various State and Federal programs. One employee tested transferred divisions during the pay period, from Medicaid to Children and Family Services. However, it was several months before the Agency updated her coding from Medicaid to Children and Family Services. This resulted in $5,790 in Federal questioned costs for Medicaid, of which $1,287 was in our sample.

Another employee tested had 5% of her time charged to the Senior Community Service Employment Program based on a time study. However, the Federal government did not approve the time study, nor did the Agency true up the costs to actual time worked on the program. This resulted in questioned costs of $142 for that program.

Federal payment errors noted in the sample were $1,429. The total Federal sample tested was $31,852, and total Federal payroll for the fiscal year was $74,666,372. Based on the sample tested, the case error rate was 7.41% (2/27). The dollar error rate for the sample was 4.49% ($1,429/$31,852), which estimates the potential dollars at risk for fiscal year 2018 to be $3,352,520 (dollar error rate multiplied by population).

Cause: Unknown; the Agency stated that delays in switching cost centers are unusual.

Effect: Failure to ensure employee payroll is properly coded increases the risk that Federal grants will be overcharged. Failure to allocate employee costs in accordance with Federal requirements results in the misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure employees are promptly updated to the correct coding upon transfer, and employee costs are properly allocated.

Management Response: Partially Agrees. DHHS disagrees with the at risk dollars logic of extrapolating $1,429 to $3,352,520. The issues occurred due to untimely processing of position status changes, so using the entire universe of Federal payroll is overstating; it should be limited to those Federal payroll positions that experienced a position status change.

Other than the method of extrapolation, DHHS agrees with the finding.

APA Response: The extrapolation method is in accordance with auditing standards. As noted above, we determined the Federal error rate for the sample tested and multiplied by Federal payroll dollars.

Finding 2018-020

Program: Various, including CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); CFDA 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP); CFDA 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles

Grant Number & Year: Various, including #201717W100343, FFY 2017; #201717S251443, FFY 2017; #1805NE5ADM, FFY 2018

Federal Grantor Agency: U.S. Department of Agriculture; U.S. Department of Health and Human Services

Criteria: 2 CFR § 200.403 (January 1, 2018) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

Per 2 CFR § 200.405(a) (January 1, 2018):

> *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. This standard is met if the cost:*
>
> *(1) Is incurred specifically for the Federal award[.]*

A good internal control plan requires procedures to ensure costs are allowable for and allocable to the grant charged, adequately documented, and necessary and reasonable.

Condition: Operating expenditures were not adequately supported, resulting in questionable costs being charged to Federal programs.

Repeat Finding: No

Questioned Costs: $307 known

CFDA	Grant #	Federal Share of Known Questioned Costs
10.557	201717W100343	$ 157
10.561	201717S251443	$ 139
10.561	201818S251443	$ 2
93.778	1805NE5ADM	$ 4
93.558	1801NETANF	$ 1
93.568	G18B1NELIEA	$ 1
93.575 & 93.596	G1801NECCDF	$ 1
93.658	1801NEFOST	$ 1
93.667	G1801NESOSR	$ 1

Statistical Sample: No

Context: We randomly selected 40 Agency operating expenditures for testing and noted the following issues:

- Payment for membership in the eGovernment Payments Council of $875 was charged 82% to SNAP and 18% to WIC. The Agency did not have documentation to support how the allocation was derived or that it was an equitable distribution. Based on expenditures for each program, it appears that WIC was overcharged. As the proper amount to be charged to WIC was not supported, we questioned the $157 charged.

- The Agency performed a journal entry to transfer $139 in training costs from State general funds to SNAP. However, the employees who received the training were all child support enforcement workers, resulting in $139 questioned costs for SNAP.

- The Agency paid $30 for a full-time parking pass in a State garage in Lincoln, Nebraska, for a State employee whose work office was over two hours away. The Agency did not have adequate documentation to support the need for a full-time parking pass. After questioning the Agency, we determined that the employee comes to Lincoln only twice a month for meetings, and the parking staff person agreed to reduce the charge to $5. Therefore, $25 of the charge is unreasonable. The payment was made with State general funds but was ultimately charged to various Federal and State programs through the cost allocation plan; the Federal share was $11 and is questioned costs.

- A postage bill tested for $4,681 was not adequately reviewed to ensure its accuracy. The Agency stated that it does not keep receipts for postage, so there is no way to verify the amount charged. Total postage costs paid by the Agency for the year were $2,458,194.

Federal payment errors noted within the sample were $307. The total Federal sample tested was $184,412, and total operating expenditures paid with Federal funds during the fiscal year were $96,126,413. The Federal dollar error rate for the sample was 0.17% ($307/$184,412), which estimates the potential dollars at risk for fiscal year 2018 to be $163,415 (dollar error rate multiplied by population).

Cause: Ineffective review.

Effect: Noncompliance with Federal and State requirements.

Recommendation: We recommend the Agency implement procedures to ensure costs are allowable, adequately documented, and are necessary and reasonable for the program charged.

Management Response: Agree

Finding 2018-021

Program: CFDA 10.551 – Supplemental Nutrition Assistance Program – Special Tests and Provisions

Grant Number & Year: #201717S802643, FFY 2017 and #201818S802643, FFY 2018

Federal Grantor Agency: U.S. Department of Agriculture

Criteria: Per 7 CFR § 274.5 (January 1, 2018):

(a)(1) The State agency shall maintain issuance, inventory, reconciliation, and other accountability records for a period of three years as specified in §272.1(f) of this chapter. This period may be extended at the written request of FNS . . . .

(b) Control of issuance documents. The State agency shall control all issuance documents which establish household eligibility while the documents are transferred and processed within the State agency. The State agency shall use numbers, batching, inventory control logs, or similar controls from the point of initial receipt through the issuance and reconciliation process.

(c) Accountable documents. (1) EBT cards shall be considered accountable documents. The State agency shall provide the following minimum security and control procedures for these documents:

(i) Secure storage;

(ii) Access limited to authorized personnel;

(iii) Bulk inventory control records;

(iv) Subsequent control records maintained through the point of issuance or use; and

(v) Periodic review and validation of inventory controls and records by parties not otherwise involved in maintaining control records.

Per 2 CFR § 200.303(a) (January 1, 2018) the State must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Good internal control requires procedures to ensure adequate documentation is maintained.

Condition: The returned card listings were not complete for the entire fiscal year; therefore, the auditor could not select testing from a complete population to verify that returned cards were properly re-mailed or destroyed.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: Eligible recipients are issued an Electronic Benefits Transfer (EBT) system debit card to purchase food. EBT cards that are returned from the Postal Service are tracked on a paper form. These forms list all of the returned cards for each day and detail whether the cards were re-mailed or destroyed. The paper forms are then scanned into a document-imaging system. However, when Agency personnel scanned the forms for January 1, 2018, through June 30, 2018, into the system, they did not scan the back of the form; therefore, the auditor could not determine a complete population for the fiscal year.

Cause: The Agency did not have procedures to ensure that forms were completely scanned into the system before being discarded.

Effect: Increased risk that returned cards were not properly re-mailed or destroyed.

Recommendation: We recommend the Agency establish procedures to ensure entire documents are scanned and made accessible by the system before being discarded.

> **Management Response:** Agree. Past practices did not include a verification step to ensure documents were scanned completely. For a portion of the audit period, documents were scanned incorrectly and the Agency is unable to produce requested documentation.

Finding 2018-022

Program: CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children – Reporting

Grant Number & Year: #3NE700706, FFY 2017 and #3NE700706, FFY 2018

Federal Grantor Agency: U.S. Department of Agriculture

Criteria: Per 2 CFR § 200.302(a) (January 1, 2018):

> *Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.*

OMB Instructions for Completing FNS-798 provide the following directions for reporting gross outlays (Line 4):

> *In the block corresponding to the month of issue of food or food instruments, enter the cumulative amount of payments for redeemed food instruments plus payments made during the report month for breast pumps and direct purchase food items such as special formulas.*

The same document provides the following instructions for reporting rebates received (Line 7):

> *Enter the dollar amount of rebates received from a food manufacturer such as an infant formula company related to food instruments issued and redeemed . . . . Each rebate received will be reported in the column that corresponds to the month in which the rebate was received.*

A good internal control plan requires procedures to ensure that expenditure amounts are reported accurately, as required by reporting instructions, and reports are reviewed and approved properly.

Condition: We noted the following issues related to the Agency's FNS-798 reporting:

- The Agency did not properly report gross food outlays in the blocks corresponding to the months of issuance of the food instruments (FI), as required by report instructions.
- The Agency reported a $779,691 rebate as received in July 2017, even though it was received in September 2017.
- One of three reports tested was not documented as reviewed and approved by two separate individuals.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: We tested the Federal Fiscal Year (FFY) 2017 grant closeout FNS-798 report, the FFY 2018 grant February 2018 monthly FNS-798 report, and the FFY 2018 grant May 2018 monthly FNS-798 report. We noted that the Agency did not properly report gross food outlays in the block corresponding to the month FI were issued. The Agency performed reconciliations to determine the amount of FI redemptions by month of FI issuance but did not properly use the reconciliations to prepare its reports, as it reported gross food outlays in the block corresponding to the month the FI were redeemed, not the month they were issued. This led to the following variances on the FFY 2017 grant closeout report:

Gross Food Outlays	Reported	Correct Amount	Over (Under) Reported
October 2016	$ 1,575,607	$ 2,261,232	$ (685,625)
November 2016	$ 3,089,733	$ 2,279,003	$ 810,730
December 2016	$ 1,972,011	$ 2,257,497	$ (285,486)
January 2017	$ 2,627,586	$ 2,301,866	$ 325,720
February 2017	$ 1,902,358	$ 2,207,761	$ (305,403)
March 2017	$ 2,279,705	$ 2,233,864	$ 45,841
April 2017	$ 2,073,705	$ 2,246,971	$ (173,266)
May 2017	$ 2,292,065	$ 2,265,350	$ 26,715
June 2017	$ 2,287,330	$ 2,252,454	$ 34,876
July 2017	$ 2,208,516	$ 2,277,111	$ (68,595)
August 2017	$ 2,354,692	$ 2,289,109	$ 65,583
September 2017	$ 2,184,067	$ 2,217,923	$ (33,856)
Totals	$ 26,847,375	$ 27,090,141	$ (242,766)

We also noted variances for all monthly food outlay amounts reported on the FFY 2018 monthly reports tested. Variances ranged from $121,576 under-reported to $297,055 over-reported. In total, food outlays for FFY 2018 were over-reported by $246,167 through May 2018.

After the APA conveyed its concern that the Agency was not properly reporting gross food outlays in the block corresponding to the month FI were issued, the Agency posted a journal entry to reclassify $243,246 in expenditures from FFY 2018 grant expenditures to State expenditures. This is the amount the Agency calculated as FFY 2017 gross food outlays that were improperly reported as FFY 2018 grant expenditures.

We further noted that the FFY 2018 May 2018 monthly FNS-798 reported a $779,691 rebate received in September 2017 as received in July 2017.

Finally, we noted that the FFY 2017 closeout report was not reviewed and approved by two separate individuals.

Cause: The Agency thought it only needed to reconcile food outlays annually (not monthly). Inadequate report review.

Effect: Noncompliance with Federal regulations, which could result in sanctions by the Federal government. FFY 2017 grant expenditures were under-reported by a total of $242,766. FFY 2018 grant expenditures were over-reported by a total of $246,167.

Recommendation: We recommend the Agency implement procedures to ensure reported amounts are accurate and in compliance with report instructions. We also recommend the Agency ensure reports are properly reviewed and approved by two separate individuals prior to submission.

Management Response: Agree

Finding 2018-023

Program: CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children – Special Tests and Provisions

Grant Number & Year: All open, including #3NE700706, FFY 2018

Federal Grantor Agency: U.S. Department of Agriculture

Criteria: 7 CFR § 246.12(k)(1) (January 1, 2018) provides the following:

> ***System to review food instruments and cash-value vouchers for vendor claims.*** *The State agency must design and implement a system to review food instruments and cash-value vouchers submitted by vendors for redemption to ensure compliance with the applicable price limitations and to detect questionable food instruments or cash- value vouchers, suspected vendor overcharges, and other errors. This review must examine either all or a representative sample of the food instruments and cash-value vouchers and may be done either before or after the State agency makes payments on the food instruments or cash-value vouchers. The review of food instruments must include a price comparison or other edit designed to ensure compliance with the applicable price limitations and to assist in detecting vendor overcharges. For printed food*

> *instruments and cash-value vouchers the system also must detect the following errors—purchase price missing; participant, parent/caretaker, or proxy signature missing; vendor identification missing; food instruments or cash-value vouchers transacted or redeemed after the specified time periods; and, as appropriate, altered purchase price. The State agency must take follow-up action within 120 days of detecting any questionable food instruments or cash-value vouchers, suspected vendor overcharges, and other errors and must implement procedures to reduce the number of errors when possible.*

Per the WIC Procedure Manual (Volume III – Food Operations), Section F: Check Issuance to Clients, F1 – Monthly Check Issuance, "Checks are valid for 30 days from the first date listed on the check."

A good internal control plan requires procedures to ensure FI are properly reviewed for errors.

Condition: The Agency did not have adequate procedures in place to review FI for missing signatures and redemptions after the last date of use printed on the FI. One of 25 redeemed FI tested was missing an authorized signature.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The Agency does not review FI for missing signatures. It does have a policy requiring local agencies to perform a post-payment review of FI for missing authorized signatures, but the Agency did not verify that the local agencies were properly reviewing for this error.

The Agency has a pre-payment edit system to review FI submitted for payment that have expired (60 days past the first use date) but does not review to ensure FI are transacted or redeemed prior to their last use date (30 days past the first use date). The Agency's pre-payment edit system would catch FI redeemed 60 days after their first date of use, but not all FI redeemed 30-60 days after their first date of use. The Agency does not require stores to document the date FI are redeemed.

Cause: Inadequate review procedures.

Effect: Noncompliance with Federal regulations, which could result in sanctions by the Federal government. Without adequate review procedures, there is an increased risk that Federal funds could be used for unallowable costs.

Recommendation: We recommend the Agency implement procedures for properly reviewing FI for errors, including missing signatures and redemptions 30 days after the first date of use.

Management Response: Agree

<u>Finding 2018-024</u>

Program: CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children – Allowability & Subrecipient Monitoring

Grant Number & Year: All open, including #3NE700706, FFY 2018

Federal Grantor Agency: U.S. Department of Agriculture

Criteria: 2 CFR § 200.303 (January 1, 2018) directs the Agency to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control includes the establishment of controls to ensure subrecipients use Federal awards in accordance with Federal compliance requirements, including procedures for monitoring of subrecipients' fiscal activities related to Federal expenditures.

2 CFR § 200.403 (January 1, 2018) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

2 CFR § 200.331(d) (January 1, 2018) requires a pass through entity to "Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]"

2 CFR § 200.302(a) (January 1, 2018) requires fiscal control and accounting procedures sufficient to "permit the tracing of funds to a level of expenditure adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."

7 CFR § 246.19(b) (January 1, 2018) states, in relevant part, the following:

> *State agency responsibilities. (1) The State agency shall establish an on- going management evaluation system which includes at least the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans to resolve Program deficiencies, the monitoring of the implementation of corrective action plans, and on-site visits. The results of such actions shall be documented.*
>
> *(2) Monitoring of local agencies must encompass evaluation of management, certification, nutrition education, breastfeeding promotion and support, participant services, civil rights compliance, accountability, financial management systems, and food delivery systems. If the State agency delegates the signing of vendor agreements, vendor training, or vendor monitoring to a local agency, it must evaluate the local agency's effectiveness in carrying out these responsibilities.*
>
> *(3) The State agency shall conduct monitoring reviews of each local agency at least once every two years. Such reviews shall include on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater. The State agency may conduct such additional on-site reviews as the State agency determines to be necessary in the interest of the efficiency and effectiveness of the program.*

Condition: For one of two subrecipients tested, the Agency did not have adequate procedures to support the allowability of subrecipient expenditures reviewed during financial monitoring.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency receives monthly reimbursement requests from 13 local agencies. These requests list the expenses by cost categories. The monthly expense reports are reviewed by Agency staff; however, no invoices or detailed documentation is submitted to support that the expenditures are allowable and in accordance with Federal regulations. The Agency contracts to have on-site fiscal reviews of the local agencies, including steps to verify that expenditures are allowable per Federal requirements.

We tested two local agency fiscal reviews. For one review tested, monitoring documentation included the reimbursement request and print outs from the local agency's accounting system showing amounts claimed for reimbursement. However, no detailed supporting documentation, such as invoices or timesheets, was on file to support amounts claimed. The Agency disbursed $649,823 in aid to the local agency during State fiscal year 2018. We did note, however, that the local agency also had a Single audit for the fiscal year with WIC audited as a major program, which would provide some assurance of compliance with Federal requirements; therefore, we did not question any costs.

Subrecipient payments for the fiscal year totaled $8,519,568.

Cause: Inadequate documentation maintained.

Effect: Without adequate supporting documentation, there is an increased risk that Federal funds could be used for unallowable costs.

Recommendation: We recommend the Agency improve procedures to monitor subrecipients. Monitoring should include procedures to ensure monthly reports are accurate and agree to support, expenditures are in accordance with Federal requirements, and adequate documentation is retained.

Management Response: Does not Agree

APA Response: 2 CFR § 200.302 requires records documenting compliance with Federal requirements and 2 CFR § 200.403 requires costs to be adequately documented. Without source documentation on file, there is not adequate support that expenditures were in accordance with Federal requirements.

Finding 2018-025

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Allowability & Subrecipient Monitoring

Grant Number & Year: All open, including #17AANET3SS, FFY 2017; #17AANET3CM, FFY 2017; and #17AANET3HD, FFY 2017

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.352(d) (October 1, 2017) requires a pass-through entity to monitor the activities of the subrecipient to ensure that Federal awards are used in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

45 CFR § 75.302(a) (October 1, 2017) requires the State to have accounting procedures sufficient to allow for "the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award." Good internal control requires procedures to ensure financial activity is properly recorded in the accounting system.

45 CFR § 75.403 (October 1, 2017) requires costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to ensure subrecipients comply with applicable cost principles.

Condition: Subrecipient monitoring procedures were inadequate. The Agency did not adequately follow up on deficiencies that were noted by agreed-upon procedures to ensure corrective action was implemented by the subrecipients. A similar finding was noted in the prior audit.

Repeat Finding: 2017-029

Questioned Costs: $278,935 known

CFDA #	Grant #	Amount
93.044	17AANET3SS	$ 81,937
93.045	17AANET3CM	$ 116,330
93.045	17AANET3HD	$ 60,262
93.044	18AANET3SS	$ 12,628
93.045	18AANET3CM	$ 3,608
93.045	18AANET3HD	$ 4,170

Statistical Sample: No

Context: The Agency receives monthly expense reports from eight subrecipient Area Agencies on Aging (AAAs). These reports include attachments with a breakdown of the current month's expenses by cost categories and indicate the amount of local matching funds used for each of the activities. The monthly expense reports are reviewed by Agency staff; however, no invoices or detailed supporting documentation is required at the time of payment. The Agency also reviews Single Audit reports submitted by the AAAs. Single Audits with the Aging Cluster audited as a major program would provide some assurance that expenditures were in accordance with Federal regulations.

For fiscal year 2018, the Agency engaged a contractor to perform agreed-upon procedures of the subrecipients' expenditures. The contractor sampled transactions for various months throughout the fiscal year ended June 30, 2018. The contractor prepared a report for each subrecipient review that detailed various items of insufficient documentation, inadequate procedures, or noncompliance with Federal guidelines.

The Agency then provided the subrecipients with a letter that briefly summarized the results of the agreed-upon procedures report with general recommendations for the subrecipient. According to Agency staff, recommendations included in the letter were not considered corrective action plans, and subrecipients were not required to respond unless there was a corrective action plan or dates for documentation were specifically addressed in the letter.

We noted the following:

- One AAA did not have adequate documentation for allocation of payroll costs; meal logs were not maintained to support the number of meals delivered; and homemaker services were not paid per contract rates. The AAA's response stated that it was developing a cost allocation plan and would make necessary corrections after approval; however, the cost allocation plan developed was for fiscal year 2019, and no adjusting entries for the grant were completed for fiscal year 2018. The Agency did not adequately follow-up on findings to ensure corrective action was taken.

- According to one subrecipient with inadequate documentation for allocation of expenses, the recommendations would be addressed in an anticipated time study; however, the AAA did not submit a cost allocation plan or a time study for fiscal year 2018 and did not make any adjusting entries for the fiscal year. The Agency did not adequately follow-up on findings to ensure corrective action was taken.

- One AAA was allocating personnel costs and other expenses based on budgeted amounts, which is not in accordance with Federal cost principles. The AAA further passed through funds to other entities for homemaker services and meals. One of those entities also had significant findings, including staff time related to bingo and pickle cards. The AAA provided some support to justify the costs, but the Agency did not require supporting documentation for the journal entries or require any funds to be returned. The AAA did not conduct a new time study or cost allocation plan for fiscal year 2018. The Agency did not adequately follow-up on findings to ensure corrective action was taken.

  Additionally, this AAA had a Single Audit for the fiscal year ended June 30, 2018, which noted material weaknesses and significant questioned costs; therefore, we consider the total $665,656 paid to the AAA to be dollars at risk.

- The Agency recommended that one subrecipient with inadequate documentation for allocation of expenses prepare and implement a new cost allocation plan and use it to make adjustments for the fiscal year. However, the AAA did not submit a cost allocation plan or a time study for fiscal year 2018 and did not make any adjusting entries for the fiscal year. The Agency did not adequately follow-up on findings to ensure corrective action was taken.

  Additionally, this AAA had a Single Audit for the fiscal year ended August 31, 2017. However, the Aging Cluster was not audited as a major program. Therefore, because the allocation issues noted were not resolved, we consider the total $1,023,664 paid to the AAA to be dollars at risk.

- The Agency recommended that one AAA with inadequate documentation for allocation of expenses prepare and implement a new cost allocation plan and use it to make adjustments for the fiscal year. The Agency also recommended strict monitoring of one subrecipient senior center, to include withholding payments until all expenses were adequately supported. The AAA did not submit a cost allocation plan or a time study for the fiscal year, nor did it make any adjusting entries. The AAA stated it did not withhold funds from the senior center because doing so would have caused the senior center to close. The Agency did not adequately follow-up on findings to ensure corrective action was taken.

- One AAA had inadequate documentation for allocation of payroll costs, and the Agency subsequently approved a time study; however, the Agency did not obtain adequate documentation to support that the necessary corrections were made to true up actual costs. Issues were also noted with janitorial expenses, travel costs, and support for contract meals. The Agency did not request the subrecipient to correct these issues.

- One subrecipient provided an updated time study and adjustments for items questioned in the agreed-upon procedures report. However, the time study was for fiscal year 2019, not 2018. Also, the AAA did not provide corrections for all questioned items.

- One subrecipient provided an updated time study and adjustments for items questioned in the agreed-upon procedures report. However, the Agency did not document its review of adjustments by the AAA.

We reviewed $501,757 in subrecipient payments and noted $278,935 did not have adequate documentation to support that findings were corrected and adjustments were made as needed. As a result, we question $278,935. The Agency paid $7,215,926 in aid to the eight AAAs during fiscal year 2018.

Cause: Inadequate monitoring procedures.

Effect: Without adequate follow-up procedures to ensure subrecipient expenditures are allowable, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve procedures for following up on subrecipient deficiencies to ensure subrecipient payments are for actual and allowable costs, in accordance with Federal requirements.

> **Management Response:** Does not Agree - The agency hired the APA to conduct fiscal testing, beginning in FY18. The agency follows up with each subrecipient on findings from the monitoring at the mid-point between monitoring visits. Findings are expected to be corrected by the next monitoring visit. Repeat findings, unallowable expenses, or egregious findings will trigger a formal corrective action plan, or a disallowance letter. Timing of cost allocation efforts is different for each subrecipient. The overlap of state and federal fiscal years hinders the subrecipients' ability to apply changes to previous expenditures. Significant findings at two of the AAAs generated multiple meetings, phone calls to resolve issues, and a disallowance letter. Federal partners were consulted on the most egregious findings in Hall County.

APA Response: Subrecipient expenditures were not in accordance with Federal cost principles. The Agency did not adequately follow-up on deficiencies to ensure corrections were made for fiscal year 2018 expenditures.

Finding 2018-026

Program: CFDA 93.069 – Public Health Emergency Preparedness; CFDA 93.889 – National Bioterrorism Hospital Preparedness Program – Allowability & Subrecipient Monitoring

Grant Number & Year: #6 NU90TP000533-05, FFY 2017; #1 NU90TP921891-01, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.352(d) (October 1, 2017) requires a pass-through entity to monitor the activities of the subrecipient to ensure that Federal awards are used in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

45 CFR § 75.302(a) (October 1, 2017) requires the State to have accounting procedures sufficient to allow for "the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award." Good internal control requires procedures to ensure financial activity is properly recorded in the accounting system.

45 CFR § 75.403 (October 1, 2017) requires costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to ensure subrecipients comply with applicable cost principles.

45 CFR § 75.430(i)(1) (October 1, 2017) states, as is relevant, the following:

> *Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
>
> > * * * *
> >
> > *(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . . ;*
> >
> > * * * *
> >
> > *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award . . . .*

45 CFR § 75.430(i)(3) (October 1, 2017) states, in relevant part, the following:

> *[C]harges for salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.*

45 CFR § 75.431 (October 1, 2017) states, in relevant part, the following:

> *(c) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in § 75.447); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits*

are granted under established written policies. Such benefits must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities . . . .

(d) Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits.

2 CFR § 200.331 (January 1, 2018) states that pass-through entities must do the following:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. . . . Required Information includes:

* * * *

(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f)[.]

2 CFR § 200.68 (January 1, 2018) provides the following:

MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward . . . .

According to 45 CFR § 75.511(a) (October 1, 2017), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: Subrecipient monitoring procedures were inadequate. The Agency did not adequately follow up on deficiencies that were noted by agreed-upon procedures to ensure corrective action was implemented by the subrecipients. Inadequate subrecipient monitoring was also noted in the prior audit. The Summary Schedule of Prior Audit Findings states, "Corrective action has been taken."

Repeat Finding: 2017-030

Questioned Costs: $256,644 known

CFDA #	Grant #	Amount
93.069	6 NU90TP000533-05	$ 106,480
93.889	6 NU90TP000533-05	$ 26,601
93.069	1 NU90TP921891-01	$ 102,299
93.889	1 NU90TP921891-01	$ 21,264

Statistical Sample: No

Context: The Agency made payments to 33 subrecipients during the fiscal year ended June 30, 2018. The Agency used a contractor to perform agreed-upon procedures of the subrecipients, and reviewed and obtained documentation for samples of transactions and other support available for varied quarters throughout the fiscal year ended June 30, 2018.

The contractor prepared a report for each subrecipient review. In most cases, the report noted various items of insufficient documentation or inadequate procedures to ensure that the subrecipient's requests for reimbursement were allowable within Federal guidelines.

The Agency then provided that report to the subrecipient, along with a letter containing instructions to see the results of the monitoring report and take any corrective actions needed for the recommendations noted and report back to the Agency within 90 days. However, many of the corrective action responses the Agency received indicated that the subrecipient would be making future changes to documentation and procedures. The corrective actions did not result in refunding of payments that were questioned or obtaining additional documentation to support that the amounts questioned were allowable.

We tested payments to 10 subrecipients, totaling $416,314. We then reviewed the Agency's subrecipient monitoring documentation of these payments. During our review of the Agency's documentation, we noted the subrecipients had inadequate support or procedures to ensure expenditures were for actual and allowable costs for 9 of the 10 subrecipient's payments, or $256,644 of the $416,314 tested. Subrecipient payments for the fiscal year ended June 30, 2018, totaled $5,578,137. During testing, we noted the following (subrecipients had more than one type of error):

- The Agency's subrecipient monitoring reports for four subrecipients we tested noted that salaries and benefits were being based on budgeted estimates, instead of actual time worked on the grant, and that this process was not in accordance with Federal requirements. While the Agency requested corrective action plans from the subrecipients, further follow up by the Agency to recover the noted unallowable payments previously made to the subrecipient was not done. Nor did the Agency obtain documentation to support the subrecipient made the necessary corrections to charge salaries and benefits for actual time. The salary and benefit payments questioned is $224,012.

- The Agency's subrecipient monitoring reports for two subrecipients we tested noted that the subrecipients used the federally approved 10% de minimis rate for charging their indirect costs. However, as part of this process, the subrecipients included in their Modified Total Direct Costs (MTDC) an additional $25,000 related to providing subawards. However, the subrecipients did not grant any further subawards to other subrecipients; therefore, indirect costs were not in accordance with Federal requirements. While the Agency requested corrective action plans from the subrecipients, further follow up by the Agency to recover the noted unallowable payments previously made to the subrecipient was not done. Questioned costs were determined to be $1,529.

- Two subrecipients' monitoring reports we tested noted that the subrecipients used indirect cost rates that were not properly approved. These subrecipients used internally generated rates of 10% and 20.66% that were not federally approved or specifically approved by the Agency. During our review, we noted one additional subrecipient used a rate of 38% that was not federally approved, but was approved by the Agency. However, the Agency did not have documentation on file to support that the rate was accurate and in accordance with Federal requirements. This issue was not specifically noted during the Agency's subrecipient monitoring. While the Agency requested corrective action plans from two of the subrecipients, further follow up by the Agency to recover the noted unallowable payments previously made to the subrecipient was not done. Questioned costs were determined to be $7,480.

- For seven subrecipients tested, we noted that various expenses lacked adequate or appropriate supporting documentation. Some of these items are summarized below:

  - Communications charges were noted. While communication bills may have been observed, subrecipients were unable to provide support showing that it related directly to the program. Cell phone bills were charged to the program based on budgeted work time of employees and not actual hours worked on the program. One coordinator's phone bill was 100% charged to the program for a quarter; however, none of the coordinator's salary was recorded to the subaward for that quarter. Therefore, it does not appear the coordinator worked on the subaward during the time period.

  - Lodging and travel expenses were noted. One individual had lodging expenses of $339 per night for three nights, which exceeded the Federal General Services Administration rate for the location of $242. Two subrecipients had vehicle mileage expenses of $464 and $199, charging $0.545 per mile for travel in subrecipient-owned vehicles; however, only actual expenses, such as gas, repairs, etc., are allowable for an entity-owned vehicle. One subrecipient paid travel expenses of $334 for an executive of another organization while the subrecipient lacked any type of agreement with the other organization to support reimbursing the executive's travel. Additionally, the subrecipient did not have adequate documentation to support some of the executive's trips.

  - One subrecipient requested reimbursement for contractual payments to two other organizations. However, the subrecipient lacked adequate documentation identifying the specific work to be performed by each organization. In addition to the contractual payments, the subrecipient lacked adequate documentation to support or verify the purpose of travel expenses reimbursed for the two organizations. During the quarter, the total amount paid to the organizations was $18,316 ($16,735 in services and $1,581 in mileage).

While the Agency requested corrective action plans from the subrecipients, further follow up by the Agency to recover the noted unallowable payments previously made to the subrecipient was not done. The amount questioned is $23,623.

Cause: The Agency's follow up on subrecipients' required corrective actions plans was insufficient.

Effect: Without adequate follow up procedures to ensure subrecipient expenditures are allowable, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve procedures for following up on subrecipient monitoring's corrective action plans to ensure subrecipient payments are for actual and allowable costs.

Management Response: Partially Agree

Our follow-up on deficiencies and ensuring corrective action plans are implemented by the subrecipients is an on-going process that was not complete at the point in time of this APA review. The process of sharing deficiencies with the subrecipients, receiving their responses, and verifying these responses were all scheduled to occur before the APA review, but due to additional necessary follow-up not all subrecipient responses were completed at the time of the APA review. These efforts continue and are tracked to ensure that all subrecipients respond to any and all noted deficiencies.

We disagree with the interpretation leading to salary and benefits questioned costs in the amount of $224,012. Both 45 CFR 75.430(i) and 2 CFR 200.430(i)(1)(viii) allow using budgeted estimates of time as an interim accounting method, so long as contemporaneous adjustments are made per the subrecipients' policies and practices.

