



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

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PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
auditors.nebraska.gov

January 25, 2022

Governor Pete Ricketts  
State Capitol  
Lincoln, NE 68509

Legislative Council  
State Capitol  
Lincoln, NE 68509

RE: Report of Corrective Actions Investigations and Evaluations

Investigations and evaluations of corrective action responses filed with the Auditor of Public Accounts (APA) are to be reported per Neb. Rev. Stat. § 84-304(3)(b) (Supp. 2021), which says the following:

*Any entity, excluding the state colleges and the University of Nebraska, that is audited or examined pursuant to subdivision (3)(a) of this section and that is the subject of a comment and recommendation in a management letter or report issued by the Auditor of Public Accounts shall, on or before six months after the issuance of such letter or report, provide to the Auditor of Public Accounts a detailed written description of any corrective action taken or to be taken in response to the comment and recommendation. The Auditor of Public Accounts may investigate and evaluate the corrective action. The Auditor of Public Accounts shall then electronically submit a report of any findings of such investigation and evaluation to the Governor, the appropriate standing committee of the Legislature, and the Appropriations Committee of the Legislature. The Auditor of Public Accounts shall also ensure that the report is delivered to the Appropriations Committee for entry into the record during the committee's budget hearing process;*

For the period January 1, 2021, through January 25, 2022, the APA received corrective action plans for 70 of the audit reports issued to various agencies. (See all plans attached in Attachment A.) All of these action plans were or will be verified during subsequent audits, and the results of such audits were or will be reported to the Governor, the appropriate standing committee of the Legislature, and the Appropriations Committee of the Legislature upon issuance of the audits. No special investigations or evaluations of these reports were conducted during the period January 1, 2021, through January 25, 2022.

The table below contains a summary of APA reports issued since January 1, 2021, including the number of findings in each, the corrective action plan due dates, and the date on which the APA received a corrective action plan. When blank, no corrective action plan was received because the APA's audit report lacked any findings, making the § 84-304(3)(b) reporting requirement not applicable (N/A). A copy of each audit report issued is available on the APA's website at: <https://auditors.nebraska.gov/>.

Entity Type	FY/CY	Type	Entity/Program of Report	Released Final	# of findings	LB 151 Reporting Due	LB 151 Received
Court	2020	AE	Chase County Court	3/16/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Cedar County Court	3/17/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Boone County Court	3/25/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Clay County Court	3/25/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Hamilton County Court	3/25/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Dundy County Court	3/29/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Hitchcock County Court	3/29/2021	1	11/16/2021	11/8/2021

Entity Type	FY/CY	Type	Entity/Program of Report	Released Final	# of findings	LB 151 Reporting Due	LB 151 Received
Court	2020	AE	Colfax County Court	3/30/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Loup County Court	3/30/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Cuming County Court	3/31/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Morrill County Court	3/31/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Fillmore County Court	4/5/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Platte County Court	4/5/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Thurston County Court	4/5/2021	2	11/16/2021	11/8/2021
Court	2020	AE	Boyd County Court	4/6/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Pawnee County Court	4/6/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Sioux County Court	4/7/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Blaine County Court	4/8/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Dawes County Court	4/8/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Gage County Court	4/8/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Perkins County Court	4/8/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Deuel County Court	4/9/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Logan County Court	4/9/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Sheridan County Court	4/9/2021	2	11/16/2021	11/8/2021
Court	2020	AE	Valley County Court	4/12/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Dixon County Court	4/13/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Holt County Court	4/13/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Custer County Court	4/14/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Garfield County Court	4/14/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Harlan County Court	4/14/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Furnas County Court	4/16/2021	2	11/16/2021	11/8/2021
Court	2020	AE	Adams County Court	4/19/2021	2	11/16/2021	11/8/2021
Court	2020	AE	Johnson County Court	4/20/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Gosper County Court	4/23/2021	2	11/16/2021	11/8/2021
Court	2020	AE	Phelps County Court	4/23/2021	2	11/16/2021	11/8/2021
Court	2020	AE	Saunders County Court	4/23/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Keith County Court	4/26/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Nance County Court	4/26/2021	2	11/16/2021	11/8/2021
Court	2020	AE	Dawson County Court	4/28/2021	3	11/16/2021	11/8/2021
Court	2020	AE	Merrick County Court	4/28/2021	1	11/16/2021	11/8/2021
Court	2020	AE	York County Court	4/28/2021	3	11/16/2021	11/8/2021
Court	2020	AE	Lancaster County Court	4/29/2021	1	11/16/2021	11/8/2021
Court	2020	AE	Wayne County Court	5/7/2021	2	11/16/2021	11/8/2021
Court	2020	AE	Sarpy County Court	5/12/2021	2	11/16/2021	11/8/2021
Court	2020	AE	Douglas County Court	5/19/2021	1	11/16/2021	11/8/2021
			<b>Sub-Total Courts Only Subject LB 151 and LB 151 Received</b>			<b>45</b>	<b>45</b>
<b>Note: One corrective action plan was submitted for all Courts.</b>							
CAFR	2020	ML	Investment Council - CAFR Management Letter	1/28/2021	2	7/28/2021	2/9/2021
State	2020	Audit	Public Employees Retirement Systems - School Employees, Judges, and State Patrol	1/29/2021	1	7/29/2021	5/27/2021
CAFR	2020	ML	Correctional Services, Department of - CAFR Management Letter	2/1/2021	1	8/1/2021	5/24/2021
CAFR	2020	ML	Administrative Services, Department of - CAFR Management Letter	2/2/2021	7	8/2/2021	7/28/2021
CAFR	2020	ML	Labor, Department of Labor - CAFR Management Letter	2/2/2021	2	8/2/2021	7/19/2021
CAFR	2020	ML	Revenue, Department of - CAFR Management Letter	2/2/2021	1	8/2/2021	2/5/2021
CAFR	2020	ML	Transportation, Department of - CAFR Management Letter	2/2/2021	2	8/2/2021	9/20/2021
CAFR	2020	ML	Education, Department of - CAFR Management Letter	2/3/2021	1	8/3/2021	9/23/2021
CAFR	2020	ML	Military Department - CAFR Management Letter	2/4/2021	1	8/4/2021	

Entity Type	FY/CY	Type	Entity/Program of Report	Released Final	# of findings	LB 151 Reporting Due	LB 151 Received
CAFR	2020	ML	Supreme Court - CAFR Management Letter	2/8/2021	4	8/8/2021	8/4/2021
CAFR	2020	ML	Capital Asset - CAFR Management Letter	2/10/2021	1	8/10/2021	7/28/2021
CAFR	2020	ML	Health and Human Services, Department of - CAFR Management Letter	2/10/2021	10	8/10/2021	
State	2020	Audit	Education - Deaf-Blind Equipment Distribution Program	2/19/2021	0	N/A	N/A
State	2020	Audit	Environment and Energy - Clean Water State Revolving Fund Program	3/23/2021	1	9/20/2021	3/16/2021
State	2020	Audit	Environment and Energy - Drinking Water State Revolving Fund Program	3/23/2021	1	9/20/2021	3/16/2021
Single	2020	S-Com.	Single - Administrative Services, Department of	4/5/2021	2	10/3/2021	7/28/2021
Single	2020	S-Com.	Single - Blind and Visually Impaired, Commission for the	4/5/2021	1	10/3/2021	
Single	2020	S-Com.	Single - Education, Department of	4/5/2021	8	10/3/2021	
Single	2020	S-Com.	Single - Health and Human Services, Department of - Adoption Assistance	4/5/2021	3	10/3/2021	
Single	2020	S-Com.	Single - Health and Human Services, Department of - CAP	4/5/2021	3	10/3/2021	
Single	2020	S-Com.	Single - Health and Human Services, Department of - CCDF	4/5/2021	4	10/3/2021	
Single	2020	S-Com.	Single - Health and Human Services, Department of - Child Support Enforcement	4/5/2021	1	10/3/2021	
Single	2020	S-Com.	Single - Health and Human Services, Department of - Foster Care	4/5/2021	3	10/3/2021	
Single	2020	S-Com.	Single - Health and Human Services, Department of - Medicaid	4/5/2021	6	10/3/2021	
Single	2020	S-Com.	Single - Health and Human Services, Department of - Non-Majors	4/5/2021	6	10/3/2021	
Single	2020	S-Com.	Single - Health and Human Services, Department of - PHEP HPP	4/5/2021	1	10/3/2021	
Single	2020	S-Com.	Single - Labor, Department of	4/5/2021	2	10/3/2021	7/19/2021
Single	2020	S-Com.	Single - Military Department	4/5/2021	2	10/3/2021	
Single	2020	S-Com.	Single - Transportation, Department of	4/5/2021	3	10/3/2021	9/20/2021
Single	2020	Audit	Single Audit Report - Statewide	4/5/2021	66	10/3/2021	N/A
State	2020	AE	Real Estate Commission	5/13/2021	5	11/10/2021	7/8/2021
State	2020	AE	Postsecondary Education, Coordinating Commission for	6/2/2021	1	11/30/2021	7/27/2021
State	2020	AE	Grain Sorghum Development, Utilization, and Marketing Board	7/6/2021	1	1/3/2022	
State	2020	AE	Corn Development, Utilization, and Marketing Board	7/13/2021	3	1/10/2022	8/9/2021
State	2020	AE	Dry Bean Commission	7/13/2021	2	1/10/2022	
State	2020	AE	Wheat Development, Utilization, and Marketing Board	7/13/2021	2	1/10/2022	
State	2020	AE	Ethanol Board	7/14/2021	1	1/11/2022	10/19/2021
State	2021	AE	Lieutenant Governor, Office of the	7/19/2021	1	1/16/2022	
State	2020	AE	Environmental Trust Board	7/21/2021	2	1/18/2022	1/21/2022
State	2021	AE	Governor, Office of the	7/22/2021	1	1/19/2022	
State	2020	AE	Motor Vehicles, Department of	7/26/2021	8	1/23/2022	1/11/2022
ACFR	2021	EML	Motor Vehicles, Department of - ACFR Early Management Letter	7/26/2021	5	1/23/2022	1/11/2022
ACFR	2021	EML	Transportation, Department of - ACFR Early Management Letter	7/30/2021	1	1/27/2022	9/20/2021
ACFR	2021	EML	Education, Department of - ACFR Early Management Letter	8/3/2021	2	1/31/2022	
ACFR	2021	EML	Labor, Department of - ACFR Early Management Letter	8/3/2021	1	1/31/2022	
ACFR	2021	EML	Supreme Court - ACFR Early Management Letter	8/5/2021	2	2/2/2022	
ACFR	2021	EML	Administrative Services, Department of - ACFR Early Management Letter	8/12/2021	9	2/9/2022	
ACFR	2021	EML	Health and Human Services, Department of - ACFR Early Management Letter	8/12/2021	4	2/9/2022	
State	2021	AE	Secretary of State	8/13/2021	1	2/10/2022	
State	2021	Audit	Dairy Industry and Development Board	8/26/2021	1	2/23/2022	
State	2020	Audit	Public Employees Retirement Systems - County Employees - GASB 68	8/26/2021	0	N/A	N/A
State	2020	Audit	Public Employees Retirement Systems - School Employees - GASB 68	8/26/2021	0	N/A	N/A

Entity Type	FY/CY	Type	Entity/Program of Report	Released Final	# of findings	LB 151 Reporting Due	LB 151 Received
State	2020	Audit	Public Employees Retirement Systems - State and County Employees	8/26/2021	2	2/23/2022	1/20/2022
State	2021	Audit	Lottery, Department of Revenue	9/29/2021	0	N/A	N/A
State	2021	AE	Labor, Department of	12/14/2021	11	6/13/2022	
			<b>Sub-Total Other-Not Courts Subject LB 151 and LB 151 Received (Does not include N/A)</b>			<b>51</b>	<b>25</b>
			<b>Total Reports Subject LB 151 and LB 151 Received (Does not include N/A)</b>			<b>96</b>	<b>70</b>
			<b>Only 14 (red) not received and 12 (green) not yet due.</b>			<b>To Be Received</b>	<b>26</b>

If you have questions, please feel free to contact us at (402) 471-2111.

Sincerely,



Charlie Janssen  
Auditor of Public Accounts

Attachment

**FY 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
DEPARTMENT OF REVENUE – ISSUED FEBRUARY 2, 2021.**

Received February 5, 2021 – Department of Revenue corrective action plan.



Pete Ricketts, Governor

February 5, 2021

Charlie Janssen  
State Auditor  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509

Dear Auditor Janssen:

This letter is to serve as the corrective action response to the CAFR management letter of the Nebraska Department of Revenue for the fiscal year ended June 30, 2020.

**Lack of Procedures for Severance and Conservation Tax:** The Department lacked procedures to ensure that severance tax money received (in conjunction with a Nebraska Severance and Conservation Tax Return, Form 61) was accurate. According to Department staff, the Form 61 has supporting schedules that are recalculated to ensure the mathematical accuracy of the tax receipt report; however, there was no verification of the value of the amounts reported.

Without such procedures, there is an increased risk for improper tax filings and the attendant loss of State funds.

We recommend the Department implement procedures to ensure the accuracy of the value of oil and gas severed and the exemptions reported by each producer.

**Corrective Action Plan:** The newly created excise tax unit within the Compliance Division of DOR will apply the standard processes and procedures for potential audit selection in the area of severance and conservation taxes. Audit and examination selection criteria, standards, and discovery techniques are confidential under Neb. Rev. Stat. § 77-376(2).

Sincerely,  
*Tony Fulton*  
Tony Fulton  
Tax Commissioner

Tony Fulton, Tax Commissioner  
[revenue.nebraska.gov](http://revenue.nebraska.gov)

PO Box 94818  
Lincoln, Nebraska 68509-4818  
402-471-5729

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**FY 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER – NEBRASKA INVESTMENT COUNCIL – ISSUED JANUARY 28, 2021.**

Received February 9, 2021 – Investment Council corrective action plan.



