

**ATTESTATION REPORT
OF THE
FOSTER CARE REVIEW OFFICE
JULY 1, 2019, THROUGH JUNE 30, 2020**

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Issued on August 24, 2020

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We will provide this information, as required by statute, to all policymakers and taxpayers through written reports and our Internet-based Budget and Audit databases.

We will maintain a professionally prepared staff, utilizing up-to-date technology, and following current Government Auditing Standards.

Audit Staff Working On This Examination

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FOSTER CARE REVIEW OFFICE

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FOSTER CARE REVIEW OFFICE

BACKGROUND

The State Foster Care Review Board (Board) was established by the Legislature in 1982. In 2012, per LB 998, the Board was changed to the Foster Care Review Office (Office), and the Foster Care Advisory Committee (Committee) was created.

The Office is responsible for conducting periodic reviews that meet the requirements of the Federal Adoption Assistance and Child Welfare Act of 1980, selecting local foster care review board (Local Board) volunteer members, developing procedures and training programs for Local Boards, maintaining a central registry of all children in out-of-home care, and studying and distributing data on children in foster care. The Office submits a report to the Legislature each quarter and culminates with a comprehensive annual report.

The Office maintains an independent tracking system (FCTS) that receives information from many sources, including the Department of Health and Human Services, the Administrative Office of Courts and Probation, private child-placing agencies, and data obtained during the review process. FCTS is used to provide information about the number of children entering and leaving care, children's needs, outcomes and trends in foster care, and internal processes.

Per statute, the Office issues at least three quarterly reports and an annual report to the Legislature, stakeholders, and the public. Those mandated reports, along with other pertinent reports and statistical data concerning children in out-of-home care, are available at the Office's website: <https://fcro.nebraska.gov/publications.html>.

The Committee has five members appointed by the Governor. The Committee supports and facilitates the work of the Office, including the tracking of children in foster care and reviewing foster care file audit case reviews. Members are appointed to three-year terms and meet at least four times per calendar year.

The Local Boards are located in the following Nebraska communities: Bellevue, Columbus, Fremont, Grand Island, LaVista, Lexington, Lincoln, Norfolk, North Platte, Omaha, Papillion, Scottsbluff, Seward, and York. The Local Boards review the cases of children in out-of-home care.

In 2013, the Nebraska Children's Commission (Commission) was moved from the Department of Health and Human Services to the Office for administrative purposes. The Commission employs a policy analyst to provide research and expertise to the Commission relating to the State's child welfare system.

FOSTER CARE REVIEW OFFICE

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Foster Care Review Office Advisory Committee

Name	Title	Term Ending
Peggy Snurr	Committee Chairperson	March 1, 2023
Noelle Petersen	Committee Vice-Chairperson	March 1, 2021
Michele Marsh, M.D.	Committee Member	March 1, 2023
Timothy Robinson, PhD, JD	Committee Member	March 1, 2021
Michael Aerni	Committee Member	March 1, 2021

Foster Care Review Office Executive Management

Name	Title
Monika E. Gross, J.D.	Executive Director
Katherine Bass	Research Director
Heidi Ore	Business Manager II

Foster Care Review Office
1225 L Street, Suite 401
Lincoln, NE 68508
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FOSTER CARE REVIEW OFFICE

SUMMARY OF COMMENTS

During our examination of the Foster Care Review Office (Office), we noted certain deficiencies and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

- 1. *Case Reviews Not Performed Timely:*** State and Federal regulations require the Office to review cases at least once every six months. During testing, we noted that 15 of 25 cases were not reviewed timely. Cases were reviewed from 5 days to over 15 months late. Additionally, for 1 of 25 reviews, the case was reported incorrectly as Title IV-E eligible in the Office's quarterly reporting to the Department of Health and Human Services.
- 2. *Incorrect Deposit of Proceeds from Sale of Assets:*** Proceeds from the sale of assets during the fiscal year ended June 30, 2020, were deposited to the Foster Care Review Office Cash Fund but should have been deposited to the General Fund or to the fund used originally to purchase the assets.

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

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

FOSTER CARE REVIEW OFFICE

COMMENTS AND RECOMMENDATIONS

1. **Case Reviews Not Performed Timely**

The Foster Care Review Office (Office) is responsible for conducting periodic reviews of children in foster care to meet the requirements of Federal and State laws. The Office receives State appropriations and Federal grants in order to adhere to the review requirements. During the fiscal year ending June 30, 2020, the Office completed 4,377 case reviews.

We selected 25 cases reviewed by the Office during one quarter of the fiscal year ending June 30, 2020. For 15 of the 25 cases, the review was not completed within six months of the prior review or the initial placement, as required by both State and Federal laws. The reviews not completed timely ranged from 5 days late to more than 15 months late, as detailed in the table below:

Case Review	Number of Months/Days Late
1	5 days
2	8 days
3	28 days
4	1 month, 5 days
5	1 month, 21 days
6	2 months, 1 days
7	2 months, 15 days
8	3 months, 8 days
9	3 months, 9 days
10	3 months, 21 days
11	4 months, 16 days
12	4 months, 17 days
13	6 months, 12 days
14	6 months, 12 days
15	15 months, 28 days

Additionally, our testing revealed that one case was recorded incorrectly as being Title IV-E eligible in the Office’s quarterly report to the Department of Health and Human Services (DHHS). The report provides a basis for calculating the Federal share of expenditures.