APA Response: The APA's testing of this Program occurred more than six months after the fiscal year ended on June 30, 2018. Subrecipient monitoring and follow up should be done in a timely manner. As noted above, many of the corrective action responses received by the Agency indicated that future changes would be made; however, the Agency failed subsequently to pursue recovery of the previous unallowable payments noted.

Although budgeted estimates of time may be used in the interim, the appropriate adjustments for actual time worked on grants, along with adequate supporting documentation for such adjustments, was not obtained.

Finding 2018-027

Program: CFDA 93.217 – Family Planning Services – Allowability & Subrecipient Monitoring

Grant Number & Year: #FPHPA076214, grant period 7/1/15 to 8/31/18

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.303 (October 1, 2017) directs an Agency to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires the pass-through entity to establish controls to ensure subrecipients use Federal awards in accordance with Federal compliance requirements, including procedures for monitoring of subrecipients' fiscal activities related to Federal expenditures.

45 CFR § 75.352(d) (October 1, 2017) requires a pass-through entity to monitor the activities of a subrecipient to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

45 CFR § 75.302(a) (October 1, 2017) requires fiscal control and accounting procedures sufficient to permit the tracing of funds to a level of expenditure adequate to establish that such funds have been used according to Federal award requirements.

45 CFR § 75.403 (October 1, 2017) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

42 CFR § 59.5(a) (October 1, 2017) provides the following, in relevant part:

> *(a) Each project supported under this part must:*
>
> * * * *
>
> *(7) Provide that no charge will be made for services provided to any persons from a low-income family except to the extent that payment will be made by a third party (including a government agency) which is authorized to or is under legal obligation to pay this charge.*
>
> *(8) Provide that charges will be made for services to persons other than those from low-income families in accordance with a schedule of discounts based on ability to pay, except that charges to persons from families whose annual income exceeds 250 percent of the levels set forth in the most recent Poverty Guidelines issued pursuant to 42 U.S.C. 9902(2) will be made in accordance with a schedule of fees designed to recover the reasonable cost of providing services.*

Condition: The Agency did not have adequate monitoring procedures to ensure payments to subrecipients were for allowable activities and costs. A similar finding was noted in the prior audit.

Repeat Finding: 2017-031

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency disbursed a total of $1,682,322 to 14 subrecipients during fiscal year 2018.

The Agency received monthly expense reports from the subrecipients that included a breakdown of the expenses by cost categories for Family Planning funds and program income. The Agency did not require subrecipients to submit invoices or detailed supporting documentation with the monthly reports.

No monitoring procedures were performed on 11 of 14 subrecipients during fiscal year 2018, and detailed documentation was not on file to support that payments to the subrecipients were allowable. Payments totaling $1,109,501 were made to the 11 subrecipients during the fiscal year, which estimates the potential dollars at risk for the fiscal year.

For three of the subrecipients, the Agency contracted for monitoring procedures to be performed during fiscal year 2018. Monitoring included an on-site review of one payment to each subrecipient. Testing included Family Planning Federal expenditures and program income expenditures. The Agency provided the results of the testing to each subrecipient and, in turn, received responses for each finding; however, the Agency did not perform follow-up procedures to ensure that the proper corrective action indicated was implemented.

The following is a summary of the results of the monitoring for the three subrecipients.

Area Reviewed	Issues Noted
Internal Controls	• One subrecipient lacked an adequate segregation of duties over its financial processes. • Two subrecipients lacked written policies documenting the method used to allocate costs and lacked adequate support for the cost allocations used.
Payroll Expenditures	• One subrecipient lacked documentation to support employee pay rates. • One subrecipient lacked adequate support for administrative staff salary allocations. The allocations were based on budgeted time, which does not comply with Federal regulations. • Two subrecipients lacked a formal, written policy regarding bonus payments. For one subrecipient, the bonus payments lacked documented approval, and one bonus was not properly allocated based on actual hours worked.
Operating Expenditures	• One subrecipient lacked documentation to support a payment for $4,300 for maintenance rental payments. • One subrecipient lacked a contract or signed agreement, or the contract did not agree to the payment, for three payments tested totaling $8,359. • One subrecipient's administrative costs, totaling $52,900, were not part of the budget request approved by the Agency.
Program Income	• Three subrecipients undercharged clients a total of $194, $9, and $5, respectively. • One subrecipient's calculation of client annual income resulted in higher income than using the actual amount reported by the client; this could result in clients paying more for services than their salaries allow.
Cost Analysis	• The Agency did not have adequate procedures to review each subrecipient's cost analysis to determine whether it was reasonable.

Area Reviewed	Issues Noted
	• One subrecipient had not completed a cost analysis since 2012 and lacked a documented review of the income calculations to verify the accuracy of amounts charged to clients based on the sliding fee scale. • For two subrecipients, the fee schedule included amounts for services that fell within the 0-100% Federal Poverty Guidelines level, which is considered low-income families; this level should not be charged a fee. • One subrecipient did not price one drug tested according to its fee-setting methodology, causing the drug rate to be in excess of the recommended rate by $38. • One subrecipient did not use current fee schedules in its cost analysis; three procedural codes were not include in the cost analysis and lacked support for the cost of the services; the subrecipient did not consistently compare its costs provided by third-party insurers; the sliding fee scale was not updated timely; and the method to determine the cost of services provided was subjective.
Monthly Financial Reports	• The Agency lacked adequate procedures to review the monthly expenditure and revenue reports submitted by the subrecipients. • One subrecipient did not properly calculate its monthly report.

Cause: Lack of monitoring performed and inadequate follow-up procedures to determine whether expenditures were allowable or program income adhered to requirements.

Effect: Increased risk of misuse of Federal funds and noncompliance with Federal regulations, which could result in Federal sanctions.

Recommendation: We recommend the Agency implement procedures to ensure expenditures are for allowable activities in accordance with Federal regulations. We also recommend subrecipient monitoring procedures be improved to include a review of all subrecipients and adequate procedures for follow up on findings noted during monitoring.

Management Response: Agree - The Reproductive Health Program contracted for assistance with testing since the program did not have the capacity to complete testing with current staff. The current grant budget includes funds to hire a full time financial reviewer.

Finding 2018-028

Program: CFDA 93.217 – Family Planning Services – Reporting

Grant Number & Year: #FPHPA076214, grant period 7/1/15 to 8/31/18

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.302(b) (October 1, 2017) states, in part, the following:

The financial management system of each non-Federal entity must provide the following . . .

> * * * *
>
> *(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 75.341 and 74.342 . . . .*
>
> *(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.*

Per Federal Financial Report (FFR) instructions for line 10f, unliquidated obligations on an accrual basis are obligations of federally authorized funds which have been incurred, but for which an expenditure has not yet been recorded, as of the end of the reporting period. Those obligations include direct and indirect expenses incurred but not yet paid or charged to the award, including amounts due to subrecipients and contractors.

Good internal controls require adequate policies and procedures to ensure Federal reporting is accurate and complete.

Condition: The Agency did not accurately report the Federal share of unliquidated obligations and program income. A similar finding was noted in the prior audit.

Repeat Finding: 2017-033

Questioned Costs: None

Statistical Sample: No

Context: The Agency is required to submit quarterly SF-425 Federal Financial Reports. These reports are cumulative for the grant. We tested the SF-425 report for June 30, 2018, and noted the following:

- The Federal share of unliquidated obligations was overstated by $311,810 due to the Agency including amendments to subawards that were not signed until after June 30, 2018, and, therefore, not obligated to the subrecipients as of June 30, 2018.

- The total amount of program income reported was $9,480,036. This was cumulative program income from July 1, 2015, to June 30, 2018. Our prior audit noted the program income was not adequately supported, and actual program income was unknown. The Agency did not perform procedures or provide support for the prior program income reported; therefore, the program income of $5,737,507 through February 2017 was still unsupported. Furthermore, the program income accumulated for fiscal year 2018 was not accurate. We tested one month of program income for three subrecipients, and one was not accurate. The subrecipient reported program income for the month of $50,189, but the Agency reported $58,647. Because the reports were not adequately supported, actual program income is unknown.

Cause: Inadequate control procedures.

Effect: Inaccurate financial reporting could result in Federal sanctions.

Recommendation: We recommend the Agency implement procedures to ensure Federal reports are accurate and in accordance with Federal requirements and instructions.

Management Response: Agree

<u>Finding 2018-029</u>

Program: CFDA 93.283 – Center for Disease Control & Prevention – Investigations and Technical Assistance; CFDA 93.898 – Cancer Prevention & Control Programs for State, Territorial & Tribal Organizations – Allowability & Subrecipient Monitoring

Grant Number & Year: #NU58DP003928 period end 6/29/17; #NU58DP006278 period end 6/29/18

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.303(a) (October 1, 2017) requires the Agency to "[e]stablish and maintain effective internal control over the Federal award." Good internal control requires procedures to ensure costs are reasonable and adequately documented.

Per 45 CFR § 75.403 (October 1, 2017) costs must be reasonable, necessary, and adequately documented. Per 45 CFR § 75.404, "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost."

45 CFR § 75.351 (October 1, 2017) states, in part, the following:

The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with HHS awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The HHS awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

(a) Subrecipients. A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. . . . Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

* * * *

(5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

(b) Contractors. A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. . . . Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the contractor:

* * * *

(4) Provides goods or services that are ancillary to the operation of the Federal program[.]

45 CFR § 75.353 (October 1, 2017) provides the following:

> *With prior written approval from the HHS awarding agency, a pass-through entity may provide subawards based on fixed amounts up to the Simplified Acquisition Threshold, provided that the subawards meet the requirements for fixed amount awards in §75.201.*

45 CFR § 75.407(a) (October 1, 2017) states, in part, the following:

> *The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described under certain circumstances in the following sections of this part:*
>
> > * * * *
> >
> > *(8) §75.353 Fixed amount subawards[.]*

45 CFR § 75.201(b) (October 1, 2017) states, in part, the following:

> *[P]ass-through entities as permitted in §75.353, may use fixed amount awards (see §75.2 Fixed amount awards) to which the following conditions apply:*
>
> > *(1) The Federal award amount is negotiated using the cost principles (or other pricing information) as a guide. The HHS awarding agency or pass-through entity may use fixed amount awards if the project scope is specific and if adequate cost, historical, or unit pricing data is available to establish a fixed amount award based on a reasonable estimate of actual cost.*

45 CFR § 75.352 (October 1, 2017) details requirements for pass-through entities, including subaward information that must be communicated to subrecipients.

According to 45 CFR § 75.511(a) (October 1, 2017), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: Costs were not in accordance with Federal cost principles for all 13 payments tested for CFDA 93.283. The transactions were paid as contractual services but should have been paid as a subrecipient. Subrecipient payments were not in accordance with Federal requirements for CFDA 93.898. The transactions were paid as fixed amount subawards, but they lacked adequate documentation that the award was based on a reasonable estimate of actual costs.

A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings states, "Corrective action has been taken."

Repeat Finding: 2017-035

Questioned Costs: $136,375 known

CFDA #	Grant #	Amount
93.283	NU58DP003928	$ 78,875
93.898	NU58DP006278	$ 57,500

Statistical Sample: No

Context: The grant for National Breast and Cervical Cancer Early Detection was awarded under CFDA 93.283 for fiscal year 2017 and under CFDA 93.898 for fiscal year 2018. During fiscal year 2018, the Agency made payments to subrecipients under both CFDA's.

CFDA 93.283
We noted the Agency paid Health Departments and Federally Qualified Health Centers (FQHCs) as contractors rather than subrecipients. The purpose of the agreements was to implement evidence-based strategies based on assessment of needs to increase the adoption of healthy lifestyles and to increase the number of preventive screenings. The auditor considers this to be a subrecipient relationship, as the agreements use Federal funds to carry out a public purpose, and the services are key to the Federal program, rather than ancillary. The Agency did not comply with Federal requirements for subrecipient notifications and monitoring for these entities.

We also noted documentation was not adequate to determine whether amounts paid were reasonable. Twelve payments tested were for administrative costs paid to the contractor for 25% of the contract amount. The justifications provided by the Agency generally did not have a separate rate for overhead. The few that did were not based on actual costs, but were estimates used in research articles. Also, those estimates were for physicians or medical centers engaged in research and, therefore, were not comparable to local health departments. We also noted $40,000 for completion of data pulls and site visit summary. Documentation was not adequate to support that the amount paid for those deliverables was reasonable. In addition, as these are subrecipients, reimbursements should be based on actual costs; fixed-amount payments are allowable only with prior Federal approval, and no such approval was obtained for these payments.

Total Federal questioned costs noted for CFDA 93.283 were $78,875. The Federal share of contractual payments for the fiscal year that should have been subawards totaled $296,695.

CFDA 93.898
Documentation was not adequate to support whether the amounts for the fixed amount subawards were reasonable. We tested two payments and noted the following:

- For one subrecipient, the Agency indicated that the amount of the subaward was based on the salary for a nurse. The amount of the subaward was approximately the average annual wage for a registered nurse; however, the subaward did not require a registered nurse nor was there any documentation to support that the subrecipient was utilizing a full-time nurse. There was also no documentation to support that the scope of the project required a full-time registered nurse. The payment tested was $15,000, and the total subaward was $75,000.

- For the second subrecipient, the Agency indicated the amount of the subaward was based on costs; however, documentation was not provided to verify the salaries, or the time used or needed, to complete subaward requirements. The payment tested was $42,500, and the total subaward was $150,000.

In addition, the subawards listed the CFDA as 93.919, but the correct CFDA was 93.898.

Total Federal questioned costs noted for CFDA 93.898 were $57,500. Subrecipient payments for the fiscal year totaled $352,474.

Cause: The contracts tested under CFDA 93.283 were awarded for fiscal year 2017 and were extended into fiscal year 2018. The Agency did not have Federal grantor approval for fixed amounts subawards for the 2017 grant. The Agency did have Federal grantor approval for fixed amounts subawards for fiscal year 2018; however, supporting documentation provided to the auditors was not adequate to determine whether the amounts were reasonable.

Effect: When amounts paid are not adequately documented, there is an increased risk that charges will be excessive. If entities are not properly classified as subrecipients, Federal requirements will not be adhered to, which increases the risk for unallowable costs or Federal sanctions.

Recommendation: We recommend the Agency ensure costs charged to Federal grants are necessary, reasonable, and adequately documented in accordance with Federal requirements. We also recommend the Agency follow all applicable requirements for subrecipients.

Management Response: Partially Agrees. The program has worked diligently to move all contracts to subawards partly in response to State Auditor's concerns. The payments in question were paid out in accordance to the contractual agreement for receipt of a set of deliverables. Deliverables are related to specific grant performance requirements. Since draft agreements and the payment rates were submitted to CDC with the grant application and subsequently approved, all activities were allowable under the grant.

APA Response: As per 45 CFR §75.351(c) "the substance of the relationship is more important than the form of the agreement." Therefore, although the Agency paid as contractual agreements, substantially these were a subrecipient relationship and should follow the requirements for subrecipients. As per 45 CFR §75.201 fixed amount subawards are allowable if "adequate cost, historical, or unit pricing data is available to establish a fixed amount award based on a reasonable estimate of actual cost . . ." Documentation was not adequate to support the fixed amounts were a reasonable estimate of actual cost.

Finding 2018-030

Program: CFDA 93.556 – Promoting Safe and Stable Families; CFDA 93.671 – Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services – Subrecipient Monitoring

Grant Number & Year: G1601NEFPSS, FFY 2016; G1701NEFVPS, FFY 2017

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: A good internal control plan requires procedures to ensure adequate supporting documentation is reviewed for all expenses paid, and contracts and subawards are adequately monitored.

45 CFR § 75.403 (October 1, 2017) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

45 CFR § 75.352(d) (October 1, 2017) requires a pass-through entity to do the following:

> *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]*

45 CFR § 1357.32(h)(1) (October 1, 2017) states the following:

> *States claiming Federal financial participation for services provided in FY 1994 and subsequent years may not claim more than 10 percent of expenditures under subpart 2 for administrative costs. There is no limit on the percentage of administrative costs which may be reported as State match.*

Condition: During our examination of the Agency's Child Welfare Aid program for the period July 1, 2016, through December 31, 2017, we noted that subrecipient monitoring procedures were not adequate.

Repeat Finding: No

Questioned Costs: $224,542 known ($206,926 G1601NEFPSS; $17,616 G1701NEFVPS)

Statistical Sample: No

Context: We tested one payment to a subrecipient for family preservation. The payment totaled $262,316, of which $206,926 was considered questioned costs. Subrecipient payments for Promoting Safe and Stable Families for the fiscal year ended June 30, 2018, totaled $978,604. We noted the following:

- Personnel costs were charged based on a budgeted allocation, which is not allowable per Federal cost principles.
- Further, the subrecipient passed Federal funding through to other entities. There was no documentation, such as invoices, receipts, or timesheets, to show that the correct amounts were charged and that the expenses were allowable for the grant and per Federal cost principles. After being questioned by the APA, DHHS obtained additional information to support a portion of the payment.
- Only $4,500 was recorded as administration; however, the invoice from the subrecipient showed $23,847 of administrative/indirect costs. Therefore, it appears that $23,847 should have been charged to administration. The grant had a 10% limit on administrative costs. If the proper amounts are not recorded as administration, there is an increased risk for noncompliance with Federal requirements.

We also tested a subrecipient payment for Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services. The payment totaled $36,267, of which $17,616 was charged to the Federal grant and is considered Federal questioned costs. For the payment tested, the Agency obtained only general ledger records, which are insufficient to support that proper amounts were charged or that costs were in accordance with Federal requirements. Subrecipient payments for Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services for the fiscal year ended June 30, 2018, totaled $926,526.

Cause: Site reviews and desk review procedures were not adequate.

Effect: Without adequate monitoring, there is an increased risk for the misuse of funds. Additionally, such noncompliance with Federal requirements increases the risk for unallowable costs and resultant Federal sanctions.

Recommendation: We recommend the Agency implement procedures to ensure subrecipients are monitored, and adequate documentation is maintained to support that expenditures are allowable and in accordance with Federal requirements.

> **Management Response:** The agency agrees with the finding. CFS has already begun to implement the recommendations to ensure Subrecipient monitoring is adequate.

Finding 2018-031

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Grant Number & Year: #1601NETANF, FFY 2016

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 260.20(a) (October 1, 2017), one of the purposes of TANF is to provide "assistance to needy families so that children may be cared for in their own homes or in the homes of relatives[.]" Per 42 USC § 608(a)(10)(A) (2017), a State may not provide assistance for a minor child who has been or is expected to be absent from the home for a period of 45 consecutive days or, at the option of the State, such period of no less than 30 and no more than 180 consecutive days. The Nebraska State Plan limits absences to three months.

Per 45 CFR § 75.403 (October 1, 2017) costs must be necessary, reasonable, and adequately documented. A good internal control plan requires procedures to be in place to ensure compliance with Federal and State regulations.

Condition: One of five child welfare claims tested did not comply with Federal and State requirements. A similar finding was noted in the prior audit.

Repeat Finding: 2017-036

Questioned Costs: $417 known

Statistical Sample: No

Context: The State Plan allows for the payment of certain child welfare costs from Federal TANF funds. To identify claims eligible for Federal funds, the Agency performed an NFOCUS query based on paid date, which pulled certain services (e.g., family support services and intensive family preservation services) for children who were in the home and whose families were in an active TANF case or certain other assistance program cases. After performing the query, the Agency transferred $3,826,798 from State general funds to Federal TANF funds.

We tested five claims from these entries. For one claim tested, the intensive family preservation service dates billed were from November 27, 2017, through December 10, 2017. However, the child was removed from the home on December 8. Two days of intensive family preservation were billed after the child was no longer in the home, resulting in questioned costs of $417. The child had been out of the home for more than three months when the journal entry was performed on May 7, 2018; therefore, the Agency had all the information available to know the claim was not allowable for TANF.

The total Federal questioned costs noted were $417. The total child welfare claims tested were $10,735. The total child welfare claims paid from TANF were $3,826,798, of which $868,796 was charged to intensive family preservation.

Cause: The NFOCUS query picked up an inappropriate case where the child was residing with the parent receiving child welfare services for only a portion of the service dates.

Effect: Without adequate controls to ensure claims are paid per Federal requirements, there is an increased risk of noncompliance with those requirements and a loss or misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure compliance with Federal and State regulations.

Management Response: Agree

<u>Finding 2018-032</u>

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Grant Number & Year: #1502NETANF, FFY 2015; #1601NETANF, FFY 2016

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 45 CFR § 75.403 (October 1, 2017) requires costs to be necessary, reasonable, and adequately documented. Title 468 NAC Appendix 468-000-309 states, "Specific guidance for issuance of supportive services can be found in the Supportive Services Handbook in the TANF Policy Log."

The Supportive Services Handbook states, "Allowable repairs are those that are necessary for the vehicle to be in safe and reliable operating condition."

The Supportive Services Handbook also states, "If the KBB Trade-in value of the vehicle needing repairs is equal to or less than $1,500, authorize one estimate to determine if the vehicle is worth repairing. If the estimated dollar amount of repairs needed to bring the vehicle back to safe and reliable operating condition is below its value and the mechanic has determined the vehicle is worth repairing, a second estimate should then be authorized prior to approval of Motor Vehicle Repairs."

A good internal control plan requires procedures to ensure that services are in accordance with State and Federal requirements.

Condition: Employment First (EF) supportive service payments were not in accordance with State and Federal requirements. A similar finding has been noted in prior audits since 2013.

Repeat Finding: 2017-037

Questioned Costs: $361

Statistical Sample: No

Context: The Agency contracted with two outside vendors to provide EF case management. TANF recipients participating in EF activities are provided with supportive services, such as clothing, training, and transportation. The EF contractors authorize these supportive services. We tested 25 EF supportive payments made during the fiscal year to eight TANF recipients.

For one case tested, we noted that the Agency paid for two estimates of $95 and $60 to repair the same vehicle; however, documentation was not available to support the amounts paid for the estimates. Also, only one estimate should have been authorized, as the value of the vehicle was $1,467. In addition, the first repair estimate had $1,136 of repairs needed, and the second repair estimate had $1,342 of repairs needed. The second repair estimate for $1,342 was chosen; however, there was not adequate support to justify selecting the higher estimate.

We tested $11,341 in EF supportive services, and $361 of that total was not in accordance with State and Federal requirements. Total Federal expenditures for EF supportive services during the fiscal year were $646,490.

Cause: Worker error.

Effect: Without proper monitoring and controls over payments approved by contractors, there is an increased risk for fraud, errors, or abuse to occur and not be detected.

Recommendation: We recommend the Agency ensure services provided by the contractors are performed in accordance with State and Federal requirements.

Management Response: Agree

Finding 2018-033

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability & Subrecipient Monitoring

Grant Number & Year: #1701NETANF, FFY 2017

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 45 CFR § 75.351 (October 1, 2017) details characteristics that should be used to determine whether a subrecipient or contractor relationship exists. In making that determination, according to subsection (c) of the regulation, "[T]he substance of the relationship is more important than the form of the agreement." Moreover, it is not expected that all of the characteristics of either category will be present, and judgment should be used in determining whether an entity is a subrecipient or contractor.

Title 45 CFR § 75.352 (October 1, 2017) details requirements for pass-through entities. Among those directives is that every subaward must be clearly identified to the subrecipient, and the required information must be provided. Pass-through entities must also monitor the activities of the subrecipient to ensure the subaward is used for authorized purposes, in compliance with Federal requirements.

45 CFR § 75.303(a) (October 1, 2017) requires the auditee to do the following:

> *Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

Per the Employment First (EF) contracts between the Agency and its contractors:

> *Following the end of each month of operation, the Contractor shall submit an itemized invoice for actual, allowable, allocable and reasonable costs, as consistent with 2 CFR § 200 and other applicable federal regulations, which are incurred in the delivery of services under this Contract.*

Good internal control requires procedures to ensure expenditures are allowable and in accordance with Federal requirements and contract provisions.

According to 45 CFR § 75.511(a) (October 1, 2017), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: Procedures to monitor expenditures of the Employment First (EF) subawards should be improved. A similar finding has been noted in prior audits since 2013. The Summary Schedule of Prior Audit Findings states, "Corrective action has been taken."

Repeat Finding: 2017-038

Questioned Costs: $66,819 known

Statistical Sample: No

Context: The Agency paid $9,600,809 (Federal share) during the fiscal year to two contractors to provide EF case management and program services for TANF recipients. The Agency paid the contractors monthly based on invoices submitted.

With regard to the contractors, we noted the following indicators of a subrecipient relationship: (1) the contractors provide services that are key to the operation of the Federal program; (2) performance of the contractors is measured against whether the objectives of the Federal program are met; and (3) the contractors are subject to compliance requirements of the Federal program.

The Agency's 2015 corrective action plan stated, "Effective 7/1/2016 the Agency's agreements with EF Providers will become subawards." However, subaward agreements were not signed during fiscal years 2016, 2017, or 2018.

The Agency's 2017 corrective action plan stated that the Agency entered into a subaward with the single winning bidder for EF, and the subaward was fully executed and effective July 1, 2018. The APA reviewed the new agreement; however, the agreement did not include most of the required subaward information. Key required information was missing, including CFDA name, CFDA number, Federal Award Identification Number, name of Federal awarding agency, and dollar amount made available under each Federal award.

The Agency had a desk review process that involved requesting substantiating documentation for one line item from each monthly invoice. We reviewed the May 2018 payment for April services for each contractor and noted the following:

- For one contractor, the Agency selected salaries of $392,691 to review. The Agency obtained a general ledger and timesheets for a sample of employees. However, the salaries invoiced included $66,819 in accruals and allocations that were not adequately reviewed by the Agency.

Cause: The Agency did not include required subaward information in the agreements. The Agency implemented a desk review but did not obtain sufficient documentation to ensure the costs were allowable and accurate.

Effect: Increased risk of unallowable Federal costs and noncompliance with Federal regulations.

Recommendation: We recommend the Agency implement procedures to ensure expenditures are allowable and in accordance with Federal regulations. We further recommend the Agency notify EF contractors of required information and comply with Federal requirements for subrecipient monitoring.

> **Management Response:** Agrees - Effective July 1, 2018, the Agency entered into a fully executed cost reimbursement subaward.

<u>Finding 2018-034</u>

Program: CFDA 93.568 – Low-Income Home Energy Assistance (LIHEAP) – Reporting

Grant Number & Year: G17B1NELIEA, FFY 2017

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 96.30(a) (October 1, 2017) states, in part: "Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant . . . ."

Per reporting instructions: "Annual reports shall be submitted no later than 90 days after the end of each reporting period."

Per 45 CFR § 96.82(a) (October 1, 2017):

> *Each grantee which is a State or an insular area which receives an annual allotment of at least $200,000 shall submit to the Department, as part of its LIHEAP grant application, the data required by section 2605(c)(1)(G) of Public Law 97-35 (42 U.S.C. 8624(c)(1)(G)) for the 12-month period corresponding to the Federal fiscal year (October 1-September 30) preceding the fiscal year for which funds are requested. The data shall be reported separately for LIHEAP heating, cooling, crisis, and weatherization assistance.*

Per 42 USC § 8624(c)(1)(G) (2017) the number and income levels of households are required to be reported.

Good internal control requires procedures to ensure reported data is accurate and submitted on time.

Condition: The Federal Financial Report (FFR) for the FFY 2017 grant was inaccurate and was submitted late. The income levels of households assisted was not accurately reported on the LIHEAP Household Report for the FFY 2017 grant.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: We requested the LIHEAP FFRs for testing on July 24, 2018; however, the Agency informed us that the reports had not been submitted. The reports were not submitted until August 29, 2018, eight months past due, after we had requested them. We also noted that the FFR for the FFY 2017 grant was inaccurate, as $342,912 in unexpended administrative expenses were reported on Line 10h as unobligated, but that amount should have been included with Line 10f – Federal share of unliquidated obligations.

Line of Report	Reported	Should Be	Variance
Federal Share of Expenditures	$ 27,050,085	$ 27,050,085	$ -
Federal Share of Unliquidated Obligations	$ 1,052,100	$ 1,395,012	$ (342,912)
Unobligated balance of Federal funds	$ 1,242,706	$ 899,794	$ 342,912

For FFY 2017, the "LIHEAP Household Report-Long Form," under "Section II. Number of Assisted Households by Poverty Interval," reported the number of households assisted by poverty level. The total of households reported included: 39,485 heating assistance; 12,834 cooling assistance; 5,099 crisis assistance; and 164 weatherization assistance.

We tested 10 heating assistance households and noted that two households tested were reported in the under 75% poverty category, but they should have been reported as 75% to 100% poverty. Per Agency staff, "The logic in the report pulls the most recent budget for the energy season. In this situation, this household received a supplemental that contained zero dollars in income based upon how the NFOCUS batch program is designed."

We also tested 10 weatherization assistance households. For one household tested, the income level was reported as under 75% poverty; however, the income level should have been reported in the 75-100% poverty category. For another household tested, the income level was reported as 126-150% poverty, but it should have been reported in the 101-125% poverty category.

Cause: The FFR inaccuracies were due to clerical error and employee turnover. The computer logic used to compile poverty levels was not correct for households receiving supplemental heating assistance. Despite discovering the error and corresponding with the Federal grantor, the Agency did not submit a revised report. The weatherization assistance errors were due to inadequate review procedures.

Effect: Non-compliance with Federal requirements.

Recommendation: We recommend the Agency implement procedures to ensure reports are accurate and submitted on time.

Management Response: Agree

Finding 2018-035

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Allowability & Eligibility

Grant Number & Year: #G1701NECCDF, FFY 2017; #G1801NECCDF, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR 98.67(a) (October 1, 2017) states "Lead Agencies shall expend and account for CCDF [Child Care and Development Fund] funds in accordance with their own laws and procedures for expending and accounting for their own funds."

Per the Nebraska Department of Health and Human Services' "Child Care Provider Handbook" (January 2008) (pg. 10):

> *For In-Home Care, License-Exempt Family Child Care Homes, and Family Child Care Homes I and II: You must use the Attendance Calendar CC-17. . . . You and the client/parent/caretaker must sign the calendar at the end of the billing period.*

Title 392 NAC 4-003.01A states, "The Department pays by attendance, not enrollment. Payment is not made for time when the child is not receiving care; this includes when the provider is on vacation, is ill, or is not providing care for some other reason."

Per Title 392 NAC 3-005.03C5, "Unearned income includes . . . Child support."

Title 392 NAC 3-005.01C states, "A family whose income exceeds the maximum for LF [Low Income Family] but is equal to or less than 130 percent of the Federal Poverty Level (FPL) is eligible as LC [Low Income Sliding Fee Schedule]. To participate in LC, a family must pay the fee as shown in the schedule."

Per Title 392 NAC 4-001, "The worker notifies the provider and the client of the client's eligibility and the amount of the client's fee on an authorization notice."

Good internal control requires procedures to ensure payments are in accordance with Federal and State requirements.

Condition: Childcare payments did not comply with Federal and State requirements. A similar finding has been noted in our previous audit reports since 2007.

Repeat Finding: 2017-041

Questioned Costs: $863 known

CFDA	Grant #	Known Questioned Costs
93.575	G1701NECCDF	$ 622
93.575	G1801NECCDF	$ 134
93.596	G1701NECCDF	$ 107

Statistical Sample: No

Context: We tested 25 childcare claims and noted 7 with errors. One payment had more than one type of error. We noted the following:

- For one claim, the attendance calendar was not signed by the parent as required for a family home.

- For two claims, childcare was provided during unauthorized days and times. For one claim, childcare was authorized for 20 hours per week, but 33 hours per week was provided for two weeks. For another claim, childcare was authorized for 45 hours per week, but for all four weeks tested, 55 hours was provided.

- Three claims did not agree to attendance records. For example, one provider billed 10.25 hours when only 2.75 hours should have been billed. Another provider overbilled for six hours. Also, one payment did not have an error on the sample line tested, but we noticed a 7.25 hour error on another line of the claim.

- For one claim tested, the Agency understated child support income in the family's budget, which caused the copay to be calculated incorrectly.