1526 K Street, Suite 420  
Lincoln, NE 68508  
Phone: 402-471-2043

Web: [www.nic.nebraska.gov](http://www.nic.nebraska.gov)  
Email: [nic.info@nebraska.gov](mailto:nic.info@nebraska.gov)

TO: Mary Avery, Special Audits and Finance Manager  
Nebraska Auditor of Public Accounts  
FROM: Michael W. Walden-Newman, State Investment Officer  
DATE: February 9, 2021  
SUBJ: **INVESTMENT COUNCIL FY 2020 CAFR MANAGEMENT LETTER**

A handwritten signature in blue ink that reads "Michael" with a horizontal line underneath.

The attached Investment Council FY 2020 CAFR Management Letter identifies three recommendations. Our Corrective Actions Plans are:

**QUARTERLY ENDOWMENT DISTRIBUTION ERRORS**

**Corrective Action Plan:** The Council staff has added a step to procedures to ensure this will not happen again. Staff now specifically verifies in-depth the custodial bank income distribution report. Staff explicitly verifies capital gains to ensure they are not included in distributions. Incorrectly distributed gains are being systematically recaptured quarterly from affected state agencies and reinvested in the endowments.

**Contact:** Michael Walden-Newman, State Investment Officer

**Anticipated Completion Date:** Procedures Update Completed. Recapture to be completed June 2021.

**INVESTMENT COUNCIL POLICY VIOLATIONS  
- OPERATING INVESTMENT POOL**

**Corrective Action Plan:** The Council staff has updated its approved broker/dealer list, and the Council staff and board amended the Operating Investment Pool investment policy.

**Contact:** Michael Walden-Newman, State Investment Officer

**Anticipated Completion Date:** Completed

**INVESTMENT COUNCIL POLICY VIOLATIONS  
- POLITICAL SUBDIVISIONS INVESTMENT POLICY**

**Corrective Action Plan:** The Council board and staff disagree with this finding.

**Contact:** Michael Walden-Newman, State Investment Officer

**Anticipated Completion Date:** N/A

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**AUDIT REPORT OF THE NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY  
CLEAN WATER STATE REVOLVING FUND PROGRAM  
JULY 1, 2019, THROUGH JUNE 30, 2020**

Received March 16, 2021 – Department of Environment and Energy corrective action plan.



Pete Ricketts, Governor

March 10, 2021

Honorable Charlie Janssen  
Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, Nebraska 68509-8917

Dear Mr. Janssen,

This letter is to serve as the Agency's Corrective Action Plan to the audit report of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program for the fiscal year ended June 30, 2020.

Upon review, the audit report noted certain deficiencies and other operational matters the agency has taken corrective action intended to improve the internal controls over financial reporting.

- 1. **Financial Statement Errors:** Calculation of the compensated absences accrual, payables accruals, and software capitalization.

**Agency Corrective Action:** The agency is assigning the State Revolving Fund accounting to a single person in order to eliminate a number of mistakes. By having a single point contact for the program, the agency will have better tracking mechanisms for financial reporting and stronger awareness of financial transactions.

Sincerely,

Jim Macy  
Director

Nebraska Department of Environment and Energy

Department of Environment and Energy  
P.O. Box 98922  
Lincoln, Nebraska 68509-8922

Jim Macy, Director  
OFFICE 402-471-2186 FAX 402-471-2909  
ndee.moreinfo@nebraska.gov

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**AUDIT REPORT OF THE NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY  
DRINKING WATER STATE REVOLVING FUND PROGRAM  
JULY 1, 2019, THROUGH JUNE 30, 2020**

Received March 16, 2021 – Department of Environment and Energy corrective action plan.



Pete Ricketts, Governor

March 10, 2021

Honorable Charlie Janssen  
Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, Nebraska 68509-8917

Dear Mr. Janssen,

This letter is to serve as the Agency's Corrective Action Plan to the audit report of the Nebraska Department of Environmental Quality – Drinking Water State Revolving Fund Program for the fiscal year ended June 30, 2020.

Upon review, the audit report noted certain deficiencies and other operational matters the agency has taken corrective action intended to improve the internal controls over financial reporting.

- 1. **Financial Statement Errors:** Calculation of the compensated absences accrual, payables accruals, and software capitalization.

**Agency Corrective Action:** The agency is assigning the State Revolving Fund accounting to a single person in order to eliminate a number of mistakes. By having a single point contact for the program, the agency will have better tracking mechanisms for financial reporting and stronger awareness of financial transactions.

Sincerely,

Jim Macy  
Director  
Nebraska Department of Environment and Energy

Department of Environment and Energy  
P.O. Box 98922  
Lincoln, Nebraska 68509-8922

Jim Macy, Director  
OFFICE 402-471-2186 FAX 402-471-2909  
ndee.moreinfo@nebraska.gov

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**FY 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER – NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES – ISSUED FEBRUARY 1, 2021.**

Received May 24, 2021 – Department of Correctional Services corrective action plan.



TO: Charlie Janssen, Auditor of Public Accounts

FROM: Robin Spindler, Deputy Director, Administrative Services

DATE: May 21, 2021

RE: Corrective Action Plan for the January 20, 2021 CAFR Management Letter for FY 2020

Below is the Nebraska Department of Correctional Services (NDCS) corrective action plan for the January 20, 2021 CAFR Management Letter for FY 2020.

1. Payroll Issues

As indicated in the response dated January 26, 2021 from the NDCS to the CAFR Management Letter for FY 2020, NDCS' audit process includes an interface analysis reconciliation. A random selection of employees is also run to test their payroll at the hourly level, to include all applicable human resources team members.

NDCS supervisory team members, to specifically include the payroll division, continue to strive to ensure that applicable team members in fact make any needed payroll corrections.

No further action is necessary.

2. Timesheet Approval

As indicated in the response dated January 26, 2021 from NDCS to the CAFR Management Letter for FY 2020, based on the Fair Labor Standards Act, exempt employees must receive the full salary for any week in which the employee performs any work without regard to the number of days or hours worked, unless exceptions are met. The exception reporting of leave is an appropriate process for exempt employees. They are expected to work 40 hours per week, except when taking leave, and they often work more than 40 hours per week.

No further action is necessary.

CC: Scott Frakes, Director  
Diane Sabatka-Rine, Chief of Operations  
Laura Strimple, Chief of Staff

Scott R. Frakes, Director  
Dept of Correctional Services  
P.O. Box 94661 Lincoln, NE 68509-4661  
Phone: 402-471-2654 Fax: 402-479-5623  
corrections.nebraska.gov

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**AUDIT REPORT OF THE NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL EMPLOYEES, JUDGES, AND STATE PATROL RETIREMENT PLANS  
JULY 1, 2019, THROUGH JUNE 30, 2020**

Received May 27, 2021 – Nebraska Public Employees Retirement Systems corrective action plan.



1526 K Street, Suite 400  
P.O. Box 94816  
Lincoln, NE 68509-4816  
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Toll Free 800-245-5712  
Fax 402-471-9493  
npers.ne.gov

May 27, 2021

Charlie Janssen, State Auditor  
Nebraska Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, Nebraska 68509

Auditor Janssen,

Per Neb. Rev. Stat. § 84-304(3)(b), the Nebraska Public Employees Retirement System (NPERS) is providing you a "detailed written description of any corrective action taken or to be taken in response to the comment(s) and recommendation(s)" that were communicated to our agency in the audit report for the Nebraska Public Employees Retirement System-School Employees, Judges and State Patrol , issued January 29, 2021.

The corrective action for the report comment for the School Employees, Judges and State Patrol is summarized below.

**Incorrect Death Refund Payment** – the Auditor of Public Accounts (APA) recommended NPERS "reiterate the importance of the benefit calculation review process to its staff to ensure the calculations are more carefully reviewed prior to payment".

NPERS has discussed and continues to discuss the importance of reviewing the benefit calculations with our teammates. NPERS has continued to evaluate the review procedures for benefit calculations.

NPERS will continue to discuss the importance of benefit calculations with our teammates. Please let us know if there are any additional questions.

Respectfully,

Randy Gerke, Director  
Nebraska Public Employees Retirement Systems

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA REAL ESTATE COMMISSION  
JULY 1, 2019, THROUGH DECEMBER 31, 2020**

Received July 8, 2021 – Real Estate Commission corrective action plan.



**Pete Ricketts**  
Governor

STATE OF NEBRASKA

NEBRASKA REAL ESTATE COMMISSION  
**Greg Lemon**

Director  
301 Centennial Mall South  
P.O. Box 94667  
Lincoln, Nebraska 68509-4667  
Phone: (402) 471-2004  
Fax: (402) 471-4492

E-Mail: RealEstate.Commission@nebraska.gov  
Website: <https://nrec.nebraska.gov>

TO: Charlie Janssen, Auditor of Public Accounts

FROM: Greg Lemon,  Director, Nebraska Real Estate Commission

RE: Corrective Action Plan

DATE: July 8, 2021

The following Corrective Action Plan is being submitted by the Nebraska Real Estate Commission in compliance with Neb. Rev. Stat. §84-304(3). The Corrective Action Plan is in response to the Attestation Report of the Nebraska Real Estate Commission for the period July 1, 2019, through December 30, 2020. The report was issued on May 13, 2021.

Finding 1. Internal Controls:

a. **Internal Control Plan**—The Nebraska Real Estate Commission’s Internal Control Plan was updated in May, 2021, with current staff and other pertinent information, and is on file with the Department of Administrative Services, State Accounting Division

b. **Opening Mail/Control Log**—The Commission has created and is using an initial control log for all funds received in the mail.

c. **Timely Deposits**—The Commission has revised the deposit schedule and processing of applications, the Commission is also putting more emphasis on online transactions where the credit card payment is taken online and there is no delay in deposit beyond the statutory requirement.

D. **Person Issuing Licenses/Cash Receipts**—The person or persons opening the mail will not be responsible for issuing licenses.

E. **Segregation of Duties**—The Director’s access to payroll and fixed asset functions in Enterprise One has been changed to read only. The Commission has hired a new Finance Officer as of July 8, 2021, a position which had been vacant for some time, this will allow for greater segregation of duties.

REAL ESTATE COMMISSION MEMBERS

**Jim R. Titus**  
Public Member, Lincoln

**Robert B. Evnen**  
Secretary of State, Chairperson

**Sheri Bourne**  
Broker Member, North Platte

**Darlene Starman**  
Broker Member, Lincoln

**Joe Gehrki**  
Broker Member, Omaha

**Lisa Ritter**  
Broker Member, Omaha

**Doug Dohse**  
Salesperson Member, Omaha

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NREC Audit Response

Page 2

2. **Cash Fund Balance**—The Commission reviews fees and project revenues each August to set fees for the ensuing year. When fees were set in 2020, a dip in revenues due to the pandemic was predicted, this did not occur. The Commission will use projected revenues and expenditures to set fees that will provide for the operation of the Commission as required by statute.

3. **State Vehicle Usage**—The Commission has decreased the number of vehicles being leased from three to two. The Commission requires all employees using a state vehicle to log purpose of trip, start time, stop time, and miles. These procedures have been revised to work with the new vehicle monitoring/log systems currently used in state issued vehicles. Mileage was down during the pandemic, this has returned to normal rate which conform to DAS standards for vehicle leases for the two vehicles still leased.

4. **Vacation and Sick Leave Balance Lapsing**—The Commission has revised the lapsing computation used to conform to DAS instruction on end of year lapses, and restored vacation balances improperly lapsed during the attestation period.

5. **Fixed Asset Costs**—The duplicate entry mentioned in the report for computer equipment has been corrected.

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**FY 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
NEBRASKA DEPARTMENT OF LABOR – ISSUED FEBRUARY 2, 2021,  
AND FY2020 NEBRASKA STATEWIDE SINGLE AUDIT – ISSUED APRIL 5, 2021.**

Received July 19, 2021 – Department of Labor corrective action plan.

Based on the fact that the Department of Labor responded that no corrective action plan was necessary we do not have a plan to submit.

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA COORDINATING COMMISSION FOR  
POSTSECONDARY EDUCATION**

**JULY 1, 2019, THROUGH DECEMBER 31, 2020**

Received July 27, 2021 – Coordinating Commission for Postsecondary Education corrective action plan.



**NEBRASKA'S**  
COORDINATING COMMISSION  
FOR POSTSECONDARY EDUCATION

P.O. Box 95005 • Lincoln, NE 68509-5005  
140 N. 8th St. • Suite 300 • Lincoln, NE 68508  
Phone: 402-471-2847 • [ccpe.nebraska.gov](http://ccpe.nebraska.gov)  
Mike Baumgartner, Ph.D., Executive Director

July 27, 2021

Charlie Janssen, State Auditor  
Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, NE 68509-8917

Dear Mr. Janssen,

As required by Neb. Rev. Stat. § 84-304(3)(b), the Coordinating Commission for Postsecondary Education is providing you with a written description of corrective action taken or to be taken in response to the comments and recommendations from our attestation report for the period July 1, 2019, through December 31, 2020, issued on June 2, 2021.

**Nebraska Opportunity Grant**

The Commission's review of the information reported on the applications is not performed until after the end of the fiscal year the grant was awarded. As a result, amounts reported for fiscal year 2019 on the fiscal year 2020 application were not reviewed until fiscal year 2021, over a year after the information was reported, and grant funds, based on the fiscal year 2019 information, were disbursed.

*The commission would like to clarify that this comment relates to the timing of our review of the institution-provided data used in the NOG allocation formula and that all institution-provided data has been reviewed on a sample basis. All allocations made to institutions were based on data that is subjected to review and institution allocations are accurate. The commission would also note that during the past five years, no errors related to this data have been identified during our reviews. The commission has implemented procedures to ensure annual data received from the institutions are reviewed during the next review cycle. At the next review cycle, the commission will review the institution-provided data for both the 2019-20 and 2020-21 academic year.*

Due to the Coronavirus (COVID-19) pandemic, the Commission reduced its review of five to six institutions to two institutions. The Commission stated that they reduced the number of institutions reviewed to limit the amount of time spent and exposure to COVID-19 at the institutions. Based on the payments made during the year, the two institutions selected for review comprised 0.37% of total amount paid to all institutions during fiscal year 2020, which was not representative. Further, the Commission does not maintain documentation to ensure all schools are reviewed on a rotational basis.

