



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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

September 8, 2023

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

Dear Commissioner Albin:

This letter is provided pursuant to American Institute of Certified Public Accountants (AICPA) Auditing Standards AU-C Section 265.A17, which permits the early communication of audit findings due to their significance and the urgent need for corrective action. The audit work addressed herein was performed as part of the fiscal year ended June 30, 2023, Annual Comprehensive Financial Report (ACFR) audit. This communication is based on our audit procedures through June 30, 2023. Because we have not completed our audit of the fiscal year 2023 ACFR, additional matters may be identified and communicated in our final report.

In planning and performing our audit of the State's financial statements as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the State's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

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

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

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

The following is our comment and recommendation for the year ended June 30, 2023.

Changes to Banking Information – NEworks

The Department lacked a process whereby Department-made changes to bank account information in NEworks were formally reviewed and approved by a separate Department employee. NEworks is the Department’s case management system for Federal programs, including unemployment insurance.

Claimants have the ability to change their bank account information within NEworks. A claimant encountering difficulties in doing so may contact the Department, and staff will walk the claimant through the process of changing his or her bank account information in NEworks. If the claimant is still unable to update the information, a staff member will contact the claimant, gather the banking information, and change the information in NEworks. The Department had one employee who was responsible for changing bank account information during fiscal year 2023; however, there were six additional Department users, and one vendor support ID, who also had that ability.

While the Department had a process for updating bank account information, there was no formal procedure for requiring changes made to bank account information by Department staff to be reviewed and approved by another employee.

A good internal control plan requires procedures to ensure that banking information within NEworks is proper, and all changes thereto are verified by someone other than the employees responsible for making them. Without such procedures, there is an increased risk of loss, misuse, or theft of State funds due to fraudulent activity within NEworks.

A similar comment has been noted since the fiscal year 2021 ACFR audit.

We recommend the Department strengthen procedures for ensuring the accuracy of banking information in NEworks. Such improved procedures should include a secondary approval of all banking information changes performed by Department staff.

Department Response: An instruction to add a second layer of approval to changes in banking information was not timely implemented during FY 2023. A new procedure has been implemented effective August 1, 2023. The new procedure is a two-step process. If staff assistance is required to change banking information, a supervisor or program supervisor confirms the identity of the claimant and the banking information, but the supervisor or program supervisor does not enter the new banking information. Once the supervisor or program supervisor has confirmed the claimant’s identity, they provide the claimant’s contact information to the Benefits Administrator or UI Director. The Benefits Administrator or UI Director then calls the claimant and confirms the desire to change banking information. The Benefits Administrator or UI Director then collects the new banking information from the claimant and makes the change/update in the system.

* * * * *

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



Zachary Wells, CPA, CISA
Assistant Deputy Auditor