- For one claim, the required copay was not originally paid. The Agency caught this error months later and adjusted the claim; however, the Agency did not credit the copay to offset Federal funds.

Federal payment errors noted for the sample tested were $651. The total Federal sample tested was $6,040, and total Federal childcare claims paid for the fiscal year were $40,185,244. Based on the sample tested, the case error rate was 28% (7/25). The dollar rate for the sample was 10.78% ($651/$6,040), which estimates the potential dollars at risk for fiscal year 2018 to be $4,331,969 (dollar rate multiplied by the population). In addition to the $651 Federal questioned costs noted on the sample items tested, we also noted $212 of Federal questioned costs on other line items of the claims reviewed.

Cause: Ineffective review. The Agency does not have automated procedures to ensure attendance records agree to billing documents, service authorizations are not exceeded, and copays are automatically deducted in applicable cases.

Effect: Ineffective review of claims increases the risk for misuse of State and Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure payments are allowable, adequately supported, and in accordance with State and Federal regulations.

Management Response: Agree

Finding 2018-036

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Reporting

Grant Number & Year: #G1701NECCDF, FFY 2017; #G1801NECCDF, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 45 CFR § 98.67 (October 1, 2017) requires financial management systems of the State to be sufficient to permit preparation of required reports and the tracing of funds to a level of expenditures adequate to establish that the use of these funds were in accordance with applicable regulations.

EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it. A good internal control plan requires procedures to ensure expenditures are properly reported and agree to accounting records.

Condition: Reporting errors were noted during testing of the ACF-696 Federal Financial Reports (FFRs). A similar finding was noted in the prior audit.

Repeat Finding: 2017-043

Questioned Costs: None

Statistical Sample: No

Context: We tested four reports and noted errors in two of them:

Line on Report	Per Report	Should Be	Variance
FFY 17 grant FFR for the quarter ended September 30, 2017			
1(g) Direct Services, Discretionary Funds	$ 17,328,264	$ 17,028,264	$ 300,000
FFY 18 grant FFR for the quarter ended June 30, 2018			
2(a) Regular State Share of Expenditures, Matching Funds	$ 8,350,763	$ 7,543,237	$ 807,526

The errors on the lines noted above also caused other "Total" lines on the reports to be incorrect.

Cause: Inadequate review. The first error was a typographical error, and the second error was due to a journal entry that used an incorrect matching rate.

Effect: Inaccurate reporting and noncompliance with Federal regulations.

Recommendation: We recommend the Agency implement procedures to ensure reports are accurate.

Management Response: Agree

Finding 2018-037

Program: CFDA 93.575 and 93.596 – CCDF Cluster; CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including #G1501NECCDF, FFY 2015; #G1601NECCDF, FFY 2016; #1805NE5MAP, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 42 CFR § 455.1 (October 1, 2017) sets forth the requirements for a State fraud detection and investigation program, including a method to identify whether services reimbursed by Medicaid were actually furnished to beneficiaries. The Agency's Program Integrity Unit and Special Investigations Unit (SIU) perform these functions.

Per 42 CFR § 455.14 (October 1, 2017), "If the agency receives a complaint of Medicaid fraud or abuse from any source or identifies any questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation."

Per 45 CFR § 98.60(i) (October 1, 2017), "Lead Agencies shall recover child care payments that are the result of fraud. These payments shall be recovered from the party responsible for committing the fraud."

Per 45 CFR § 98.68(b), "Lead Agencies are required to . . . (1) Identify fraud or other program violations . . . . (2) Investigate and recover fraudulent payments and to impose sanctions on clients or providers in response to fraud."

According to the Agency's Collection Policy, dated April 12, 2017:

> *DHHS will send regular billing statements for all accounts receivable . . .*
>
> *The following procedure will be followed for accounts which are 90 days overdue, unless suitable arrangements have been made for payment:*
>
> > *a. DHHS shall send an initial letter to the Debtor requesting payment and advising Debtor that, if payment is not received within 30 days, action may be taken to enforce payment on the debt.*
> >
> > *b. If no response is received within 30 days of the initial letter, DHHS will send the Debtor a second letter, requesting payment. The letter will contain an appropriate advisement regarding further action that may be taken.*

A good internal control plan requires written procedures to ensure cases are reviewed and appropriate dispositions are made in a timely manner, and collection policies are followed.

Condition: The SIU did not have adequate procedures regarding the timely working of cases. Numerous cases were closed without any investigation. Three of five Medicaid SIU cases tested did not comply with Federal requirements. For three of 21 Child Care SIU cases tested, we noted unnecessary delays or inadequate collection procedures. A similar finding was noted in the prior audit.

Repeat Finding: 2017-044, 2017-062

Questioned Costs: $2,600 known (#G1501NECCDF, $536; #G1601NECCDF, $2,064)

Statistical Sample: No

Context: On November 3, 2017, the Deputy Director of Children and Family Services directed the SIU Program Manager to close cases that came in prior to January 1, 2017, if they had not yet been started, due to the sheer volume of cases the SIU had not yet investigated. Between November 3, 2017, and September 28, 2018, there were 2,204 cases closed due to "overpayment time period too old." The Agency was unable to distinguish which closings were per the directive or for other reasons, or which programs (such as Medicaid, SNAP, Child Care, etc.) the closed cases affected.

We also noted the following:

<u>Medicaid</u>

- One case was not worked between January 2015 and its closure in June 2018. The case was closed despite not being investigated; instead, it was closed because the Agency had too many other cases to work on.

- One case was not worked between July 2017 and September 2018, when we requested the case for review. At that time, the SIU Program Manager determined the case was unfounded and closed it.

- One case was not worked between May 2016 and December 2017. The case had not progressed because the provider did not respond to a request for information. The case was then closed because the Agency had too many other cases to work on.

<u>Child Care</u>

- One case was opened in November 2014, but the Agency did not subpoena the bank records until May 2017, some 30 months later. By that time, necessary video evidence no longer existed. The case then had to be closed due to insufficient evidence. Amount at risk was $2,812.

- One case had $4,635 identified as fraudulent on September 14, 2017. Of the total, $2,064 was paid with Federal funds. None of the balance has been repaid. Required monthly billing statements were not sent for three months. Additionally, the Agency did not send first or second letters in accordance with its collection policy.

- For one case, a Federal payment of $536 was identified as fraudulent on September 26, 2017, and has not been repaid. The Agency mailed monthly billing statements, but did not send first or second letters.

Cause: The Agency did not devote adequate resources, including an adequate number of staff, to ensuring Medicaid and Child Care fraud cases were worked in a timely manner. When employees quit, their cases were not reassigned timely. The Agency also did not devote adequate resources to ensuring it followed its own collection policies.

Effect: When cases are not completed timely, there is an increased risk of fraud or misuse of Federal funds. When potential fraud cases are not adequately pursued, this results in noncompliance with Federal requirements. When repayment is not adequately pursued, this results in a loss of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure cases referred to the SIU are reviewed timely, appropriate dispositions are made, and collection efforts are improved.

Management Response: Agree

Finding 2018-038

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Special Tests and Provisions

Grant Number & Year: All open, including #G1801NECCDF, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 98.41 (October 1, 2017), the State must have requirements to protect the health and safety of children, including the prevention and control of infectious diseases, building and physical premises safety, and health and safety training.

Per 391 NAC 3-005.09A:

The Department will make a fire inspection referral when:

* * * *

2. Every two years following the initial fire inspection[.]

Per 391 NAC 3-005.09B:

The Department will make a sanitation inspection referral when:

* * * *

2. Every two years following the initial sanitation inspection . . . [.]

A good internal control plan requires adequate documentation to be maintained to support compliance with health and safety requirements and to ensure compliance with Agency policies.

Condition: The Agency did not have adequate procedures in place to ensure health and safety requirements were met for childcare providers.

Repeat Finding: 2017-045

Questioned Costs: None

Statistical Sample: No

Context: The Agency has two tiers of providers that are subject to health and safety requirements. These are childcare centers and family childcare homes. Each type of provider is subject to separate but similar State regulations. We tested 40 childcare providers subject to health and safety requirements. We noted the following:

- Two childcare centers tested did not have a sanitation inspection performed within the last two years:

#	Date of Last Inspection	Months Overdue as of June 30, 2018
1	July 6, 2010*	71
2	August 27, 2014	22

*The local health department stopped performing sanitation inspections of school-age only childcare centers in 2015, but the Agency has not yet arranged another method to perform the sanitation inspections.

- Four childcare centers tested did not have a fire inspection performed within the last two years. Inspections were five to eight months overdue. Three of the centers subsequently had an inspection after the fiscal year. The fourth center had not had an inspection since June 2015, and still did not have an inspection as of January 2018, when the facility closed.

- For one inspection tested, the Agency did not obtain the provider's signature, certifying all information provided during the review was true and correct.

Cause: Depending on the city or county, the Agency relies on local fire departments or the State Fire Marshal to conduct fire inspections for childcare centers. The Agency makes a referral to the fire department when an inspection is due, but the Agency does not pay for these inspections and cannot control the timing of the inspections.

Effect: Without adequate procedures to ensure health and safety requirements are met, there is an increased risk of noncompliance with Federal regulations and the possibility of children being cared for in unsafe facilities.

Recommendation: We recommend the Agency implement procedures to ensure all health and safety requirements are met for childcare providers. This should include establishing a documented review of sanitation requirements for school-age only childcare centers.

Management Response: Agree - Due to a significant staff shortage, the State Health Inspectors were not able to complete the referrals submitted to them by the Division of Public Health. They are now fully staffed and have been able to return referrals to the Department in a timely manner. Any referrals that local or delegated authorities will not complete inspections for, will be forwarded to the State Health and Fire Inspectors. The Children's Services Program Manager has met with Lincoln, Omaha, and Grand Island local fire inspectors as well as both fire and health state inspectors and shared results of previous audits and what the expectations are for referrals.

<u>Finding 2018-039</u>

Program: CFDA 93.575 – Child Care and Development Block Grant – Allowability, Period of Performance & Subrecipient Monitoring

Grant Number & Year: #G1501NECCDF, FFY 2015; #G1701NECCDF, FFY 2017

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.352(d) (October 1, 2017) all pass-through entities must:

Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

45 CFR § 75.352 provides, in relevant part, the following:

All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information . . . :

(1) Federal Award Identification.

** * * **

(iv) Federal Award Date . . . of award to the recipient by the HHS awarding agency;

** * * **

(x) Name of HHS awarding agency . . . ;

(xi) CFDA . . . Name . . . ;

** * * **

(xiii) Indirect cost rate for the Federal award . . . .

** * * **

(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part[.]

45 CFR § 98.60(d) (October 1, 2017) states, in part, the following:

The following obligation and liquidation provisions apply to States and Territories:

(1) Discretionary Fund allotments shall be obligated in the fiscal year in which funds are awarded or in the succeeding fiscal year. Unliquidated obligations as of the end of the succeeding fiscal year shall be liquidated within one year.

** * * **

(8) Any funds not obligated during the obligation period specified in paragraph (d) of this section will revert to the Federal government. Any funds not liquidated by the end of the applicable liquidation period specified in paragraph (d) of this section will also revert to the Federal government.

A good internal control plan requires procedures to ensure compliance with Federal and State requirements.

Condition: During our testing of subrecipient payments, we noted the Agency did not have adequate documentation on file to support that payments were allowable. In addition, subawards did not include required information. We further noted subawards that were signed after the required obligation date had passed. A similar finding was noted in the prior audit.

Repeat Finding: 2017-047

Questioned Costs: $2,089,161 known ($1,662,527 #G1501NECCDF; $426,634 #G1701NECCDF)

Statistical Sample: No

Context: Payments to subrecipients during the fiscal year totaled $2,793,544. We tested the two largest subrecipient payments and noted the following issues:

- The first payment tested was for $1,662,527 from the Agency to the Nebraska Department of Education (NDE). This was the only payment the Agency made to NDE during the fiscal year for the Child Care and Development Block Grant. NDE enters into subaward agreements with various subrecipients, including Educational Service Units, and pays those subrecipients from NDE funds. NDE then requests reimbursement from the Agency. The Agency reviewed the $1,890,286 request from NDE, disallowed some of the costs requested, and paid NDE $1,662,527. The Agency did not maintain the supporting documentation for the payment in its document imaging system, OnBase, because it was "very extensive." When we asked for the support, the Agency was unable to locate it.

  We then requested information directly from NDE. We tested three payments from NDE to subrecipients, totaling $251,187, and noted the following issues:

  - NDE obtained general ledger accounting records and/or grant reports for the expenditures, but did not obtain or review any timesheets, invoices, or other source documentation. As neither the Agency nor NDE had adequate documentation, we question the entire $1,662,527 payment.

  - Federal fiscal year 2015 grant discretionary funds were required to be obligated by September 30, 2016. Three NDE subawards tested, totaling $609,500, had $400,000 awarded outside the period of performance. One subaward for $360,000 was awarded after September 30, 2016, and two of the subawards were increased after September 30, 2016.

  - Two subawards tested stated that they were for the FFY 2014 grant, but were actually for the FFY 2015 grant. Additionally, subawards did not include the following required information:

    - Federal award date of award to the recipient by the HHS awarding agency

  - Name of HHS awarding agency
  - CFDA Name
  - Indirect cost rate for the Federal award
  - A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part.

- The second payment tested was for $435,633 to a subrecipient, which in turn provided funds to school districts to promote "high-quality early care and learning opportunities that help parents guide the healthy development of their infants and toddlers." According to the subaward agreement, the Agency "shall reimburse Subrecipient for its actual, allowable, reasonable, and allocable costs." We noted the Agency obtained accounting records for about half of the expenditures, but only obtained invoices for $8,999 of the payment. The Agency did not obtain or review any other timesheets, invoices, or further support. Therefore, $426,634 is questioned costs. Payments to the subrecipient during the fiscal year totaled $488,460.

Cause: Inadequate monitoring procedures.

Effect: The Agency did not comply with Federal requirements, and there is an increased risk for unallowable charges.

Recommendation: We recommend the Agency implement procedures to improve subrecipient monitoring and ensure compliance with Federal requirements.

Management Response: Agree – Prior to reimbursing the Nebraska Department of Education (NDE), a sample of supporting materials from NDE were received and reviewed. The supporting material was misplaced during a staffing change and physical move.

<u>Finding 2018-040</u>

Program: CFDA 93.575 – Child Care and Development Block Grant – Allowability & Earmarking

Grant Number & Year: #G1501NECCDF, FFY 2015

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 98.67 (October 1, 2017):

(a) Lead Agencies shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds.

* * * *

(c) Fiscal control and accounting procedures shall be sufficient to permit:

* * * *

> *(2) The tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the provisions of this part.*

Per 45 CFR § 98.60(a) (October 1, 2017), "The CCDF is available, subject to the availability of appropriations, in accordance with the apportionment of funds from the Office of Management and Budget . . . [.]"

The 2015 CCDF Targeted Funds Allocation (published May 26, 2015), per the Office of the Administration for Children and Families for Nebraska, were as follows:

Quality Expansion	$ 1,129,509
Toddler and Infant	$ 654,124
School Age R&R	$ 104,192

45 CFR § 98.60(d) states, in part, the following:

> *The following obligation and liquidation provisions apply to States and Territories:*
>
> *(1) Discretionary Fund allotments shall be obligated in the fiscal year in which funds are awarded or in the succeeding fiscal year. Unliquidated obligations as of the end of the succeeding fiscal year shall be liquidated within one year.*

A good internal control plan requires procedures to be in place to ensure all Federal childcare aid expenditures can be traced to individual claims. A good internal control plan also requires procedures to ensure targeted funds are met.

Condition: The Agency did not have adequate documentation to support that journal entries were allowable. In addition, the Agency did not have adequate support that earmarking requirements were met for FFY 2015 targeted funds. A similar finding was noted in the prior audit.

Repeat Finding: 2017-048

Questioned Costs: $625,639 known

Statistical Sample: No

Context: We tested one journal entry that transferred $625,639 in State funded expenditures to Federal childcare funds. The liquidation deadline for the Federal fiscal year 2015 discretionary grant was September 30, 2017. On September 29, 2017, the Agency performed a journal entry to use the remaining available funds. We noted the following:

- The Agency transferred $392,790 to Federal childcare funds but did not identify specific expenditures to support the charges. The transferred funds were from the business unit used for non-Federal childcare claims; the balance at the time was $48,588,897. However, the Agency did not specifically identify which of those claims would be charged to the Federal grant. Without the specific detail, individual claims cannot be reviewed to determine if charges are allowable.

- The Child Care and Development Fund (CCDF) requires that at least 4% of the annual award be spent on quality and availability. The CCDF also provides discretionary funding for three targeted funds, known as Toddler and Infant, Quality Expansion, and School Age Resource and Referral Funds. These funds are to be used for activities that improve the availability, quality, and affordability of childcare and to support the administration of these activities.

  The Agency transferred $232,849 from State funds to Federal targeted funds. The Agency did not identify which specific expenditures to use. Therefore, we could not verify whether these payments met earmarking requirements. The unsupported expenditures by earmarking requirement are as follows:

Earmark	Unsupported	
Quality Expansion	$	54,116
Toddler and Infant	$	151,116
School Age R&R	$	27,617
Total	$	232,849

We further noted that quality and availability funds and targeted funds were paid to the NDE for reimbursements to subrecipients. NDE staff estimate what portion of payments to subrecipients belong in each targeted fund category. There was no documentation to support that those estimates were accurate.

Cause: Agency staff believed identifying specific expenditures to support Federal charges was unnecessary.

Effect: Noncompliance with Federal requirements, which could result in sanctions.

Recommendation: We recommend the Agency implement procedures to ensure all expenditures charged to Federal funds are identified to specific claims. We further recommend the Agency implement procedures to ensure earmarking expenditures are properly classified and that earmarking requirements are met.

Management Response: Agree

Finding 2018-041

Program: CFDA 93.658 – Foster Care Title IV-E – Allowability and Eligibility

Grant Number & Year: #1701NEFOST, FFY 2017; #1801NEFOST, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.403 (October 1, 2017) costs must be necessary, reasonable, and adequately documented.

Per 45 CFR § 75.302(b)(4) (October 1, 2017), "The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes."

Per 42 USC § 671(a)(20)(A) (2017), prospective foster parents must have met a criminal records check, including a fingerprint-based check.

Per 42 USC § 675(8)(A) (2017), the term "child" means an individual who has not attained 18 years of age.

Per 42 USC § 675(8)(B) (2017), the State may also include individuals who have not attained 21 years of age when the youth meets prescribed conditions. A youth over age 18 must also be (1) completing secondary school; (2) enrolled in post-secondary or vocational school; (3) participating in a program that promotes or removes barriers to employment; (4) employed 80 hours a month; or (5) incapable of any of these activities due to a documented medical condition.

Per Title 395 NAC 10-003.03C, a minimum of 40 hours a month is required to meet the participation requirements for programs that promote employment or remove barriers thereto.

Condition: We noted 3 of 25 Foster Care payments tested did not comply with Federal and State requirements.

Repeat Finding: No

Questioned Costs: $8 known (#1801NEFOST)

Statistical Sample: No

Context: We randomly selected 25 lines of claims from a population of $9,566,429 Foster Care aid payments (Federal Share $5,006,961) claimed during the fiscal year. We noted the following:

- For one payment tested, the amount paid was to a child placing agency – which, in turn, paid the foster parent. The amount claimed did not agree to the amount paid to the foster parent by $15, resulting in Federal questioned costs of $8.

- One payment was for an individual over age 18. Adequate documentation was not provided to support that the individual met the Bridge to Independence participation requirements for the month tested.

- For one payment tested, documentation of the required fingerprint-based criminal records background check was not provided for a foster family home provider.

Federal questioned costs noted totaled $8 in the sample. The total Federal sample tested was $8,597. The total sample population was $5,006,961.

Cause: Worker error and inadequate review.

Effect: Unallowable costs were charged to the grant.

Recommendation: We recommend the Agency implement procedures to ensure payments are proper and in accordance with State and Federal regulations.

Management Response: Agree

Finding 2018-042

Program: CFDA 93.658 – Foster Care Title IV-E – Subrecipient Monitoring

Grant Number & Year: All open, including #1801NEFOST, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.352 (October 1, 2017) specifies pass-through entity responsibilities, including ensuring that subrecipients meet audit requirements. Per 45 CFR § 75.352(a)(1)(xi), "[T]he pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement[.]"

According to 45 CFR § 75.511(a) (October 1, 2017), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The Agency did not notify subrecipients of the dollar amount made available under each Federal award and the CFDA number at the time of disbursement. A similar finding was noted in the prior audit. According to the Summary Schedule of Prior Audit Findings, corrective action was taken.

Repeat Finding: 2017-051

Questioned Costs: None

Statistical Sample: No

Context: The Agency did not notify subrecipients of the dollar amount made available under each Federal award or the CFDA number at the time of disbursement; instead, the Agency periodically provided the subrecipients the Federal dollars expended. However, for two of four subrecipients tested, the Agency provided information only at the time of the subaward. The Agency did not notify the subrecipients of the dollar amount under each Federal award at the time of disbursement or periodically during the year.

We noted also that one of these subrecipients had a Single Audit on file for its fiscal year ended December 31, 2017; however, the audit did not include $295,460 of Foster Care paid by the Agency to the subrecipient.

Cause: Unknown

Effect: When subrecipients are not provided with all required notifications, there is an increased risk for noncompliance with Federal requirements. If not made aware of the total Federal funds received, the subrecipient may fail to obtain a Single Audit or include all required major programs.

Recommendation: We recommend the Agency notify subrecipients of all information required by Federal regulations.

Management Response: Agree

<u>Finding 2018-043</u>

Program: CFDA 93.658 – Foster Care Title IV-E – Reporting

Grant Number & Year: #1701NEFOST, FFY 2017; #1801NEFOST, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: A good internal control plan requires procedures to ensure reports are accurate and complete. Good internal control also requires adjustments to be made in a timely manner.

45 CFR § 75.302 (October 1, 2017) states, in part, the following:

> *(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also §75.450.*
>
> *(b) The financial management system of each non-Federal entity must provide for the following . . . :*
>
> > * * * *
> >
> > *(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 75.341 and 75.342.*

Condition: The Agency did not have adequate procedures to ensure Federal Financial Reports (FFRs) were accurate. Both quarterly FFRs tested had significant errors noted. We also noted errors on a third quarterly report. Further, we noted that adjustments to the accounting system were not made in a timely manner.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested the FFRs for the quarters ended December 2017 and June 2018 and noted the following:

- Child support collections were reported on Part 1 of the report and included on Part 3, Line 5a, resulting in maintenance payments being understated by $142,855, and the Federal share being understated $75,070.

- Maintenance Assistance on Part 3, Line 5a, of the June FFR included other waiver services that were reported on Line 6a in the previous quarter; the total was overstated by $1,608,079, and the Federal Share was overstated $845,045. Per additional review, we noted a similar error for the September 2017 FFR, resulting in Part 3, Line 5a, being overstated by $2,111,964. The Federal share was overstated by $1,095,053.

- Journal entries were not completed timely for adjustments. Decreasing adjustments with the Federal share total of $318,588 reported on the June 2018 quarterly report did not have entries in the accounting system as of December 1, 2018.

- For one adjustment, the Federal share was reported as $434,103, but it should have been $450,164; the Agency used the matching rate for administration instead of aid.

We also noted the September 2017 FFR incorrectly reported Other Waiver Based Expenditures on Part 3, Line 6a, due to using two sets of claim details. It was over-reported by $1,655,589, and the Federal Share was overstated $858,423.

The total Federal share of claims reported for fiscal year 2018 was $19,230,379. The Federal share of errors noted totaled $3,504,556 over-reported.

Cause: Employee turnover and worker error.

Effect: Increased risk for errors and noncompliance with Federal requirements.

Recommendation: We recommend the Agency implement procedures to ensure Federal reports are accurate, and adjustments are timely.

Management Response: Agree

<u>Finding 2018-044</u>

Program: CFDA 93.658 – Foster Care Title IV-E – Matching & Period of Performance

Grant Number & Year: #1701NEFOST, FFY 2017; #1801NEFOST, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 95.7 (October 1, 2017) an expenditure is eligible for Federal funding "only if the State files a claim with [the Federal grantor] for that expenditure within 2 years after the calendar quarter in which the State agency made the expenditure."

Per 45 CFR § 1356.60(a)(2) (October 1, 2017) the percentage of Federal funding in foster care maintenance payments will be the Federal Medical Assistance Program (FMAP) percentage. These rates vary by State and Federal fiscal year.

45 CFR § 75.303 (October 1, 2017) states, in part, the following:

> *The non-Federal entity must:*
>
> > *(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

Good internal control requires procedures to ensure charges to Federal programs are within the allowed time period and at the proper matching percentage.

Condition: Journal entries tested had expenditures that were not within the period of performance or were not charged the proper matching rate.

Repeat Finding: No

Questioned Costs: $26,763 known ($24,922 #1701NEFOST; $1,841 #1801NEFOST)

Statistical Sample: No

Context: We tested eight journal entry documents and noted the following:

- One document included $2,105,403 in claims for waiver services that the original transactions were paid from July through September 2016, which should have been charged at the FFY 2016 FMAP of 51.16%; however, the document was charged at the FFY 2017 FMAP of 51.85%. As a result, Federal funds were overcharged $14,527.

- Four documents tested transferred costs paid with State funds by the Agency to its subrecipient to Federal funds for foster care maintenance payments. The subrecipient was paid a fee each month for services, but it was not paid based on a claim reimbursement basis. The subrecipient would subsequently provide the claim detail to the Agency. The Agency would then charge Federal funds for eligible children and report the claims on the FFR (CB-496). Three of these documents included claims with service dates older than two years after the calendar quarter in which the State paid the subrecipient.

Document Date	Grant Charged	Unallowable Service Dates	Quarter Reported on CB-496	Federal Share Questioned Costs
9/5/17	1701NEFOST	7/1/14-2/28/15	9/30/17	$ 1,932
6/14/18	1701NEFOST	7/1/14-8/31/15	6/30/18	$ 8,463
6/5/18	1801NEFOST	7/1/14-11/30/15	6/30/18	$ 1,841

Cause: The claims outside the available period of performance were due to the subrecipient not providing detail information to the Agency in a timely manner. Incorrect FMAP due to worker error and inadequate review.

Effect: Increased risk for errors or misuse of funds.

Recommendation: We recommend the Agency implement procedures to ensure Federal charges are within the period of performance and at the proper FMAP.

> **Management Response:** Agree - DHHS completes journal entries based on claims data. To be consistent with all journal entries, we plan to use paid date rather than service date. If service date is used for rejected claims for Promise Ship for IV-E claiming, this would be different than current practice.

<u>Finding 2018-045</u>

Program: CFDA 93.659 – Adoption Assistance – Reporting

Grant Number & Year: #1601NEADPT, FFY 2016

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.403 (October 1, 2017) requires costs to be reasonable, necessary, and adequately supported.

45 CFR § 75.302(a) (October 1, 2017) provides the following:

> *Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.*

Good internal control requires procedures to ensure compliance with Federal regulations and proper support for transactions.

Condition: Our prior audit noted that increasing aid adjustments claimed on the quarter ended September 30, 2016, Federal report were not reflected on the State's accounting system. During fiscal year 2018, the Agency processed a journal entry transaction for the adjustment; however, the journal entry was not complete.

Repeat Finding: 2017-053

Questioned Costs: Unknown

Statistical Sample: No

Context: During the 2014 audit, we noted that 19 Foster Care payments tested were for childcare services for adopted children who were no longer in Foster Care. In fiscal year 2017, the Agency claimed an adjustment on the Federal report to move payments from Foster Care to Adoption Assistance. However, the Agency did not have support for the adjustment amount reported, and no entry was recorded in the accounting system. In fiscal year 2018, the Agency recorded a journal entry moving $3,024,555 (Federal share $1,611,180) from Foster Care to Adoption Assistance. The journal entry was to correct payments that had been recorded as Foster Care payments but should have been recorded as Adoption Assistance payments.

To test whether the journal entry was complete, we reviewed the 19 exceptions from the 2014 audit to determine if they were properly included in the journal entry detail. We noted the following:

- Four of the 19 payments were not included in the journal entry, as the Agency did not include payments made prior to October 1, 2013.

- One of the 19 payments was not included in the journal entry, as the Agency did not properly identify the child as adopted.

Cause: The Agency did not have adequate procedures to ensure the journal entry was complete and accurate.

Effect: Increased risk for errors or misuse of funds to occur.

Recommendation: We recommend the Agency implement procedures to ensure adjustments are accurate, and costs are charged to the proper grant.

Management Response: Agree

<u>Finding 2018-046</u>

Program: CFDA 93.778 – Medical Assistance Program – Reporting

Grant Number & Year: #1805NE5MAP, #1805NE5ADM, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 45 CFR § 75.302 (October 1, 2017) requires financial management systems of the State sufficient to permit preparation of required reports and permit the tracing of funds to a level of expenditures adequate to establish the use of these funds were in accordance with applicable regulations. Title 42 CFR § 433.10 (October 1, 2017) provides for payments to states based on a Federal Medical Assistance Percentage (FMAP). EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it.

A good internal control plan requires procedures to reconcile submitted reports to the accounting system. A good internal control plan also requires adjustments and reconciling items to be resolved in a timely manner.

Condition: Reconciliation procedures need improvement to ensure reports are accurate and adjustments are made in a timely manner. A similar finding was noted in prior audits.

Repeat Finding: 2017-055

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency did not perform reconciliations of the CMS-64 reports to the accounting system for three quarters. The other quarter's reconciliation was not completed timely. On July 20, 2018, the APA requested the CMS-64 reconciliations for quarters ended during fiscal year 2018; none of the reconciliations had been completed. On September 26, 2018, the APA was provided the Total Computable reconciliation for the December 2017 quarter; the reconciliation of the Federal share was not completed until November 13, 2018. As of October 31, 2018, no reconciliations were completed for quarters ended September 30, 2017, March 31, 2018, or June 30, 2018.

We tested two quarterly reports and noted both reports were not complete and accurate, as not all accounts were reported.

December 2017 report:

- Medical education payments were charged at the incorrect match rate. The Agency used 53.64% FMAP and should have used 52.55%, resulting in Federal overcharges of $110,052. After the auditor discovered the error, the Agency corrected the Federal reporting for the quarter ended June 30, 2018. The accounting system was corrected in August 2018.

- Drug rebates were understated due to errors on supporting worksheets; the Federal share was understated by $868,761.

- Third-party liability collections and probate collections were understated due to errors on supporting worksheets. In addition, the matching percentages were incorrect. The Federal share of collections was understated by $234,317 and $337,446, respectively.

June 2018 report:

- Medicare premium payments were not charged the proper matching rate. As a result, Federal funds were overcharged $10,497.

- The wrong FMAP was reported for an adjustment on a disproportionate share payment. The total adjustment reported was $16,321,964 with Federal share reported $8,350,317. The Federal share should have been $8,462,938, which agreed to the accounting records. The Federal share was underreported by $112,621.

- 1915C Waiver expenditures were underreported due to including entries to correct an audit finding in both current expenditures and adjustments for prior quarters. The Federal share was underreported by $8,894.

We also noted a journal entry performed in March 2018 was not fully corrected on the Federal report until the quarter ended September 30, 2018. The September report adjustment was a net increase in Federal expenditures of $5,237,000.

The Agency reported a total of $1,192,315,216 Federal expenditures for the Medical Assistance Program in fiscal year 2018.

Cause: Errors were due to inadequate review and clerical errors. Reconciliations were not complete due to staffing changes.

Effect: Without adequate reconciliation procedures, there is an increased risk for the misuse or loss of funds and inaccurate reporting. In addition, the State could be subject to Federal sanctions.

Recommendation: We recommend the Agency improve reconciliation procedures to ensure reports are accurate. We further recommend reconciliations be completed and adjustments be resolved in a timely manner.

> **Management Response:** The Agency agrees with the finding. There is still a backlog of reconciliations to complete and new staff in place working them. The process has been well documented now so the backlog has been steadily reducing.