*As mentioned in the auditor's comments, the number of institutions reviewed related to the allocation formula was decreased from the normal five to six institutions to two institutions. This was done out of an abundance of caution for the staff during the pandemic. In previous years, five to six institutions were reviewed each year and have been sufficient during past audits of the APA. The commission has formalized its review schedule to ensure a representative sample of applications from each institution is reviewed on a rotational basis.*

Commissioners

Gwenn Aspen, Chair Omaha	Dr. John Bernthal, Vice Chair Lincoln	Colleen A. Adam Hastings	Timothy Daniels Omaha	Dr. Deborah Frison Omaha
Charles Garman Omaha	Gene Kelly Papillion	Mary Lauritzen West Point	Molly O'Holleran North Platte	Dr. Paul Von Behren Fremont
				W. Scott Wilson Plattsmouth

**Access College Early Program**

If a student withdraws from one or more courses after a scholarship has been awarded and paid to the institution, the Commission works with the institution to transfer the scholarship funds to another eligible student enrolled at the institution who did not receive scholarship funds or allows the institution to reduce the subsequent invoice to the Commission for the overpayment. However, this process is not in accordance with the Commission's established rules and regulations, Title 281 Nebraska Administrative Code (NAC) 6-006.02(A) and 6-6006.02(B), which requires scholarship money be refunded directly to the Commission.

*The auditor's interpretation of the commission-written rules and regulations is incorrect. The commission's intent for the wording ... "and must refund the scholarship money directly to the Commission" was to ensure the institution did not refund the money to the student and not, as the auditors have interpreted, to return the money directly to the commission. The commission would emphasize that the process currently in use does not result in an overpayment to the institution but rather allows the commission to reduce the amount owed to the institution by the amount of the refund, thereby reducing expenses of both the institution and the commission. The wording will be revised to clarify the commission's intent in conjunction with revisions to other commission rules and regulations.*

While on-site, if a student who withdrew from a course was randomly selected, the Commission would review documentation on file, including the date the student withdrew from the course, to ensure the proper amount was refunded back to the Commission if the student withdrew before or during the partial or full refund period. However, the Commission's procedure of randomly selecting students awarded ACE scholarships does not ensure students who withdrew from a course, which ACE scholarship funds were paid, were reviewed on at least a sample basis at each institution.

*The auditors also commented that although the commission randomly selected ACE recipients for testing, including those that withdrew from a course, a separate sample from the population of students that withdrew should also be performed. While the majority of students that withdraw do so during the period when a 100% refund is provided, the commission does not reimburse the institution until after this timeframe has passed. This greatly reduces the amount the institution would need to return to the commission as the institution was never reimbursed for these students. The commission has implemented procedures during the next review cycle to select students that withdrew for compliance with refunding procedures.*

**Gap Assistance Program**

The tracking spreadsheet submitted by a community college did not include the dates two students enrolled in the Gap program during fiscal year 2020. As a result of the errors in the tracking spreadsheet, the Commission did not include the two students in the population of students enrolled in the Gap program which was used to select the students the Commission reviewed for eligibility.

*The commission has updated its sample selection process to include students in the Waiting to Participate status and will review subsequent submissions of the tracking spreadsheet for possible late additions of participating students.*

The Commission did not have any established procedures to ensure that, if a student withdraws enrollment in one or more courses for which Gap funds were paid, the unspent Gap funds are properly deposited back into the institution's Gap Program aid account for future use, as required by the Community College Gap Assistance Program Act Program Guidelines. The Commission's current procedure is to direct the community colleges to follow their own refund policies.

*The commission currently includes at least one student that did not complete the Gap program in its sample of students and has updated its review process to include an additional procedure to determine that if a refund was made, the funds were returned to the institution's Gap fund. The commission would note that a review of each community colleges' general ledger related to Gap expenditures is also performed annually and the commission has noted funds for tuition and fees being returned to the Gap program.*

If you have any questions, please contact me.

Sincerely,



Mike Baumgartner  
Executive Director

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
 FY 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)  
 EARLY COMMUNICATION MANAGEMENT LETTER – ISSUED SEPTEMBER 17, 2020;  
 FY 2020 CAFR MANAGEMENT LETTER – ISSUED FEBRUARY 2, 2021;  
 FY 2020 CAPITAL ASSET CAFR MANAGEMENT LETTER – ISSUED FEBRUARY 10, 2021;  
 AND FY2020 NEBRASKA STATEWIDE SINGLE AUDIT – ISSUED APRIL 5, 2021.**

Received July 28, 2021 – Department of Administrative Services corrective action plan.



Pete Ricketts, Governor

July 28, 2021

Honorable Charlie Janssen  
 Auditor of Public Accounts  
 State Capitol, Suite 2303  
 Lincoln, NE 68509

Dear Mr. Janssen:

In accordance with Neb. Rev. Stat. § 84-304(3)(b), please find below the Department of Administrative Services written description of corrective action taken, or to be taken, in response to comments and recommendations found in reports issued by the State Auditor related to the Comprehensive Annual Financial Report and Single Audits for the fiscal year ended June 30, 2020.

Entity Type	FY/ CY	Type	Entity/Program of Report	Released Final	Number of Findings
CAFR	2020	ML	Administrative Services, Department of – Capital Assets CAFR Management Letter	2/10/2021	1

1. Capital Asset Accounting Issues

DAS Response: State Accounting partnered with the Center of Operational Excellence and conducted 20 process improvement workshops related to significant accrual items, capital assets, and construction in progress. The workshops were conducted with various state agencies including the Department of Health and Human Services, Department of Labor, Department of Transportation, Department of Corrections, Veteran’s Affairs, and Game and Parks. This process will provide accurate and timely information to the Auditor of Public Accounts and reduce the errors in preparation.

Entity Type	FY/ CY	Type	Entity/Program of Report	Released Final	Number of Findings
CAFR	2020	ML	Administrative Services, Department of - CAFR Management Letter	2/2/2021	7

1. Errors in CAFR Preparation

DAS Response: State Accounting partnered with the Center of Operational Excellence and conducted 20 process improvement workshops related to significant accrual items, capital assets, and construction in progress. The workshops were conducted with various state agencies including the Department of Health and Human Services, Department of

Philip J. Olsen, CPA, CISA

Administrator

Department of Administrative Services | STATE ACCOUNTING

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 Lincoln, Nebraska 68509-4664

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Labor, Department of Transportation, Department of Corrections, Veteran’s Affairs, and Game and Parks. This process will provide accurate and timely information to the Auditor of Public Accounts and reduce the errors in preparation.

**2. Unemployment Insurance Fund Issues**

DAS Response: State Accounting worked with the Department of Labor to refine existing procedures for reporting Unemployment Insurance ACFR numbers. Six process improvement mappings were completed, covering \$425 million in errors noted in the management letter, to ensure accurate and timely reporting in the next reporting cycle. The Department implemented new reporting elements in the unemployment benefits system specific to ACFR reporting.

**3. Agency Accrual Errors**

DAS Response: State Accounting worked with the Department of Health and Human Services to refine existing procedures for reporting accrual information. Nine process improvement mappings were completed, covering \$100 million in errors noted in the management letter, to ensure accurate and timely reporting in the next reporting cycle.

**4. Lack of Financial Statement Reconciliation**

DAS Response: State Accounting has completed a reconciliation of the 2020 Schedule of Expenditures of Federal Awards (SEFA) to the 2020 Annual Comprehensive Financial Report.

**5. Enable Savings Plan**

DAS Response: State Accounting met with State Treasurer staff and determined the “Alabama Enable Savings Plan” is simply a naming convention to assist the State of Alabama in promoting the State of Nebraska’s Enable Savings Plan to Alabama residents. The State of Nebraska administers a single Enable Savings Plan that is available to US citizens. The plan audit includes all plan activity.

**6. Payroll and Benefit Issues**

DAS Response: The surcharge is a function of expected program utilization and operational costs such as recruitment, payroll, taxes, and administrative expenses. The rate is calculated each biennium and monitored. A rebate was provided to agencies that utilized the program in fiscal year 2021, and the proposed surcharge reduction for the following biennium was implemented early – in September of 2020. Documentation exists for the surcharge calculated for the previous biennium and the biennium beginning July 1, 2021.

**7. Postage Deposits**

DAS Response: State Accounting has reviewed Neb. Rev. Stat. § 81-167 and agency postage deposits. No changes in postage deposits have been made at this time.

Entity Type	FY/ CY	Type	Entity/Program of Report	Released Final	Number of Findings
CAFR	2020	ML	Administrative Services, Department of - CAFR Early Management Letter	9/17/2020	11

**1. Human Resources User Role 65 & E1 Pay Rate Override**

DAS Response: State Accounting has established compensating controls incorporating procedures to review the activity of those DAS employees assigned User Role 65, who have responsibility for processing internal payroll batches. DAS continues to work to minimize the number of times payroll batches are processed by one person. State Accounting has established procedures to periodically review the use of pay rate overrides. Any entry that looks questionable is brought to the State Accounting Administrator’s attention so further action can be considered. DAS has made progress on remediating this finding as evidenced by the fact that this comment was not repeated in the draft 2021 information technology management letter.

**2. E1 Special Handle a Voucher**

DAS Response: Use of this process to more efficiently correct voucher issues is granted to a large user base. If the vendor/payee is changed on a voucher, a system forced process requires a DAS teammate to complete a review, and documentation from the agency is retained. This control reduces the risk for the occurrence of errors or fraud to an acceptable level. As noted in the finding, only one user has access to the payee control-approval process, Special Handle a Voucher, and vendor address book records. This user has management responsibilities over accounts payable and address book teams.

**3. Changes to Vendor and Banking Information**

DAS Response: As a mitigating control that DAS already has in place, changes to a vendor/payee require prior banking information be provided for verification. DAS has prioritized the research of a vendor portal solution that can security facilitate vender self-service maintenance.

**4. E1 Timesheets**

DAS Response: Timesheet images are maintained in EnterpriseOne until the payroll is processed; however, the electronic data is maintained in EnterpriseOne indefinitely. DAS is exploring options for capturing and retaining timesheet images each time payroll is processed.

**5. E1 Business Continuity Plan**

DAS Response: Business Continuity and System Security Plans have been updated. An internal continuity exercise was completed in September 2020, and an additional failover exercise has been planned for 2021.

**6. Workday User Access**

DAS Response: Formal procedures for requesting and approving group access are in place. When an agency needs a teammate to have new/updated access in Workday, they send a request to NIS.Security. NIS.Security forwards that request to State Personnel for review and approval or denial. A process is in place for verifying a position still needs role access when a user terminates. When someone terminates employment, the "NIS.Security team" removes the Role Assignments on that vacated position, unless the termination event is rescinded based on a request from the agency.

**7. E1 Terminated User Access**

DAS Response: DAS continues to provide multiple training events each year, during which agency personnel are reminded to enter termination dates in a timely manner, to facilitate the deactivation and termination of a user's EnterpriseOne access. DAS has made progress on remediating this finding as evidenced by the fact that this comment was not repeated in the draft 2021 information technology management letter.

**8. Clarity of E1 Timesheets**

DAS Response: The Clarity team now creates a Timesheet Summary Report and NIS Report for each pay period that allows DAS Shared Services to reconcile leave approved in Clarity to the EnterpriseOne upload.

**9. Shared Services Payroll Support**

DAS Response: A data verification is performed based on the number of records loaded from Kronos into EnterpriseOne. Records from "Kronos Post" to "Kronos Send" are matched, and then records from "Kronos Send" are matched to the EnterpriseOne batch. DAS has made progress on remediating this finding as evidenced by the fact that this comment was not repeated in the draft 2021 information technology management letter.

**10. E1 Deposit Batches**

DAS Response: The EnterpriseOne IT team is reviewing available options for restricting the approver access that allows deposit batches to be changed without a secondary review.

#### 11. State Employee and Vendor Address Book Issues

DAS Response: DAS does not manage public welfare or University address book records, including the issuing of 1099's. If a foreign vendor does not have a tax ID they are entered as "Foreign", and ACH transactions are not processed for those vendors. We have reduced the number of records with no birthdate from 33 down to five. DAS has made progress on remediating this finding as evidenced by the fact that this comment was not repeated in the draft 2021 information technology management letter.

Entity Type	FY/ CY	Type	Entity/Program of Report	Released Final	Number of Findings
Single	2019	S-Com.	Single - Administrative Services, Department of	4/5/2021	11

#### 1. Finding 2020-001 Capital Asset Accounting Issues

DAS Response: State Accounting partnered with the Center of Operational Excellence and conducted 20 process improvement workshops related to significant accrual items, capital assets, and construction in progress. The workshops were conducted with various state agencies including the Department of Health and Human Services, Department of Labor, Department of Transportation, Department of Corrections, Veteran's Affairs, and Game and Parks. This process will provide accurate and timely information to the Auditor of Public Accounts and reduce the errors in preparation

#### 2. Finding 2020-002 Errors in CAFR Preparation

DAS Response: State Accounting partnered with the Center of Operational Excellence and conducted 20 process improvement workshops related to significant accrual items, capital assets, and construction in progress. The workshops were conducted with various state agencies including the Department of Health and Human Services, Department of Labor, Department of Transportation, Department of Corrections, Veteran's Affairs, and Game and Parks. This process will provide accurate and timely information to the Auditor of Public Accounts and reduce the errors in preparation.

#### 3. Finding 2020-003 Unemployment Insurance Fund Issues

DAS Response: State Accounting worked with the Department of Labor to refine existing procedures for reporting Unemployment Insurance ACFR numbers. Six process improvement mappings were completed, covering \$425 million in errors noted in the management letter, to ensure accurate and timely reporting in the next reporting cycle. The Department implemented new reporting elements in the unemployment benefits system specific to ACFR reporting.

#### 4. Finding 2020-004 Agency Accrual Errors

DAS Response: State Accounting worked with the Department of Health and Human Services to refine existing procedures for reporting accrual information. Nine process improvement mappings were completed, covering \$100 million in errors noted in the management letter, to ensure accurate and timely reporting in the next reporting cycle.

#### 5. Finding 2020-005 Lack of Financial Statement Reconciliation

DAS Response: State Accounting has completed a reconciliation of the 2020 Schedule of Expenditures of Federal Awards (SEFA) to the 2020 Annual Comprehensive Financial Report.

