



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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John Albin, Commissioner
Nebraska Department of Labor
550 South 16th St.
Lincoln, Nebraska 68509

Dear Commissioner Albin:

This letter is provided pursuant to AICPA Auditing Standards AU-C Section 265B.A17, which permits the early communication of audit findings due to their significance and the urgent need for corrective action. The audit work addressed herein was performed as part of the fiscal year ended June 30, 2021 Annual Comprehensive Financial Report (ACFR) audit. This communication is based on our audit procedures through June 30, 2021. Because we have not completed our audit of the fiscal year 2021 ACFR, additional matters may be identified and communicated in our final report.

In planning and performing our audit of the State's financial statements as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the State's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

We noted certain internal control or compliance matters related to the activities of the Nebraska Department of Labor (Department), or other operational matters, which are presented below for your consideration. The following comment and recommendation, which has been discussed with the appropriate members of the agencies and their management, are intended to improve internal control or result in other operating efficiencies.

Draft copies of this letter were furnished to the Department to provide management with an opportunity to review and to respond to the comment and recommendation contained herein. Any formal response received has been incorporated into this letter. Such response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, the auditor does not express an opinion on it. Such response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

The following is our comment and recommendation for the year ended June 30, 2021.

Changes to Banking Information – NEworks

During our review of the process for changing banking information in NEworks, the Department’s case management system for various Federal programs including unemployment insurance, we noted a lack of controls to ensure that such changes were proper and accurate.

When the Department needs to change bank account information in NEworks, staff will collect the new banking information from the claimant. If necessary, that information is confirmed from previous banking files or through US Bank channels. Staff will then submit the information to the appropriate individual with banking update permission. No secondary review is performed by another individual, however, to ensure that the changes are proper.

A good internal control plan requires procedures to ensure that banking information within NEworks is proper, and changes to that information are verified as accurate.

Without such procedures, there is an increased risk of loss, misuse, or theft of State funds due to fraudulent activity within NEworks.

We recommend the Department establish procedures to ensure banking information in NEworks is appropriate and accurate. These procedures should require a secondary approval of all banking information at the agency level, ensuring that at least two knowledgeable individuals are involved in the changes.

Department Response: We are revising our procedures to address this risk. The system is designed so that the individual filing the claim is the person primarily responsible for inputting and changing banking information. If the claimant required assistance in inputting or changing banking information, the process will be changed so that at least two Department employees will be involved in changing banking information.

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Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Department and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to the Department.

This communication is intended solely for the information and use of the Department, the Governor and State Legislature, others within the Department, Federal awarding agencies, pass-through entities, and management of the State of Nebraska and is not suitable for any other purpose. However, this communication is a matter of public record, and its distribution is not limited.



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