Finding 2018-047

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: #1805NE5MAP, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.403 (October 1, 2017), costs must be reasonable, necessary, and adequately documented.

Title 471 NAC 15-003.02(1) states that personal assistance services not documented in the service plan are non-allowable services.

Title 471 NAC 15-006 requires that the provider bill only for services actually provided and authorized, perform the personal assistance services noted on the service plan, and accurately document services provided on Form MC-37 “Service Provider Timesheet.”

Title 471 NAC 15-006.06C requires that, after receiving a provider's timesheet and billing document, the beneficiary's social service worker or designee must verify that "the hours worked and services provided fall within the parameters of those authorized" by the service needs assessment.

A good internal control plan requires procedures to ensure services provided agree to the service needs assessment.

Condition: During testing of personal assistance service (PAS) claims, we noted that services provided did not agree to the service needs assessments. We also noted that services claimed did not appear reasonable. A similar finding was noted in prior audits.

Repeat Finding: 2017-057

Questioned Costs: $314 known

Statistical Sample: No

Context: The Agency offers personal assistance services (assistance with hygiene, mobility, housekeeping, etc.) to Medicaid recipients with disabilities and chronic conditions. The services to be provided are based on individual needs and criteria that must be determined in a written service needs assessment (SNA). Providers complete timesheets indicating the services provided and the times of service.

We noted issues with 10 of 12 PAS claims tested, as follows:

- Services detailed on the "Service Provider Time Sheet" did not agree to the authorized services on the SNA. Providers billed for services that differed from those authorized on the recipients' SNAs and billed for services that were performed more than the allotted maximum minutes per week. For example, a provider billed for washing dishes and removing trash, which were not included on the SNA. This provider also billed for hair grooming six times a week; however; the SNA only allowed for two occurrences per week. Another provider billed the maximum units allowed but did not document having performed numerous services, such as hair grooming, nail care, and accompany to appointments.

- Services detailed on the "Service Provider Time Sheet" agreed to the SNA, but the timing when the services were provided did not appear reasonable. Services were performed during unreasonable times for the care provided. For example:

    - The SNA for one recipient allowed for assistance with dressing 14 times per week. The provider claimed assistance dressing two times each day; however, the provider typically only spent an hour or so in the morning with the client. It does not appear reasonable to help someone dress twice in less than two hours.

Day of Week	Time IN	Time OUT	Need	Frequency Claimed
Sunday	6:00 am	7:00 am	Dressing	2
Monday	6:00 am	8:45 am	Dressing	2
Tuesday	7:00 am	8:00 am	Dressing	2
Wednesday	7:00 am	8:15 am	Dressing	2
Thursday	7:00 am	8:00 am	Dressing	2
Friday	6:45 am	8:00 am	Dressing	2
Saturday	7:00 am	8:15 am	Dressing	2

- The SNA for another recipient allowed assistance to "Establish/maintain brief/diaper/bedpan routine" 28 times per week. The provider claimed assistance with brief/diapers four times each day; however, the provider only spent mornings with the client. It does not appear reasonable that someone would need assistance four times in five hours and then not have any assistance in the afternoons or evenings.

Day of Week	Time IN	Time OUT	Need	Frequency Claimed
Sunday	5:00 am	9:00 am	Brief/Diaper	4
Monday	5:00 am	10:00 am	Brief/Diaper	4
Tuesday	5:00 am	10:00 am	Brief/Diaper	4
Wednesday	5:00 am	10:00 am	Brief/Diaper	4
Thursday	5:00 am	9:00 am	Brief/Diaper	4
Friday	5:00 am	10:00 am	Brief/Diaper	4
Saturday	6:00 am	9:30 am	Brief/Diaper	4

Federal payment errors noted totaled $314. The total Federal payments tested was $1,430, and the total Federal share of PAS claims for the fiscal year was $8,109,415.

Cause: Inadequate review of claims.

Effect: An inadequate review of PAS claims increases the risk of services provided not being in accordance with the recipient's needs, as well as the providers billing for services not provided.

Recommendation: We recommend the Agency implement procedures to ensure payments are allowable, adequately supported, and in accordance with State and Federal regulations.

> **Management Response:** The Agency agrees with the finding. Although we agree with the condition, the cause is not an inadequate review of claims (that would require to have 100% of claims reviewed). The identified issue is not just continued provider training, but, client/internal worker education on how to properly do a service needs assessment for PAS and how it affects billing.

<u>Finding 2018-048</u>

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Eligibility

Grant Number & Year: #1705NE5MAP, FFY 2017; #1805NE5MAP, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.403 (October 1, 2017), allowable costs must be necessary, reasonable, and adequately documented.

Regarding appeals, 465 NAC 6-008.06 provides the following:

> *Unless appealed to the District Court, the decision of the Director is final. The Division, District, or Local Office Administrator (as appropriate) shall take immediate steps to enforce the Director's decision in the office to which the finding and order applies.*

Per 480 NAC 5-003(A)(4)(c), "The client's waiver eligibility period may begin no earlier than the date of the client/guardian's signature on the consent form."

A good internal control plan requires procedures to be in place to ensure services are not duplicated and benefits are discontinued when the period of eligibility expires.

Condition: We tested 26 home-based claims for the Aged and Disabled Waiver and noted that two payments did not comply with Federal and State requirements. A similar finding was noted in the prior audit.

Repeat Finding: 2017-058

Questioned Costs: $259 known (#1705NE5MAP, $97; #1805NE5MAP, $162)

Statistical Sample: No

Context: We noted the following:

- For one payment, services were provided by two providers at the same time for two hours each week for four weeks, resulting in questioned costs of $97.

- For one payment, the recipient lost her waiver services due to a lack of medical necessity. She appealed the decision, but lost on October 23, 2017. However, waiver services did not end until October 25. In the meantime, the provider billed and was paid for 14 hours of unauthorized services, resulting in questioned costs outside of the sample of $162. Both the service coordinator authorizing the service and the recipient had attended the hearing where benefits were denied; however, the provider still billed for services after October 23, 2017. Also for this case, the consent form was signed but not dated.

Federal payment errors noted in the sample were $97. The total Federal sample tested was $9,592, and total home-based Aged and Disabled Waiver payments for the fiscal year were $42,340,804. Based on the sample tested, the case error rate was 7.69% (2/26). The dollar error rate for the sample was 1.01% ($97/$9,592), which estimates the potential dollars at risk for fiscal year 2018 to be $427,642 (dollar error rate multiplied by population).

Cause: Inadequate review procedures. When an appeal is lost, the Agency does not close benefits immediately. The Agency waits until documents are received in the mail, which is an unnecessary delay.

Effect: Without procedures to ensure payments are proper, adequately supported, and reviewed, there is an increased risk of loss or misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure services are not duplicated and benefits are discontinued when the period of eligibility expires.

Management Response: The Agency agrees with the finding.

Finding 2018-049

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: #1805NE5MAP, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 42 CFR § 431.53 (October 1, 2017), "A State plan must – (a) Specify that the Medicaid agency will ensure necessary transportation for beneficiaries to and from providers . . . ."

Per Title 471 NAC 27-001, "Non-Emergency Transportation (NET) Services are a ride, or mileage reimbursement for a ride, and escort/attendant services provided so that a Medicaid eligible client with no other transportation resources can receive Medicaid coverable services."

The Agency's contract with the NET broker contains the following:

> *The contractor shall develop and maintain a process to be approved by the Department for no less than ten (10%) percent random audits monthly of NET provider supporting documentation per trip to validate a completed service and that submitted charges are correct in accordance to Department regulations.*

Title 45 CFR § 75.403(g) (October 1, 2017), requires costs to be adequately documented.

Per 45 CFR § 75.303(a) (October 1, 2017), an Agency must establish and maintain effective internal control to ensure compliance with Federal requirements. A good internal control plan requires policies and procedures to ensure NET claims are reviewed to confirm that medical services actually occurred, and Federal and State requirements are followed.

According to 45 CFR § 75.511(a) (October 1, 2017), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The Agency did not adequately monitor the NET broker. We tested 10 NET claims. For 4 of 10 payments, there were no medical claims on the Medicaid Management Information System (MMIS) or in managed care records to support that the trip was proper. Additionally, for one payment, the rate paid to the NET provider was incorrect. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings states that corrective action was taken.

Although the known questioned costs for the 10 claims tested is only $104, the potential for additional improper payments is significant.

Repeat Finding: 2017-060

Questioned Costs: $104 known

Statistical Sample: No

Context: A broker provides NET services for the Medicaid program. A Medicaid-eligible recipient who needs a ride to a Medicaid-eligible provider calls the broker, and the broker sets up an NET provider to provide the requested transportation. The broker was paid $4.74 per one-way trip for managing the service, and the NET providers are paid based on various rate schedules. NET providers must submit their claims to the broker, who then submits the claims to the Agency for payment.

The Agency's monitoring of the contract was not adequate during the fiscal year. The contract required the broker to audit NET providers' supporting documentation per trip to validate a completed service and to verify that submitted charges were correct. We requested the monthly audit completed by the broker for March 2018. The monthly audit provided listed 60 trips from August 10, 2017, to September 5, 2017, of which 31 trips identified services in which no medical appointment was attended per the medical provider, and another 6 were identified as "No Answer" from the medical provider. Per the Program Specialist, the results of these audits were submitted to Program Integrity for review and follow-up action. We requested the results of this review on September 4, 2018; however, as of October 1, 2018, we had not received any actions completed. Therefore, we determined the Agency did not follow up on these trips to determine whether overpayments occurred.

During our testing of 10 broker claims and the associated provider claims, we noted that for four payments, there was no associated medical claim to support the trip was proper. These resulted in Federal questioned costs of $17 paid to the broker and $87 paid to the provider. In all instances, the recipient signed off on the trip to indicate it actually occurred. However, the medical provider they were transported to did not submit a claim for payment. Therefore, it is possible the recipient obtained a ride but did not actually receive medical treatment, which is not allowable.

For one payment, the amount paid to the provider was incorrect, resulting in $6 Federal questioned costs. The payment included two trips that were paid at the incorrect Medicaid rate.

The broker was paid $844,288 in Federal Medicaid funds during the fiscal year. The Federal claims tested for the broker totaled $57, and $17 in errors was noted. We tested $292 in Federal payments to NET providers and noted $87 in questioned costs. Per the Agency, the Federal share of payments to NET providers for the fiscal year was $3,828,971.

Cause: Inadequate monitoring by the Agency. The broker did not have to verify with the medical provider that a service was scheduled. The broker is only required to verify the Medicaid eligibility of the recipient and that the address to which travel was requested belonged to a Medicaid provider. Although the broker performed a monthly audit to ensure transportation was allowable, there was no follow-up or corrective action taken by the Agency to recover the unallowed costs.

Effect: Failure to review claims and providers adequately increases the risk for loss or misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure NET claims are reviewed to make certain medical services actually occurred, and Federal and State requirements are followed.

Management Response: The Agency agrees with the finding. Program Integrity staff have subsequently supplied information concerning the monthly NEMT broker. Program Integrity apologizes for not supplying this information in a timelier manner.

During 2018, Program Integrity staff worked with MLTC Program staff and the NEMT broker to implement a post pay "audit" for the broker to perform. Guidance, education about expectations, and assistance in working with medical providers was supplied to the NEMT broker by Department staff. This led to an improved response rate to the verification calls completed by the NEMT broker.

The initial plan was to request refunds from the medical transportation providers. Program Integrity determined that was an inappropriate intervention because it would compromise patient confidentiality to expect that the NEMT driver be knowledgeable about the nature of the transport. It was determined that the NEMT broker was responsible for determining the client need for transportation and to only dispatch trips for those that met the criteria specified in regulations and their contract.

Finding 2018-050

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: #1705NE5MAP, FFY 2017; #1805NE5MAP, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.303(a) (October 1, 2017), an Agency must establish and maintain effective internal control to ensure compliance with Federal requirements.

According to the Agency's Comprehensive Developmental Disabilities Services Waiver [Waiver], "[S]ervices are ***prior*** authorized by [Agency] staff . . . ." (Emphasis added).

Also per the Waiver:

> *Supported Employment – Individual . . . may be authorized in combination with any, or all, of the following services in the same service plan, but not during the same time period: Adult Day Services, Prevocational Services, Supported Employment (Enclave and Follow-Along), Habilitative Community Inclusion, and/or Habilitative Workshop. The total combined hours for these services may not exceed a weekly amount of 35 hours.*

A good internal control plan requires procedures to be in place to ensure service authorizations and weekly limitations are not exceeded, hours paid do not overlap, and authorized rates are used.

Condition: We tested 25 claims paid from the Comprehensive Developmental Disability Waiver and noted seven payments did not comply with Federal requirements. A similar finding was noted in the prior audit.

Repeat Finding: 2017-063

Questioned Costs: $232 known ($2 #1705NE5MAP; $230 #1805NE5MAP)

Statistical Sample: No

Context: We noted the following:

- Three cases exceeded the 35-hour limit.

- Two cases had overlapping hours of a half hour each. For one case, the same provider claimed both the Habilitative Community Inclusion and In-Home Residential Services from 9:30 a.m. to 10:00 a.m. on December 29, 2017. For the other case, two different providers billed from 7:15 a.m. to 7:30 a.m. on both March 22, 2018, and March 30, 2018.

- The authorized rate for in-home respite was $2.75 per quarter hour. However, for one case, $4.00 per quarter hour was used instead. Agency staff claimed this would have occurred because they were unable to find a provider willing to accept the authorized rate; however, the circumstances were not documented.

- For one case, transportation was provided to take the recipient to their habilitative community inclusion services. However, according to the Waiver, transportation is already included in the rate. Agency staff claimed there was a typographical error in the Waiver.

The Federal share of payment errors noted totaled $232, of which $180 were errors noted in the sample payments tested. The total Federal sample tested was $48,608, and total Federal share of Comprehensive Developmental Disability Waiver payments for the fiscal year were $126,261,938.

Based on the sample tested, the case error rate was 28% (7/25). The dollar error rate for the sample was 0.37% ($180/$48,608), which estimates the potential dollars at risk for fiscal year 2018 to be $467,169 (dollar error rate multiplied by population).

Cause: Worker error.

Effect: Unallowable costs were paid, resulting in a misuse of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure service authorizations and weekly limitations are not exceeded, hours paid do not overlap, and authorized rates are used.

Management Response: The Agency agrees with the finding.

1. Exceeding the 35-hour limit for certain day services ($160)
2. Overlapping services ($10)
3. Incorrect Rate ($60)
4. Transportation with Habilitative Community Inclusion ($2)

Finding 2018-051

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Eligibility

Grant Number & Year: #1805NE5MAP, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: According to NAC Appendix 477-000-012, the "standard of need" (meaning the income retained) for someone residing in a nursing facility is $60. Any other income received must be paid to the nursing facility as a share of cost.

Per Title 477 NAC 22-005.02A, General $20 Disregard, "Clients who are living in a nursing home, public institution, hospital, or other medical institution do not receive a $20 disregard."

Per 45 CFR § 75.302(a) (October 1, 2017), "Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds."

45 CFR § 75.403(g) requires costs to be adequately documented.

According to 45 CFR § 75.511(a) (October 1, 2017), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

A good internal control plan requires procedures to ensure income and living arrangements are updated for changes timely, adequately documented, and verified.

Condition: The Agency did not adequately verify the income and resources of individuals residing in nursing home facilities to ensure limits were not exceeded, and the individuals were eligible. The Summary Schedule of Prior Audit Findings states that corrective action was taken.

Repeat Finding: 2017-064

Questioned Costs: $185 known

Statistical Sample: No

Context: We tested 10 Medicaid recipients admitted to nursing home facilities during fiscal year 2018 and noted one recipient was residing in a nursing home, but her benefit was determined as if she were living in an assisted living facility. She received an unearned income disregard of $20 and a standard of need of $392, which reduced her share of cost by $412. However, she should have only received a standard of need of $60 and no unearned income disregard. As a result, her share of cost should have been $352 higher. The Federal share of $185 is considered questioned costs. A similar finding was noted in the prior audit.

Federal payment errors noted in the sample were $185. The Federal payments tested totaled $27,541, and the Federal share of claims paid to nursing facilities for recipients who entered the facility for the first time during the fiscal year totaled $25,999,961.

Cause: Worker error and inadequate review.

Effect: If income and living arrangements are not adequately verified, there is an increased risk recipients will be inappropriately determined eligible for Medicaid or determined eligible with an incorrect share of cost.

Recommendation: We recommend the Agency implement procedures to ensure income and living arrangements for recipients are updated for changes timely, are adequately documented, and verified.

Management Response: The Agency agrees with the finding.

Finding 2018-052

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including #1805NE5MAP, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 42 CFR § 447.253(b)(1)(i), (October 1, 2017) provides the following:

> *The Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers to provide services in conformity with applicable State and Federal laws, regulations, and quality and safety standards.*

According to 42 CFR § 447.253(g) (October 1, 2017), "The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers."

The Nebraska Medicaid State Plan, Attachment 4.19-D, 12-011.11 (Audits), says the following:

> *The Department will perform at least one initial desk audit and may perform subsequent desk audits and/or a periodic field audit of each cost report. Selection of subsequent desk audits and field audits will be made as determined necessary by the Department to maintain the integrity of the Nebraska Medical Assistance Program. The Department may retain an outside independent public accounting firm, licensed to do business in Nebraska or the state where the financial records are maintained, to perform the audits. Audit reports must be completed on all field audits and desk audits.*

AICPA Professional Standards AU-C Section 500.A32 states the following:

> *Audit evidence obtained directly by the auditor (for example, observation of the application of a control) is more reliable than audit evidence obtained indirectly or by inference (for example, inquiry about the application of a control) . . . . Audit evidence provided by original documents is more reliable than audit evidence provided by photocopies, facsimiles, or documents that have been filmed, digitized, or otherwise transformed into electronic form, the reliability of which may depend on the controls over their preparation and maintenance.*

A good internal control plan requires procedures to ensure a risk assessment is performed on long-term care facilities, and those considered high risk are field audited in order to maintain the integrity of the Medical Assistance Program.

Condition: We noted the Agency did not perform field audits on all long-term care facilities identified as high-risk.

Repeat Finding: 2017-065

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency performs risk assessments of the facilities each year and identifies high-risk facilities.

In the prior audit, we noted that during fiscal year 2016, the Agency identified nine high-risk facilities for the period ended June 30, 2015. During the current year, a contractor audited three of them. The Agency did not document why field audits were unnecessary for the others.

During fiscal year 2017, the Agency identified one high-risk facility for the period ended June 30, 2016. The Agency claims that it intends to contract for a field audit for the facility, but it has not done so as of September 14, 2018.

The Federal share of Medicaid payments to long-term care facilities in State fiscal year 2018 was $190,376,938.

Cause: The Agency did not dedicate adequate resources to the task of field audits.

Effect: When facilities do not have periodic field audits, there is an increased risk for submitted cost reports to contain errors or fraud.

Recommendation: We recommend the Agency devote adequate resources to field audits of long-term care facilities.

> **Management Response:** The Agency partially agrees with this finding.
>
> MLTC Rates and Reimbursement Nursing Facility Audit Unit performs a risk assessment and identifies potential High risk Facilities when desk auditing cost reports for nursing homes and ICF/DD providers. The Deputy Director of Finance and Program Integrity makes the administrative decision, when necessary, to procure the services of a contractor to conduct formal onsite field audit.
>
> This finding is related to facilities that were initially identified as high risk, but were subsequently categorized as Low risk, as additional information was provided by the facilities to address the identified deficiency. Per 471 NAC 12-011.11 Audits: "…. All cost reports, including those previously desk audited but excluding those previously field audited, are subject to subsequent desk audits. The primary period(s) and subject(s) to be desk-audited are indicated in a notification letter sent to the provider to initiate a subsequent desk audit. The provider must deliver copies of schedules, summaries, or other records requested by the Department as part of any desk audit…."
>
> We agree that the additional information we submitted on 12/20/18, was not provided during the fieldwork, and does not demonstrate why the facilities' risk levels have changed.

Finding 2018-053

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: #1805NE5MAP, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 45 CFR § 75.403 (October 1, 2017) requires costs to be necessary, reasonable, and adequately documented.

Title 45 CFR § 75.302 (October 1, 2017) requires financial management systems of the State sufficient to permit preparation of required reports and permit the tracing of funds to a level of expenditures adequate to establish the use of these funds were in accordance with applicable regulations. Title 45 CFR § 75.302 also requires each state to expend and account for Federal awards in accordance with State laws and procedures. EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from EnterpriseOne.

Per 45 CFR § 75.303(a) (October 1, 2017), an Agency must establish and maintain effective internal control to ensure compliance with Federal requirements.

Condition: Depreciation amounts included in the provider rate for the Beatrice State Development Center (BSDC) were not adequately supported. BSDC is a State facility of the Agency. A similar finding was noted in the prior audit.

Repeat Finding: 2017-066

Questioned Costs: $48,344 known

Statistical Sample: No

Context: BSDC is a State intermediate care facility for individuals with developmental disabilities. Medicaid reimburses the State for the cost of care of Medicaid eligible individuals. The Agency prepares a cost report to determine the cost per day to be reimbursed. In addition to depreciation from the EnterpriseOne system, the Agency also used a depreciation schedule from an unknown source that was not adequately supported. The information from this schedule was used in the calculation of the Medicaid cost per day for BSDC. The depreciation appears to be from building improvements from 1992 to 2003 before the State implemented the EnterpriseOne system. However, there is not adequate documentation to ensure the amounts are correct or that the amounts were not duplicated in the conversion to EnterpriseOne. The Federal share of questioned costs related to including these costs totaled $48,344.

Cause: Unknown

Effect: If inaccurate or unsupported information is used to calculate the Medicaid cost per day, there is an increased risk that the rate could be inaccurate and the State could overcharge Medicaid for services.

Recommendation: We recommend the Agency ensure that all costs are adequately documented and in accordance with Federal requirements.

Management Response: The Agency agrees with the finding.

Finding 2018-054

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: #1805NE5MAP, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Medicaid providers must meet the prescribed health and safety standards for hospital, nursing facilities, and intermediate care facilities according to 42 CFR § 442. Section 1864 of the Social Security Act establishes the framework within the Division of Public Health, Nebraska's survey agency, which carries out the certification process.

42 CFR § 431.610 (October 1, 2017) states, in part, the following:

> *(e) Designation of survey agency. The plan must provide that—*
>
> > *(1) The agency designated in paragraph (b) of this section, or another State agency responsible for licensing health institutions in the State, determines for the Medicaid agency whether institutions and agencies meet the requirements for participation in the Medicaid program; and . . .*
>
> *(f) Written agreement required. The plan must provide for a written agreement (or formal written intra-agency arrangement) between the Medicaid agency and the survey agency designated under paragraph (e) of this section, covering the activities of the survey agency in carrying out its responsibilities. The agreement must specify that—*
>
> > *(1) Federal requirements and the forms, methods and procedures that the Administrator designates will be used to determine provider eligibility and certification under Medicaid;*
> >
> > *(2) Inspectors surveying the premises of a provider will—*
> >
> > > *(i) Complete inspection reports;*
> > >
> > > *(ii) Note on completed reports whether or not each requirement for which an inspection is made is satisfied; and*
> > >
> > > *(iii) Document deficiencies in reports;*
> >
> > *(3) The survey agency will keep on file all information and reports used in determining whether participating facilities meet Federal requirements[.]*

45 CFR § 75.303 (October 1, 2017) states, in part, the following:

> *The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

A good internal control plan requires procedures to ensure adequate evidence is obtained and maintained to support that health code and fire safety deficiencies were corrected.

Condition: Adequate documentation was not maintained to support that deficiencies noted in health code and fire safety surveys were corrected.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: Medicaid facilities receive a Health and Safety code survey conducted by the Agency's Division of Public Health and a Fire Safety survey conducted by the State Fire Marshal. Upon completion of the initial onsite survey, surveyors send a report of any noted deficiencies to the facility and request a plan of correction. After the plan of correction is implemented, the Agency must determine whether there is substantial compliance by verifying correction of the identified deficiencies through obtaining evidence of correction or conducting an onsite review. Examples of evidence of correction include, but are not limited to, invoices or receipts verifying purchases or repairs, sign-in sheets of those attending training, and interviews with training participants.

Report No. A-07-17-03224, issued May 2018 by the U.S. Department of Health and Human Services Office of Inspector General (OIG), noted, in part, the following:

> *Nebraska did not always verify nursing homes' correction of deficiencies identified during surveys in CY 2016 in accordance with Federal requirements . . . . For the sampled deficiencies, Nebraska did not have documentation supporting that it had verified the nursing homes' correction of 83 deficiencies. Specifically, Nebraska did not obtain or maintain sufficient evidence of correction for 66 less serious deficiencies (for which correction plans verifying that corrections have been made must be submitted and approved) and for 17 other, more serious deficiencies (which require followup surveys to determine that corrections have been made) . . . .*
>
> *A nursing home's submission of a plan of correction does not relieve a State of its responsibility to verify that previously identified deficiencies have been corrected. Evidence of correction that Nebraska provided was limited and generally came from only one information source, but the State agency procedures require verification from at least one additional information source.*

We noted similar issues. We tested 25 facilities, including 15 long-term care facilities (nursing homes), 9 hospitals, and 1 Intermediate Care Facility for Individuals with Intellectual Disabilities (ICFIID), and noted the following:

- Six nursing homes tested did not have adequate evidence on file to support that Health and Safety code deficiencies were corrected. Agency staff did not return to the facilities to ensure corrections were made, instead relying on correspondence with the facilities. However, no evidence of correction was maintained for subsequent review. Deficiencies included expired medication, failure to maintain a sanitary environment, corrections to prevent cross contamination, and evidence of food-handling training for cooks who failed to wash hands between working with raw meat.

- Two hospitals tested did not have adequate evidence on file to support that Fire Safety code deficiencies were corrected. State Fire Marshal staff stated they always perform onsite revisits. In two instances, the inspector appears to have approved a *plan* to correct the issues identified; however, there was no documentation on file to support that deficiencies were actually corrected. Deficiencies included inadequate sprinklers and failure to conduct emergency generator inspections.

After the OIG's findings were communicated with the Agency, staff indicated a new system was put in place to maintain supporting evidence of corrections. We tested one survey conducted after that time, and adequate support was on file.

Cause: Prior to the OIG report, staff believed signing off that the deficiencies had been corrected was sufficient documentation.

Effect: When adequate evidence of correction is not maintained, there is an increased risk for health and safety code violations, which could affect the provider's eligibility in the Medicaid program and could result in potential harm to patients.

Recommendation: We recommend the Agency require all submitted correction plans for Health and Safety Code and Fire Safety Code deficiencies to include evidence of correction and ensure this evidence is maintained on file.

Management Response: The Agency does not agree with the finding. The Agency respectfully disputes the interpretation by both the OIG and Single Audit of the State Operations Manual (SOM), Chapter 7 guidance. The chart referenced by OIG only references onsite re-visits (follow-up surveys) and does not address offsite re-visits. The Agency contends that acceptance of the facility Plan of Correction (POC) and Allegation of Compliance was acceptable evidence of correction to confirm substantial compliance, in lieu of an onsite follow-up visit. In addition, Centers for Medicare and Medicaid Services (CMS), implemented an electronic Plan of Correction process that functionally did not permit NESA to save attachments included with the facility Plan of Correction.

APA Response: Adequate evidence was not on file to verify that deficiencies were corrected. After the OIG audit, the Agency implemented improved procedures; however, those procedures were not yet implemented for the deficiencies noted above.

Finding 2018-055

Program: CFDA 93.778 – Medical Assistance Program – Subrecipient Monitoring

Grant Number & Year: #1805NE5MAP, #1805NE5ADM, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.352 (October 1, 2017) states, in part, the following:

All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

> * * * *
>
> *(iii) Federal Award Identification Number (FAIN);*
>
> *(iv) Federal Award Date (see §75.2 Federal award date) of award to the recipient by the HHS awarding agency;*
>
> * * * *
>
> *(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;*

Good internal control requires procedures to ensure Federal award information is clearly communicated to subrecipients.

Condition: The Agency did not notify subrecipients of all required Federal award information. The Agency did not notify subrecipients of the dollar amount made available under each Federal award and the CFDA number at the time of disbursement.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: During the fiscal year, the Agency passed through Federal Medicaid dollars to Area Agencies on Aging (AAA). We reviewed one AAA subaward agreement. The AAA subaward did not have the correct FAIN or Federal award date. In addition, the Agency did not identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement. The Federal share of Medicaid subrecipient payments to AAAs for the fiscal year totaled $3,073,264.

Cause: Agency staff were not familiar with Federal requirements.

Effect: When subrecipients are not provided all required notifications, there is an increased risk for noncompliance with Federal requirements. If not made aware of the total Federal funds received, the subrecipient may fail to obtain a Single Audit or include all required major programs.

Recommendation: We recommend the Agency notify subrecipients of all information required by Federal regulations.

Management Response: The Agency agrees with the finding.

Finding 2018-056

Program: CFDA 93.917 – HIV Care Formula Grants – Allowability, Cash Management & Subrecipient Monitoring

Grant Number & Year: 16X08HA29238, FFY 2017; 17X07HA00042, Period end 3/31/2018; 17X08HA29238, FFY 2018; 18X07HA00042, Period end 3/31/2019

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.403 (October 1, 2017) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

45 CFR § 75.430(i)(1) (October 1, 2017) states, in relevant part:

> *Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
>
> * * * *
>
> *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*

45 CFR § 75.352 (October 1, 2017) states, in relevant part, the following:

> *All pass-through entities must:*
>
> * * * *
>
> *(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]*

Good internal control requires procedures to ensure that all costs are allowable per the grant. A good internal control plan requires that adequate documentation be maintained to support amounts claimed by and paid to subrecipients. A good internal control plan requires procedures to ensure site visits are adequately documented.

Per 45 CFR § 75.352(a)(1)(xi) (October 1, 2017), "[T]he pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement[.]"

Per 45 CFR § 75.305(b)(5) (October 1, 2017):

> *To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.*

Per 42 USC § 300ff–31a(d) (2017):

> *If an expenditure of ADAP rebate funds would trigger a penalty under this section or a higher penalty than would otherwise have applied, the State may request that for purposes of this section, the Secretary deem the State's unobligated balance to be reduced by the amount of rebate funds in the proposed expenditure.*

Per 45 CFR § 75.406(a) (October 1, 2017):

> *Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs. Examples of such transactions are: Purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate.*

A good internal control plan requires procedures to ensure rebate funds are expended before Federal funds.

According to 45 CFR § 75.511(a) (October 1, 2017), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b)(2), "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: We noted that the Agency did not have adequate subrecipient monitoring procedures to ensure expenditures were allowable and in accordance with Federal requirements. We also noted that the Agency did not have procedures to ensure rebates were spent before requesting Federal grant funds. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings states that the finding is partially corrected, and procedures were updated and developed. The reason for recurrence states, "Action not taken to ensure subrecipients SEFA is accurate." However, the Agency has only updated subrecipient checklists. The Agency has not improved the documentation of the subrecipient monitoring and the checklist, and it has not implemented procedures on the reviewing of rebate information. Additionally, there is a balance in the rebate fund, and the Agency is not ensuring those amounts are spent first.

Repeat Finding: 2017-067

Questioned Costs: $3,140,209 known

Grant	Questioned Costs
16X08HA29238	$ 1,581,977
17X07HA00042	$ 101,041
17X08HA29238	$ 1,457,191

Statistical Sample: No

Context: The Ryan White program provides HIV-related services for those who do not have sufficient health care coverage or financial resources for coping with the HIV disease. The Ryan White program is funded through CFDA 93.917 HIV Care Formula Grants Federal funds, drug rebates, and State general funds.

Fiscal Year 2018	Total	Amount Tested	Questioned Costs
Grant Aid Payments	$ 6,012,173	$ 3,146,856	$ 3,140,209
Rebates	$ 2,749,221	$ 1,333,903	$ 1,333,903

We tested the two largest grant aid payments each, for the two largest subrecipients, and noted the following:

The Agency did not have adequate support on file for any of the four payments tested.