#### 6. Finding 2020-006 Human Resources User Role 65 & E1 Pay Rate Override

DAS Response: State Accounting has established compensating controls incorporating procedures to review the activity of those DAS employees assigned User Role 65, who have responsibility for processing internal payroll batches. DAS continues to work to minimize the number of times payroll batches are processed by one person. State Accounting has established procedures to periodically review the use of pay rate overrides. Any entry that looks questionable is brought

to the State Accounting Administrator's attention so further action can be considered. This was no longer a comment in the 2021 audit management letter.

#### 7. Finding 2020-007 E1 Special Handle a Voucher

DAS Response: Use of this process to more efficiently correct voucher issues is granted to a large user base. If the vendor/payee is changed on a voucher, a system forced process requires a DAS teammate to complete a review, and documentation from the agency is retained. This control reduces the risk for the occurrence of errors or fraud to an acceptable level. As noted in the finding, only one user has access to the payee control-approval process, Special Handle a Voucher, and vendor address book records. This user has management responsibilities over accounts payable and address book team.

#### 8. Finding 2020-008 Changes to Vendor and Banking Information

DAS Response: As a mitigating control that DAS already has in place, changes to a vendor/payee require prior banking information be provided for verification. DAS has prioritized the research of a vendor portal solution that can security facilitate venter self-service maintenance.

#### 9. Finding 2020-009 E1 Timesheets

DAS Response: Timesheet images are maintained in EnterpriseOne until the payroll is processed; however, the electronic data is maintained in EnterpriseOne indefinitely. DAS is exploring options for capturing and retaining timesheet images each time payroll is processed.

#### 10. Finding 2020-022

Management Response:

Building and Grounds Maintenance: Our methodology does not require corrective action. In response to this finding in a prior year, DAS created a reasonable and defensible methodology in which rates are determined. The rates are published here: [https://das.nebraska.gov/budget/docs/inst/assets/2021-2023\\_rates-section.pdf](https://das.nebraska.gov/budget/docs/inst/assets/2021-2023_rates-section.pdf). In January 2018 for the current biennium FY19-21 DAS State Building Division used Google Maps to assist in the allocation of the Grounds costs. This data was used to determine the number of square feet for each surface type, and the allocation used updated percentages to allocate costs using 45% for turf maintenance, 30% for snow removal and 25% for parking lot maintenance and clean up. This weighting process is the most efficient and equitable methodology to distribute grounds maintenance costs across state properties.

Security: Our methodology does not require corrective action. In January 2018, DAS State Building Division changed the allocation of the security costs from security check points to facility square feet, with the exception of the 501 Bldg, Governor's Residence, and State Capitol. This is a more accurate methodology of security costs.

Print Shop Rates: The 10% increase was applied across the board to the historical rates in order to cover costs based upon a deeply declining fund balance. Prior to 2019, the rates had not been increased since 2010. Regarding the 5% rate increase in fiscal year 2020, that was never applied or charged to customers. We agree the cost center rates should be individually supported and the teammates from Materiel, Central Finance and the IT Team have identified, and began working through, a methodology as the basis for rate setting at the cost center level.

Plate Printing Rates: Corrective action was taken during the biennium, but after rates were published. The blended rate charged is fair and equitable. The published rate of the plates is not based upon the cost of the physical plate. The rate is based upon the processing of the plate to include: labor, equipment, maintenance,

and overhead. Additionally, 75% of plate printing is performed by utilizing plastic plates. In order to equitably distribute indirect costs, a blended rate was created.

Markup Surcharge Rate: Corrective action was taken during the biennium, but after rates were published. The markup has been 35% for over 40 years and is based on industry standard. This was verified with outreach to other state print shops. This markup is to cover administrative duties and costs associated with the purchase, handling, and storage of paper and supplies. The 2019 published rate was 39%, however, the Print Shop only charged 35% to continue meeting industry standard.

Bookwork and Accounting: We agree and billing should be based upon actual hours worked.

**11. Finding 2020-023**

*Management Response:* The preponderance of reporting errors were caused by the Department of Health and Human Services not accurately reporting SEFA expenditures. Additionally, Administrative Services has established an account code for agencies to utilize for subrecipient payments that are to be recorded on the SEFA. Whether state agencies reporting data comes from the accounting system or from outside sources, those agencies are directly responsible for adequately reviewing their data and providing DAS accurate information. The original SEFA expenditures were under-reported by 0.56%

Please let me know if you have any questions or concerns.

Sincerely,



Philip J. Olsen  
State Accounting Administrator

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**FY 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
NEBRASKA SUPREME COURT – ISSUED FEBRUARY 8, 2021.**

Received August 4, 2021 – Nebraska Supreme Court corrective action plan.

Corey R. Steel  
State Court Administrator



Deborah A. Minardi  
State Probation Administrator

August 4, 2021

Charlie Janssen  
Nebraska Auditor of Public Accounts  
State Capitol, Suite 2303  
Lincoln, NE 68509-8917

Dear Auditor Janssen:

Neb. Rev. Stat. §84-304(3)(b) requires entities to describe the corrective actions taken or to be taken in response to audits conducted by the Auditor of Public Accounts. This letter is intended to meet that requirement for the July 1, 2019 through June 30, 2020 CAFR Management Letter released 2/8/21.

**JUSTICE New User Access**

Action: The Administrative Office of the Courts and Probation (AOC) has updated procedures to ensure alignment of documentation and access for new users.

**JUSTICE Terminated User Access**

Action: Procedures are under new review by the AOC. As noted before, the AOC accepts that there is a risk, but contends that the risk is mitigated to a significant degree due to JUSTICE only being accessible on the state network.

**Court Remittances to State**

Action: The Auditor of Public Accounts (APA) Management letter noted 31 late payments in a test of 2 months. As noted in our response at that time, JUSTICE was modified to address this issue. A 6 month review of payments (January through June 2021) found only 15 payments not remitted timely.

**Unauthorized Bank Accounts**

Action: As mentioned in our prior response, legislation was introduced to address this finding. LB355 passed and was signed into law with an effective date of 8/28/21. It removed an obstacle for making progress on this issue by clarifying ownership of bank accounts related to specific cases. In turn, the AOC can now work with the State Treasurer's office to form an agreement whereby the Treasurer can adequately protect all court bank accounts while the courts maintain day-to-day control.

Sincerely,

Corey R. Steel  
State Court Administrator

Administrative Office of the Courts & Probation  
P. O. Box 98910, Lincoln, Nebraska 68509-8910  
www.supremecourt.nebraska.gov  
Phone (402) 471-3730  
Fax (402) 471-2197

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA CORN DEVELOPMENT, UTILIZATION,  
AND MARKETING BOARD  
JULY 1, 2019, THROUGH DECEMBER 31, 2020**

Received August 9, 2021 – Corn Development Utilization, and Marketing Board corrective action plan.



Nebraska Corn Development, Utilization and Marketing Board  
Corrective Action Plan  
following July 13, 2021  
Attestation Report

1. *Advance Payments:*
  - a. *Board Corrective Action Plan:* The Board reviewed the Nebraska State Accounting Manual and have implemented additional documentation requirements when a prepayment is required
2. *Meals Exceeded GSA Guidelines:*
  - a. *Board Corrective Action Plan:* In conjunction with board policy, board/staff explanation will be documented for meals which exceed GSA guidelines. With the state move to per diem-based expenses, traveling board and staff are reminded of meeting location per diem rates. Double reimbursement was corrected by a payment to the Board.
3. *Compliance Reviews* Compliance review policies and procedures could be improved. There is no minimum number of reviews to be completed within a year or guidance on how many years can elapse before a first purchaser is reviewed.
  - a. *Board Corrective Action Plan:* The Board will annually meet with Nebraska Department of Agriculture to review audit procedures and goals.

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**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**NEBRASKA DEPARTMENT OF TRANSPORTATION**  
**FY 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**  
**EARLY COMMUNICATION MANAGEMENT LETTER – ISSUED SEPTEMBER 11, 2020;**  
**FY 2020 CAFR MANAGEMENT LETTER – ISSUED FEBRUARY 2, 2021;**  
**FY2020 NEBRASKA STATEWIDE SINGLE AUDIT – ISSUED APRIL 5, 2021;**  
**AND FY 2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)**  
**EARLY COMMUNICATION MANAGEMENT LETTER – ISSUED JULY 30, 2021.**  
 Received September 20, 2021 – Department of Transportation corrective action plan.

**FY2020 ACFR Early Management Letter Comment and Recommendation**

**NITC Information Security Policy**

The Nebraska Information Technology Commission's (NITC) nine members are appointed by the Governor with the approval of the Legislature. Neb. Rev. Stat. § 86-516(6) (Reissue 2014) directs the NITC to "Adopt minimum technical standards, guidelines, and architectures upon recommendation by the technical panel."

NITC Technical Standards and Guidelines, Information Security Policy 8-209 (July 2017), "State and agency security planning and reporting," requires or recommends State agencies to have an Information Security Plan, a System Security Plan, and a Plan of Action and Milestones Report on file. The NITC has established specific elements to be included in its Information Security Strategic Plan (8-210), System Security Plan (8-211), and Plan of Action and Milestones Report (8-212).

As a result, the Auditor of Public Accounts (APA) tested some of the key elements of those NITC Technical Standard and Guidelines to verify compliance by the Department. Though having various documents that contained some of the necessary elements, the Department lacked documentation to support that it met all required elements, as described below.

The APA noted the Department had a Security Plan that had some of the elements of 8-210; however, this document was in draft form as of June 2020. In that draft Security Plan, the APA found that the following requirements were not met:

- Five-year projection & educated views of emerging threats and protections.
- Analysis of the current and planned technology and infrastructure design, and the corresponding changes required for information security to stay aligned with these plans.
- Summary of the overall information risks assessments and current risk levels, and detailed descriptions of significant security risks, and plans to mitigate or remediate those risks.

The APA noted that all significant requirements identified in 8-211 were not met, as the Department was working with the Office of Chief Information Officer (OCIO) on addressing those elements.

For risks and findings identified by the APA in a prior year audit and for any risks identified by the Department through its own internal and external assessments, if any, the Department lacked a Plan of Action & Milestones Report (NITC 8-212).

The Department lacks formal plans that fully describe the current controls in place for protecting information at a level commensurate with the sensitivity level of the Department's systems. A similar finding was noted during the previous audit.

We recommend the Department continue to work with the OCIO to satisfy the requirements of the NITC Information Security Policy.

**NDOT Response:**

NDOT agrees with the recommendation. We will coordinate with the OCIO's State Security Information Officer to review how best to ensure the NITC requirements are met.

Corrective Action Update:

NDOT engaged and worked with the OCIO, NITC, and its advisory groups to have the referenced NITC policies revised to reflect current responsibilities, as modified by the State's IT consolidation processes.

These policies were officially adopted by the NITC on July 8<sup>th</sup>, 2021. These updates no longer require NDOT to develop an agency specific Information Security Strategic Plan (8-210), System Security Plan (8-211), and Plan of Action and Milestones Report (8-212).

NDOT will continue to work with OCIO to identify if it is appropriate for NDOT to monitor and address risks in addition to what is being done by the OCIO.

## NDOT FY2020 ACFR Management Letter Responses

### Federal Activity Recorded in Cash Funds

**Auditor's Recommendation:** We recommend the Department implement procedures to ensure State Accounting Policies are followed and establish an adequate interface between RPS and the State's Accounting System to ensure the funding is being recorded properly.

**Management Response:** NDOT's recording of federal reimbursement as a revenue in the State's Accounting System to a cash fund following the expenditure of state funds is a long-standing practice done with the knowledge of DAS State Accounting. Specific, unique revenue object codes have been created in EnterpriseOne and are used to separately account for federal reimbursement. Since these are state expenses at the time of payment and state cash funds are used, there is not a need to record federal information to the expenditure. After the state expenses are identified in NDOT's Project Finance System for potential federal reimbursement, the federal information is recorded there. This practice was established long ago as a reflection of the fact that the federal reimbursement could take place months and even years following the initial state expense. NDOT will continue to confer with the Department of Administrative Services regarding the State Accounting policy and take whatever follow-up actions they advise are necessary. Also, due to a retirement in a key position, there was some confusion in terms of timing and when the State Auditor's Office wished to have the full reconciliation of Federal expenditures completed. NDOT staff were prepared to complete the reconciliation but believed there would be additional follow-up from the State Auditor's Office of when that information was needed.

NDOT has conferred with Federal Highway Administration (FHWA) Nebraska Division financial staff and received assurances from them that they are confident that NDOT can provide expenditure summaries from NDOT's systems by CFDA number that agrees to FHWA records. Further, assurances have been received that NDOT has proper accounting controls in place from their federal perspective. They've advised NDOT is able to provide information that enables FHWA to reconcile from total project costs of the project to federal reimbursed costs and verify that the reimbursement was done at the appropriate federal participation percentage.

**Corrective Action Plan:** NDOT does recognize that improvements could be made to the internal financial systems. In fact, NDOT has recently completed a financial systems modernization roadmap, which will guide future enhancement and/or replacement of some of the existing legacy systems, including the potential for NDOT to use the State's accounting system, EnterpriseOne, directly in the future. FHWA will be invited to participate in the modernization efforts. NDOT will communicate more effectively with the Auditor's Office in the future with respect to the timing of submission of the federal fund reconciliation and is also working toward automation using the existing internal financial systems that allow the reconciliation to be provided more timely.

Contact: Lyn Heaton, Jenessa Boynton

Anticipated Completion Date: Ongoing

Corrective Action Update: NDOT will continue to confer with the Department of Administrative Services regarding the State Accounting policy and take whatever follow-up actions they advise are necessary. Also, Federal Highway Administration (FHWA) has advised that NDOT is able to provide information that enables FHWA to reconcile from total project costs of the project to federal reimbursed costs and verify that the reimbursement was done in accordance with FHWA standards.

#### Voyager Card Issues

Auditor's Recommendation: We recommend the Department implement procedures to ensure compliance with State statute and/or administrative policies requiring the tracking of odometer readings when purchasing fuel with Voyager cards and purchasing fuel at State-owned facilities in Lincoln, NE, as well as from such facilities whenever possible elsewhere. We also recommend the Department ensure that its policies are updated for current practices.