42 U.S.C. § 675(5)(B) (2018) states, in relevant part, “[T]he status of each child is reviewed periodically but no less frequently than once every six months by either a court or by administrative review”

Per Neb. Rev. Stat. § 43-1308(1)(a) (Reissue 2016), the local board must “[c]onduct a foster care file audit case review at least once every six months for the case of each child in a foster care placement”

Neb. Rev. Stat. § 43-1314.01 (Reissue 2016) provides the following:

(1) The office shall be the only entity responsible for the conduct of periodic foster care file audit case reviews which shall be identified as reviews which meet the federal requirements for six-month case reviews pursuant to the federal Adoption Assistance and Child Welfare Act of 1980, Public Law 96-272. The office shall be fiscally responsible for any noncompliance sanctions imposed by the federal government related to the requirements for review outlined in the federal Adoption Assistance and Child Welfare Act of 1980, Public Law 96-272.

(2) It is the intent of the Legislature that any six-month court review of a juvenile pursuant to sections 43-278 and 43-1313 shall be identified as a review which meets the federal requirements for six-month case reviews pursuant to the federal Adoption Assistance and Child Welfare act of 1980, Public Law 96-272.

FOSTER CARE REVIEW OFFICE

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Case Reviews Not Performed Timely** (Concluded)

Neb. Rev. Stat. § 43-1301.01 (Reissue 2016) says the following:

For the purpose of determining the timing of review hearings, permanency hearings, and other requirements under the Foster Care Review Act, a child is deemed to have entered foster care on the earlier of the date of the first judicial finding that the child has been subjected to child abuse or neglect or the date that is sixty days after the date on which the child is removed from the house.

Due to staffing limitations, the Office prioritizes the completion of reviews within 45 days prior to court hearings set by the judicial system.

Good internal control requires procedures to ensure that the Office reviews foster care cases at least every six months. Those same procedures should ensure also that case review information is reported correctly to DHHS.

Without such procedures, there is an increased risk of the Office not only failing to comply with both Federal law and State statute requiring timely bi-annual case reviews but also providing DHHS with inaccurate case review information in the quarterly report for calculating the Federal share of expenditures.

We recommend the Office implement procedures to ensure: 1) foster care cases are reviewed at least every six months to comply with both Federal law and State statute; and 2) accurate case review information is provided to DHHS in the quarterly report for calculating the Federal share of expenditures.

Office Response: (1) The Nebraska Foster Care Review Office (FCRO) is not funded at the level necessary to review every out-of-home child every six months. Consequently, FCRO implemented a prioritization process to meet the best interests of these children. This includes completing a case file review process within 45 days of the court hearing to ensure that we can effectively advocate for the best interest of each of these children and that our recommendations are timely and relevant to all parties that impact the life of a child. The FCRO has no control over court hearing dates as they are set by the judicial system. Sometimes those hearings can be outside of the six month time frame; thus, the FCRO sometimes needs to re-align its schedules with upcoming court dates for particular children's reviews.

Federal officials consider the FCRO review process in conjunction with court reviews when assessing timeliness of case reviews. Per state law and federal policies, court reviews are an integral part of the case review process. The federal government states in its child welfare policy manual that a delayed review does not render an individual child ineligible for title IV-E funding, and reviews are just one component of determining the state's compliance with its Title IV-E State Plan. After a combined analysis of court review dates and FCRO review dates, if federal officials found that a significant number of title IV-E eligible children had delayed reviews without good cause, they could choose to impose nonmonetary or monetary sanctions. Since historically the case review process has been found to be one of Nebraska's strengths, the most likely sanction would be the requirement of a corrective action plan.

The FCRO will continue to review its processes to assure that timely, quality citizen reviews occur on behalf of children in out of home care. The FCRO will also explore the feasibility of requesting additional funding to add more system oversight specialists and a supervisor to meet increased demands and improve timeliness.

(2) The FCRO works with and will continue to work with DHHS on an ongoing basis to assure quality data reporting.

FOSTER CARE REVIEW OFFICE

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **Incorrect Deposit of Proceeds from Sale of Assets**

Proceeds, totaling \$5,198, from the sale of Office assets were deposited into the Foster Care Review Office Cash Fund. However, State law requires such proceeds to be credited to either the General Fund or the fund originally used to purchase the assets.

All of the Office assets sold were purchased with either General Fund monies or Federal funds.

Neb. Rev. Stat. § 81-161.04(2) (Cum. Supp. 2018) states, in relevant part, the following:

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

Good internal control requires procedures to ensure that proceeds from the sale of Office assets are deposited to the correct fund. Without such procedures, there is an increased risk for not only loss or misuse of funds but also noncompliance with State statute.