- The first subrecipient, the University of Nebraska Medical Center (UNMC), provided a printout from its accounting system; however, no source documentation, such as detailed invoices or timesheets, were on file. UNMC provides medical drug therapies to eligible and enrolled HIV positive consumers through the AIDS Drug Assistance Program (ADAP). UNMC contracts with ScriptGuideRx to bill drug manufacturers for drug rebates. ScriptGuideRx collects the rebates and remits 90% to the Agency; ScriptGuideRx retains a 10% fee. We requested and obtained two ScriptGuideRX invoices, but there was not enough detail on the invoices to support that the services were allowable.

  The two UNMC payments also included monthly reserve payments. These are payments for a reserve account that ScriptGuideRX uses to pay for client health insurance premiums and other medical costs. ScriptGuideRX pulls the money from the reserve account as needed. There was no documentation for what the reserve account payment was used for, and the reserve payments could include advance payments for services. Reserve payments included on the two grant payments tested were $239,583 and $745,804.

- For the second subrecipient tested, the Nebraska AIDS Project, documentation included printouts from the accounting system, voucher listings, and a listing from the case management system. The subrecipient provides support services such as transportation, food vouchers, and rental assistance to HIV clients. For the invoices tested, there was no verification that clients received vouchers or that vouchers were used for allowable expenditures. The voucher listings that showed the vouchers provided to clients did not agree to the system listing showing vouchers provided to clients. The transportation vouchers were gift cards given to the clients. Additionally, indirect costs of $2,325 were charged, but indirect costs were not approved in the subaward.

- The Agency performs periodic site visits and completes a fiscal monitoring checklist. Staff indicated that they review accounting records, invoices, and timesheets. However, source documentation was not maintained, and the checklist did not contain sufficient detail to show which period or what expenditures were actually reviewed.

The Ryan White program also received drug rebates on drugs purchased by the program.

Rebate Balance 7/1/17	$ 2,757,167
Rebates Received	$ 1,987,785
Rebate Expenditures	$ 2,749,221
Rebate Balance 6/30/18	$ 1,995,731

We noted the following issues:

- We tested two expenditures of rebate funds. The documentation included printouts from the subrecipients accounting system; however, there was no source documentation, such as detailed invoices or timesheets. One expenditure of rebate funds included $888,887 for the reserve account. There was no documentation for what the reserve account payment was used for or that expenditures were allowable.

- Rebates are supposed to be used before Federal funds. However, the Agency does not have procedures to spend solely from the rebate fund when there is a balance in that fund. The table below illustrates the rebate fund balance at the end of each month of the fiscal year, along with Federal expenditures made during that timeframe. Each month, there was a balance in the rebate fund; however, Federal funds continued to be spent.

Month Ended	Rebate Fund Balance	93.917 Federal Expenditures
July 2017	$ 2,750,206	$ 2,222,688
August 2017	$ 2,734,332	$ 114,640
September 2017	$ 2,702,407	$ 64,707
October 2017	$ 2,262,146	$ 143,519
November 2017	$ 1,882,018	$ 27,862
December 2017	$ 1,861,683	$ 499,096
January 2018	$ 2,541,571	$ 77,743
February 2018	$ 2,541,500	$ 221,134
March 2018	$ 2,541,500	$ 570,004
April 2018	$ 2,536,867	$ 90,859
May 2018	$ 2,047,581	$ 2,065,957
June 2018	$ 1,995,731	$ 150,751

We further noted that the UNMC subaward identifies the various funding sources; however, the Agency does not communicate to UNMC the source of the funding for specific payments. Without this information, UNMC cannot accurately determine Federal funds expended for purposes of reporting on the University of Nebraska's Schedule of Expenditures of Federal Awards. It is the Agency's responsibility to inform subrecipients of funding sources when payments are made**.**

Cause: Inadequate subrecipient monitoring procedures and lack of documentation.

Effect: Inadequate subrecipient monitoring could result in the loss or misuse of Federal funds. Failing to spend rebates first could result in questioned costs or sanctions, as Federal funds are being expended when rebates are available.

Recommendation: We recommend the Agency ensure that adequate supporting documentation is on file for all expenditures to ensure they are allowable and in compliance with Federal regulations. We also recommend rebates be expended before Federal funds. We further recommend the Agency implement procedures to ensure site visits are adequately documented and the source of funds is adequately communicated to subrecipients.

Management Response: Partially agree - Program management concurs in part. The program follows the existing subrecipient monitoring tools as provided directly by HRSA which are based on the HRSA National Monitoring Standards. Rebate expenditures are allocated to rebate funds. The prior years' finding was immediately addressed to ensure rebate funds are expended prior to federal funds for FY2018.

APA Response: The Agency did not have documentation on file to support expenditures were in accordance with Federal cost principles. The table above clearly demonstrates that rebate funds were not fully expended prior to the expenditure of Federal grant funds.

Finding 2018-057

Program: CFDA 93.917 – HIV Care Formula Grants – Eligibility & Subrecipient Monitoring

Grant Number & Year: 16X08HA29238, FFY 2017; 17X07HA00042, Period end 3/31/2018; 17X08HA29238, FFY 2018; 18X07HA00042, Period end 3/31/2019

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 42 USC 300ff-26(b) (2017) states the following:

To be eligible to receive assistance from a State under this section an individual shall-

(1) have a medical diagnosis of HIV/AIDS; and

(2) be a low-income individual, as defined by the State.

State ADAP Client Eligibility Policy provides, in relevant part, the following:

2. Client must meet current income eligibility guidelines requiring that a client's household earned income must fall at or below 300% of the Federal Poverty Guidelines . . . .

* * * *

4. Client must permanently reside in Nebraska and must have a valid physical street/home address and must be physically living there (homelessness is an exception to this rule, with substantiated homeless status).

45 CFR § 75.352 (October 1, 2017) states, in relevant part, the following:

All pass-through entities must:

* * * *

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]

Good internal control requires procedures to ensure all clients are eligible and supporting documentation is maintained to support the client's eligibility, including a review of that eligibility.

Neb. Rev. Stat. § 84-305(1) (Cum. Supp. 2018) states the following:

> *The Auditor of Public Accounts shall have access to any and all information and records, confidential or otherwise, of any public entity, in whatever form or mode the records may be, unless the auditor is denied such access by federal law or explicitly named and denied such access by state law. If such a law exists, the public entity shall provide the auditor with a written explanation of its inability to produce such information and records and, after reasonable accommodations are made, shall grant the auditor access to all information and records or portions thereof that can legally be reviewed.*

Subsection (2) of that same statute adds the following:

> *Upon receipt of a written request by the Auditor of Public Accounts for access to any information or records, the public entity shall provide to the auditor as soon as is practicable and without delay, but not more than three business days after actual receipt of the request, either (a) the requested materials or (b)(i) if there is a legal basis for refusal to comply with the request, a written denial of the request together with the information specified in subsection (1) of this section or (ii) if the entire request cannot with reasonable good faith efforts be fulfilled within three business days after actual receipt of the request due to the significant difficulty or the extensiveness of the request, a written explanation, including the earliest practicable date for fulfilling the request, and an opportunity for the auditor to modify or prioritize the items within the request. No delay due to the significant difficulty or the extensiveness of any request for access to information or records shall exceed three calendar weeks after actual receipt of such request by any public entity.*

Finally, Neb. Rev. Stat § 84-305.01 (Cum. Supp. 2018) reads as follows:

> *Any person who willfully fails to comply with the provisions of section 84-305 or who otherwise willfully obstructs or hinders the conduct of an audit, examination, or related activity by the Auditor of Public Accounts or who willfully misleads or attempts to mislead any person charged with the duty of conducting such audit, examination, or related activity shall be guilty of a Class II misdemeanor.*

Condition: The Agency did not have adequate procedures to ensure individuals receiving services met State and Federal eligibility requirements. The Agency did not have documentation to support it monitored eligibility determinations by subrecipients nor could it provide a complete listing of clients.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: Client eligibility is determined at the subrecipient level. We noted that the Agency did not have adequate documentation to support that the Agency monitored subrecipients for client eligibility. On December 4, 2018, we requested a complete list of eligible clients for the program. On January 23, 2019, we received a list of 694 client identification numbers; however, when we selected clients from this list, we noted that many selected did not receive services during the fiscal year. We then requested a detailed listing of clients with services directly from the subrecipients. Nebraska AIDS provided a spreadsheet of clients and services for the fiscal year ending June 30, 2018, on February 12, 2019, and UNMC provided a spreadsheet listing all insurance premiums paid, all medical claims paid, and numerous spreadsheets showing drug purchases on February 11, 2019. We selected clients from all of these listings but could not determine the total number of clients or that the population was complete. The Agency did not provide support to verify the spreadsheets received were accurate or complete.

We selected 25 clients from the subrecipient provided listings and noted the following:

- Nine clients tested did not have documentation on file to ensure they met the income eligibility guidelines. For four of these, the recertification application stated income had not changed, but the previous application with income information was not on file. For one client, the husband refused to provide required income information. The other four had a previous or subsequent application on file, but they did not have the application on file for fiscal year 2018.

- For 6 of 25 clients, there was no documentation on file to ensure the client was a permanent Nebraska resident.

- For 14 of 25 clients tested, there was no supporting documentation on file to show that a case manager reviewed the application.

The Agency did not provide support to verify that the spreadsheets received were accurate or complete.

Cause: Inadequate review procedures and inadequate oversight.

Effect: Increased risk that ineligible clients will receive services.

Recommendation: We recommend the Agency ensure all eligibility requirements are met and adequately documented. We also recommend the Agency ensure that all clients served by the Program are documented and periodically reviewed. Finally, we recommend the Agency ensure documentation is maintained for subrecipient monitoring of client eligibility.

> **Management Response:** Partially agree - Program management concurs in part. Program understood APA request for documentation to be for documentation from subrecipient. Documentation by Program regarding monitoring of eligibility determinations made by subrecipients is available and can be provided to APA. The inadequate listing of clients is due to the current case management software. Software capabilities are limited and cannot provide the information as required by Federal and State standards.

APA Response: The Program Manager stated in a December 3, 2018 email to the auditors, "The client reviews include review for eligibility and presence of all components of a complete application. I do not have a check list for eligibility on the review documents." The Program Manager provided a list of clients reviewed, but supporting documentation of application, verification of diagnosis, income, and residency was not provided.

<u>Finding 2018-058</u>

Program: CFDA 93.917 – HIV Care Formula Grants – Reporting

Grant Number & Year: 16X07HA00042, Period end 3/31/2017

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.302 (October 1, 2017) states, in part, the following:

> *(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also § 75.450.*
>
> *(b) The financial management system of each non-Federal entity must provide for . . . (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements . . . .*

Per Policy Clarification Notice (PCN) #15-04, "In the 'Ryan White Rebate Funding' section, report the expended rebate amount."

Good internal control requires procedures to ensure that all reports have a documented review by a knowledgeable individual prior to submission. Good internal control also requires procedures to ensure that reports are accurate.

Condition: The Agency did not have adequate procedures to ensure that reports were accurate.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: We tested two of three reports filed by the Agency. We noted rebates were not properly reported on the final report for the 16X07HA00042 grant that was filed on September 29, 2017. The Total Rebates Available line should be the balance available at the beginning of the grant period plus all rebates received during the reporting period. The Expended Rebate Amount should be the amount of rebates spent during the grant period. The Unexpended Rebate Line should be the balance in the rebate fund as of the end of the grant period. The Agency did not report any of these lines correctly and, therefore, did not accurately reflect the activity and the balance of the rebate fund, which should be spent before Federal funds are drawn down.

Line Item	Reported	Correct Amount	Variance
Total Rebates Available	$ 1,088,805	$ 2,043,983	$ (955,178)
Expended Rebate Amount	$ 1,088,805	$ 1,440,383	$ (351,578)
Unexpended Rebate	$ 0	$ 603,600	$ (603,600)

We further noted that the Agency did not have a documented review of the report prior to submission.

Cause: Employee turnover.

Effect: Inaccurate report could lead to Federal sanction.

Recommendation: We recommend the Agency ensure that all reports have a documented review before submission and contain accurate information.

Management Response: Agree

Finding 2018-059

Program: CFDA 93.917 – HIV Care Formula Grants – Earmarking

Grant Number & Year: 17X07HA00042, Period end 3/31/2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 42 USC § 300ff–22 (2017) states, in relevant part, the following:

(a) In general *A State may use amounts provided under grants made under section 300ff–21 of this title for-*

(1) core medical services described in subsection (b);

(2) support services described in subsection (c); and

(3) administrative expenses described in section 300ff–28(b)(3) of this title.

(b) Required funding for core medical services

(1) In general

With respect to a grant under section 300ff–21 of this title for a State for a grant year, the State shall, of the portion of the grant remaining after reserving amounts for purposes of subparagraphs (A) and (E)(ii)(I) of section 300ff–28(b)(3) of this title, use not less than 75 percent to provide core medical services that are needed in the State for individuals with HIV/AIDS who are identified and eligible under this subchapter (including services regarding the co-occurring conditions of the individuals).

** * * **

(e) Priority for women, infants, children, and youth

(1) In general

For the purpose of providing health and support services to infants, children, youth, and women with HIV/AIDS, including treatment measures to prevent the perinatal transmission of HIV, a State shall for each of such populations in the eligible area use, from the grants made for the area under section 300ff–11(a) of this title for a fiscal year, not less than the percentage constituted by the ratio of the population involved (infants, children, youth, or women in such area) with HIV/AIDS to the general population in such area of individuals with HIV/AIDS.

42 USC 300ff-28(b)(3)(B) (2017) states the following:

In the case of entities and subcontractors to which a State allocates amounts received by the State under a grant under section 300ff–21 of this title, the State shall ensure that, of the aggregate amount so allocated, the total of the expenditures by such entities for administrative expenses does not exceed 10 percent (without regard to whether particular entities expend more than 10 percent for such expenses).

Neb. Rev. Stat. § 84-305(1) (Cum. Supp. 2018) provides the following:

> *The Auditor of Public Accounts shall have access to any and all information and records, confidential or otherwise, of any public entity, in whatever form or mode the records may be, unless the auditor is denied such access by federal law or explicitly named and denied such access by state law. If such a law exists, the public entity shall provide the auditor with a written explanation of its inability to produce such information and records and, after reasonable accommodations are made, shall grant the auditor access to all information and records or portions thereof that can legally be reviewed.*

Subsection (2) of that same statute adds the following:

> *Upon receipt of a written request by the Auditor of Public Accounts for access to any information or records, the public entity shall provide to the auditor as soon as is practicable and without delay, but not more than three business days after actual receipt of the request, either (a) the requested materials or (b)(i) if there is a legal basis for refusal to comply with the request, a written denial of the request together with the information specified in subsection (1) of this section or (ii) if the entire request cannot with reasonable good faith efforts be fulfilled within three business days after actual receipt of the request due to the significant difficulty or the extensiveness of the request, a written explanation, including the earliest practicable date for fulfilling the request, and an opportunity for the auditor to modify or prioritize the items within the request. No delay due to the significant difficulty or the extensiveness of any request for access to information or records shall exceed three calendar weeks after actual receipt of such request by any public entity.*

Per Neb. Rev. Stat § 84-305.01 (Cum. Supp. 2018):

> *Any person who willfully fails to comply with the provisions of section 84-305 or who otherwise willfully obstructs or hinders the conduct of an audit, examination, or related activity by the Auditor of Public Accounts or who willfully misleads or attempts to mislead any person charged with the duty of conducting such audit, examination, or related activity shall be guilty of a Class II misdemeanor.*

Good internal control requires procedures to ensure compliance with Federal requirements and that supporting documentation in maintained.

Condition: The Agency did not have adequate documentation to support earmarking requirements were met.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency did not have adequate documentation to support that the following earmarking requirements were met for the 2017 grant:

- The Agency provided a report showing more than 75% of the amount remaining after amounts reserved for State administration and clinical quality management were spent on core medical services to eligible people living with HIV. However, the report included $582,719 for State direct core medical services. The Agency could not provide detail for the $582,719 in expenditures to support that the expenditures were for core medical services nor could it provide support for the amounts reserved for State administration.

- The Agency provided a summary report for the amount of services to infants, children, youth, and women with HIV/AIDS. The Agency stated that the report was from its Medicaid subsystem, but it did not provide the detail needed to support that the percentages were accurate.

- The Agency could not provide support for the total amount of subawards needed to ensure subrecipients' administrative expenses did not exceed 10% of the amount of grant funds sub-awarded.

The Auditor of Public Accounts initially asked for support for compliance of the earmarking requirements on January 8, 2019, and was not provided all of the support as of February 15, 2019.

Cause: Inadequate procedures to ensure documentation was obtained and maintained to support earmarking requirements.

Effect: Noncompliance with Federal requirements, which could lead to sanctions.

Recommendation: We recommend the Agency implement procedures to ensure earmarking requirements are met, and adequate support is maintained.

> **Management Response:** Agree - Program management concurs. Lack of procedures contributed to the inadequate monitoring and source calculations of earmarking requirements.

Finding 2018-060

Program: CFDA 93.945 – Assistance Programs for Chronic Disease Prevention and Control; CFDA 93.757 – State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF) – Allowable Costs/Cost Principles & Subrecipient Monitoring

Grant Number & Year: 5 NU58DP004819-05-00, budget period ended 6/29/2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.403 (October 1, 2017), allowable costs must be necessary, reasonable, and adequately documented.

Per 45 CFR § 75.353 (October 1, 2017):

> *With prior written approval from the HHS awarding agency, a pass-through entity may provide subawards based on fixed amounts up to the Simplified Acquisition Threshold, provided that the subawards meet the requirements for fixed amount awards in § 75.201.*

Per 45 CFR § 75.352(a)(1)(xi) (October 1, 2017), "[T]he pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement[.]"

45 CFR § 75.352(d) also requires a pass-through entity to monitor the activities of the subrecipient to ensure that Federal awards are used in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

45 CFR § 75.430(i)(1) (October 1, 2017) states, as is relevant, the following:

> *Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
>
> * * * *
>
> *(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . . ;*
>
> * * * *
>
> *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award . . . .*

45 CFR § 75.430(i)(3) states, in relevant part, the following:

> *[C]harges for salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.*

Condition: The Agency did not have adequate subrecipient monitoring procedures. For two subrecipient payments tested, documentation was inadequate to support that the amounts paid were in accordance with Federal requirements. In addition, for one of two subrecipients, the Agency did not notify the subrecipient of the dollar amount made available under each Federal award and the CFDA number at time of disbursement.

Repeat Finding: 2017-068

Questioned Costs: $30,629 known

CFDA #	FAIN	Questioned Costs
93.945	5 NU58DP004819-05-00	$ 26,443
93.757	5 NU58DP004819-05-00: 004819RF16DDTPPHF17	$ 4,186

Statistical Sample: No

Context: We tested two payments to subrecipients, totaling $34,474. During testing of these payments, we noted the following:

- For both payments tested, invoices or similar documentation was on file to support some of the expenses; however, the payments were primarily for the reimbursement of personal services, and sufficient documentation was not obtained to support compliance with 45 CFR § 75.430. We noted that, for the payments tested, the Agency obtained paystubs and summarized spreadsheets listing only the amount of hours worked on the grant; however, no documentation, such as a timesheet, was obtained to support the 100% of the employees' activity or distribution of the employee's wages among different activities.

- For one payment tested, we noted that the subrecipient requested reimbursement for payroll expenses for two employees at a rate of $200 an hour, but no documentation was obtained to support that either of the two employees were actually paid that rate during the period tested. The Agency stated that the rate was agreed upon between the subrecipient and the Agency; however, the Agency did not have the required prior written approval from the Federal grantor for fixed amount subawards. In addition, the subaward stated, "DHHS shall reimburse Subrecipient for its actual, allowable, reasonable, and allocable costs."

- There were no itemized receipts detailing what was purchased for two meals totaling $46.

- For one payment tested, we noted that $5,600 was reimbursed for a payment to a consultant for assisting with collaborative meetings and on-site coaching and monitoring. However, the Agency obtained a check stub from the subrecipient, which showed that the consultant was paid only $3,000 for these services. It is unclear when the subrecipient made the payment to the consultant, as the check stub was not dated. Additionally, no documentation was obtained to show whether the contract for these services was competitively bid.

As a result of the information above, we question $30,629 of the payments tested. The Agency paid a total of $473,923 to subrecipients under CFDA 93.945 during the fiscal year.

We also noted that, for one payment tested, $9,190 of the payment was paid with funds from CFDA 93.945, and the remaining portion of the payment, totaling $4,247, was paid with funds from CFDA 93.757. However, the Agency did not identify to the subrecipient that it received funding from CFDA 93.757 in the subaward or in the amendment to the subaward.

Cause: The Agency conducted desk reviews; however, documentation to support the reimbursements to the subrecipients was insufficient to ensure payments were for actual and allowable costs. In addition, the Agency did not notify the subrecipient of the dollar amount made available under each Federal award and the CFDA number at the time of disbursement due to a lack of oversight.

Effect: The Agency did not comply with Federal requirements. In addition, without adequate supporting documentation, there is an increased risk for the misuse of Federal Funds and noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve monitoring procedures to ensure subrecipient payments are for actual and allowable costs. We further recommend the Agency notify subrecipients of all required information.

> **Management Response:** Agree. Program Management is steadily working to improve monitoring procedures to ensure subrecipient payments are for actual and allowable costs. Program Management supports and encourages training for new and seasoned program staff. The subrecipient was notified with each CFDA and the appropriate allocation of Federal award funding.

Finding 2018-061

Program: CFDA 93.994 – Maternal and Child Health Services Block Grant to the States – Allowable Cost/Cost Principles & Subrecipient Monitoring

Grant Number & Year: B04MC30625, FFY 2017

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.352(d) (October 1, 2017) requires pass-through entities to do the following:

> *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.*

The subaward agreement between the Agency and the subrecipient requires reimbursement "for actual costs that are actual, allowable, allocable and reasonable."

Condition: The Agency did not have adequate monitoring procedures to ensure payments to subrecipients were adequately supported or complied with Federal cost principles. A similar finding was noted in the prior audit.

Repeat Finding: 2017-069

Questioned Costs: $193,064 known

Statistical Sample: No

Context: The Agency receives quarterly expense reports from subrecipients that include a breakdown by cost category of the current quarter's expenses, cumulative expenditures to date, and the approved amount for the grant year. Agency staff review the quarterly reports; however, subrecipients are not required to submit source documentation, such as timesheets or invoices at the time of payment.

The Agency's monitoring procedure was to perform a desk review of one quarter during the subaward period. Additionally, the Agency has developed written desk review procedures that outline the support to be maintained, the selection of expenses, and the sampling procedures to ensure the monitoring was representative of the subaward. However, we found that no financial monitoring was done that looked at source documentation for the subawards related to the Nebraska Reproductive Health Program, which totaled $222,379 for the fiscal year ended June 30, 2018. After the fiscal year, the Agency recouped $29,315. As a result, we question costs of $193,064. Subrecipient payments for the Maternal and Child Health Services Block Grant for the fiscal year totaled $622,564.

Cause: Employee oversight and staff turnover.

Effect: Without adequate monitoring procedures, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations. Noncompliance with Federal regulations could result in sanctions.

Recommendation: We recommend the Agency improve procedures to ensure subrecipient monitoring is adequate and payments are for actual and allowable costs, in accordance with Federal requirements.

Management Response: Agree. This amount was the total of advance payments (transaction date 6/11/18). Unsupported and/or unspent funds were identified in subrecipient monitoring resulting in refunds totaling $28,506.03 on or about 10/1/18. An additional $808.81 was refunded on or about 10/22/18 by a single subrecipient having identified adjustments to its financials after final report was due.

Enhanced Block Grant monitoring procedures were in place prior to the 2017 Reproductive Health subawards, however, the same monitoring procedures have not been required by the Agency as part of the internal allocation process. An assessment of subrecipient monitoring capacity will be added to the procedures for internal programs requesting an allocation of the Block Grant. If a program's capacity is inadequate for subrecipient monitoring, measures will be identified how to assist the program to perform the financial reviews and performance monitoring of its subrecipients.

COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

Finding 2018-062

Program: CFDA 16.575 – Crime Victim Assistance – Allowability & Subrecipient Monitoring

Grant Number & Year: 2015-VA-GX-0010, FFY 2015; 2016-VA-GX-0067, FFY 2016; 2017-VA-GX-0010, FFY 2017

Federal Grantor Agency: U.S. Department of Justice

Criteria: 2 CFR § 200.331(d) (January 1, 2018) requires a pass-through entity to monitor the activities of the subrecipient to ensure that Federal awards are used in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

2 CFR § 200.302(a) (January 1, 2018) requires the State to have accounting procedures sufficient to allow for "the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."

2 CFR § 200.403 (January 1, 2018) requires costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to ensure subrecipients comply with applicable cost principles.

Per 2 CFR § 200.405(a) (January 1, 2018): "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."

2 CFR § 200.430(i)(1) (January 1, 2018) states, as is relevant, the following:

> *Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
>
> * * * *
>
> *(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . . ;*
>
> * * * *
>
> *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award . . . .*

Condition: The Agency did not have adequate subrecipient monitoring procedures. Documentation was inadequate to support that the amounts paid were allowable and in accordance with Federal requirements.

Repeat Finding: No

Questioned Costs: $40,100 known

Grant	Questioned Costs
2015-VA-GX-0010	$ 23,200
2016-VA-GX-0067	$ 16,774
2017-VA-GX-0010	$ 126

Statistical Sample: No

Context: During the fiscal year, the Agency received reimbursement requests from subrecipients, including supporting documentation such as timesheets and invoices. However, we noted the Agency did not always obtain adequate support for all amounts reimbursed. We noted 17 of 25 aid payments tested did not have sufficient documentation to ensure all amounts were allowable and in accordance with Federal cost principles.

The following issues were noted:

- Adequate time records not on file to support the distribution of employee's compensation.
- Lack of support for allocations used to charge operating expenses.
- Expenses based on budgets rather than actual amounts.
- Lack of invoices.
- Inadequate support to determine if charges were for grant activities.

Federal questioned costs for the payments tested totaled $40,100. The total sample tested was $245,366, and aid payments for the fiscal year totaled $8,395,143. Based on the sample tested, the dollar error rate was 16.34% ($40,100/$245,366), which estimates the potential dollars at risk for fiscal year 2018 to be $1,371,766 (dollar error rate multiplied by population).

Cause: Inadequate monitoring procedures.

Effect: Without adequate supporting documentation, there is an increased risk for loss or misuse of funds.

Recommendation: We recommend the Agency improve procedures to ensure payments are allowable and in accordance with Federal requirements.

> **Management Response:** Per VOCA Rule §94.106(a) "…SAA's shall develop and implement a monitoring plan in accordance with the requirements of this section and 2 CFR 200.331." Further, this section states that the plan must be based on a risk assessment and include regular desk monitoring and on-site monitoring. With the creation of the Victim Assistance Division in August 2017 a risk assessment was created and completed on all recipients of VOCA funding in September 2017. The VA Division Monitoring Plan was implemented based on the subrecipient assessment. The role of the SAA is to monitor programs for risk and monitor based on the determined risk. The Nebraska Crime Commission as the SAA is not required to Audit subrecipients. All subrecipients are required to report time based on actual hours worked on the grant as notified in December 2017. The signing Authorized Official certifies at the

time of application that the information is true and correct. Through the monitoring plan this information is verified and corrected if needed. It is not reasonable for NCC to review blueprints or full employee rosters and other documentation to verify the allocations stated in grant applications, nor is it a federal requirement. Invoices are reviewed based on the subrecipients OAT level and are to be made available if requested by NCC or any other entity monitoring or auditing the program. Reasonably, this information if requested could have been provided. Of the questioned costs by the Auditor is cost associated with victim shelter locations and NCC not having the addresses on hand to provide to the Auditor. NCC will not compromise victim safety by retaining shelter locations in an office subject to the Public Record Statute. Programs that operate shelters are aware that documents verifying the locations would need to be made available on-site by NCC staff when requested.

APA Response: Federal regulations require that pass-through entities monitor the activities of the subrecipient to ensure that Federal awards are used in compliance with regulations and grant agreements, which would require obtaining detail information to ensure allocations are appropriate. Assessing a level of risk on the subrecipient does not relieve the entity from ensuring the expenditures are allowable and supported. Additionally, if Crime does not know the locations of shelters it would not be possible to determine the expenses are truly for those locations.

Finding 2018-063

Program: CFDA 16.575 – Crime Victim Assistance – Earmarking

Grant Number & Year: 2014-VA-GX-0030, FFY 2014

Federal Grantor Agency: U.S. Department of Justice

Criteria: 28 CFR § 94.104 (July 1, 2017) states, in relevant part, the following:

(b) SAAs [State Administering Agency] shall allocate a minimum of ten percent of each year's VOCA [Victims of Crime Act] grant to each of the three priority categories of victims specified in the certification requirement in VOCA, at 42 U.S.C. 10603(a)(2)(A), which, as of July 8, 2016, includes victims of— (1) Sexual assault, (2) Spousal abuse and (3) Child abuse.

(c) SAAs shall allocate a minimum of ten percent of each year's VOCA grant to underserved victims of violent crime . . . .

2 CFR § 200.303(a) (January 1, 2018) requires the non-Federal entity to do the following:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Good internal controls require procedures to ensure that all earmarking requirements are met.

Condition: The Agency did not have adequate control procedures to ensure earmarking requirements were met. The child abuse allocation was not met for the 2014 grant.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency did not monitor the requirement to ensure 10% of the grant was allocated to the child abuse priority category. The total 2014 grant was $3,002,031, and the amount allocated to child abuse per all the subawards was $292,881 or only 9.76%. In addition, we noted the amounts for all of the priority categories are entered into the system by the subrecipients, and the amounts are not verified by the Agency.

Cause: Inadequate control procedures.

Effect: Noncompliance with Federal regulations, which could result in sanctions.

Recommendation: We recommend the Agency implement procedures to ensure the amounts entered into the system by the subrecipients are accurate, and all Federal earmarking requirements are met.

> **Management Response:** This information starting with the FFY 2015 grant is tracked in the federally required Performance Measurement Tool (PMT) System. The amounts are updated in the PMT System based on the actual amounts reported by the subrecipient. Starting with the new grant period on July 1, 2019 applicants are required to indicate in their application how much of their request is used for the Priority Areas if applicable. Upon award of grant funds applicants will be required to update their spending in the four priority areas with their monthly expenditure reporting.

Finding 2018-064

Program: CFDA 16.575 – Crime Victim Assistance – Allowability

Grant Number & Year: 2015-VA-GX-0010, FFY 2015

Federal Grantor Agency: U.S. Department of Justice

Criteria: Title 2 CFR § 200.403 (January 1, 2018) requires costs to be reasonable, necessary, and adequately documented.

2 CFR § 200.430(i)(1) (January 1, 2018) states, in relevant part: "charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed."

A good internal control plan requires procedures to ensure time charged to Federal grants is accurate and complies with Federal requirements.

Condition: Two of three employees' payroll tested was charged to grants based on estimated time, not actual hours.

Repeat Finding: No

Questioned Costs: $1,683 known

Statistical Sample: No

Context: The Agency used estimated time devoted to grants until February 2018. The Agency then implemented KRONOS, which tracks actual hours by business unit, and the business units are tied to specific grants.

We tested one pay period each for three employees. Two employees tested were paid prior to February and were based on estimated time. We question $1,683 for these two employees for the pay period tested. For one employee tested, the pay period was after February, and grants were charged based on actual time. Payroll charges to the grant through February 2018 totaled $264,832, which is considered dollars at risk.

Cause: The Agency did not utilize KRONOS for the entire year.

Effect: Noncompliance with Federal requirements, which increases the risk for unallowable costs.

Recommendation: We recommend the Agency ensure employee's compensation is charged in accordance with Federal regulations.

> **Management Response:** KRONOS was implemented on February 19, 2018 and allows for employees to record actual time charged to each business unit to include identifying activities conducted in that time.