Neb. Rev. Stat. § 81-1019, as cited in the Auditor's CAFR Management Letter, references the term "bureau fleet vehicle". NDOT operates under Nebraska Highway and Bridge laws and has additional authority granted to it with respect to fleet vehicles. Neb. Rev. Stat. § 39-1355, grants NDOT with the authority to purchase lease, employ, or acquire by other means, all needed road materials, machinery, equipment, supplies, services, and labor necessary for the construction, reconstruction, maintenance, and control of the state highway system. As such, NDOT does not operate any bureau fleet vehicles under the authority of the Transportation Services Bureau. However, NDOT acknowledges the need to update policies and procedures. NDOT is revising the Fleet Credit Card and Fuel System Manual and other internal operating instructions, which are expected to be published before the end of February 2021. The updated documents will direct that odometer readings be collected at the time of fueling. These updated policies will also include a recommendation to purchase fuel from State-owned facilities in Lincoln when possible or feasible as a best practice and similar to as is required for vehicles owned and operated by the Transportation Services Bureau. To assist in the tracking of odometer readings, an odometer audit report is being created and is expected to be available no later than spring 2021 that will be used to review issues with drivers.

Corrective Action Update: NDOT has updated the Fleet Credit Card and Fuel System manual, which began being utilized as of March 2021. In addition, NDOT created an Odometer audit report along with supplemental standard operating procedures, which both began being utilized in July 2021.

## FY2020 Federal Single Audit Recommendations

### 1. Program 20.205 – Highway Planning and Construction - Reporting

**Recommendation:** We recommend the Agency implement procedures to ensure all expenditures reported on the SEFA can be traced to EnterpriseOne transaction-level detail. We further recommend the Agency establish an adequate interface between the RPS system and the State's Accounting System to ensure the funding is properly recorded.

*Management Response: NDOT's recording of federal reimbursement as a revenue in the State's Accounting System to a cash fund following the expenditure of state funds is a long-standing practice done with the knowledge of DAS State Accounting. Specific, unique revenue object codes have been created in EnterpriseOne and are used to separately account for federal reimbursement. Since these are state expenses at the time of payment and state cash funds are used, there is not a need to record federal information to the expenditure. After the state expenses are identified in NDOT's Project Finance System for potential federal reimbursement, the federal information is recorded there. This practice was established long ago as a reflection of the fact that the federal reimbursement could take place months and even years following the initial state expense.*

*NDOT recently conferred with Federal Highway Administration (FHWA) Nebraska Division financial staff regarding the Auditor's comments and recommendation and received assurances from them that they are confident that NDOT can provide expenditure summaries from NDOT's systems by CFDA number that agrees to FHWA records. Further, an assurance was received that NDOT has proper accounting controls in place from their federal perspective. They've advised NDOT is able to provide information that enables FHWA to reconcile from total project costs of the project to federal reimbursed costs and verify that the reimbursement was done at the appropriate federal participation percentage.*

*Corrective Action Plan: NDOT does recognize that improvements could be made to the internal financial systems and processes. In fact, NDOT will soon conclude a Financial Systems Modernization project Fit/Gap Assessment working with DAS State Accounting and the OCIO. The Fit/Gap Assessment is evaluating the feasibility of NDOT using EnterpriseOne directly for entry of accounts payable and replacing RPS, the existing mainframe-based legacy system. FHWA have been invited to participate in the modernization effort. In the near term, NDOT has also begun scoping for new development within the Project Finance System that will allow data needed for the reconciliation that is requested to be provided much more timely.*

*Contact: Lyn Heaton, Jenessa Boynton*

*Anticipated Completion Date: Ongoing*

**Corrective Action Update:** On April 23, 2021 FHWA issued its management decision letter for the FY2020 Single Audit relative to NDOT and advised that the finding is closed from FHWA's perspective.

### 2. Program: 20.505 – Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research – Allowability and Subrecipient Monitoring

**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 Transit reviews each invoice for allowable costs and contacts the MPO for additional information.*

*Corrective Action Plan: NDOT Transit will continue to request supporting documentation for expenses incurred during the billing period with a concentration on payroll documents. Documentation will be kept on site and provided to auditors upon request.*

*Contact: Marisue Wagner*

*Anticipated Completion Date: Completed*

*Corrective Action Update: NDOT is working with FTA to provide requested documentation related to specific transactions identified through the FY20 single audit.*

**3. Program: CFDA 20.509 – Formula Grants for Rural Areas; 20.509 – COVID-19 Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring**

**Recommendation:** We recommend the Agency strengthen procedures to ensure subrecipient expenditures are allowable and in accordance with Federal regulations.

*Management Response: 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.*

*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.*

*Fare revenue is not reviewed due to the inconsistent nature of each agency's fare structure. Rural transit agencies funded through the Section 5311 program are not required to charge fares. However, when fares are collected the dollar amount per trip is determined locally and could vary based on distance traveled, passenger age, destination, etc. Reviewing fare revenue would require reviewing multiple driver logs per month per agency to identify fares collected and origins/destinations to compare to the current fare schedule. The level of effort required outweighs the potential risk.*

*Corrective Action Plan: The NDOT Transit Section will continue to follow established procedures to monitor compliance by reviewing invoices, requesting supporting documentation for expenses as needed and following up with site visit findings.*

*In FY20 NDOT requested documentation to support cost allocations. The documentation typically includes a floor plan of the structure where transit offices are located, and the amount of square footage occupied by program staff. Questions regarding cost allocation have also been added to our compliance review questionnaire.*

*More detailed payroll documentation will be requested during desktop reviews. Spreadsheets submitted to document employees, hours worked, employer costs, etc., will no longer be accepted as sole documentation to verify payroll expenses.*

*Contact: Linda Langdale, Ken Rouch, George Gallardo, Marisue Wagner*

*Anticipated Completion Date: Ongoing*

**Corrective Action Update:** NDOT is working with FTA to provide requested documentation related to specific transactions identified through the FY20 single audit.

NITC Information Security Policy

**Recommendation:**

While there have been significant changes to the NITC Technical Standards and Guidelines with regard to security planning and reporting, we continue to recommend that the Department review the revisions and formally document compliance with these updated requirements, specifically formally documenting a risk assessment and tracking how the Department is addressing those risks, even if not required by Federal data exchange agreements, as the NITC still recommends this as best practice.

**NDOT Response:**

As a result of last year's recommendation, "We recommend the Department work with the Office of the Chief Information Officer to satisfy the requirements of the NITC Information Security Policy.", NDOT engaged and worked with the OCIO, NITC, and its advisory groups to have the referenced NITC policies revised to reflect current responsibilities, as modified by the State's IT consolidation processes.

These policies were officially adopted by the NITC on July 8<sup>th</sup>, 2021. These updates no longer require NDOT to develop an agency specific Information Security Strategic Plan (8-210), System Security Plan (8-211), and Plan of Action and Milestones Report (8-212).

NDOT appreciates the recommendation to formally document a risk assessment and track how we're addressing those risks. NDOT will work with the OCIO to identify if it is appropriate for NDOT to monitor and address risks in addition to what is being done to secure State systems by the OCIO.

**Corrective Action Update:**

NDOT engaged and worked with the OCIO, NITC, and its advisory groups to have the referenced NITC policies revised to reflect current responsibilities, as modified by the State's IT consolidation processes.

These policies were officially adopted by the NITC on July 8<sup>th</sup>, 2021. These updates no longer require NDOT to develop an agency specific Information Security Strategic Plan (8-210), System Security Plan (8-211), and Plan of Action and Milestones Report (8-212).

NDOT will continue to work with OCIO to identify if it is appropriate for NDOT to monitor and address risks in addition to what is being done by the OCIO.

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**FY 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT MANAGEMENT LETTER –  
NEBRASKA DEPARTMENT OF EDUCATION – ISSUED FEBRAURY 3, 2021.  
AND EARLY COMMUNICATION MANAGEMENT LETTER – ISSUED SEPTEMBER 11, 2020.**

Received September 23, 2021 – Department of Education corrective action plan.

**Nebraska Department of Education  
2020 CAFR Management letter follow up**

**Employee Retroactive Pay Rate Increase**

For fiscal year 2020, the Auditor of Public Accounts (APA) used the State's accounting system, EnterpriseOne, to conduct a detailed analysis of the highest-paid State employees. In doing so, the APA identified one Department employee who received a pay raise during March 2020 from \$67 per hour to \$124 per hour, which amounted to an \$118,182 salary increase. This increase was related to her official duties as Deputy Commissioner of School Improvement and Support Services and additional duties as Director of Schools for the Nebraska Department of Health and Human Services (DHHS) facility-based schools, as set by a six-month contract between the Department and DHHS from March 1, 2020, through August 31, 2020. The facility-based schools included those operated by the Youth Rehabilitation and Treatment Centers (YRTC), the Hastings Regional Center – Juvenile Chemical Dependency Program (JCDP), and the Lincoln Regional Center – Whitehall Campus. To ascertain whether the salary increase was reasonable and allowable, the APA requested a copy of the contract between the Department and DHHS, as well as documentation supporting the authorization and payment of the employee's salary increase.

The pay rate increase for the Department employee was approved on April 10, 2020, and was applied retroactively for the bi-weekly pay period ended April 10, 2020, on the April 22, 2020, paycheck, resulting in a retroactive pay increase of \$4,545.

The APA received additional documentation from the Department and noted that another Department employee also received a pay raise during March 2020 from \$53 per hour to \$76 per hour, which amounted to a \$47,272 salary increase. Similar to the previous Department employee, the raise was related to this employee's responsibilities under the six-month contract between the Department and DHHS.

The pay rate increase for the second Department employee was approved on April 10, 2020, and was applied retroactively for the bi-weekly pay period ended April 10, 2020. The additional amount paid on his April 22, 2020, paycheck, as a result of this retroactive pay rate increase, was \$1,818.

*Department Response: Although we issued a formal salary change letter late in the process, it was a result of the circumstances surrounding the beginning of the COVID19 Pandemic. The Commissioner issued a letter to the affected employee on March 6<sup>th</sup>, assigning new duties under the contract which had been approved by the State Board earlier that day. This letter identified additional responsibilities both employees were to complete and specifically noted that a subsequent memo documenting the salary adjustment would be issued. Due to the timing of these events occurring on the day we learned of the first COVID case the Commissioners attention and time as well as other key staff quickly became focused on leading schools through the pandemic and not completing this contract in a normal time frame. Although the letters were not issued properly in advance of the March 30<sup>th</sup> start date the intention and discussion at that time indicates the agreement with both employees were complete. We should have included in our documentation that these agreements were discussed and in place prior to March 30<sup>th</sup> but the contract wasn't completed until later due to the COVID19 pandemic.*

**Follow Up:**

**The issue noted above was a one-time issue and per our response we do not believe any further action is required.**

## EARLY Management Letter Findings

User Access Issues

(CNP, Nebraska VR QE2, GMS)

*"We recommend the Department implement procedures to ensure that user activity can be tracked within the application, especially when elevated access or shared IDs are involved. Those same procedures should ensure also that employees are granted only the access necessary to perform their job duties, and terminated employees' access is removed timely."*

Nebraska Department of Education will develop a comprehensive internal control compliance policy to address deficiencies in user account and password management, and compliance to NITC standards. NDE plans to track suggested internal controls and audit them for implementation and effectiveness. Nebraska VR has already created a shared spreadsheet to better track user account deactivation. For CNP and GMS systems (and also to properly codify VR's practices), NDE's plans to develop and implement the aforementioned compliance policy within a year.

**Follow Up:**

NDE is working towards implementing the action steps noted in our original response.

NITC Information Security Policy

*"We recommend the Department implement procedures for meeting the requirements of the NITC Information Security Policy."*

Nebraska Department of Education will continue work on a System Security Plan to meet the requirements of the NITC Information Security Policy. NDE's Security and Audit committee is in process of creating the Plan which should be implemented within the next year.

**Follow Up:**

NDE has a completed information security strategic plan and is working towards completing assessment of controls as noted in that plan. Additionally, NDE is working towards addressing areas of concern noted in this finding.

QE2 Change Management

*"We recommend the Department strengthen its policies and procedures to ensure that the Department's change management process is followed and there is an adequate segregation of duties over changes made to QE2."*

Nebraska Department of Education will develop, within a year, a code deployment policy to help us strengthen adherence to industry standard code deployment practices.

**Follow Up:**

While the department works on the code deployment policy, an audit process has been set up to review and document any anomalous code deployments to the QE2 system.

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA ETHANOL BOARD  
JULY 1, 2019, THROUGH DECEMBER 31, 2020**

Received October 19, 2021 – Ethanol Board corrective action plan.



Roger Berry, Administrator  
Nebraska Ethanol Board  
P.O. Box 94922  
301 Centennial Mall South  
Lincoln, Nebraska 68509  
office: 402-471-2941  
ethanol.nebraska.gov

October 19, 2021

Auditor of Public Accounts,

The following is the corrective action plan for Nebraska Ethanol Board's July 14, 2021, attestation report for the audit covering the time period of July 1, 2019, through Dec. 31, 2020.

- *The Board paid \$1,236 on behalf of a private organization. Although the amount was subsequently repaid, the Board should not have used public funds for a private organization. In September 2019, the Board held a summit at an event center, and Renewable Fuels of Nebraska (RFN) used the facility one day prior to the Board's event. The Board agreed to cover RFN's expenses with the verbal understanding that RFN would reimburse the Board in the future. However, there was no written agreement with RFN that the Board would cover the costs or that RFN would reimburse the costs.*

**Corrective action plan:** The administrator and the finance manager reviewed the current procedures to result in the strengthening of the management of public funds and the proper use of contracts.

- *Contrary to Neb. Rev. Stat. § 84-602.04(4)(a)(i) (Cum. Supp. 2020), two contracts that served as the basis for the Board's expenditure of State Funds, as detailed in the table below, were not included on the State's contract database.*

<u>Contractor</u>	<u>Period</u>	<u>Amount</u>
Renewable Fuels of Nebraska	7/1/2019 – 6/30/2020	\$ 10,000
Bosselman Pump and Pantry	11/8/2019 – 2/29/2020	\$ 5,000

**Corrective action plan:** The Administrator met with Nebraska Department of Agriculture and a plan has been implemented to ensure compliance.

