



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Jim Macy, Director
Department of Environment and Energy
PO Box 98922
Lincoln, Nebraska 68509

Dear Mr. Macy:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund (except the Enterprise Fund – Unemployment Insurance), and the aggregate remaining fund information of the State of Nebraska (State), and we were engaged to audit the business-type activities and the Enterprise Fund – Unemployment Insurance, as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and we have issued our report thereon dated January 30, 2023. In connection with our engagement to audit the financial statements, we considered the State's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

In connection with our engagement to audit the financial statements as described above, we noted a certain internal control or compliance matter related to the activities of the Department of Environment and Energy (Department) or other operational matter that is presented below for your consideration. The comment and recommendation, which has been discussed with the appropriate members of the Department's management, is intended to improve internal control or result in other operating efficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Draft copies of this letter were furnished to the Department to provide management with an opportunity to review and to respond to the comment and recommendation contained herein. The formal response received has been

incorporated into this letter. The response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

The following is our comment and recommendation for the year ended June 30, 2022.

EnterpriseOne Timesheets

Department employees use the State’s accounting system, EnterpriseOne, to record time worked and leave used. The system did not accurately track the approval of timesheets. Supervisors could set up delegates in the system to approve timesheets and leave requests should the supervisor be unavailable. If a delegate approved an employee timesheet, the system would record the assigned supervisor as the approver. Therefore, the system did not record the actual approver of the timesheet. Furthermore, there was no audit trail for delegates in EnterpriseOne.

Additionally, delegates could alter and approve their own timesheets, and supervisors were able to delete delegates without any record of the assignment. Consequently, the Department lacked a compensating control for documenting the actual approver of timesheets.

The Department had \$18,668,960 in personal service expenditures during the fiscal year ended June 30, 2022.

A good internal control plan requires procedures to ensure that the approval of timesheets is documented accurately for subsequent review. Without such procedures, there is an increased risk for loss of State funds.

A similar finding was noted during the previous audit.

We recommend that, until EnterpriseOne records approval of timesheets accurately, the Department should implement procedures for documenting the supervisory review and approval of timesheets outside of the system.

Department Response:

NDEE timesheet approval practices include:

Active managers/supervisors review/approve/reject direct report, employee-entered timesheets. The active manager/supervisor can systematically assign a delegate if the active manager/supervisor is not or will not be available to review/approve/reject direct report, employee-entered timesheets. If a delegated manager/supervisor approves employee time, that delegate sends an e-mail to NDEE HR indicating they have approved timesheets for the unavailable, active manager/supervisor. Active managers/supervisors would choose a delegate outside of their own approval route and would choose a delegate with current Enterprise One systematic ability to approve timesheets. This process was created to record delegate approval outside of the Enterprise One system, which does not have the ability to systematically record delegated timesheet approval.

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

This communication is intended solely for the information and use of management, the Governor and State Legislature, others within the Department, Federal awarding agencies, pass-through entities, and management of

the State of Nebraska and is not suitable for any other purposes. However, this communication is a matter of public record, and its distribution is not limited.



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