Finding 2018-065

Program: CFDA 16.575 – Crime Victim Assistance – Cash Management

Grant Number & Year: 2015-VA-GX-0010, FFY 2015

Federal Grantor Agency: U.S. Department of Justice

Criteria: 31 CFR § 205.33(a) (July 1, 2017) states, in relevant part, the following:

> *A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project.*

Department of Justice (DOJ) Training Guidelines state, in relevant part, the following:

> *Award recipients should time draw down requests to ensure that Federal cash on hand is the minimum needed for disbursements/reimbursements to be made immediately or within 10 days. If the funds are not spent or disbursed within 10 days, you must return them to the awarding agency.*

Condition: Two of eight draws tested were not spent within 10 days.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: There were 72 receipt drawdowns, totaling $9,224,031, during the fiscal year. We tested eight receipts and noted the following:

- The March 12, 2018, draw for $80,000 was not fully expended until 32 days later; $26,842 of the receipt was spent April 6 through April 13.
- The March 14, 2018, draw for $30,000 was not fully expended until 30 days later; the entire amount was spent on April 13.

Cause: Lack of adequate procedures and oversight.

Effect: Noncompliance with Federal regulations, which could result in sanctions.

Recommendation: We recommend the Agency implement procedures to ensure drawdowns are fully expended in a timely manner.

> **Management Response:** We have a procedure for estimating federal funds necessary for our operations, payroll, and aid payments. There are times when funds are not expended as quickly as estimated.

<u>Finding 2018-066</u>

Program: CFDA 16.575 – Crime Victim Assistance – Cash Management & Reporting

Grant Number & Year: 2016-VA-GX-0067, FFY 2016; 2015-VA-GX-0010, FFY 2015

Federal Grantor Agency: U.S. Department of Justice

Criteria: 2 CFR § 200.302(a) (January 1, 2018) requires the following:

> *Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award . . . .*

Per 2 CFR § 200.71 (January 1, 2018), "obligations" are defined as follows:

> *When used in connection with a non-Federal entity's utilization of funds under a Federal award,* obligations *means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.*

DOJ Training Guidelines state, in relevant part, the following:

> *Award recipients should time draw down requests to ensure that Federal cash on hand is the minimum needed for disbursements/reimbursements to be made immediately or within 10 days. If the funds are not spent or disbursed within 10 days, you must return them to the awarding agency.*

Good internal control requires procedures to ensure that Federal reports are accurate and include all applicable accounts and expenditures.

Condition: Federal Financial Reports tested were not accurate, and drawdown requests were not spent within 10 days.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The Agency submitted 12 quarterly reports during the fiscal year. We tested three reports and noted the following:

- For the 2016 grant, the Federal Financial Report for the period ending June 30, 2017, originally submitted July 25, 2017, did not include $20,250 of expenditures. This report was then re-submitted August 24, 2017, after the Federal grantor noted that, based on the report, payments to the Agency were in excess of Agency expenditures by $53,044, and the excess funds needed to be returned. The Agency revised the report to include $181,881 of expenditures made on July 11, 2017. This is not in accordance with the reported cash basis of accounting, and draws would have been expended more than 10 days from receipt. Overall, this resulted in $1,153,837 reported for Federal expenditures, when $992,206 should have been reported.

- The Agency's practice was to report all unexpended Federal funds as "Unobligated balance of Federal funds." The Agency did not properly report the amount of subawards, which are obligations when awarded and should be reported as "Federal share of unliquidated obligations." Two reports tested were incorrect, as follows:

	Reported	Should Be
2016 Grant for period ending 6/30/17		
Federal Share of Unliquidated Obligations	$ 0	$ 11,519,996
Unobligated balance of Federal funds	$ 12,124,605	$ 766,240
2015 Grant for period ending 3/31/18		
Federal Share of Unliquidated Obligations	$ 0	$ 1,692,693
Unobligated balance of Federal funds	$ 1,709,535	$ 16,842

Cause: Inadequate oversight and Federal grantor instruction.

Effect: Noncompliance with Federal requirements, which could result in sanctions.

Recommendation: We recommend the Agency implement procedures to ensure that reports are accurate, and Federal funds are spent timely.

> **Management Response:** (a) For the point concerning the 6/30/17 Financial Status Report, we did have an error on that report because we forgot to include $20,250 expended for a newly implemented Sexual Assault Project. We always balance our expenditures to the General Ledger report in E1 and in this case we balanced exactly to E1 but neglected to include the business unit for the Sexual Assault Project. This error was corrected on the 9/30/17 Financial Status Report.
>
> After the 6/30/17 report was submitted, our Federal Program Manager contacted us regarding an excess balance of federal funds at 6/30/17. I explained that we had expended the excess balance within the first ten days of July 2017 and I demonstrated it by sending a general ledger report for July 1 – July 10, 2017.
>
> The Program Manager then instructed me to submit a revised FSR for 6/30/17 and include the expenditures from July 1 – July 10, 2017. We were following the instructions of the Program Manager when we submitted the revised FSR.
>
> (b) Regarding the reporting of Federal Share of Unliquidated Obligations on our financial status reports, we will show the amount of unexpended funds by subgrantees on that line in our future financial status reports.

DEPARTMENT OF TRANSPORTATION

Finding 2018-067

Program: CFDA 20.505 – Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research – Allowability & Subrecipient Monitoring

Grant Number & Year: All open, including NE-80-0024-00, FFY 2014; NE-2017-014-01, FFY 2015; Application #1815-2019-2, FFY 2016 and FFY 2017

Federal Grantor Agency: U.S. Department of Transportation

Criteria: 2 CFR § 200.331(d) (January 1, 2018) requires pass-through entities to do the following:

> *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward . . . .*

Title 2 CFR § 200.403 (January 1, 2018) requires costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to be in place to ensure compliance with Federal requirements.

Condition: The Agency did not have adequate documentation on file to support that payments were for allowable activities and in accordance with allowable cost principles. The Agency also did not perform adequate subrecipient monitoring.

Repeat Finding: No

Questioned Costs: $232,750 known (Application #1815-2019-2)

Statistical Sample: No

Context: A Metropolitan Planning Organization (MPO) is a forum for cooperative transportation decision-making for metropolitan planning areas. The Agency did not perform adequate monitoring of the four MPOs.

The Agency reimbursed MPOs for costs reported on quarterly invoices. However, the Agency did not obtain support for the amounts reported. We tested six payments, totaling $232,750, and none of the payments had source documentation on file such as timesheets or invoices. Subrecipient payments for fiscal year 2018 totaled $458,347.

Cause: The Agency did not have adequate procedures to monitor subrecipients.

Effect: Without adequate subrecipient monitoring, there is an increased risk that costs are not allowable, reasonable, or necessary.

Recommendation: We recommend the Agency implement procedures to monitor subrecipients. Additionally, we recommend the Agency obtain and maintain adequate documentation to support that costs are allowable and in accordance with Federal requirements.

Management Response: NDOT does not concur with the questioned costs. NDOT Transit reviews each invoice for allowable costs and contacts the MPO for additional information as needed.

APA Response: None of the payments tested had source documentation on file to support expenditures were in accordance with Federal cost principles.

Finding 2018-068

Program: CFDA 20.509 – Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring

Grant Number & Year: #NE-18-X045-00, FFY 2012, #NE-18-X048-00, FFY 2013; #NE-2016-008-00, FFY 2014; #NE-2017-013-00, FFY 2015

Federal Grantor Agency: U.S. Department of Transportation

Criteria: Title 2 CFR § 200.403 (January 1, 2018) requires costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to be in place to ensure compliance with Federal and State requirements.

Title 2 CFR § 200.331(d) (January 1, 2018) requires the pass-through entity to do the following:

Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Title 2 CFR § 200.511(a) (January 1, 2018) requires the auditee to prepare a summary schedule of prior audit findings. Subsection (b)(2) of that same regulation provides the following:

When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken.

Title 2 CFR § 200.430(i)(1) (January 1, 2018) states the following, in relevant part:

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;

* * * *

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards . . . .

Per 2 CFR § 200.405(a) (January 1, 2018), "A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received."

Per 2 CFR § 200.437(a) (January 1, 2018), "Costs incurred in accordance with the non-Federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable." (Emphasis added.)

According to the Agency's Travel Policy, "Reimbursement for tips will be whatever is usual, or customary, but will not exceed 20 percent."

Title 2 CFR § 200.331(a) (January 1, 2018) requires the pass-through entity to do the following:

> *Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification . . . . Required information includes:*
>
> *(1) Federal Award Identification.*
>
> * * * *
>
> *(iii) Federal Award Identification Number (FAIN)[.]*

According to the Nebraska State Management Plan approved by the Federal government in August 2015:

> *NDOR Transit Section staff conducts periodic on site reviews of all 5310 and 5311 subrecipients. Following the compliance review, a report is provided to the subrecipient noting findings and recommendations. When findings are identified the subrecipient is required to follow up by providing supporting documentation or written assurance that the findings have been corrected.*

Per 31 CFR § 205.33(a) (July 1, 2017), "States should exercise sound cash management in funds transfers to subgrantees . . . ."

A good internal control plan requires procedures to ensure Federal and State requirements are followed.

Condition: The Agency did not have adequate documentation on file to support that payments were for allowable activities and in accordance with allowable cost principles. A similar finding was noted in the prior audit. The summary schedule of prior audit findings states that the corrective action plan is complete.

Repeat Finding: 2017-071

Questioned Costs: $71,167 known

Grant	Questioned Costs
NE-18-X045-00	$ 3,590
NE-18-X048-00	$ 22,371
NE-2016-008-00	$ 43,231
NE-2017-013-00	$ 1,975

Statistical Sample: No

Context: During the fiscal year, the Agency paid $6,676,275 to 58 subrecipients. We noted the following:

Subrecipients receive assistance to provide transportation services to rural areas, based on their operating deficit and their non-operating costs. To receive reimbursement, the subrecipient provides a report of its operating revenue, operating costs, and non-operating costs. The subrecipient receives Federal reimbursement for 50% of its operating deficit (operating costs less operating revenues) and 80% of its non-operating costs.

Our prior audit noted the Agency did not have adequate subrecipient monitoring procedures. During our current review, we tested 25 payments, 18 of which were payments to 11 subrecipients. Documentation on file for the payments included worksheets prepared by the subrecipient. The Agency did perform financial desk reviews for some subrecipients; however, none of the reviews tested were adequate. One subrecipient tested was not reviewed at all. Questioned costs of $71,167 were noted for the following reasons:

- One subrecipient tested was not reviewed. The person who completed the financial desk reviews did not perform reviews for intercity bus service subrecipients, for-profit subrecipients, and one subrecipient she determined too complicated to review. The reviews for these subrecipients were the responsibility of her manager, who did not perform any financial reviews for allowability.

- Documentation was not adequate to support that personnel charges were allowable and in accordance with Federal cost principles.

    - For one subrecipient tested, payroll was not reviewed during the fiscal year.

    - For six subrecipients tested, the payroll reviewed by the Agency did not include detailed support, such as timesheets, to support the time spent on the grant. Several subrecipient employees had a percentage of time charged to the grant, but there was not adequate support to verify that the amount charged was correct. We also noted employee wage rates and benefits that were not verified.

    - For one subrecipient, the support for workers' compensation premiums was only an accounting system report. For another subrecipient, the support for the workers' compensation premiums was only a spreadsheet.

    - For two subrecipients tested, the Agency did not verify whether employee payroll and workers' compensation premiums were properly classified as non-operating versus operating expenditures. Classifying more expenditures as non-operating results in higher Federal reimbursement.

- Subrecipient administrative costs were not adequately supported. For one subrecipient, the Agency attempted to verify the rent expense. The Agency requested the rental agreement, but learned the subrecipient did not have it and did not follow up further. For another subrecipient, the Agency did not obtain support to verify the percentage of the electricity bill charged to the grant. Another subrecipient did not have support for the portion of the internet bill charged to the grant.

- The Agency did not review fare revenue, which could include receiving supporting documentation, performing analytical review, or any other procedures. Fares reduce the Federal reimbursement; therefore, if not properly reported, Federal reimbursements could be excessive.

- One subrecipient was sometimes unable to meet transportation demands with its own buses and drivers, so it purchased cab tickets and sold the tickets back to the public for less than the purchase price. Because the cab ticket purchase is classified as a non-operating expense and the subsequent sale is classified as operating revenue, the Federal and State reimbursement rates are different for each side of the transaction. This causes the subrecipient to make a profit every time they buy and sell a cab ticket, instead of providing service through its normal operations. For the month tested, the subrecipient earned $209 through this method, which does not appear proper.

- During testing, we noted one subrecipient provides its grant employees a quarterly lunch where work topics are discussed. The Agency stated these lunches are allowable under 2 CFR § 200.437, Employee Health and Welfare Costs. However, the subrecipient did not describe these lunches in its written policies as required by the Federal regulation. Additionally, one of the restaurant receipts reviewed and approved as allowable by the Agency had two individuals ordering ribeye steak and a beverage for a total of $32, which is twice the GSA lunch guideline of $16. We are questioning all of these meals, totaling $520. These payments occurred within the fiscal year, but in reimbursements other than our sample of 25 transactions.

- For four subrecipients, the Agency did not verify adequately that expenditures had been incurred before they were reimbursed.

We additionally tested seven payments *other than* payments to subrecipients and noted the following:

- One payment was a reimbursement for two individuals to attend defensive driving training. The Agency paid for their time, mileage, and meals. On their meal reimbursement request, one of the individuals requested reimbursement for a $5 donation to a local charity. This is not allowable and is considered questioned costs. Additionally, the Agency did not verify the individuals' wage rates. We also noted that 16 hours for the two days of training should have been paid for each employee, but an additional nine hours was paid and should not have been.

- One payment was a reimbursement to a State employee for meals to attend a training event. The tip paid on one of the meals was 22% of the total, which is excessive and not in accordance with Agency policies.

Federal payment errors noted were $70,647 in the sample and $520 outside of the sample. The total Federal sample tested was $427,722, and the total Federal expenditures during the fiscal year were $8,349,918. Based on the sample tested, the dollar error rate was 16.52% ($70,647/$427,722), which estimates the potential dollars at risk for fiscal year 2018 to be $1,379,406 (dollar error rate multiplied by population).

During our testing of subrecipient agreements, we noted the following:

- One subrecipient constructing a building was told it would be paid from the NE-18-X048-00 grant. However, $157,689 was actually paid from the NE-2016-008-00 grant, and the Agency did not notify the subrecipient of the change in funding source.

- We noted a subaward agreement for operating assistance identified the Federal grant as NE-2016-008-00. However, the Agency charged some of the operating costs for that subrecipient to NE-2017-013-00. The change in grant funding was not communicated to the subrecipient. We noted five subrecipients with expenditures, totaling $291,790, were moved from the NE-2016-008-00 grant to the NE-2017-013-00 grant without the required communication to those subrecipients.

We also noted the Agency performed a site visit to a subrecipient on June 30, 2017. Deficiencies noted were a lack of written maintenance plans and lack of a preventative maintenance schedule for vehicles. However, the follow-up site visit report communicating the deficiencies to the subrecipient and requiring corrective action was not issued until July 19, 2018, over one year later. This is not timely.

Cause: Inadequate procedures, documentation, and oversight. Reviews were not adequate to ensure subrecipient costs were in accordance with Federal requirements. For amounts unverified, often the Agency's response was that the subrecipient's signature on the monthly invoice attests to the accuracy of the expense. However, this is not sufficient. The purpose of the desk reviews is to verify that those attestations are correct. The Agency does not notify subrecipients when it changes funding sources. According to Agency staff, other priorities interfered with completing the follow-up report for the site visit.

Effect: There is an increased risk of unallowable costs. Inaccurate information was communicated to subrecipients. Delays in releasing follow-up site visit reports unnecessarily extend the time for noncompliance to occur.

Recommendation: We recommend the Agency improve procedures to ensure subrecipient expenditures are allowable and in accordance with Federal regulations. We further recommend the Agency implement procedures to ensure all required information is communicated to its subrecipients. Finally, we recommend the Agency implement procedures to ensure site visit follow-up reports are issued timely.

> **Management Response:** NDOT Transit does not concur with the questioned costs. NDOT Transit conducts in depth reviews of subrecipients during the fiscal year. A notation is made on each worksheet of every monthly reimbursement invoice that includes information regarding questionable costs requiring follow up and justification to determine if the expense is allowable. NDOT Transit will continue to conduct in depth reviews of subrecipient monthly invoices per the established criteria.
>
> NDOT Transit does not analyze reported fares due to the number of variables that affect the amount collected. Fares are determined locally and could vary by passenger age, distance traveled, in-county versus out of county destination, type of service, etc. Fares are reported monthly by source (regular, reduced, sponsored, etc.).

The City of Norfolk Public Transit purchases cab tickets to sell at a reduced rate for use by passengers during hours when the public transit system is not available. The revenue generated by the sale of these tickets is reported as other revenue. The City seeks reimbursement for the administrative burden of purchasing, selling and tracking the cab tickets by claiming an administrative fee as local match. Norfolk Public Transit does not profit from the partnership with the local cab company, and the program provides a valuable transportation resource for the community.

APA Response: One subrecipient tested had no financial review and ten subrecipients tested did not have adequate documentation to support the expenditures were in accordance with Federal cost principles. Review of revenues is important to ensure subrecipients are not increasing the Federal reimbursement by under-reporting revenues.

Finding 2018-069

Program: CFDA 20.509 – Formula Grants for Rural Areas – Reporting

Grant Number & Year: #NE-18-X048-00, FFY 2013; #NE-2016-008-00, FFY 2014

Federal Grantor Agency: U.S. Department of Transportation

Criteria: According to 49 CFR § 630.1 (October 1, 2017):

The purpose of this part is to prescribe requirements and procedures necessary for compliance with the National Transit Database Reporting System and Uniform System of Accounts, as mandated by 49 U.S.C. 5335, and to set forth the procedures for addressing a reporting entity's failure to comply with these requirements.

Per 49 CFR § 630.5 (October 1, 2017):

Failure to report data in accordance with this part may result in the noncompliant reporting entity being ineligible to receive any funding under 49 U.S.C. chapter 53, directly or indirectly, until such time as a report is filed in accordance with this part.

According to the April 2017 Compliance Supplement, "The State agency administering the 5311 program is responsible for submitting the rural report on behalf of the State and its subrecipients."

Per 2 CFR § 200.302 (January 1, 2018), fiscal control and accounting procedures of the State must be sufficient to permit preparation of required reports.

Per 2 CFR § 200.303(a) (January 1, 2018), the non-Federal entity must do the following:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Paragraph OV4.08 of "Standards for Internal Control in the Federal Government" (September 2014), issued by the Comptroller General of the United States, states in relevant part, "Documentation is required for the effective design, implementation, and operating effectiveness of an entity's internal control system."

A good internal control plan requires procedures to be in place to ensure all necessary reports are accurate, complete, and submitted to the Federal government. Good internal control also requires the Agency to maintain documentation showing who prepared and submitted reports.

Condition: The Agency did not verify that critical information was reported to the National Transit Database (NTD) for two of its subrecipients, and the Agency did not maintain documentation for who prepared and submitted NTD reports. The Agency was unable to support amounts reported on the Federal Financial Reports (FFRs).

Repeat Finding: 2017-072

Questioned Costs: None

Statistical Sample: No

Context: For each of its subrecipients, the Agency is required to submit annual reports containing financial and operating information. The Agency submitted 57 subrecipient reports during the fiscal year and verified that another subrecipient reported its own data. The Agency failed to verify that reports were submitted by the subrecipient for two other subrecipients.

The Agency was unable to support amounts reported for the recipient share of expenditures for both FFRs tested for the year ended September 30, 2017. The following variances were noted:

Grant	Reported	Actual	Variance
NE-18-X048-00	$ 4,900,993	$ 2,748,144	$ 2,152,849
NE-2016-008-00	$ 183,916	$ 316,541	$ (132,625)

Cause: Two intercity bus subrecipients reported their own NTD data to the Federal government. However, the Agency did not verify that the data was either submitted or correct. The Federal NTD reporting system does not show who prepares and submits the reports, and the Agency did not document this control procedure. For the NE-18-X048-00 FFR, the Agency stated that it could not do a budget revision and had to report the original amount estimated in the grant award. For the NE-2016-008-00 FFR, the Agency acknowledged having made an error.

Effect: Incomplete and incorrect information was reported to the Federal government. Control procedures were not documented, which increases the risk for errors to occur and not be detected.

Recommendation: We recommend the Agency implement procedures to ensure all necessary reports are accurate, complete, and submitted to the Federal government.

Management Response: The National Transit Database report is prepared and submitted annually as required. There is no regulation regarding how the information is compiled or who submits the information for the reporting agency. However, report users who have access are identified in the NTD system. The user who inputs the data elements is not identified in the report after it is submitted as it is not required.

When NDOT created the budget and opened the grants in question, NDOT was reimbursing subrecipients with federal funds at 50%. Funds remained in these grants because NDOT changed the reimbursement percentage to 50% federal reimbursement for operating costs and 80% for non-operating. The NDOT grants manager was unable to de-obligate the funds and close the grant. FTA's Region 7 Program Manager advised NDOT to show the funds as fully expended causing misinformation in the FFRs.

APA Response: According to the Office of Management and Budget (OMB) Compliance Supplement, "The State agency administering the 5311 program is responsible for submitting the rural report on behalf of the State and its subrecipients." 2 CFR § 200.303(a) requires the Agency to maintain effective internal control to ensure compliance with Federal regulations.

Finding 2018-070

Program: CFDA 20.600 and CFDA 20.616 – Highway Safety Cluster – Allowability & Subrecipient Monitoring

Grant Number & Year: All open, including 18X9204020NE17, FFY 2017; 18X920405dNE16, FFY 2016

Federal Grantor Agency: U.S. Department of Transportation

Criteria: A good internal control plan requires procedures to ensure adequate documentation is maintained to support amounts paid to subrecipients and to ensure subrecipients utilize Federal funds for authorized purposes and in compliance with all applicable regulations.

2 CFR § 200.331(d) (January 1, 2018) requires all pass-through entities to do the following:

Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

2 CFR § 200.403 (January 1, 2018) states the following:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

> * * * *
>
> *(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. . . .*
>
> *(g) Be adequately documented. . . .*

Title 2 CFR § 200.405(a) (January 1, 2018) states the following, in relevant part:

> *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. This standard is met if the cost:*
>
> > * * * *
> >
> > *(2) Benefits both the Federal award and other work on the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods . . .*

Title 2 CFR § 200.430(i)(1) (January 1, 2018) requires that records for salaries and wages must:

> *(iii) Reasonably reflect the total activity for which the employee is compensated . . . ;*
>
> * * * *
>
> *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award . . . .*

Condition: The Agency did not have adequate documentation on file to support that subrecipient payments were for allowable activities and in accordance with allowable cost principles.

Repeat Finding: No

Questioned Costs: $11,745 known

CFDA	Grant	Questioned Costs
20.600	18X9204020NE17	$ 500
20.616	18X920405dNE16	$ 11,245

Statistical Sample: No

Context: The Agency paid 113 subrecipients a total of $3,163,894 during the fiscal year. We tested a random sample of 25 grant expenditures, including 19 payments to subrecipients. We noted the following:

- There was inadequate support for one payment tested, as the subaward stated that child car seats were for low-income residents; however, there was no listing of the recipients of the seats or if they were "low-income."

- Three subrecipients tested did not have time records in accordance with Federal requirements. Two of these subrecipients did not account for all the activities of the employees. For the other subrecipient, the timesheets did not indicate the number of hours worked and which hours were attributable to the grant. The Agency also did not have adequate support on file for each employee's pay rate, dental insurance, medical benefits, and pension for this same subrecipient.

- Two of the same subrecipients listed above also had other expenditures that were not adequately supported or in accordance with Federal cost principles. For example, an employee who worked only 70% on the grant had 100% of his cell phone charged to the grant. In addition, 100% of the subrecipient's lease expense was charged to the grant, but not all employees worked 100% on the grant. Utility expenses were partially charged to the grant, but there was no support for the allocation percentage.

The total subrecipient sample tested was $141,613, and total subrecipient questioned costs were $11,745. Subrecipient expenditures for the fiscal year totaled $3,163,894. The dollar error rate for the sample was 8.29% ($11,745/$141,613), which estimates the potential dollars at risk for fiscal year 2018 to be $262,287 (dollar errors rate multiplied by population).

Cause: Inadequate review and documentation.

Effect: Increased risk for unallowable costs charged to Federal grant.

Recommendation: We recommend the Agency improve procedures to ensure subrecipient expenditures are allowable and in accordance with Federal regulations.

> **Management Response:** The HSO will follow the policy guide for accurately tracking expenditures to comply with Federal regulations.

Finding 2018-071

Program: CFDA 20.600 – State and Community Highway Safety – Earmarking

Grant Number & Year: All open, including 18X9204020NE17, FFY 2017

Federal Grantor Agency: U.S. Department of Transportation

Criteria: Title 23 U.S.C 402(b)(1)(C) (2017) requires at least 40% of Federal Funds apportioned to the State to be expended by political subdivisions of the State.

Appendix E to 23 CFR Part 1200(a) (April 1, 2018) provides the following:

> *To ensure compliance with the provisions of 23 U.S.C. 402(b)(1)(C) and 23 U.S.C. 402(h)(2), which require that at least 40 percent or 95 percent of all Federal funds apportioned under Section 402 to the State or the Secretary of Interior, respectively, will be expended by political subdivisions of the State, including Indian tribal governments, in carrying out local highway safety programs, the NHTSA Approving Official will determine if the political subdivisions had an active voice in the initiation, development and implementation of the programs for which funds apportioned under 23 U.S.C. 402 are expended.*

Appendix E to 23 CFR Part 1200(c) states, in part, the following:

> *(2) When Federal funds apportioned under 23 U.S.C. 402 are expended by a political subdivision such expenditures are clearly part of the local share. . . .*

> *(3) When Federal funds apportioned under 23 U.S.C. 402 are expended by a State agency for the benefit of a political subdivision, such funds may be considered as part of the local share, provided that the political subdivision has had an active voice in the initiation, development, and implementation of the programs for which such funds are expended. A State may not arbitrarily ascribe State agency expenditures as 'benefitting local government.' . . . Evidence of consent and acceptance of the work, goods or services on behalf of the local government must be established and maintained on file by the State until all funds authorized for a specific year are expended and audits completed.*

A good internal control plan requires procedures to ensure the local percentage is met, and evidence is maintained to support that political subdivisions had an active voice in the expenditure of funds.

Condition: The Agency did not have documentation on file to support that political subdivisions had active voices in expenditures by the State that were for the benefit of local agencies.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: We tested 25 payments identified as expenditures for political subdivisions. Twelve of the payments tested were not made directly to the local agency but were paid by the State on behalf of the local agency. For those 12 payments, the Agency did not have documentation to support that the political subdivision had an active voice in the expenditure of funds.

Cause: Inadequate procedures.

Effect: Noncompliance with Federal regulations, which could result in sanctions.

Recommendation: We recommend the Agency implement procedures to ensure evidence is maintained to support that political subdivisions have active voices in expenditures by the State for their benefit.

> **Management Response:** The HSO will update procedures to include identifying expenditures as "local benefit" to include expenditures directly to local agencies and expenditures with documentation to support the local agency had an active voice for the expenditures.

AUDITEE SECTION

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NEBRASKA

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DEPT. OF ADMINISTRATIVE SERVICES

Corrective Action Plan

The State of Nebraska Administrative Services respectfully submits the following corrective action plans for the fiscal year ended June 30, 2018. The corrective action plans were prepared by the State agency noted.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

If the U.S. Department of Health and Human Services has questions regarding the corrective action plans, please contact Philip Olsen at 402-471-0600 or Philip.Olsen@nebraska.gov

Sincerely yours,

Philip J. Olsen, CPA, CISA
State Accounting Administrator

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II. Findings Relating to the Financial Statements:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2018-001

CAFR Preparation

Corrective Action Plan: In addition to reviewing options for additional resources, State Accounting will continue implementing new processes and training for existing staff as well as State agency personnel providing information for the CAFR process.

Contact: Sheryl Hesseltine (402) 471-0610

Anticipated Completion Date: On-going

BOARD OF EDUCATIONAL LANDS AND FUNDS

Finding 2018-002

Land Not Reported as an Investment and Unauthorized Bank Account

RE: Land not reported as an investment:

Corrective Action Plan: The CEO, Kelly Sudbeck, and Cindy Kehling and Donita From from this agency met with Administrative Services (then Accounting Administrator Jerry Broz and Sheryl Hesseltine) on July 17, 2018 to discuss the process for the inclusion of the BELF land values into the CAFR report and into the State Accounting System. Cindy Kehling, Sheryl Hesseltine and Ron Carlson are continuing to work together to set up the land values in the State Accounting System.

Contact: Cindy Kehling

Anticipated Completion Date: Unknown, it depends entirely upon when Administrative Services determines the value of BELF property they will use when listing the property, and when they complete the listing of our property on the system.

RE: Unauthorized bank account:

Corrective Action Plan: As stated in our original audit response, this account has already been transferred into the possession of the State Treasurer.

Contact: Cindy Kehling

Anticipated Completion Date: Already completed.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2018-003

Material Adjustments

Corrective Action Plan: DHHS Financial Services will continue to develop, assess, and improve upon internal procedures. Since the issuance of the 2013 Single Audit, the Agency has implemented several improvements to the CAFR accrual reporting process that has resulted in fewer errors in recent Single Audits. Financial Services staff hosts an annual CAFR kick-off meeting with all staff involved in the reporting process and includes DAS Accounting in these meetings. This meeting outlines the internal reporting process, documentation expectations, prior year audit findings and deadlines. Documentation for each accrual item is then collected and compiled by responsible parties based on a pre-defined and communicated deadline for an initial review and then is subsequently reviewed by Financial Services.

Contact: John Meals

Anticipated Completion Date: 6/30/2019

Finding 2018-004

Overpayment Mailbox

Corrective Action Plan: The Department implemented standard operating procedures for the pursuit of overpayments in 2017. The Department has processed all overpayments received since October 1, 2016 timely. The agency has completed the corrective action plan and disputes the finding. During the last state fiscal year, the team established $2,384,675 overpayments for SNAP on 2,971 referrals. Each month, 300-500 new referrals of potential overpayments are received, reviewed and processed within 30 days of the referral. Last year, 32% overpayment referrals were determined as non-pursuable. The reasons a referral is categorized as non-pursuable include: by regulation no overpayment occurred; not enough information to determine if overpayment occurred; amount of overpayment is under the dollar threshold for collection and overpayment is outside the state statute timeframe to collect. In many circumstance, client cooperation is required to determine the amount of an overpayment; last year 435 SNAP benefit cases were closed due to client not cooperating with agency to determine amount of overpayment.

As discussed in previous audit, the agency has suspended processing on 10,614 SNAP referrals submitted from 2011 -2015. DHHS has notified USDA Food and Nutrition Services of the suspension. The reason for suspending the review includes: the amount of casework required to determine if an overpayment exists is excessive; the ability to obtain the required verification such as the client address and income information is questionable; and the state does not have the ability to pursue an overpayment that is over 12 months old. The agency explained to USDA Food and Nutrition Service that the referrals occurred during a time period when the state was experiencing difficulty in determining eligibility timely and the backlog developed during ACCESSNebraska implementation. USDA Food and Nutrition Service has acknowledged the agencies notification and has requested DHHS review the referrals to classify as non-pursuable, client and agency caused. They are requesting we follow up with State Investigations Unit where appropriate. We are in process of completing this work.

Contact: Karen Heng

Anticipated Completion Date: 4/30/2019

Finding 2018-005

External NFOCUS User Access

Corrective Action Plan: The Division of Children and Family Services (CFS) specifically and the Department of Health and Human Services (DHHS) overall, are in agreement with the Auditor of Public Accounts (APA) finding regarding NFOCUS access which states:

"We recommend the Department remove external entity access to the NFOCUS application and instead provide limited access to data through the separate portal, so only necessary data required by the entity can be accessed. We also recommend the Department establish processes with external entities to ensure they report timely all instances of roll changes or terminations affecting user access requirements. Lastly, we recommend the Department periodically inform external entities of the importance of notifying the Department to remove employee access to information resources upon termination."