- *One payment tested was not in accordance with the terms of the controlling agreement. Per a signed retainer agreement, the contractor would provide services to the Board, including a "minimum of 20 hours of work to be documented in a detailed bill on the last day of the month," in exchange for \$2,000 a month. However, the September 2019 payment was for only 17.1 hours of work provided. The Board approved payment based on the average hours worked per month, rather than actual hours, which was inconsistent with the contractual language*

**Corrective action plan:** The procedures have been strengthened to ensure that contract language is reviewed and adhered to.

Thank you,



Roger Berry, Administrator  
Nebraska Ethanol Board

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORTS OF 45 COUNTY COURTS  
JANUARY 1, 2019, THROUGH DECEMBER 31, 2020 –  
ISSUED MARCH 16, 2021, THROUGH MAY 19, 2021.**

Received Response November 8, 2021 – Judicial Branch corrective action plan.



**Corey R. Steel**  
State Court Administrator

**Deborah A. Minardi**  
State Probation Administrator

November 8, 2021

Charlie Janssen  
Nebraska Auditor of Public Accounts  
State Capitol, Suite 2303  
Lincoln, NE 68509-8917

Dear Auditor Janssen:

Neb. Rev. Stat. §84-304(3)(b) requires entities to describe the corrective actions taken or to be taken in response to audits conducted by the Auditor of Public Accounts (APA). This letter is intended to meet that requirement for the 45 county court audits conducted in CY2021.

**Recommendation: Segregation of Duties**

Action: This finding was stated in all 45 audits and as the only finding in 26 audits. This will continue to be an audit point for smaller county courts. The Judicial Branch does not have financial and human resources sufficient enough to remove this finding for many courts. However, as we continue to state, the risks from lack of segregation have been reduced through establishment of Accounting Audit Specialists that review records and provide assistance to courts on financial matters. For those courts that have the resources to segregate duties, in several audits the finding stated one person could process all parts of a financial transaction. Again, no instances were reported that this was done. The Judicial Branch will work with the APA and review JUSTICE to determine if there are options that can reduce risk.

**Recommendation: Timely Review of Reports**

Action: Several courts had a finding or recommendation regarding review of JUSTICE reports, primarily the Monthly Case Balance Report and the Overdue Case Balance Report. Since their audits, many courts have established and are using procedures for regular review of these reports.

**Recommendation: Additional Issues**

Action: Audit findings and statements were made regarding use of signature stamps, unclaimed property reporting, pledged securities, claims to the county and payment/receipt actions and documentation. The specific issues were resolved by most courts, some by the time the audit was published. For other courts, assistance has been provided or made available through the Accounting Audit Specialists and Administrative Office of the Courts/Probation staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Corey R. Steel". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Corey R. Steel  
State Court Administrator

Administrative Office of the Courts & Probation  
P. O. Box 98910, Lincoln, Nebraska 68509-8910  
[www.supremecourtnebraska.gov](http://www.supremecourtnebraska.gov)  
Phone (402) 471-3730  
Fax (402) 471-2197

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
JULY 1, 2019, THROUGH DECEMBER 31, 2020.  
AND FY 2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT  
EARLY COMMUNICATION MANAGEMENT LETTER – ISSUED JULY 26, 2021.**

Received January 11, 2022 – Department of Motor Vehicles corrective action plan.



Pete Ricketts, Governor

January 11, 2022

Charlie Janssen, State Auditor  
Nebraska Auditor of Public Accounts  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509

Dear Mr. Janssen:

The Department of Motor Vehicles is in receipt of the final Attestation Report of the Nebraska Department of Motor Vehicles covering the period of July 1, 2019 through December 31, 2020.

Please accept this abatement document relative to the comments and recommendations for the period of July 1, 2019 through December 31, 2020.

**1. Lack of Adequate Internal Controls Over Revenues**

During our testing of the Department’s internal control procedures over money received, we noted numerous issues, including a lack of segregation of duties, lack of monitoring of fees received from third-party vendors, lack of timely deposits, and a lack of review of outstanding accounts receivable.

*Lack of Segregation of Duties Over Revenues*

The Department recorded nearly \$96 million in revenues for the period July 1, 2019, through December 31, 2020. The majority of the revenues received were for sales and charges of customers. During testing, we noted that three divisions within the Department lacked an adequate segregation of duties over the receipting process.

Driver & Vehicle Records (DVR): All staff with access to the VicToRy system could void transactions without a secondary approval required in the system. Voids were required to be initialed and a reason for void documented by staff performing the void, then given to a supervisor for review; however, supervisors did not always document their review. Furthermore, no documented review of voided transactions was performed by an individual without access to void transactions in the system. During the examination period, \$347,820 in cash and checks was deposited by these DVR division staff.

Rhonda K. Lohm, Director  
Department of Motor Vehicles  
P.O. Box 98789 Office 402-471-3900  
301 Centennial Mall South FAX 402-471-3920  
Lincoln, Nebraska 68509  
dmv.nebraska.gov

Financial Responsibility (FR): Three supervisors within the division were able to receipt money into the Driver License System and had access to void transactions in the system. The system generated a document each time a transaction was voided, which were maintained by the FR division manager (Manager). The Manager also printed a monthly void report from the system and matched each document to the report to ensure all voids were accounted for; however, the review was not documented. The division also lacked procedures for ensuring that voids processed by the Manager were reviewed by a secondary individual, as the Manager was able to void transactions in the system. During the examination period, \$262,625 in cash and checks was deposited by these FR division staff.

Driver Licensing Services (DLS): This division approves and audits driver safety schools, certifies driver training schools, certifies motorcycle providers, and certifies commercial driver's license third-party testers. For fees received by mail, one employee opened the mail and distributed it to other employees to process the certificates, etc. No initial log of money received was documented when the mail was opened. The individual responsible for getting the mail could also process the certificates, etc. Once the mail was processed, the money was taken to the accounting division to deposit. Without an initial log of all money received, completed by someone without access to process the receipts, it is unknown if all monies received were deposited appropriately. A total of \$10,170 in cash and checks was deposited by these DLS division staff during the examination period.

A similar finding was noted during the previous attestation for the calendar year ended December 31, 2010.

#### *Lack of Monitoring of Record Search Fees*

Online payments for subscription-based record search fees were processed by Nebraska Interactive LLC (NIC) and remitted to the Department at the end of each month. The Department did not perform a reconciliation of the title and lien registration and driver license record search fees to its systems to ensure the amounts remitted by NIC were accurate and complete. During the examination period, the Department received \$3,961,418 in subscription-based record search fees.

Furthermore, the Department did not obtain and review the Service Organization Control (SOC) report for NIC. Being responsible for charging fees to the subscribers, collecting the fees, and remitting those fees to the Department, NIC is considered a service organization. A SOC report provides an independent assessment of the controls at the service organization providing services to the Department. The SOC report also provides information on controls the Department should have to complement the service organization's controls. The Department should review the SOC report to ensure the service organizations controls are operating effectivity, and the Department has implemented appropriate complementary controls.

Without obtaining and reviewing the SOC report, there is an increased risk the service organization could have control weaknesses the Department would be unaware of, and necessary complementary controls may not be performed.

A similar finding was noted during the previous attestation for the calendar year ended December 31, 2010.

#### *Untimely Deposits*

During testing, we noted untimely deposits, totaling \$18,289, of money collected at the Department's service centers. Those receipts were not deposited within three business days, as required by State law. The Department used a courier to pick up the daily deposit and transport it to the bank the following business day for deposit. During the examination period, there were three days in which the courier's deposit was not made the following business day. The three deposits were made 5, 7, and 8 calendar days after the deposit was picked up. It appears the courier was holding deposits, as the August 2<sup>nd</sup> receipts were not

deposited until August 13<sup>th</sup>, but the August 5<sup>th</sup> receipts were deposited timely on August 7<sup>th</sup>. It is unknown why deposits were not being made timely, according to the Department, these were due to bank branch closures. However, the Department did not have procedures to identify the delays in a timely manner. Furthermore, the accounting division did not require a copy of the bank deposit slip to be returned; therefore, deposits could remain idle for several days and go undetected.

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

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

#### *Untimely Inter-Agency Billings*

The Nebraska Department of Health and Human Services (DHHS) reimburses the Department for DHHS client driver's license reinstatement fees. The Department sends an inter-agency billing statement to DHHS for payment. During testing, we noted 20 instances of the reinstatement fees not being billed to DHHS timely. The billings ranged from 131 days to 314 days late and totaled \$1,150. All the reinstatements took place in 2019 and were not billed until 2020. The billings appear to have been overlooked by staff during 2019 for unknown reasons.

#### *Lack of Review of Open Accounts Receivable Detail Report*

The Department did not review the Open Accounts Receivable Detail report from the State's accounting system to ensure unpaid balances were followed-up on to collect amounts owed or otherwise resolve the unpaid balances. As of December 31, 2020, the Open Accounts Receivable Detail report contained 99 unpaid invoices, totaling \$11,622.

Year	# of Invoices	Amount
2008	9	\$ 1,024
2009	11	1,524
2010	1	10
2011	5	120
2012	6	161
2015	4	171
2016	2	235
2017	21	4,578
2018	7	200
2019	7	908
2020	26	2,691
<b>Total</b>	<b>99</b>	<b>\$ 11,622</b>

A good internal control plan requires an adequate segregation of duties or compensating procedures to ensure that no one individual is in a position both to perpetrate and to conceal errors or irregularities when recording monies received and preparing deposits. Good internal controls also require procedures to reconcile fees received, ensure deposits are made in a timely manner, and ensure outstanding balances are all resolved timely.

A lack of segregation of duties and procedures for monitoring and reconciling monies received increases the risk of loss, misuse, or theft of funds.

We recommend the Department establish an adequate segregation of duties to ensure that no one individual can perpetrate and/or conceal errors or irregularities. We further recommend the Department implement procedures to ensure:

- 1) record search fees are reconciled to ensure fees are proper;
- 2) SOC reports are obtained and reviewed in a timely manner;
- 3) money received is deposited, and inter-agency billings are prepared timely; and
- 4) outstanding accounts receivable are followed up on.

*Department Response: The DMV is reviewing internal procedures for the processing of fees received by third-party vendors to implement changes where necessary; SOC reports will be requested and reviewed from appropriate entities; a process has been implemented to ensure timely inter-agency billings, timely deposits, and timely reviews of accounts receivable.*

## **2. Monitoring of County Receipts**

There were 91 counties across the State that were responsible for collecting motor vehicle title and registration fees and driver license fees. The county treasurers used the Department's system to record the fees, which were subsequently remitted to the Nebraska State Treasurer the month following receipt. The Department was not performing a documented reconciliation of the money remitted by the county treasurers to the Department's system to ensure all fees were remitted properly.

During the examination period, the Department used the Vehicle Title and Registration (VTR) system through October 14, 2019, and then transitioned to the new VicToRy system. We noted concerns related to the Department's procedures prior to the implementation of VicToRy and thereafter, as follows.

### *VTR Procedures*

The county treasurers manually entered the amounts collected for the various fees into a website maintained by the Nebraska State Treasurer in order to remit monies to the State. The Nebraska State Treasurer used the website to record the deposit to the proper State funding sources in the State's accounting system and initiate the Automated Clearing House (ACH) deposit from the counties. This was an entirely manual process and highly susceptible to error, as a county treasurer could enter fees to the wrong fee type, which could cause monies to be deposited to the wrong funding source, and/or enter an improper

amount altogether. However, the Department did not perform reconciliation procedures from July 1, 2019, through September 30, 2019, to ensure the money received from the counties was proper and agreed to the VTR system and the State's accounting system. A total of \$6,133,812 was received from the counties during the three months. For the period October 1, 2019, through October 14, 2019, the Department did perform detailed reconciliation procedures while transitioning from VTR to VicToRy.

#### *VicToRy Procedures*

With the implementation of the VicToRy system, the process used to remit most fees collected by the counties was automated. The counties utilized the Driver's License system for the related driver's license fees. Therefore, in order to remit the payment to the Nebraska State Treasurer, the fees were manually entered into VicToRy. The Department did not perform reconciliation procedures to ensure the amount manually entered was proper. Based on the activity recorded in VicToRy, \$5,383,628 was received from the counties from October 15, 2019, through December 31, 2020.

A similar finding was noted during the previous attestation for the calendar year ended December 31, 2010.

Good internal controls require reconciliation procedures to ensure money remitted by counties agree to system-generated reports, and the deposits within the accounting system are complete and accurate.

Without such procedures, there is an increased risk the proper amount of funds owed to the Department will not be received and recorded properly in the accounting system, and this error will remain undetected.

We recommend the Department implement procedures for reconciling the county remittances to VicToRy, the Driver's License system, and the State's accounting system.

*Department Response: A process has been put in place for review and reconciliation of county remittances. Further review of remittances to the driver license system and state accounting system is underway.*

### **3. Lack of Segregation of Duties Over Payroll**

The State's accounting system does not have an established segregation of duties for payroll processing. Therefore, employees with access to process payroll are able to perform all procedures without a secondary individual being required to approve transactions. Accordingly, the Department should have compensating procedures in place, such as a documented review of the final payroll register and changes to pay rates and other payroll information, by an individual without payroll access, to ensure no one individual is able to conceal errors or irregularities.

One individual was not only able to perform all payroll processes but also review reports.

There was no secondary review by an individual without payroll access to ensure expenditures were accurate and proper, including a review of the timesheet records for individuals with payroll access to ensure time recorded was paid properly.

The Department had \$18,753,601 in personal service expenditures during the period July 1, 2019, through December 31, 2020.

During testing of payroll expenditures, we noted that 2 of 20 employees tested did not have support, such as a timesheet, for the hours worked during the pay period selected for testing. The Department used the State's accounting system for timesheet entry. Exempt employees were only required to record leave used; therefore, there was no documentation of the hours worked in addition to leave used to ensure compliance with State law.

Neb. Rev. Stat. § 84-1001(1) (Reissue 2014) states the following:

*All state officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur.*

A similar finding was noted during the previous attestation for the calendar year ended December 31, 2010.