We recommend the Office implement procedures to ensure proceeds from the sale of assets are either deposited to the General Fund or certified and credited to the fund of origination.

Office Response: FCRO appreciates the assistance of the Nebraska Auditor of Public Accounts in describing the need for additional procedures to ensure that proceeds from the sale of assets are either deposited to the General Fund or certified and credited to the fund of origin. This recommendation has already been implemented by the FCRO.



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FOSTER CARE REVIEW OFFICE

INDEPENDENT ACCOUNTANT'S REPORT

Foster Care Review Office
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Foster Care Review Office for the fiscal year ended June 30, 2020. The Foster Care Review Office's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2020, is based on the accounting system and procedures prescribed by the State of Nebraska's Director of the Department of Administrative Services, as set forth in Note 1, in all material respects.

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

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

August 24, 2020

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

FOSTER CARE REVIEW OFFICE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2020

	General Fund 10000	Nebraska Health Care Cash Fund 22640	Foster Care Review Office Cash Fund 27010	Federal Letter of Credit Fund 40000	FCRO Donations Trust Fund 67010	Totals (Memorandum Only)
REVENUES:						
Appropriations	\$ 1,902,353	\$ -	\$ -	\$ -	\$ -	\$ 1,902,353
Intergovernmental	-	-	-	324,429	-	324,429
Miscellaneous	143	-	945	-	229	1,317
TOTAL REVENUES	1,902,496	-	945	324,429	229	2,228,099
EXPENDITURES:						
Personal Services	1,845,581	138,838	-	371	-	1,984,790
Operating	52,483	4,413	31	294,721	-	351,648
Travel	936	5,556	-	27,462	-	33,954
Capital Outlay	3,353	1,237	-	1,875	-	6,465
TOTAL EXPENDITURES	1,902,353	150,044	31	324,429	-	2,376,857
Excess (Deficiency) of Revenues Over (Under) Expenditures	143	(150,044)	914	-	229	(148,758)
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	5,198	-	-	5,198
Deposit to General Fund	(143)	-	-	-	-	(143)
Deposit to Common Fund	-	(29,735)	-	-	-	(29,735)
Operating Transfers In	-	179,779	20,303	-	-	200,082
Operating Transfers Out	-	-	-	-	(20,303)	(20,303)
TOTAL OTHER FINANCING SOURCES (USES)	(143)	150,044	25,501	-	(20,303)	155,099
Net Change in Fund Balances	-	-	26,415	-	(20,074)	6,341
FUND BALANCES, July 1, 2019	991	-	30,384	-	20,074	51,449
FUND BALANCES, June 30, 2020	<u>\$ 991</u>	<u>\$ -</u>	<u>\$ 56,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,790</u>
FUND BALANCES CONSIST OF:						
General Cash	\$ -	\$ -	\$ 55,219	\$ -	\$ -	\$ 55,219
NSF Items	-	-	1,520	-	-	1,520
Deposits with Vendors	991	-	-	-	-	991
Accounts Receivable Invoiced	-	-	60	-	-	60
TOTAL FUND BALANCES	\$ 991	\$ -	\$ 56,799	\$ -	\$ -	\$ 57,790

The accompanying notes are an integral part of the schedule.

FOSTER CARE REVIEW OFFICE

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2020

1. Criteria

The accounting policies of the Foster Care Review Office (Office) are on the basis of accounting, as prescribed by the State of Nebraska's Director of the Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of DAS include:

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

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Office to record all accounts receivable and related revenues in EnterpriseOne; as such, the Office's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of June 30, 2020, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of June 30, 2020, **does not** include amounts for goods and services received before June 30, 2020, which had not been posted to the general ledger as of June 30, 2020.

Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund types are established by the State and used by the Office:

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

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

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

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

FOSTER CARE REVIEW OFFICE

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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

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

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

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

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

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

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

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

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

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

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, accounts receivable invoiced, and non-sufficient fund items. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

Other Financing Sources – Operating transfers, proceeds of fixed asset dispositions, deposits to the General Fund, and Deposits to a Common Fund.

2. Reporting Entity

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

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

3. Totals

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

FOSTER CARE REVIEW OFFICE

NOTES TO THE SCHEDULE
(Concluded)

4. General Cash

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

5. Capital Assets

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

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Office takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$5,000 or more at the date of acquisition, and all computers.

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

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

Capital asset activity of the Office recorded in the State Accounting System for the fiscal year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 101,656	\$ 2,907	\$ 42,304	\$ 62,259
Less accumulated depreciation for:				
Equipment				\$ 33,358
Total capital assets, net of depreciation				\$ 28,901

6. Common Fund Transfers

The Nebraska Health Care Cash Fund 22640 is a common fund with the Department of Health and Human Services (DHHS). LB 600A (2019) included an appropriation of \$179,779 to be administratively transferred from DHHS to the Office to fund the costs of the Nebraska Children’s Commission. Deposits to Common Fund is the amount that transfers exceeded expenditures from the fund.