Addressing the access of the Child Advocacy Centers (CACs) will occur as part of a CFS-wide reassessment of access to NFOCUS and will not be limited to only the CACs. Below is the access review and access establishment process created by Mark Nelson, IT Manager - Information Systems & Technology - DHHS, which will be used to address NFOCUS access issues.

Evaluation: All external entities with access to N-FOCUS will have access levels and reasoning for said access levels re-examined. This evaluation will focus on the need of the Department and each external agency and will involve the business areas more fully into the process which is essential since the data belongs to the business areas. The access review will be conducted by staff from CFS, MLTC, Legal Services, and IS&T with coordination with Internal Audit. If a more appropriately focused level of access is available that will fulfill the Department's needs, the external party will be moved to that level.

IS&T expects this process to take several months to complete.

Yearly Re-evaluation: After completion of the evaluation and access modification phase, the effort will expand to tracking external contracts more fully including a re-evaluation of access on an annual basis. This re-evaluation will also grow to a more formal evaluation of the individuals covered by each entity.

Contact: Karen Heng

Anticipated Completion Date: 9/30/2019

Finding 2018-006

Program 354 – Child Welfare Aid

Corrective Action Plan: The agency agrees with the finding. Standard operating procedures are being updated and staff training is occurring to work on this finding.

NFOCUS Claim Overpayments and Errors
The agency has implemented an ongoing Supervisor case review process to monthly review NFOCUS claims. In addition, a reporting system to flag and check unusually high monthly authorizations outside of set parameters. The Program Manger receives the report which is created on authorizations issued and is able to make sure the errors are corrected before a service begins. The staff have been trained on calculating overpayments and making referrals for investigation. A warrant has been issued in Douglas County on the case of the large overpayment for Adoption Subsidy. The agency is also receiving payments on the overpayment claim.

Federal Funds Not Fully Utilized for Adoption Assistance
After clarification from ACF, this was corrected. Respite Adoption Subsidy code 8421 was changed from Child Welfare funded to IV-E funded in NFOCUS as of November 9, 2018 and applied to claims thereafter. For past claims, eight prior quarters were not available to claim additional IV-E funds available under the waiver cap to draw.

Contractual Aid Payments Not Adequately Monitored
A complete review of current procedures is taking place. Those procedures will be enhanced to ensure that adequate supporting documentation is reviewed, contract provisions are being reviewed and met, site visits are established, and that personnel costs will be reviewed to support that the actual time spent on the subawards and contracts is in accordance with Federal cost principles. The enhanced procedures will ensure that expenditures are reasonable and necessary.

Contact: Karen Heng

Anticipated Completion Date: 4/30/2019

INVESTMENT COUNCIL

Finding 2018-007

Improper Investment Classification

Corrective Action Plan: The Council does assist when classifications are questioned by other state agencies or state auditors merging the bank classifications into the state's established classifications. This practice is outlined in the most recent APA Cash & Investment Presentation & Disclosure Memo dated 6.30.18, section titled "DAS Procedures for Preparation of Footnote." The Council will continue to assist agencies whenever asked to help ensure they meet GASB investment codification standards. Furthermore, the Council will continue to educate agencies about the State's various investment portfolios as requested.

Contact: Michael Walden-Newman, State Investment Officer

Anticipated Completion Date: Completed

III. Findings Relating to Federal Awards:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2018-008

Program: Various, including CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Corrective Action Plan: The development of assessments, rates and surcharges for the next biennium – FY21-23 will begin in January 2020. The estimated costs used are based on historical costs and estimated increases during the final fiscal year of the current biennium and then the estimated costs for the new biennium. At that time DAS will begin a review of its various rate setting procedures including the Building Division indirect cost allocations, work order rate, etc.

It was felt that the planned implementation of a new ERP system would provide the needed information to review and revise Print Shop rates. DAS is no longer moving forward with a new ERP system, but is upgrading the current JDE system from 9.1 to 9.2. An upgrade will not provide new system functionality. Any increased functionality would only be possible in the future and is dependent on staff resources and future funding. Central Finance has contacted the JDE Upgrade Team regarding the Print Shop's needs. It has not been determined at this time what data can be pulled from JDE. Central Finance will continue to work with the Upgrade Team.

DAS Central Finance will continue to work the various Divisions to ensure that rates are applied consistently.

Contact: Ann Martinez, DAS Controller

Anticipated Completion Date: The next rate setting period begins in January 2020 and will be completed in June 2020 when the new biennial rates are published.

Finding 2018-009

Program: Various, including CFDA 93.767 – Children's Health Insurance Program; CFDA 20.205 – Highway Planning and Construction – Reporting

Corrective Action Plan: DAS will continue training of reporting team and agencies on accurate reporting of their SEFA amounts, including instruction on using the account code established for aid to subrecipients.

Contact: Sheryl Hesseltine, Financial Systems and Reports Manager

Anticipated Completion Date: ongoing

DEPARTMENT OF ECONOMIC DEVELOPMENT

Finding 2018-010

Program: CFDA 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii – Program Income & Subrecipient Monitoring

Corrective Action Plan: As stated by the Department in the corrective action plan dated September 7, 2018, the team worked on developing and updating procedures to address monitoring issues. As a result, it created internal procedures for Local Government Program Income Revolving Loan Funds process, which became effective January 2019. The Department continues to make improvements to these procedures addressing monitoring deficiencies and the approval of subrecipient reuse plans.

Contact: Punnya Ranjit, Internal Auditor

Anticipated Completion Date: June 30, 2019.

DEPARTMENT OF EDUCATION

Finding 2018-011

Program: CFDA 10.558 – Child and Adult Care Food Program (CACFP) – Eligibility

Corrective Action Plan: Modify the Determining Financial Viability policy and procedure to include submission of externally produced documentation for establishing financial viability.

Contact: Sharon L. Davis, Administrator Office of Nutrition Services

Anticipated Completion Date: May 1, 2019

Finding 2018-012

Program: CFDA 84.027 and 84.173 – Special Education Cluster (IDEA) – Allowability & Subrecipient Monitoring

Corrective Action Plan: The Nebraska Department of Education is in the process of hiring two additional Grants Management Specialist to implement a coordinated review of all subrecipients under the Uniform Guidance found in 2 CFR 200. This will include additional review and technical assistance to all subrecipients related to time and effort documentation, updates to the Grant Award Notifications, and timely reviews of all subrecipient single audits and issuances of management decisions.

Contact: Jen Utemark, Administrator for the Office of Budget & Grants Management

Anticipated Completion Date: December 31, 2019

Finding 2018-013

Program: CFDA 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Allowability

Corrective Action Plan: VR will ensure staff follow the current Case Service Procurement and Consumer Accountability policies accordingly. The Equipment Recoupment chapter will be finalized.

Contact: Lindy Foley

Anticipated Completion Date: April 1, 2019

Finding 2018-014

Program: CFDA 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Eligibility

Corrective Action Plan: VR will enhance internal controls in QE2 to address documentation of the IPE development in 90 days. VR will implement the peer review Team Compliance Review process.

Contact: Lindy Foley

Anticipated Completion Date: May 1, 2019

Finding 2018-015

Program: CFDA 84.367 – Supporting Effective Instruction State Grant – Allowability & Subrecipient Monitoring

Corrective Action Plan: The Nebraska Department of Education is in the process of hiring two additional Grants Management Specialist to implement a coordinated review of all subrecipients under the Uniform Guidance found in 2 CFR 200. This will include additional review and technical assistance to all subrecipients related to time and effort documentation, updates to the Grant Award Notifications, and timely reviews of all subrecipient single audits and issuances of management decisions.

Contact: Jen Utemark, Administrator for the Office of Budget & Grants Management

Anticipated Completion Date: December 31, 2019

ENERGY OFFICE

Finding 2018-016

Program: CFDA 93.568 – Low-Income Home Energy Assistance (LIHEAP) – Allowability, Eligibility, & Subrecipient Monitoring

Corrective Action Plan: NEO Weatherization Assistance Program (WAP) is in the process of updating its Policy and Procedures. The above-mentioned monitoring recommendations will be incorporated into the Policy and Procedures Manual. The manual is in draft form and will be presented to the WAP network on October 16, 2018 for comments.

Contact: Thomas Tabor

Anticipated Completion Date: March 1, 2019

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2018-017

Program: CFDA 93.658 – Foster Care Title IV-E – Allowable Costs/Cost Principles

Corrective Action Plan: Management of the RMTS system (including the RMTS Administrator) has moved out of DHHS Finance and into DHHS Division of CFS in order to facilitate better response and review of the RMTS process by staff familiar with the activities carried out by SSWs/CFSS workers. Additionally, training of SSWs/CFSS workers will be conducted in order to ensure that RMTS forms are being filled out correctly.

Contact: Patrick Werner

Anticipated Completion Date: June 30, 2019

Finding 2018-018

Program: Various, including CFDA 10.561 – State Administrative Grants for the Supplemental Nutrition Assistance Program (SNAP); CFDA 93.568 – Low-Income Home Energy Assistance (LIHEAP); CFDA 93.575 & 93.596 CCDF Cluster; CFDA 93.558 – Temporary Assistance for Needy Families (TANF); CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Corrective Action Plan: Labor Hours: Mapping of cost centers within their respective Division/Section/Unit will be sent to contractor by 12/31/18. Medicaid 90/75/50 issue corrected with Cost Allocation adjustment in 9/30/18 quarter.

Time and Effort: Error with exclusion of pay types that did not reflect work performed corrected with Cost Allocation Adjustment in 9/30/18 quarter.

Regarding Performance Eval and Review Cost Center: We will carve them out of the cost center and allocate them directly to the program that they are in direct support of by 6/30/19.

Recipient Allocations: Agency will support recipient statistic for Medicaid and CHIP with report effective the 12/31/18 quarter.

Contact: Patrick Werner

Anticipated Completion Date: June 30, 2019

Finding 2018-019

Program: Various, including CFDA 93.778 – Medical Assistance Program; CFDA 17.235 – Senior Community Service Employment Program – Allowable Costs/Cost Principles

Corrective Action Plan: The Senior Community Service Employment Program error has already been fixed via a journal entry. An HR procedure already exists for the RPA process. The agency will review this procedure and make any necessary updates.

Contact: John Meals; Tim Sasek

Anticipated Completion Date: June 30, 2019

Finding 2018-020

Program: Various, including CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); CFDA 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP); CFDA 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles

Corrective Action Plan: DHHS will examine the documentation requirements for the items noted and adjust or create procedures where necessary.

Contact: John Meals

Anticipated Completion Date: June 30, 2019

Finding 2018-021

Program: CFDA 10.551 – Supplemental Nutrition Assistance Program – Special Tests and Provisions

Corrective Action Plan: Since the discovery of this issue, an audit step has been included in this area's standard operating procedures for all scanned documentation.

Contact: Karen Heng; Melissa Weyer; Shannon Grotrian

Anticipated Completion Date: December 1, 2018

Finding 2018-022

Program: CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children – Reporting

Corrective Action Plan: Changes have been made to the 2018 WIC closeout report to properly reconcile food outlays in the proper month and year. Agency is now reconciling food outlays monthly and reports are reviewed by the Grants Unit Manager prior to submission.

Contact: Heather Arnold

Anticipated Completion Date: 2/18/2019

Finding 2018-023

Program: CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children – Special Tests and Provisions

Corrective Action Plan: Food instruments are no longer in use, effective November 23, 2018, with the implementation of the eWIC/EBT (electronic benefit transfer) card. The cards use a personal PIN number instead of a signature. Benefits are automatically available from the first day through the last day of each month. These features eliminate the need for manual review of signature and redemption dates.

Contact: Peggy Trouba

Anticipated Completion Date: 11/23/2018

Finding 2018-024

Program: CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children – Allowability & Subrecipient Monitoring

Corrective Action Plan: The Agency maintains that the financial monitoring processes completed through a desk review or an on-site visit are sufficient to verify that expenditures claimed on the monthly financial status reports are allowable.

The Agency disagrees procedures are inadequate to support the allowability of subrecipient expenditures reviewed during financial monitoring. There is no federal requirement that specifies that physical copies need to be retained by the pass-through agency. When desk reviews are completed physical copies of supporting documentation are received and retained. During an on-site visit the reviewer receives and retains a physical copy of the relevant general ledger. Source documents are observed on-site. The reviewer makes tick marks on the source documents and the general ledger to indicate which documents were reviewed. The general ledger tick marks would lead us back to the source documents ticked. The source documents are left with the subrecipient who is required to retain the documentation per the Agency's retention schedule. Upon request the subrecipient will provide the source documents of the invoices tested."

Contact: Peggy Trouba

Anticipated Completion Date: N/A

Finding 2018-025

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Allowability & Subrecipient Monitoring

Corrective Action Plan: The agency will follow up at the mid-point between monitoring visits with each AAA. The agency will require additional documentation regarding budget revisions made as a result of cost allocation changes.

Contact: Cynthia Brammeier, Bob Halada

Anticipated Completion Date: 6/30/2020

Finding 2018-026

Program: CFDA 93.069 – Public Health Emergency Preparedness; CFDA 93.889 – National Bioterrorism Hospital Preparedness Program – Allowability & Subrecipient Monitoring

Corrective Action Plan:

1) Will update written procedures for following up on subrecipient monitoring corrective action plans to ensure subrecipient payments are for actual and allowable costs.

2) Will continue to follow up on subrecipient required corrective action plans that are still in process, to include recovery of unallowable payments previously made to subrecipients.

Contact: Eric Sergeant

Anticipated Completion Date: 8/30/2019

Finding 2018-027

Program: CFDA 93.217 – Family Planning Services – Allowability & Subrecipient Monitoring

Corrective Action Plan: NE Reproductive Health will request source documents from at least one subrecipient per year if staff remain at current levels. NE Reproductive Health will again request permission to hire additional staff to conduct financial reviews by June 2019. NE Reproductive Health Program Manager will identify and attend updated cost analysis training by December 2019.

Contact: Tina Goodwin, Sara Morgan

Anticipated Completion Date: 12/31/2019

Finding 2018-028

Program: CFDA 93.217 – Family Planning Services – Reporting

Corrective Action Plan: The FFR has been revised with the correct unliquidated obligations and program income amount. In addition, a more thorough review will be done on obligation reports pulled from E1. Program income is self-reported from external sites via a monthly expenditure report. The program income amount is lifted from each monthly report and added to a spreadsheet, which is then provided to Finance as necessary for fiscal monitoring and reporting.

Contact: Tina Goodwin, Sara Morgan, Heather Arnold

Anticipated Completion Date: 3/31/2019

Finding 2018-029

Program: CFDA 93.283 – Center for Disease Control & Prevention – Investigations and Technical Assistance; CFDA 93.898 – Cancer Prevention & Control Programs for State, Territorial & Tribal Organizations – Allowability & Subrecipient Monitoring

Corrective Action Plan: All contractual relationships for local health departments, Federally Qualified Health Centers, and Partnership for a Healthy Lincoln have been moved to fixed-cost subawards. The program submitted justification and payment rates for agreements to the CDC as part of the grant application, and has received Federal approval to enter into fixed-cost subawards. CDC Program Services Branch and Program Grants Management Office have reviewed and approved fixed-cost subawards and cost basis. The program believes that there is sound basis for cost allocation, allowability, reasonableness, and justification.

Contact: Gwen Hurst, Jamie Hahn, Melissa Leypoldt, Sara Morgan

Anticipated Completion Date: February 8, 2019

Finding 2018-030

Program: CFDA 93.556 – Promoting Safe and Stable Families; CFDA 93.671 – Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services – Subrecipient Monitoring

Corrective Action Plan:

1. CFS developed process and procedures for improved Subrecipient monitoring. Completed July 2018.

2. CFS implemented additional training for Subrecipient monitors on allowable and reasonable costs; indirect costs; and adequate desk review procedures. Completed June 2018.

3. Promoting Safe and Stable Families Subrecipient implemented an electronic time keeping system effective July 1, 2018. Prior to that date, the Subrecipient used paper timesheets. The electronic time keeping system requires the employee to track their time and effort, by grant, on a daily basis, and their supervisor's approval prior to the end of the pay cycle. Further review is done every pay cycle by the Director of Accounting and the Chief Financial Officer of the sub-recipient. Completed July 2018.

4. CFS is in the process of hiring a fiscal monitor for Subrecipient monitoring. Anticipated completion date: June 30, 2019

5. CFS is working with the Promoting Safe and Stable Families Subrecipient to ensure the correct amount of administration is charged to the federal grant in FFY19. Anticipated completion date: January 2019

Contact: Ross Manhart, Administrator, CFS, ross.manhart@nebraska.gov

Anticipated Completion Date: June 30, 2019

Finding 2018-031

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Corrective Action Plan: DHHS will revise the NFOCUS query to check if a child has been placed outside of the home, before allowing TANF funding for In-Home services. The query will need to allow for partial months TANF eligibility for coverage, where possible.

Contact: Shannon Grotrian, Karen Heng, Manuel Escamilla

Anticipated Completion Date: 6/30/2019

Finding 2018-032

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Corrective Action Plan: The Agency will develop a process to obtain verification for the cost of diagnostics from mechanics prior to the issuance of this Supportive Service. We will update our Guide for Employment First Supportive Services to provide guidance to ResCare for a new process to be put in place. We will review the errors of the issuance of two repair estimates when a vehicle was worth less than $1500 with ResCare. We will also review the error with ResCare regarding approving the higher repair estimate without supporting documentation to ensure they are following the processes in place. We will continue our Supportive Service Reviews that review a sample of all Supportive Services by Rescare to ensure they are following the Regulation and Processes that are in place for accuracy.

Contact: Shannon Grotrian, Karen Heng

Anticipated Completion Date: 8/31/2019

Finding 2018-033

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability & Subrecipient Monitoring

Corrective Action Plan: The Agency agrees that the technical requirement of the regulations was not fulfilled and will be rectified by amending the award to include that information.

The Agency will be developing a process for reviewing the allocations and accrual audits for the subawardee.

Contact: Shannon Grotrian, Karen Heng

Anticipated Completion Date: 10/31/2019

Finding 2018-034

Program: CFDA 93.568 – Low-Income Home Energy Assistance (LIHEAP) – Reporting

Corrective Action Plan: The agency has revised reporting preparation procedures to ensure unliquidated obligations and the unobligated balance are correct.

The Nebraska Energy Office will require sub-grantees starting in FFY 2019 to attach income documentation/verification to all sub-grantee home expenditure requests and will verify the income level amount the sub-grantee loaded in the BCJOS system is correct prior to processing a reimbursement request.

The NFOCUS Technical Team corrected the Household Report for FFY 2018 with System Change Request (SCR) NFO04723 to update the report logic to pull income for the first authorized LIHEAP budget for the program year. This change has already been implemented.

Contact: Britton Gabel, Heather Arnold, John Meals

Anticipated Completion Date: December 31, 2018

Finding 2018-035

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Allowability & Eligibility

Corrective Action Plan: The Agency will review the cases identified by the APA and will initiate any necessary overpayment or disqualification actions.

With regards to the billing errors and attendance records, the Agency is working on two projects to address billing issue. The first project will be an on-line video training titled "Expectations for Being a Child Care Subsidy Provider". This training will provided an orientation to subsidy providers of the child care subsidy provider agreement, reading an authorization, how to complete attendance calendars, billing through the portal, and other topics. This will be requirement for all subsidy providers to complete. This training will be ready in spring of 2019.

The second project is the redesign of the current billing portal. A workgroup of various DHHS members have been meeting to identify what needs to be included in the redesign. This redesign will include automatic deduction of the families co-pay, entered claims will not be able to exceed the maximum hours and days in the authorizations, build in records and/or time keeping, and other enhancements and safeguards. The anticipated date of completion is September 2020.

A report was redesigned to report detailed information on providers who failed to deduct co-payments. This report is being reviewed and past claims are being adjusted to collect unpaid co-payments. This review will continue until the portal project is complete.

With regards to the missing parent signature on the attendance calendar. Resource Development workers will review the use of calendars annually when they sign the provider agreement is renewed. This will also be covered in the Expectations for Being a Child Care Subsidy Provider online training.

Contact: Nicole Vint

Anticipated Completion Date: 6/30/2019

Finding 2018-036

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Reporting

Corrective Action Plan: FFY 2017 QE September 30, 2017 was revised and resubmitted with correct amount. Reviews are being done for every report by the Grants Accounting Manager before submission to ensure errors do not occur in the future.

In addition, a correcting JE will be done with the correct FMAP rate.

Contact: Heather Arnold, Andrew Keck

Anticipated Completion Date: 6/30/2019

Finding 2018-037

Program: CFDA 93.575 and 93.596 – CCDF Cluster; CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: Updated SOP's have been implemented in the Special Investigations Unit to ensure all cases are reviewed and assigned as a top priority within two days of referral. Tracking is being done separately to monitor the timeliness of all ongoing Childcare and Medicaid investigations and ensure they are completed within the mandated amount of time. A process improvement project is currently in the data collecting phase of the investigative process to improve timeliness. DHHS Accounting is in the process of working with our Process Improvement team to revise childcare collection policy and improve efficiencies on this process. The process is currently ongoing.

Contact: Karen Heng, Jana McDonough, John Meals

Anticipated Completion Date: 9/30/2019

Finding 2018-038

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Special Tests and Provisions

Corrective Action Plan: The Child Care Licensing Act was amended in 2018 to state that school age only child care programs operated in NDE approved or accredited schools shall be deemed to meet the standards of the State Department of Education for the care and protection of children. 71-1913 indicates that fire or health referrals for school age programs shall not be submitted to fire and health inspectors by the Division of Public Health. The process to be used to track and monitor routine fire and health inspection referrals includes:

1. On a monthly basis, staff assistants monitor the outstanding referrals for both fire and health inspectors

2. Send a list of pending referrals to appropriate fire/health agency by June 30, September 30, and Nov 30 indicating the referrals still needing to be received by the Department

3. By December 15, provide a list of all pending referrals to Child Care Licensing Supervisor to contact the appropriate entity to check on the status of the inspection.

Contact: Becky Wisell

Anticipated Completion Date: 12/31/2019

Finding 2018-039

Program: CFDA 93.575 – Child Care and Development Block Grant – Allowability, Period of Performance & Subrecipient Monitoring

Corrective Action Plan: The Agency has newly completed several new forms that will be included in all future subaward and contracts. A universal budget request form has been created which streamlines the type of expenditure requests each subrecipient is able to request across all CCDF subawards to include details the monthly and/or quarterly expenditures broken down the same as the universal budget to streamline the reimbursement request and simplify the monitoring of expenditures. These forms also outline the amount of funding that has been liquidated and the amount of funding remaining for each subaward. There is also a budget change request form included in the event that a subrecipient wants to request changes to the budget.

A tracking documentation to document the Agency's increase in monitoring and testing of the quarterly invoice due dates to ensure that we are receiving timely reimbursement requests was created. All contracts the subrecipients contract out will be reviewed to ensure obligation dates are in line with the CCDF obligation and liquidation schedule.

An internal spreadsheet has been created to track quarterly requests and funding to ensure that all payments and funding are tracked regularly and in line with the approved budgets for each subrecipient.

A digital copy of each reimbursement request and any further documentation that is received is being saved on a shared Drive in each subrecipient's file, as well as, a paper copy that is kept on file for the required time period before it is destroyed.

Contact: Nicole Vint

Anticipated Completion Date: 6/30/2019

Finding 2018-040

Program: CFDA 93.575 – Child Care and Development Block Grant – Allowability & Earmarking

Corrective Action Plan: The agency is working with ACF to resolve these issues about targeted fund requirements. The agency will update reporting procedures to ensure targeted fund requirements are met when final reports are submitted.

Contact: John Meals

Anticipated Completion Date: 6/30/2019

Finding 2018-041

Program: CFDA 93.658 – Foster Care Title IV-E – Allowability and Eligibility

Corrective Action Plan:

1. Regarding incorrect payment made by child placing agency. Corrective action is: Claim is being reviewed and follow up letter will be sent to the provider stating they have not paid the foster parent the correct amount for the identified claim. The provider must submit the correct payment and send copies of bank documentation to reflect the correction has been completed. A pending file is maintained until the provider provides the required documentation. Current practice is our Billing and Payment team review claims quarterly to verify payments are accurate.

2. Regarding documentation not provided to support individual met the Bridge to Independence participation requirements for the month tested. Corrective action is to require DHHS Independence Coordinators (IC) to be responsible for verification of program participation even for those individuals placed out of state. Conference calling between the individual, the courtesy worker, and the IC should occur to ensure program eligibility is met and documented appropriately.

3. Regarding documentation of fingerprint-based criminal record background check not being provided, it was noted that for the case audited, a prior audit was completed where the background checks were pulled. The fingerprint-based check was not returned to the foster home file for one adult in the home. The corrective action plan will be to always double check that all background checks are returned to the corresponding file after each audit.

Contact: Manuel Escamilla

Anticipated Completion Date: 6/1/2019

Finding 2018-042

Program: CFDA 93.658 – Foster Care Title IV-E – Subrecipient Monitoring

Corrective Action Plan: The Agency will start providing the subrecipients noted in this audit with monthly notice of the dollar amount made available under each Federal award and the CFDA number at the time of disbursement. Responsibility will be assigned to ensure these notices are sent as required.

Contact: Manuel Escamilla

Anticipated Completion Date: 6/1/2019

Finding 2018-043

Program: CFDA 93.658 – Foster Care Title IV-E – Reporting

Corrective Action Plan: Adjustments were made on the June 2018 FFR and report was resubmitted to ACF. In addition, procedures have been updated to include these changes.

Contact: Heather Arnold

Anticipated Completion Date: 2/1/2019

Finding 2018-044

Program: CFDA 93.658 – Foster Care Title IV-E – Matching & Period of Performance

Corrective Action Plan:

1) DHHS will work with Promise Ship to enter claims in NFocus in a timelier manner.

2) DHHS will have further clarification from NFocus on the Rejected Claims Report and the date behind "Status Change Date". If the report needs to be changed to a paid date, this will help futher clarification on JEs in the future.

Contact: Manuel Escamilla, Andrew Keck

Anticipated Completion Date: 9/30/2019

Finding 2018-045

Program: CFDA 93.659 – Adoption Assistance – Reporting

Corrective Action Plan: This issue was specifically in regards to a prior audit finding that took time to resolve with ACF. The Agency will work to improve the timeliness of audit resolution and corresponding journal entries.

Contact: John Meals, Andrew Keck

Anticipated Completion Date: 9/30/2019

Finding 2018-046

Program: CFDA 93.778 – Medical Assistance Program – Reporting

Corrective Action Plan: The Agency will have all reconciliations current within 90 days of each quarter end starting with the 9/30/19 quarter.

Contact: Michael Michalski; Andrew Keck; John Meals

Anticipated Completion Date: December 31, 2019

Finding 2018-047

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: 1. Develop client education/worker education about the service needs assessment (SNA) for posting to the Answers for Families site.

2. Develop a PAS billing training with RD for PAS providers with a focus on the items mentioned in the findings.

Contact: Kathy Scheele; Debbie Flower

Anticipated Completion Date: June 28, 2019

Finding 2018-048

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Eligibility

Corrective Action Plan: MLTC will send the hearing order to external subrecipients electronically.

Additional training and support will be provided to subrecipients regarding claims reviews.

Contact: Kathy Scheele; Stephanie Crouch

Anticipated Completion Date: June 28, 2019

Finding 2018-049

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: Beginning on July 1, 2019, the Heritage Health managed care entities will be responsible for the non-emergency medical transportation of their assigned clients. Because of their contractual mandate to manage the care of the clients and to decrease the costs of care, it is expected that their management of transportation will be more successful.

The current plan is for the Access Nebraska Customer Service Center to authorize non-emergency medical transportation for fee-for-service clients. Services will be reviewed on a post pay basis for compliance. If changes are needed in how the services are managed, those involved will coordinate.

Until this change, Program Integrity and Program staff will continue to work with the NEMT Broker to continue their "audits", identify trends in clients or NEMT drivers, and to pursue refunds of the administrative charges for trips dispatched when a medical service was not billed.

The Program Integrity team will also track situations where the clients care may not be billed on a specific service rendering date making it impossible to "audit." These medical services include globally billed prenatal care, dialysis care, and services with a primary payer other than Medicaid (private insurance or Medicare).

Contact: Anne Harvey; Tara Neeman

Anticipated Completion Date: January 31, 2020

Finding 2018-050

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: The Agency will implement policies and procedures to prevent reoccurrence of these issues.

Contact: Joe Dondlinger

Anticipated Completion Date: July 1, 2019

Finding 2018-051

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Eligibility

Corrective Action Plan: The Agency will work with staff to ensure they are appropriately verifying income and living arrangements. We will ensure training addresses this as well.

Contact: Catherine Gekas Steeby

Anticipated Completion Date: March 31, 2019

Finding 2018-052

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: The Department will ensure that additional information that is provided that mitigates a facility's high risk status is readily available and auditable.

Contact: Flora Coan

Anticipated Completion Date: June 30, 2019

STATE OF NEBRASKA
Corrective Action Plans

Finding 2018-053

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: The Agency will document procedures needed to support regional center depreciation calculations.

Contact: Cynthia Harris; John Meals

Anticipated Completion Date: June 30, 2019

Finding 2018-054

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: Nebraska State Agency (NESA) has implemented the following action plans to satisfy OIG and Single Audit concerns regarding nursing homes:

1. On August 16, 2017, NESA's Program Manager of the Office of Long Term Care Facilities conducted re-training for all nursing homes on the types of evidence that should be submitted to demonstrate compliance with correction plans.

2. Current NESA procedures include the CMS 2567 and a cover letter identifying the requirements for an acceptable POC together with specification of the types of evidence for which proof must be submitted to NESA before a facility will be placed in compliance.

3. NESA implemented a tracking system to track and ensure that NESA has received evidence to prove compliance with the facility's POC before a facility is placed back in compliance utilizing an offsite revisit. If NESA has not received evidence showing compliance with the POC, NESA has created a follow-up letter requesting the required evidence and informing the facility that the facility will not be placed back into compliance until NESA receives and accepts the required evidence.

4. NESA trained its surveyors on methodology to appropriately save electronic files in electronic storage as well as the qualities of evidence that will be sufficient to demonstrate facility compliance in the onsite revisit.

5. NESA initiated bi-monthly investigation packet reviews, to ensure that electronic files are saved appropriately and contain the required information.

Plan for Hospitals - The State Fire Marshal (SFM) will have SFM surveyors review the appropriate documentation provided by the facilities, will obtain a copy of the documentation, and will provide the documentation to NESA to attach the documentation in the federal database. In addition, the SFM will review all revisit 2567's to make sure the Tag 0000/Initial Comments reflects that the SFM did do a revisit and that the facility is in correction before sending a letter and a copy of the revisit 2567 to the facility.

Contact: Susan Strohn

Anticipated Completion Date: N/A

Finding 2018-055

Program: CFDA 93.778 – Medical Assistance Program – Subrecipient Monitoring

Corrective Action Plan: The Agency will notify subrecipients of all required Federal award information. The Agency will notify subrecipients of the dollar amount made available under each Federal award and the CFDA number at the time of disbursement.

Contact: Kathy Scheele

Anticipated Completion Date: June 28, 2019

Finding 2018-056

Program: CFDA 93.917 – HIV Care Formula Grants – Allowability, Cash Management & Subrecipient Monitoring

Corrective Action Plan: The program will review and revise the current HRSA monitoring tools to adequately address monitoring requirements recommended by APA.

Contact: Steve Jackson, Gwen Hurst

Anticipated Completion Date: 2/29/2020

Finding 2018-057

Program: CFDA 93.917 – HIV Care Formula Grants – Eligibility & Subrecipient Monitoring

Corrective Action Plan: DHHS is in the planning phase to more effectively enhance monitoring documentation in order to gather more substantial information as is needed by APA and to meet Federal and State guidelines. DHHS is currently in the process of procuring a new/updated software system that will enable DHHS to comply with Federal and State requirements.

Contact: Steve Jackson, Gwen Hurst

Anticipated Completion Date: 2/29/2020

Finding 2018-058

Program: CFDA 93.917 – HIV Care Formula Grants – Reporting

Corrective Action Plan: Documented reviews are now occurring on every report. In addition, the final report has been revised to include the correct rebate amount.