A good internal control plan requires an adequate segregation of duties to ensure no one individual is in a position both to perpetrate and to conceal errors or irregularities. This would require someone without payroll access to perform a documented review of payroll to ensure that it is proper, including a review of timesheets and leave usage. Furthermore, good internal controls require adequate policies and procedures to ensure employees' time worked is adequately documented for compliance with State law.

Without an adequate segregation of duties, there is an increased risk of overpayments, improper payments, and errors or irregularities occurring and not being detected.

We recommend the Department implement policies and procedures to have an individual without payroll access perform a documented review of the payroll register, timesheets, leave usage, and changes to pay rates for accuracy and reasonableness. We also recommend the Department implement procedures for exempt employees to document time worked in compliance with State law.

*Department Response: The DMV has requested a change in access authority to provide the recommended review of the reports and elements of processing the payroll. A revised procedure is being deployed to document compliance with Nebraska Revised Statute 84-1001(1).*

#### **4. Lack of Segregation of Duties Over Capital Assets**

The State's accounting system does not have an established segregation of duties over capital assets within the system. Therefore, employees with system access to capital asset functions are able to perform all procedures without a secondary individual required to approve transactions. Accordingly, compensating procedures should be in place, such as a documented review of the Additions and Retirements report by an individual without access to capital asset functions in the system, to ensure no one individual is able to conceal errors or irregularities.

The Department had one individual who was able to add assets to the inventory records, to surplus and dispose of assets, and to perform the annual inventory. No documented secondary review of capital asset reports was performed by an independent person without capital asset access to ensure additions and retirements were appropriate.

As of December 31, 2020, the Department had 947 assets with an adjusted total purchase value of \$24,002,371; however, due to depreciation, the current combined book value was \$13,087,468.

Furthermore, during testing of capital assets, we noted the following issues:

- Five pistols were purchased in August 2020 for the Department's fraud unit. The assets were recorded in the accounting system with no cost until May 2021, after the Auditor of Public Accounts (APA) questioned the Department. The pistols were valued at \$414 each or \$2,070.
- Four servers were purchased in January 2020 for \$84,245. When the servers were recorded to the capital asset records, the Department assigned a cost of \$96,245. The \$12,000 difference was due to an entry error that increased the costs of each server by \$3,000. This was not identified until the APA questioned the Department.

A similar finding was noted during the previous attestation for the calendar year ended December 31, 2010.

A good internal control plan requires an adequate segregation of duties to ensure no one individual is able both to perpetrate and to conceal errors or irregularities. Good internal controls also require adequate procedures to ensure assets are recorded properly in the State's accounting system.

Without such procedures, there is an increased risk of loss, theft, or misuse of State property.

We recommend the Department establish an adequate segregation of duties to ensure that no one individual is able to perpetrate and/or conceal errors or irregularities. This would include a documented secondary review of capital asset reports by someone without accounting system access to maintain capital asset records. We also recommend the Department adjust the server asset costs in the system.

*Department Response: The error on the server asset costs was the result of a data entry error and has been corrected. A process for documenting a secondary review of capital asset records is underway.*

##### **5. Lack of Manufacturer Suggested Retail Price (MSRP) Documentation**

The Department contracted with Price Digest to provide Manufacturer Suggested Retail Prices (MSRP) for vehicle registrations. The Price Digest MSRP values are loaded into the VicToRy system; however, there were instances when Price Digest did not have an MSRP available for a vehicle. In these instances, the Department researched the MSRP value and manually updated the system. When the manual adjustments were made, the Department did not maintain support, and no documented secondary reviews were performed by other staff to ensure the values were reasonable.

Documentation to support the MSRP used in the registration process is essential, as it is the basis for the motor vehicle fee and motor vehicle tax assessed on each registration. An improper MSRP could result in an improper motor vehicle fee and/or motor vehicle tax assessed to the customer.

The Department provided a report from the VicToRy system, containing 1,837 manually entered MSRP values, for the period October 15, 2019, through December 31, 2020. We selected six to test the reasonableness of the values entered. Of the six tested, three did not appear reasonable, and the APA was unable to find a value for another online. The Department had no support for the values used. Of the four, two caused differences in the motor vehicle fee/tax calculation, causing an undercharge of \$198.

Model Year	Vehicle Make	Vehicle Model	System MSRP	APA Researched MSRP	Difference
2017	Can-Am	Spyder Roadster	\$ 17	\$ 21,249	\$ 21,232
1994	Chevy	Corvette	9,999	36,185	26,186
2021	Ferrari	F8 Spider	456,013	302,500	153,513
1991	Chevy	Corvette	197,386	Unable to find	Unknown

A good internal control plan requires policies and procedures to ensure documentation is retained to support manually entered MSRP values. Without such procedures, there is an increased risk that an improper MSRP will be entered in the system, intentionally or not, resulting in the Department assessing the incorrect motor vehicle fee and/or motor vehicle tax.

We recommend the Department implement procedures to ensure documentation is retained for all manually entered MSRP values determined by Department staff.

*Department Response: A procedure has been put in place to include additional details in the record regarding the basis for the MSRP values. All vehicles with a MSRP over \$100,000 pays the same MV Tax and all vehicles 14 years and older pay no motor vehicle tax.*

## **6. Financial Coding Issues**

During the examination, we noted several transactions that were either not recorded in the State's accounting system properly or balances that had not been followed up on and resolved, as follows:

- The Department transferred \$100,000 from the Department of Motor Vehicles Cash Fund (Cash Fund) to the DMV Operations Federal Fund (Federal Fund) on October 10, 2019. The transfer was made to ensure the Federal Fund had an adequate cash reserve to issue necessary payments from the fund. Once the Federal reimbursement was received from the grant, the monies should have been returned to the Cash Fund. The grant reimbursement was received on October 25, 2019, but no transfer had been made as of the examination fieldwork to repay the Cash Fund. Upon further review of the activity in the funds, a total of \$250,000 had been transferred to the Federal Fund from the Cash Fund, but never returned. The transfers dated back to 2009.
- The Department had not reviewed the balance in the "Due From Other Governments" object account in the accounting system to ensure that the balance was proper and the amounts owed were received timely. We tested an employee reimbursement for \$92 related to costs incurred for a Transportation Services Bureau (TSB) vehicle expense. The vendor would not accept the TSB Voyager card; therefore, the employee had to pay the expense. Because the cost was the responsibility of TSB, the Department recorded the payment as a receivable from TSB in the accounting system. When the reimbursement was received, it should have decreased the receivable; however, no such transaction could be found. It is unknown if TSB ever reimbursed the Department or if the receivable was not adjusted properly. Upon further review of the account, there was a balance of \$882, "Due From Other Governments," that had either not been reimbursed, or the reimbursement was not recorded properly to decrease the receivable. The activity in the account dated back to 2003.
- As noted in Comment and Recommendation Number 4 herein, four servers were purchased during the examination period and valued improperly in the accounting system. When the Department paid for the servers, it improperly recorded the payment as an operating expense for \$84,245. Since the servers were capital assets, the Department made the correction to reverse the operating expense and record the capital asset expense; however, it used the inflated value of \$96,245, causing an understatement of operating expenditures and overstatement of capital asset expenses of \$12,000 in the financial schedule.

- We tested two deposits related to sales tax collections. A portion of the related deposits were for late payment of sales tax. The interest and penalties assessed on these late filings were due to the Department of Revenue. However, the Department recorded the amounts received as a revenue instead of a liability to another fund. During the period July 1, 2019, through December 31, 2020, the Department deposited \$2,610 in penalties and \$15,057 in interest that was not recorded properly. The transactions were reversed in the subsequent month when paid to the Department of Revenue; however, due to the timing issue, the amounts on hand should be reflected as a liability until paid.
- Lastly, one transaction tested, totaling \$316,019, was identified incorrectly as a current year obligation in the accounting system, rather than a prior year obligation. The entry was for June 2020 sales tax, tire tax, penalties, and interest. Because the entry was posted in July 2020 but was related to prior fiscal year activity, it should have been identified as a prior-period obligation in the accounting system but was not.

Good internal controls require procedures to ensure financial transactions are recorded accurately in the accounting system; transfers to funding sources are repaid in a timely manner; and follow up is performed to ensure outstanding balances are resolved timely.

Without such procedures, there is an increased risk of material misstatement of the financial schedule.

We recommend the Department implement procedures to ensure financial activity is recorded accurately in the accounting system; Cash Funds are returned; and outstanding balances are researched and resolved.

*Department Response: All situations noted have been addressed and processes implemented to monitor future accounting system activity.*

## **7. Expenditure Issues**

During testing of expenditures, we noted the following issues:

- For 1 of 13 purchasing card transactions tested, the Department did not have documentation, such as an itemized receipt or invoice, to support the \$100 payment to Walgreens. It is unknown what was purchased from Walgreens, as the staff person had terminated employment and was unavailable for questioning. Neb. Rev. Stat. § 81-118.02(4) (Cum. Supp. 2020) states the following:

*An itemized receipt for purposes of tracking expenditures shall accompany all state purchasing card purchases. In the event that an itemized receipt does not accompany such a purchase, the Department of Administrative Services shall have the authority to temporarily or permanently suspend*

*state purchasing card purchases in accordance with rules and regulations adopted and promulgated by the department.*

- For 3 of 15 expenditures tested, the payment was not issued within the 45-day timeframe required by State statute, as detailed below. We used the invoice date because the Department had no further documentation that the items were received at a later date.

Invoice Date	Check Date	Amount	# of Days Past 45 Days
6/25/2020	8/26/2020	\$ 54,500	17
4/29/2020	7/23/2020	23,938	40
9/10/2019	11/13/2019	25,000	19

Neb. Rev. Stat. § 81-2403(1) (Reissue 2014) states the following:

*Except as provided in subsection (2) of this section, each agency shall make payment in full for all goods delivered or services rendered on or before the forty-fifth calendar day after (a) the date of receipt by the agency of the goods or services or (b) the date of receipt by the agency of the bill for the goods or services, whichever is later, unless other provisions for payment are agreed to in writing by the creditor and the agency.*

- The Department allocated rent expense between two funding sources but did not have supporting documentation for the square footage used in the calculation. We tested the August 2020 rent expense, of which \$4,574 was recorded to the Motor Carrier Division Cash Fund. The remaining \$86,347 was recorded to the Motor Vehicles Cash Fund.

Good internal controls and sound business practices require procedures to ensure compliance with State laws, the maintenance of supporting documentation for transactions, and adequate procedures to ensure payments are issued timely in accordance with State statute.

Without such procedures, there is an increased risk for the loss or misuse of funds, noncompliance with State statute, and fees or penalties for late payments.

We recommend the Department implement procedures to ensure purchasing card transactions are adequately supported by detailed receipts or other documentation, rent allocations are adequately documented, and payments are issued timely and in accordance with State statute.

*Department Response: The DMV has implemented a new filing system to more easily find documentation for purchase card transactions. The rent allocations have been reviewed and documented and the allocations are correct. Revised processes have been put in place to ensure timely payments of accounts.*

#### **8. Improper International Registration Plan (IRP) Billings**

The International Registration Plan (IRP) is a registration reciprocity agreement among states of the United States and provinces of Canada (jurisdictions) that allows for the licensing of fleet vehicles operating in two or more jurisdictions, by payment of fees to the base jurisdiction, then distribution of those fees to each member jurisdiction based on its share of the revenue.

We tested the 2020 annual renewal billing for 10 carriers. For the billings tested, we recalculated the charges for four jurisdictions and noted that 2 of the 10 carrier billings were improper, causing under/overpayments.

- For the first carrier tested, documentation provided by the Department indicated one unit should have been billed at 80,000 pounds, but it was billed incorrectly at 46,000 pounds. This caused a total underpayment of \$134 to the four jurisdictions tested.
- For the second carrier tested, the documentation provided indicated one unit should have been billed at 26,000 pounds, but it was billed incorrectly at 80,000 pounds. This caused a total overpayment of \$264 to the four jurisdictions tested.

Jurisdiction	Carrier #1 Error	Carrier #2 Error	Net Over Billed
NE	\$ (10)	\$ 49	\$ 39
IA	(21)	43	22
KS	(16)	34	18
IL	(87)	138	51
<b>Total</b>	<b>\$ (134)</b>	<b>\$ 264</b>	<b>\$ 130</b>

The Department also lacked documentation to support the weight of a third unit. After the APA requested that documentation, the Department was able to obtain support from the carrier to confirm the accuracy of the billing. However, such documentation should have been on file prior to our request.

Good internal controls require procedures to ensure IRP jurisdiction fees are charged accurately and supported by documentation prior to billing.

Without such procedures, there is an increased risk the amount charged on IRP billings will be inaccurate.

We recommend the Department implement procedures to ensure that jurisdiction fees charged are accurate, and

documentation is kept on file to support the weights included on IRP billings.

*Department Response: The DMV has made the corrections to the respective accounts. The agency is in the process of writing a Request for Proposal to modernize the system which processes registrations for the International Registration Plan which will reduce the manual calculations and reduce the possibility of errors.*

The Department of Motor Vehicles requests this document be secured in conjunction with the above-mentioned report and retained for the same period of time.

Sincerely,



Rhonda K. Lahm, Director  
Nebraska Department of Motor Vehicles

# NEBRASKA

Good Life. Great Future.

DEPARTMENT OF MOTOR VEHICLES



Pete Ricketts, Governor

January 3, 2022

Charlie Janssen, State Auditor  
Nebraska Auditor of Public Accounts  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509

Dear Mr. Janssen:

The Department of Motor Vehicles is in receipt of the final management letter for the Comprehensive Annual Financial Audit Report (CAFR) for the fiscal year ended June 30, 2020, and published July 26, 2021.

Please accept this abatement document relative to the comments and recommendations for the year ended June 30, 2020.

**1. Monitoring of County Deposits**

Ninety-one counties across the State were responsible for collecting both motor vehicle title and registration fees and driver's license fees. The county treasurers used the Department's VicToRy system to record those fees, which were remitted to the Nebraska State Treasurer the month following receipt. The Department did not perform a documented reconciliation of the money recorded by the county treasurers in its system to ensure that all fees were remitted properly.

The recording process was automated for fees originally collected in VicToRy. Because driver's license fees were not collected through VicToRy, however, the county treasurers were required to input manually the amounts collected to ensure that those receipts would be included in the total payment to the State. Due to this being a manual process, the Department should have had procedures to ensure that the driver's license fee amounts entered into VicToRy were accurate and recorded by the State Treasurer to the proper funds in the accounting system.

Based on the activity recorded in VicToRy, the Department received the following fee amounts during the period July 1, 2020, through May 31, 2021:

Good internal controls require procedures for ensuring that driver's license fees recorded manually in the VicToRy system are accurate and subsequently allotted to the proper funds in the State's accounting system.

Without such procedures, there is an increased risk of incorrect amounts being remitted to the Department and apportioned incorrectly by the State Treasurer.

Rhonda K. Lahm, Director

Department of Motor Vehicles

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We recommend the Department implement procedures for reviewing the accuracy of the fees recorded each month by the county treasurers to ensure that the proper amounts were received and allotted correctly in the State's accounting system.

*Department Response: A process has been put in place for review and reconciliation of county remittances. Further review of remittances to the driver license system and state accounting system is underway.*

## **2. Motor Carrier Services (MCS) Control Issues**

The Department uses the Motor Carrier Services (MCS) system to calculate and track amounts due to Nebraska and other states for the International Registration Plan (IRP), the Unified Carrier Registration (UCR) program registrations, and the International Fuel Tax Agreement (IFTA) collections. During testing of the Department's change management process for the MCS system, we noted that one developer was responsible for the change management process. This developer was able to perform all change management functions and could develop a change and move it to production without involving anyone else. Additionally, this same person was the only individual trained to support the MCS application. As only one individual can provide support, there is an increased risk of services supported by the application being disrupted for a prolonged period.

Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, Information Security Policy 8-202 (July 2017), "Change control management," states the following, in relevant part:

*To protect information systems and services, a formal change management system must be established to enforce strict controls over changes to all information processing facilities, systems, software, or procedures. Agency management must formally authorize all changes before implementation and ensure that accurate documentation is maintained.*

NITC Technical Standards and Guidelines, Information Security Policy 8-303(4) (July 2017), "Identification and authorization," states the following:

*To reduce the risk of accidental or deliberate system misuse, separation of duties must be implemented where practical. Whenever separation of duties is impractical, other compensatory controls such as monitoring of activities, increased auditing and management supervision must be implemented. At a minimum, the audit of security must remain independent and segregated from the security function.*

Good internal controls require procedures to ensure that the Department's change management process is safeguarded by a segregation of duties. Those same procedures should ensure also that more than one person is able to support the MCS application.

Without such procedures, there is an increased risk that changes to an application might be made without specific management approvals, leading to possible data loss, compromised financial data integrity, or unintended system downtime. Furthermore, relying on one individual's knowledge for MCS support leaves the system vulnerable to disruption for a prolonged period.

A similar finding was noted during the previous audit.

We recommend the Department implement procedures to ensure an adequate segregation of duties to prevent a user from reviewing his or her own mainframe application changes. Those same procedures should provide also for training additional individuals to be able to support the MCS system.

*Department Response: The agency is in the process of writing a Request for Proposal to modernize the system which processes registrations for the International Registration Plan which will reduce the manual calculations and reduce the possibility of errors and allow for additional controls and additional support for the program. The new system will have multiple programmers allowing for segregation of duties and the ability to support the MCS System.*

### **3. Traffic Safety Information System (TSI) Change Management**

The Department used the Traffic Safety Information System (TSI) to issue driver's licenses and other permits. For 15 of 25 changes to the TSI system tested, there was no documentation to support that the change was tested before being moved to production.

Additionally, for 15 of the 25 changes tested, no change request form was submitted to the Office of the Chief Information Officer (OCIO) via the service portal to move the change to production. The 15 changes were promoted to production prior to the Department's implementing a process to submit change request forms to the OCIO. This process began on March 4, 2021, and the 10 changes tested afterward had a documented change request form on file.

Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, Information Security Policy 8-202 (July 2017), "Change control management," states the following, in relevant part:

*All IT infrastructure and application development changes are required to follow a change management process to ensure the change is approved for release and does not unknowingly add security risks to the state's environment.*

A good internal control plan requires procedures to ensure that changes to TSI undergo documented testing, prior to promotion to production, to ensure that those changes are in accordance with management's intentions.

Without such procedures, there is an increased risk of unauthorized, and potentially harmful, changes to TSI.

We recommend the Department implement procedures to ensure that changes to TSI undergo documented pre-production testing.

*Department Response: The department has reinstated a process to document changes to the Traffic Information Safety System as is evidenced by the changes tested after March 4, 2021 as noted above.*

### **4. User Access**

Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, Information Security Policy 8-502 (July 2017), "Minimum user account configuration," states the

following, in relevant part:

- a. *User accounts must be provisioned with the minimum necessary access required to perform duties. Accounts must not be shared, and users must guard their credentials.*

During testing of the VicToRy and Traffic Safety Information System (TSI) user provisioning processes, the Auditor of Public Accounts (APA) identified weaknesses in the timely removal of user access, as described below.

#### *VicToRy*

The Department implemented a monthly process by which users who had not logged into VicToRy for over 30 days were identified and followed up on with their employers to determine whether those users still required system access. An inactive user status report dated March 24, 2021, listed 41 users who had not logged in within 30 days. The APA tested five of those inactive users and found that the Department had completed no follow-up on them.

Had proper follow-up been done, the Department would have identified and removed the system access of one Lancaster County employee who terminated employment on February 17, 2021. Because no follow-up was performed, however, that user's access was not removed until April 2, 2021.

A similar finding was noted during the previous audit.

#### *TSI*

The system access of eight terminated users tested was not removed in a timely manner. Those eight users had access as of May 7, 2021, despite having been terminated from 42 to 318 days prior. It was noted also that the user ID of one employee, who had terminated on July 31, 2020, was used to log into the system on January 29, 2021. Lastly, one user was granted access on June 17, 2020, upon accepting a job as a temporary Department employee; however, the employee never started employment, but the access still remained on May 7, 2021.

A good internal control plan and sound business practices require procedures to ensure that terminated users have their VicToRy and TSI access removed in a timely manner.

Without such procedures, there is an increased risk of unauthorized access to the Department's applications.

We recommend the Department strengthen procedures for ensuring that terminated users – especially those identified in its monthly inactive users reports – have their VicToRy and TSI access removed in a timely manner.

*Department Response: The DMV is working with the OCIO to implement an automated on-boarding and off-boarding process to ensure system access occurs in a timely manner. Access logs to VicToRy are being reviewed regularly with appropriate follow up.*

#### **5. Nebraska Information Technology Commission (NITC) Information Security Policy**

The Nebraska Information Technology Commission's (NITC) nine members are appointed by the

Governor with the approval of the Legislature. Neb. Rev. Stat. § 86-516(6) (Reissue 2014) directs the NITC to “[a]dopt minimum technical standards, guidelines, and architectures upon recommendation by the technical panel.”

NITC Technical Standards and Guidelines, Information Security Policy 8-209 (July 2017), “State and agency security planning and reporting,” requires State agencies to have an Information Security Plan, a System Security Plan, and a Plan of Action and Milestones Report on file. The NITC has established specific elements to be included in its Information Security Strategic Plan (8-210), System Security Plan (8-211), and Plan of Action and Milestones Report (8-212).

As a result, the APA tested some of those key elements of the NITC Technical Standard and Guidelines to verify compliance by the Department. Though having various documents that contained some of the necessary elements, the Department lacked documentation to support that it met all required elements, as described below.

The APA noted that the following requirements were not met regarding the System Security Plan (8-211):

- A detailed diagram showing the flow of sensitive information, including CONFIDENTIAL and RESTRICTED information, was lacking.
- A review of security controls and assessment results that have been conducted within the past three years was not noted.

The Department also lacked a Plan of Action and Milestones report (8-212).

In addition to the NITC Technical Standards and Guidelines noted above, good internal controls require procedures to ensure that all elements of the System Security Plan (8-211), as well as a complete Plan of Action and Milestones report (8-212), are on file, as mandated by the NITC Information Security Policy.

Without such procedures, there is an increased risk of failure to maintain formal plans that describe fully the current controls in place for protecting information at a level commensurate with the sensitivity level of the Department's systems.

A similar finding was noted during the previous audit.

On July 8, 2021, the NITC significantly changed the aforementioned policies. NITC Information Security Policy 8-209 now states the following:

*Pursuant to the terms of certain federal data exchange agreements, state agencies may be required to maintain the following documentation:*

- a. Information security strategic plan (section 8-210);*
- b. System security plan (section 8-211); and*
- c. Other information security*

*For agencies not subject to federal data exchange agreements, these planning documents are considered guidelines and recommended as best practice.*

The revised policy 8-209 eliminates the prior requirement for maintenance of a Plan of Action & Milestones Report (8-212). Additionally, the NITC policy revisions have altered the contents of both the Information Security Strategic Plan and the System Security Plan. During the fiscal year ended June 30, 2021, the Department did not have any Federal data exchange agreements requiring the documentation identified in 8-209.

While there have been significant changes to the NITC Technical Standards and Guidelines with regard to security planning and reporting, we recommend the Department review the revisions and formally document compliance with these updated requirements, specifically formally documenting a risk assessment and tracking how the Department is addressing those risks, even if not required by Federal data exchange agreements, as the NITC still recommends this as best practice.

*Department Response: The department is following mandatory NITC standards and reviewing recommended best practices.*

The Department of Motor Vehicles requests this document be secured in conjunction with the above-mentioned report and retained for the same period of time.

Sincerely,



Rhonda K. Lahm, Director  
Nebraska Department of Motor Vehicles

**AUDIT REPORT OF THE NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS –  
STATE AND COUNTY EMPLOYEES RETIREMENT PLANS  
JANUARY 1, 2020, THROUGH DECEMBER 31, 2020**

Received January 20, 2022 – Public Employees Retirement Systems corrective action plan.



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January 20, 2022

Charlie Janssen, State Auditor  
Nebraska Auditor of Public Accounts  
State Capitol, Suite 2303  
P.O. Box 98917  
Lincoln, Nebraska 68509

Auditor Janssen,

Per Neb. Rev. Stat. § 84-304(3)(b), the Nebraska Public Employees Retirement System (NPERS) is providing you a “detailed written description of any corrective action taken or to be taken in response to the comment{s} and recommendation{s}” that were communicated to our agency in the audit report for the Nebraska Public Employees Retirement System-State and County Employees issued August 26, 2021.

The corrective action for the report comment for the State and County Employees is summarized below.

**Inaccurate Accrual Entries** – the Auditor of Public Accounts (APA) recommended NPERS “strengthen procedures to ensure financial information is complete, accurate, and compiled correctly”.

NPERS has discussed with teammates and continues to discuss the importance of ensuring that the financial information is complete, accurate and correct. NPERS will be working with teammates to incorporate additional review steps for the financial statements.

**Distribution Errors**-the APA recommended NPERS “strengthen procedures to ensure that all requests for distribution of funds are made in accordance with the members’ instructions and applicable laws. NPERS should ensure those involved in the review process are properly trained and knowledgeable of all distribution requirements”.

NPERS refined the multiple methods distribution procedure prior to the end of APA Audit of the State and County Plans. Teammates have been implementing the new procedure when completing distributions. NPERS has continued to train teammates with distribution procedures.

Please let us know if there are any additional questions.

Respectfully,

Randy Gerke, Director  
Nebraska Public Employees Retirement Systems

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**

**ATTESTATION REPORT OF THE NEBRASKA ENVIRONMENTAL TRUST BOARD  
JULY 1, 2019, THROUGH DECEMBER 31, 2020**

Received January 21, 2022 – Environmental Trust Board corrective action plan.

Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

1. Electronic use of the Board Chairman's signature had been a standard operating procedure used by staff and will be discontinued.
2. Upon request the University of Nebraska will provide invoices. The Trust has required UNL to upload invoices for larger requests. We will be working with the University of Nebraska-Lincoln in their documentation, making sure hours and rate are listed.
3. This was an error in the creation of the invoice by the Nebraska Community Energy Alliance. They listed the date of July 19, 2018, instead of July 19, 2019. The invoice was actually paid on 1/14/2020, which was within the grant period (April 8, 2019, through June 30, 2020).
4. There were delays in the two reports due to COVID-19. There were e-mails sent to Adam Hohensee (Auditor's Office) explaining the situation on 6/8/21. One of the final reports was submitted (6/7/21) during the audit.
5. It is unclear in Title 137 or statutes if the Board must approve environmental categories if no changes were made from the previous five years. The Trust Board will make a formal motion at the next Board Meeting, August 3, 2021, to approve the existing environmental categories.
6. The practice of "advanced payments" or payments made for eligible expenditures before the contracts are signed is being addressed by the Trust Board at the next Board Meeting, August 3, 2021. Even though this has been a standard operating procedure of the Trust in the past, the Trust Board is eliminating this practice.
7. It has been a standard operating procedure to transfer the remaining balance of a grant to the same grantee when they are awarded a continuous grant for the same purposes. The Trust Board has indicated they do not want staff to continue this practice and funds will no longer be transferred to a continuous grant.
8. Documenting required insurance coverage is a duty of the Grants Administrator Assistant. This position was vacant from November 2020 through March 2021. Prior to that the Grants Administrator Assistant was filling in for the vacant Grants Administrator position from August 2020 through October 2020, so insurance documentation has been delayed. Staff is continuing to file coverage and follow-up.
9. The grant agreement stated that the land would be transferred, but formal board approval was not obtained.
10. Opinion Attorney General No. 05001, January 12, 2005, requested by the Trust noted, "The Trust Board may allocate earnings of the Endowment Fund which are not interest income, but instead are capital gains or dividends." This was reversed by Opinion Attorney General No. 07003 (February 8, 2007) requested by the State Investment Officer. The Trust Board will transfer the \$700,000 back into the Nebraska Environmental Endowment Fund from the Nebraska Environmental Trust Fund by the Trust Board action at the next scheduled Trust Board Meeting, August 3, 2021. Of the 9 State endowment accounts, seven have taken quarterly payouts in recent years and were made aware of this more recent Attorney General's Opinion, but the Trust was not one of those seven.

**THE APA WILL FOLLOW-UP DURING NEXT AUDIT.**