Contact: Heather Arnold

Anticipated Completion Date: 3/7/2019

Finding 2018-059

Program: CFDA 93.917 – HIV Care Formula Grants – Earmarking

Corrective Action Plan: The program will implement procedures to ensure future reporting period calculations are maintained and that written explanations are documented for all calculations. Program will also maintain source documentation from all systems of record to support calculations.

Contact: Steve Jackson, Gwen Hurst

Anticipated Completion Date: 2/29/2020

Finding 2018-060

Program: CFDA 93.945 – Assistance Programs for Chronic Disease Prevention and Control; CFDA 93.757 – State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF) – Allowable Costs/Cost Principles & Subrecipient Monitoring

Corrective Action Plan: Staff was notified of the correct monitoring procedures on February 8th, 2019. The subrecipient was notified with each CFDA and the appropriate allocation of Federal award funding on February 8th, 2019.

Contact: Gwen Hurst, Jamie Hahn, Melissa Leypoldt, Sara Morgan

Anticipated Completion Date: February 11, 2019

Finding 2018-061

Program: CFDA 93.994 – Maternal and Child Health Services Block Grant to the States – Allowable Cost/Cost Principles & Subrecipient Monitoring

Corrective Action Plan: Internal allocation procedures for the Block Grant will be enhanced. The Budget (Worksheet 3) will add to its Instructions that if aid (subawards) is requested and approved by the Division Director or designee, the program will perform subrecipient monitoring using same or similar Subrecipient Monitoring Procedures employed by the Federal Aid Administrator for subawards overseen directly.

Contact: Rayma Delaney

Anticipated Completion Date: March 15, 2019

COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

Finding 2018-062

Program: CFDA 16.575 – Crime Victim Assistance – Allowability & Subrecipient Monitoring

Corrective Action Plan: Continue to review subrecipient risk assessment (Operational Assessment Tool) annually and monitor per the VA Division Monitoring Plan per VOCA Rule §94.106(a)-(b).

Contact: Kellie Rabenhorst

Anticipated Completion Date: At the end of each funding cycle.

Finding 2018-063

Program: CFDA 16.575 – Crime Victim Assistance – Earmarking

Corrective Action Plan: This information starting with the FFY 2015 grant is tracked in the federally required Performance Measurement Tool (PMT) System. The amounts are updated in the PMT System based on the actual amounts reported by the subrecipient. Starting with the new grant period on July 1, 2019 applicants are required to indicate in their application how much of their request is used for the Priority Areas if applicable. Upon award of grant funds applicants will be required to update their spending in the four priority areas with their monthly expenditure reporting.

Contact: Kellie Rabenhorst

Anticipated Completion Date: Completed

Finding 2018-064

Program: CFDA 16.575 – Crime Victim Assistance – Allowability

Corrective Action Plan: Continue to utilize KRONOS for charging of employee time based on actual time worked for the business unit.

Contact: Bruce Ayers

Anticipated Completion Date: Completed

Finding 2018-065

Program: CFDA 16.575 – Crime Victim Assistance – Cash Management

Corrective Action Plan: We will review our current procedure and if changes are needed, we will implement them.

Contact: Bruce Ayers.

Anticipated Completion Date: 4/30/2019

Finding 2018-066

Program: CFDA 16.575 – Crime Victim Assistance – Cash Management & Reporting

Corrective Action Plan: (a) For the point concerning the 6/30/17 Financial Status Report, we did have an error on that report because we forgot to include $20,250 expended for a newly implemented Sexual Assault Project. We always balance our expenditures to the General Ledger report in E1 and in this case we balanced exactly to E1 but neglected to include the business unit for the Sexual Assault Project. This error was corrected on the 9/30/17 Financial Status Report.

After the 6/30/17 report was submitted, our Federal Program Manager contacted us regarding an excess balance of federal funds at 6/30/17. I explained that we had expended the excess balance within the first ten days of July 2017 and I demonstrated it by sending a general ledger report for July 1 – July 10, 2017.

The Program Manager then instructed me to submit a revised FSR for 6/30/17 and include the expenditures from July 1 – July 10, 2017. We were following the instructions of the Program Manager when we submitted the revised FSR.

(b) Regarding the reporting of Federal Share of Unliquidated Obligations on our financial status reports, we will show the amount of unexpended funds by subgrantees on that line in our future financial status reports.

None needed for (a) and the corrective action plan for (b) is explained in the previous paragraph.

Contact: Bruce Ayers

Anticipated Completion Date: N/A.

DEPARTMENT OF TRANSPORTATION

Finding 2018-067

Program: CFDA 20.505 – Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research – Allowability & Subrecipient Monitoring

Corrective Action Plan: NDOT Transit will require additional supporting documentation for expenses incurred during the billing period. Documentation will be kept on site and provided to auditors upon request.

Contact: Marisue Wagner

Anticipated Completion Date: Completed

Finding 2018-068

Program: CFDA 20.509 – Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring

Corrective Action Plan: NDOT Transit will continue to conduct invoice reviews and request supporting documentation as per our policies and procedures.

A question has been added to the on-site compliance review questionnaire to request documentation regarding cost allocated expenses including rent, utilities, insurance, etc. This documentation will be used to verify costs claimed on reimbursement requests.

Subreceipients have been instructed to submit their documented policy to support costs for employee recognition events including lunches.

The FAIN is provided to subrecipients as part of the award agreement. When circumstances necessitate a change in the funding source, the subrecipient will be notified via email using a form template. The email and form will be kept on file at NDOT.

Contact: Marisue Wagner, Connie Trautwein and Frank Faughn

Anticipated Completion Date: Completed

Finding 2018-069

Program: CFDA 20.509 – Formula Grants for Rural Areas – Reporting

Corrective Action Plan: For future fiscal years, NDOT will report all NTD data including intercity bus providers.

Budgets for current grants now reflect the reimbursement percentages as 50% operating and 80% non-operating. The effect of this process is to claim the correct federal share percentage to the respective Scope-Activity Line Item in the grant. The FFR, filed annually, will include the correct amount of federal funds previously billed for the operating and non-operating costs.

Contact: Kari Ruse and Frank Faughn

Anticipated Completion Date: Completed

Finding 2018-070

Program: CFDA 20.600 and CFDA 20.616 – Highway Safety Cluster – Allowability & Subrecipient Monitoring

Corrective Action Plan: The HSO will follow the policy guide for accurately tracking expenditures to comply with Federal regulations.

Contact: Bill Kovarik

Anticipated Completion Date: Completed

Finding 2018-071

Program: CFDA 20.600 – State and Community Highway Safety – Earmarking

Corrective Action Plan: The HSO will update procedures to include identifying expenditures as "local benefit" to include expenditures directly to local agencies and expenditures with documentation to support the local agency had an active voice for the expenditures.

Contact: Bill Kovarik

Anticipated Completion Date: Completed

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2017-001 Since 2007	Administrative Services CAFR Preparation	-Recommendation to hire sufficient number of staff… **Status:** Ongoing **Reasons for Recurrence:** need for new processes and training for existing staff **Partial Corrective Action Taken:** some cross-training within the CAFR team completed, step-by-step instructions created for several CAFR procedures **Corrective Action Planned:** Until such time that approval is given to add additional staff, State Accounting will continue implementing new processes and training for existing staff with the intent to increase efficiency and accuracy. It is critical that current staff be retained to capitalize on their continuity of growth in experience and knowledge -Recommendation that SOCs be received and reviewed timely… **Status:** Completed **Reason for Recurrence:** Service provider failed to complete the audit and deliver reports in time **Corrective Action Taken:** Amendment was added to the contract for SOC reporting that will help to ensure timely completion and delivery of the reports -Recommendation that DAS continue to work with State agency personnel… **Status:** Ongoing **Reasons for Recurrence:** Turn over in agencies as well as additional training needed for DAS staff responsible for accrual reporting **Partial Corrective Action Taken:** Sent out instructions with accrual response request to agencies

Finding #	State Agency/Finding	Status of Finding/Agency Comments
		Corrective Action Planned: DAS will continue to work with individual agencies on specific accrual reporting issues as well as developing additional enterprise-wide training on these reporting issues.
2017-002 Since 2016	Administrative Services Business Continuity	**Status:** Ongoing **Reasons for Recurrence:** It is a two to three year process **Partial Corrective Action Taken:** The hardware that supports the EnterpriseOne system was upgraded (Dec 2016) and redundant system hardware was installed at DOTCOMM in Omaha. Now, new IBM AS400 systems with EnterpriseOne installed are located in both Lincoln and Omaha and they have been replicating JDE journal receivers for several months. In the fall of 2017, we signed a managed services contract with Vision Solutions to install, monitor, train, and conduct a failover of the production system to Omaha using MIMIX software. As of January 24, 2018, an update has been performed to sync the two systems. MIMIX software has been loaded and replication is occurring between the two systems since March 1st, 2018. Training with the vendor occurred the first week of March to bring local staff up to speed on the process. A failover was completed successfully on March 10th, 2018. **Corrective Action Planned:** All ERP services will be migrated from EnterpriseOne to the new Oracle Cloud platform beginning in late 2018. Resources and efforts beyond that date will need to be reevaluated for appropriateness.
2017-003	Game and Parks Commission Federal Activity Adjustment	**Status:** The Commission has not changed the recording of certain federal expenditures in the State Accounting System, however we are providing an amount for adjustment to assist in the financial statement presentation of the State's Comprehensive Financial Report. **Reasons for Recurrence:** State Accounting Division has approved our current accounting methodology as the most efficient manner in which to record and track these monies given the mechanics of the accounting system and the process of budgeting. This audit finding has no impact on the ability to accurately track federal grant awards and contracts by the Commission.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
		Partial Corrective Action Taken: The Game and Parks Commission will work with State Accounting to provide an amount for adjustment to assist in the financial statement presentation of the State's Comprehensive Financial Report. **Corrective Action Planned:** Activity will continue to be recorded using the State Accounting Division approved methodology. We will continue to work with State Accounting on the interpretation and intent of the State Accounting Manual. As we move to a new Accounting System, we will consider more efficient practices should they surface.
2017-004 Since 2004	Health & Human Services Material Adjustments	Corrective action has been taken on all adjustments. Future material adjustments may result in repeat audit findings.
2017-005 Since 2015	Health & Human Services Overpayment Mailbox	**Status:** Partially corrected **Reasons for Recurrence:** Waiting on a Federal decision regarding SNAP overpayment referrals. **Partial Corrective Action Taken:** Completed backlog for overpayments not awaiting a decision **Corrective Action Planned:** Follow-up has been send regarding a Federal decision. When decision is received the Agency will close the referrals that have been suspended.
2017-006	Transportation Federal Activity Adjustment	**Department Response:** The Division of Aeronautics does record the receipt of these Federal funds as a federal receipt. However, this is a reimbursable federal program, there are no federal funds expended. Aeronautics must first expend the funds out of its Cash Fund. Then a request is made for a reimbursement of those cash expenditures. Aeronautics has been accounting for these federal grant funds in its Cash Fund for decades as directed by the Nebraska Department of Administrative Services Accounting Division in compliance with that Accounting Division's interpretation of its own accounting manual.
2016-005 Since 2014	Health & Human Services Medicare Part D	Corrective action has been taken. Contracts have been fully executed for all vendors.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2016-008	Health & Human Services External MMIS User Access	Corrective action has been taken. All users have been fully reviewed with a continued process ongoing.

FINDINGS RELATING TO FEDERAL AWARDS:

Nebraska Department of Administrative Services

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-007 Since 2015	Various, 93.778 Allowable Costs	**Program:** Various, CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles **Corrective Action Plan:** The development of assessments, rates and surcharges for the next biennium – FY19-21 will begin in January 2018. The estimated costs used are based on historical costs and estimated increases during the final fiscal year of the current biennium and then the next biennium. At the time DAS will begin a review of its various rate setting procedures and work to improve the documentation of how rates are set and the various levels of approval that are required. **Contact:** Ann Martinez, DAS Controller **Anticipated Completion Date:** The next rate setting period begins in January 2018 and will be completed in June 2018 when the new biennial rates are published. **Status 07-30-2018:** **Reason for Recurrence:** Rate setting occurs only every two years. DAS continues to review and revise the processes each time. DAS continues to monitor fund balances regularly, however due to various transactions or a delay in a project some June 30th balances are high, but plans are in place to address the balances. **Corrective Action Taken:** The development of the FY19-21 Biennial Rates did begin in January 2018 and the assessment, rates and surcharges were published on June 28, 2018.
2017-008	Various, 93.778, 93.563, 93.575, 93.596, 10.558, 84.126 Cash Management	**Status:** Corrective action has not been fully implemented. **Reasons for recurrence:** Recurrence could occur if review of current processes and procedures is not completed and actions to strengthen controls over the process aren't implemented. **Partial corrective action taken:** DAS – State Accounting is reviewing procedures to assure accurate data is used in the calculation of clearance patterns and that new calculations are implemented on a timely basis.

Nebraska Department of Administrative Services (Concluded)

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
		Corrective action planned: Final and approved standard operating procedures (SOPs) will be documented, cross-training commenced to assure more than one person is trained to produce the calculations, and increased Management oversight implemented. These objectives will be completed during our Fiscal Year ending June 30, 2019.
2017-009 Since 2016	Various, 93.069, 93.889 Reporting	**Status:** Corrective action has not been fully implemented. **Reasons for recurrence:** Recurrence could occur if review of current processes and procedures is not completed and actions to strengthen controls over the process aren't implemented. **Partial corrective action taken:** DAS – State Accounting is reviewing procedures to assure accurate data is reported on all quarterly expenditure reports **Corrective action planned:** Standard operating procedures (SOPs) will be documented, cross-training commenced to assure more than one person is trained to submit quarterly reports, and Management oversight is in place. These objectives are being implemented now and will be completed during our Fiscal Year ending June 30, 2019.
2017-010 Since 2015	Various, 93.575, 93.268, 17.225, 64.005 Reporting	**Status:** Ongoing **Reasons for Recurrence:** Additional training needed for both DAS team responsible for SEFA preparation and the agencies reporting **Partial Corrective Action Taken:** Notes on previous inaccurate reporting added to current procedure for use during training/cross training of DAS team responsible for SEFA reporting **Corrective Action Planned:** DAS will complete cross-training of the SEFA preparation and develop more notes/instruction on the process as well as continue working with agencies on accurate SEFA reporting

Nebraska Department of Agriculture

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-011 Since 2015	93.103, 93.448 Allowable Costs	Activity reports and payroll distributions are being compared at regular intervals as an oversight procedure for all federal programs. Correcting JEs were completed in June 2017, August 2017, and January 2018, and employees' federal distributions have been adjusted where necessary.

Nebraska Department of Economic Development

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-012	14.228 Cash Management/ Period of Performance	**Status:** Completed 3-1-18 **Reasons for Recurrence:** **Partial Corrective Action Taken:** **Corrective Action Planned:** Procedures Revised 3-1-18
2017-013	14.228 Allowability/ Reporting/ Subrecipient Monitoring	**Status:** In Process **Reasons for Recurrence:** High staff turnover rate, increased regulatory burden, and lack of staff **Partial Corrective Action Taken:** Meetings, policy review, and new staff hired and trained **Corrective Action Planned:** Procedure Revisions FY19
2017-014	14.228 Program Income/ Subrecipient Monitoring	**Status:** In Process **Reasons for Recurrence:** High staff turnover rate, increased regulatory burden, and lack of staff **Partial Corrective Action Taken:** Meetings, policy review, new staff hired and trained **Corrective Action Planned:** Procedure Revisions FY19
2017-015	14.228 Reporting	**Status:** In Process **Reasons for Recurrence:** High staff turnover rate, increased regulatory burden, and lack of staff **Partial Corrective Action Taken:** Meetings and policy review (responsible staff member left agency June 22, 2018) **Corrective Action Planned:** Procedure Revisions FY19

Nebraska Department of Education

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-016	10.558 Eligibility/ Subrecipient Monitoring	Eligibility: The Agency revised the policy and procedure for determining financial viability to include the option of submitting bank statements to document financial viability (see attached). CA: Complete Monitoring: In program year 2017-18, Nutrition Services conducted 47 reviews of for-profit centers. Sharon Davis, Director of Nutrition Services conducted an audit of 15% of those for-profit centers reviewed (8) to audit that program specialist had verified that 25% of participants qualified for Free or Reduced meal benefits. All 8 of the for-profit centers had verified eligibility and met the 25% requirements. NOTE: The original corrective action was modified to improve efficiency of the audit process. From the original corrective action which stated: *"After reviewing the CACFP Compliance Review form Sharon will initial and date the form and place in the institution's file."* Rather than print and initial the review form so it could be placed in the file, a spreadsheet was created to document the process (see attachment). The spreadsheet lists all institutions reviewed (column D), identifies the for-profit institutions (column M), and those for-profit institutions selected for auditing (column N). CA: Complete Monitoring - Review sub-recipients with the required 3-year period: The missed institution enrolled to participate in the CACFP for fiscal year 2018 but has not filed a CACFP claim since May 2017. The Agency will conduct a compliance review after a monthly claim for reimbursement is submitted for payment in the CNP system. CA: Incomplete – No monthly claim has been filed.
2017-017	84.126 Allowability	1) VR reviewed their policies and believe those in place ensure only necessary and reasonable expenditures are authorized.

Nebraska Department of Education (Concluded)

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
		2) A committee consisting of Program Directors has been working to develop a policy around the recoupment of tools/equipment and once finalized, the policy will be implemented. 3) Cash advances will continue to be offered as one of 3 procurement options, as the current policy follows the intent of the law by providing "flexible" procurement methods and informed choice to consumers.
2017-018	84.126 Reporting	VR continues to work with NDE to ensure additional oversight in the financial area.
2017-019	84.126 Eligibility	VR's intent is to complete a Compliance Review of each field office annually. Feedback on the compliance rate of eligibility determinations and IPE development will continue to be shared with Office Directors.
2017-020	84.367 Allowability/ Subrecipient Monitoring	The Office of Budget and Grants Management has met with the Offices of Student and School Support and Services, Special Education, and Adult and Career Education to review requirements for subrecipient time-and-effort reporting. All four offices are exploring the possibility of performing coordinated fiscal monitoring that would include time-and-effort reporting. The Budget and Grants Management staff will be performing a desk review of time-and-effort documentation for subrecipients that have not had a program monitoring during the 2017-18 school year. The Office of Budget and Grants Management will continue to emphasize the importance of this documentation to all subrecipients.
2017-021	96.001, 96.006 Suspension & Debarment/ Special Tests	Completed in January 2018

Nebraska Game and Parks Commission

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-022	15.605, 15.611 Allowability	**Status:** Corrected
2017-023	15.605, 15.611 Suspension & Debarment	**Status:** Corrected

Nebraska Department of Health and Human Services

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-024 Since 2015	Various, 93.658 Allowable Costs	Corrective action has been taken.
2017-025 Since 2013	Various, 10.561, 93.558 Allowable Costs	Corrective action has been taken. Repeat findings may occur due to the complexity of the cost center process.
2017-026	Various, 93.658, 93.667 Allowable Costs	Corrective action has been taken.
2017-027 Since 2016	Various, 93.777 Allowable Costs	**Status:** Partially corrected **Reasons for Recurrence:** Methodology behind time splits has not been updated. **Partial Corrective Action Taken:** 100% of payroll review is occurring. **Corrective Action Planned:** Methodology behind time splits is changing and a procedure behind new method will be written.
2017-028 Since 2012	93.778 Cash Management	Corrective action has been taken. Repeat findings may occur if grant reconciliations are not completed timely
2017-029 Since 2010	93.044, 93.045 Allowability/ Subrecipient Monitoring	Corrective action has been taken.
2016-023	93.069, 93.889 Allowability	Corrective action has been taken.
2017-030 Since 2014	93.069, 93.889 Allowability/ Subrecipient Monitoring	Corrective action has been taken.
2017-031 Since 2015	93.217 Allowability/ Subrecipient Monitoring	**Status:** Partially corrected **Reasons for Recurrence:** Staff turnover has caused part of the corrective action to be postponed. **Partial Corrective Action Taken:** Contract is in place to handle onsite fiscal monitoring. **Corrective Action Planned:** Use of Cost Analysis online program provided by the National Title X Training Center by subrecipients and development of subrecipients' corrective action plans.

Nebraska Department of Health and Human Services (Continued)

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-032 Since 2015	93.217 Cash Management/ Subrecipient Monitoring	Corrective action has been taken.
2017-033 Since 2015	93.217 Reporting	**Status:** Partially corrected **Reasons for Recurrence:** Staff turnover has caused part of the corrective action to be postponed. **Partial Corrective Action Taken:** Program income was tracked more closely for the December 31, 2017 FFR for Family Planning to ensure accuracy of the report. Unliquidated obligations have also been reviewed and were for the entire grant. **Corrective Action Planned:** Assurance that corrective action taken is still being completed.
2016-025	93.217 Period of Availability	Corrective action has been taken.
2016-028 Since 2015	93.217 Procurement	Corrective action has been taken.
2017-034	93.268 Allowability	No corrective action taken as Management disagrees with the finding.
2017-035 Since 2016	93.283 Allowability/ Subrecipient Monitoring	Corrective action has been taken.
2017-036 Since 2011	93.558 Allowability	**Status:** Partially corrected. **Reasons for Recurrence:** Process changes have not started. **Partial Corrective Action Taken:** A process improvement team is working on possible revisions. **Corrective Action Planned:** Revise the overpayment referral process if a child is removed from the home. Review of IV-E query to not allow IV-E claiming for In-Home Family Support after children are removed from the parental or relatives home.

Nebraska Department of Health and Human Services (Continued)

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-037 Since 2013	93.558 Allowability	**Status:** Partially corrected **Reasons for Recurrence:** Possible RFP to handle commercial transportation. **Partial Corrective Action Taken:** New instruction for Employment First and Vendors. **Corrective Action Planned:** Discussion on Possible RFP to handle commercial transportation costs and potential implementation. Additionally, we are in the process of reviewing Nebraska Revised Statute to ensure rates established coincide.
2017-038 Since 2013	93.558 Allowability/ Subrecipient Monitoring	Corrective action has been taken.
2017-039	93.563 Allowability/ Subrecipient Monitoring	Corrective action has been taken.
2016-030 Since 2004	93.558 Allowability/ Eligibility	Corrective action has been taken.
2016-034 Since 2011	93.558 Reporting	Corrective action has been taken.
2017-040 Since 2012	93.568 Allowability	Corrective action has been taken.
2017-041 Since 2007	93.575, 93.596 Allowability/ Eligibility	**Status:** Partially corrected **Reasons for Recurrence:** System changes **Partial Corrective Action Taken:** Revised provider instructions and guide. **Corrective Action Planned:** Modifications for billing portal, possible electronic calendar, and copay auto deduct system changes.

Nebraska Department of Health and Human Services (Continued)

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-042	93.596 Cash Management/ Matching	Corrective action has been taken.
2017-043 Since 2013	93.575, 93.596 Reporting	**Status:** Not corrected **Reasons for Recurrence:** Corrective action has not been taken. **Corrective Action Planned:** Completion of 2014 final report and reporting adjustments. Update to procedures.
2017-044 Since 2011	93.575, 93.596 Special Tests	**Status:** Partially corrected **Reasons for Recurrence:** Kaizen Event still in progress. **Partial Corrective Action Taken:** CCDF cases have been divided to all investigators to address timeliness. Instructions for external accounts receivables includes entering all documentation into NFOCUS. **Corrective Action Planned:** Completion of multi-stage Kaizen Event to identify process improvements.
2017-045	93.575, 93.596 Special Tests	**Status:** Partially corrected **Reasons for Recurrence:** Reviews still in progress. **Partial Corrective Action Taken:** Review of School Age Only Child Care Center checklist. **Corrective Action Planned:** Review of all checklist licensing types. Development of training for specialists, review of Annual Fire/Health referrals, and file reviews.
2017-046	93.575 Allowability	Corrective action has been taken.
2017-047	93.575 Period of Performance	**Status:** Partially corrected **Reasons for Recurrence:** Review of subawards and subaward language pending. **Partial Corrective Action Taken:** Subawards have been obtained. **Corrective Action Planned:** Changes to subawards language regarding obligations and review of current subawards.

Nebraska Department of Health and Human Services (Continued)

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-048 Since 2016	93.575 Earmarking	**Status:** Not corrected **Reasons for Recurrence:** Met earmarking requirements are have not been reflected in the general ledger. **Corrective Action Planned:** Completion of needed adjustments and 2014 close out report.
2017-049 Since 2003	93.658 Allowability	**Status:** Partially corrected **Reasons for Recurrence:** System changes **Partial Corrective Action Taken:** Revised provider instructions and guide. **Corrective Action Planned:** Modifications for billing portal and possible electronic calendar.
2017-050 Since 2016	93.658 Allowability	**Status**: Partially corrected **Reasons for Recurrence:** Notification for all providers has occurred. **Partial Corrective Action Taken:** Overpayment of identified issues and notification of issues to those providers. Random sample of claims review. **Corrective Action Planned:** Notification to all providers regarding start and end times.
2017-051 Since 2016	93.658 Subrecipient Monitoring	Corrective action has been taken.
2017-052 Since 2011	93.659 Allowability	**Status:** Partially corrected **Reasons for Recurrence:** System changes **Partial Corrective Action Taken:** Revised provider instructions and guide. **Corrective Action Planned:** Modifications for billing portal and possible electronic calendar.

Nebraska Department of Health and Human Services (Continued)

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-053 Since 2015	93.659 Reporting	**Status:** Not corrected **Reasons for Recurrence:** Corrective action hasn't been completed. **Corrective Action Planned:** Completion of an official procedure addressing fund mix adjustment reconciliations.
2017-054	93.758 Allowability/ Subrecipient Monitoring	**Status:** Partially corrected **Reasons for Recurrence:** Compliance Officer hasn't been hired. **Partial Corrective Action Taken:** Grants Management Community of Practice meeting occur bimonthly. PHHS Block Grant Coordinator has implemented and trained Project Leads in procedures to improve subrecipient monitoring **Corrective Action Planned:** Hiring of a Compliance Officer to provide fiscal monitoring.
2017-055 Since 2006	93.778 Reporting	**Status:** Not corrected **Reasons for Recurrence:** Corrective action not taken. **Corrective Action Planned:** Evaluation of refunds and waiver amounts noted on prior reconciliations of the CMS-64 as "not reported" or "need to research" and completion of necessary prior period adjustments.
2017-056 Since 2013	93.778 Allowability	**Status:** Partially Corrected **Reasons for Recurrence:** Regulations have not been approved. **Partial Corrective Action Taken:** State Plan Amendment has been approved by the Federal Partners and state regulations drafted. **Corrective Action Planned:** Approval of state regulations and full implementation.

Nebraska Department of Health and Human Services (Continued)

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-057 Since 2014	93.778 Allowability	**Status:** Partially Corrected **Reasons for Recurrence:** Fiscal Agent and Electronic Visit Verification have not been implemented. **Partial Corrective Action Taken:** Sample of pre-audit activities on provider claims and eligibility reviews. **Corrective Action Planned:** Implementation of Fiscal Agent is scheduled for 2020 and Electronic Visit Verification is scheduled for 2019.
2017-058 Since 2009	93.778 Allowability/ Eligibility	**Status:** Partially Corrected **Reasons for Recurrence:** Fiscal Agent and Electronic Visit Verification have not been implemented. **Partial Corrective Action Taken:** Training materials have been provided to providers and local agencies have provided corrective action plans addressing payment errors. **Corrective Action Planned:** Implementation of Fiscal Agent is scheduled for 2020 and Electronic Visit Verification is scheduled for 2019.
2017-059 Since 2009	93.778 Special Tests	Corrective action has been taken.
2017-060 Since 2015	93.778 Allowability	Corrective action has been taken.
2017-061 Since 2013	93.778 Allowability	Corrective action has been taken.
2017-062 Since 2012	93.778 Allowability/ Special Tests	**Status:** Partially Corrected **Reasons for Recurrence:** Consistent application of corrective action procedures still in progress. **Partial Corrective Action Taken:** Casework Timeliness and Prioritization procedures completed. **Corrective Action Planned:** Consistent application of procedures by investigators

Nebraska Department of Health and Human Services (Concluded)

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-063 Since 2016	93.778 Allowability	Corrective action has been taken although additional errors may be noted in future audits.
2017-064	93.778 Allowability/ Eligibility	Corrective action has been taken.
2017-065	93.778 Special Tests	Corrective action has been taken. A contract is in place to perform field audits.
2017-066	93.778 Allowability	**Status:** Not Corrected **Reasons for Recurrence:** Procedures have not be completed. **Corrective Action Planned:** Procedures will be written to include both adequate support for costs and a sufficient schedule for updating calculation methods.
2016-056	93.778 Special Tests	Corrective action has been taken. All users have been fully reviewed with a continued process ongoing.
2017-067	93.917 Allowable Costs/ Subrecipient Monitoring	**Status:** Partially Corrected **Reasons for Recurrence:** Action not taken to ensure subrecipients SEFA is accurate. **Partial Corrective Action Taken:** Procedures updated and developed. **Corrective Action Planned:** Subrecipients auditors' requests to ensure SEFA's are accurate
2017-068	93.945 Allowable Costs/ Subrecipient Monitoring	**Status:** Partially Corrected **Reasons for Recurrence:** Verification of subaward terms **Partial Corrective Action Taken:** Email sent to staff regarding fixed amount subawards. **Corrective Action Planned:** Verification of subaward terms.
2017-069	93.994 Allowable Costs/ Subrecipient Monitoring	Corrective action has been taken.

Nebraska Library Commission

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-070 Since 2014	45.310 Subrecipient Monitoring	**Status:** Correction in process **Reasons for Recurrence:** Correction in process **Partial Corrective Action Taken:** The Commission acknowledges the comments as noted in follow-up of the audit findings for the Library Commission for the fiscal year ended June 30, 2018 Statewide Single Audit and continues to take action as necessary to improve processes. **Corrective Action Planned:** The regional funding allocations were approved at the June 30 Commission meeting. Letters were sent to each of the regional systems with annual funding amounts and a statement regarding financial administration, and new contracts have been issued. The agreement has been updated to include financial administration requirements. If these provisions are not sufficient, or correct, we can revise these sections and reissue. The Library Commission has discussed the matter with each of the regional directors and asked that they discuss with Gary Riggs (the CPA retained by the regional systems) the financial reporting requirements for clarity. Regarding subrecipient monitoring, 2 CFR Part 200, Appendix XI, of the Compliance Supplement issued by the OMB.states that subrecipient awards of less than $750,000 do not require annual audits, and all of the four library systems are under that threshold. The Supplement states that "during-the-Award Monitoring should be conducted through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub-recipient monitors Federal awards in compliance with laws, regulations, and the provisions of grant agreements." To further clarify the supplement states that monitoring activities normally occur throughout the year and may take various forms, including: • Reporting – reviewing financial and performance reports submitted by the subrecipient. • Site visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.

Nebraska Library Commission (Concluded)

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
		• Regular contact – regular contacts with subrecipients and appropriate inquiries concerning program activities. We will continue to review financial and performance reports, conduct site visits, and have regular contact with subrecipients. According to the language of the OMB's compliance requirements the Systems are not high risk subrecipients and should be considered as low risk: Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., if the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems.) Evaluation of subrecipient risk also may take into consideration the extent of Federal monitoring of subrecipient entities that also are recipients of prime Federal awards. Although we are in general compliance with the OMB's monitoring recommendations as described in 2 CFR Part 200, Appendix XI, we will continue to work with the systems to strengthen the process through documentation of our comparison of expenditures to annual financial compilations. To assure compliance, systems will be instructed to provide detailed listings of their federal fund expenditures and the Commission will review these and ask for documentation as support for certain transactions

Nebraska Department of Transportation

Finding #	CFDA/Compliance	Status of Finding/Agency Comments
2017-071 Since 2013	20.509 Allowability/ Subrecipient Monitoring	Complete. The NDOT Transit Section has implemented a desktop review process to determine if reimbursement is allowable.
2017-072	20.509 Reporting	Partially complete. For fiscal year 18 NDOT will ensure that either NDOT or the provider will report intercity information.