



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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December 13, 2023

Jason Jackson, Director  
Nebraska Department of Administrative Services  
1526 K Street, Suite 190  
Lincoln, Nebraska 68509

Dear Mr. Jackson:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska (State), as of and for the year ended June 30, 2023, 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 December 13, 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 certain internal control or compliance matters related to the activities of the Nebraska Department of Administrative Services (DAS) or other operational matters that are presented below for your consideration. These comments and recommendations, which have been discussed with the appropriate members of DAS management, are 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control, Comment Number 1 (ACFR Preparation Issues) and Comment Number 2 (Unemployment Insurance Fund Issues) that we consider to be material weaknesses.

These comments will also be reported in the State of Nebraska's Statewide Single Audit Report Schedule of Findings and Questioned Costs.

In addition, we noted other matters involving internal control and its operation that we have reported to management of DAS, pursuant to American Institute of Certified Public Accounts (AICPA) Auditing Standards AU-C Section 265.17, in a separate early communication letter dated October 13, 2023.

Draft copies of this letter were furnished to DAS to provide management with an opportunity to review and to respond to the comments and recommendations contained herein. The formal responses received have been incorporated into this letter. The responses were not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on them. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

The following are our comments and recommendations for the year ended June 30, 2023.

**1. Annual Comprehensive Financial Report (ACFR) Preparation Issues**

The Department of Administrative Services – State Accounting (State Accounting) is responsible for the preparation and accuracy of the ACFR. As noted in prior years, the APA has identified many inaccurate entries – both by State Accounting and other agencies – leading to the conclusion that State Accounting lacks adequate controls to ensure the accuracy of the entries prior to their submission to the Auditor of Public Accounts (APA) for audit. As a result, State Accounting materially misstated financial statement entries and footnote disclosures, requiring significant adjustments, revisions, and additional time to complete the audit procedures.

The table below summarizes over \$684 million in required adjustments to the financial statements and over \$276 million in related footnote adjustments:

<b>Type of Error</b>	<b>Dollar Error</b>
Agency Errors	\$ 422,697,546
State Accounting Errors	210,333,841
Unemployment Insurance Fund Issues – See Comment Number 2	24,409,108
Capital Asset Accounting Errors – See Comment Number 3	27,551,043
<b>Total Financial Statement Adjustments</b>	<b>\$ 684,991,538</b>
<b>Total Footnote Errors</b>	<b>\$ 276,105,744</b>
<b>Total Errors</b>	<b>\$ 961,097,282</b>

Total Financial Statement Adjustments

Please refer to **Supplementary Table #1, at the end of this letter**, for details regarding 61 financial statement adjustments, totaling \$684,991,538, that were identified by the APA and recorded by State Accounting to ensure the financial statements were materially correct. This is in comparison to fiscal year 2022, when the APA identified 50 financial statement adjustments totaling \$536,500,055.

**Supplementary Table #1** also identifies which adjustments had been reported in the prior audit as well. In total, 26 of the 61 adjustments, totaling \$393,813,510 were related to issues reported in the prior audit and were not corrected.

Total Footnote Errors

The following table explains the \$276,105,744 in footnote errors found in State Accounting’s preparation of the required footnote disclosures to the financial statements.

<b>Footnote</b>	<b>Description</b>	<b>Dollar Errors</b>
#2 Deposits and Investments Portfolio	The APA found a few different issues with Footnote #2, as noted below: <ul style="list-style-type: none"> <li>The foreign currency disclosure for both the governmental and business-type activities and the fiduciary fund incorrectly included two separate, distinct currencies as one item. A total of \$4,000 in adjustments were needed to split the foreign currency in the governmental and business-type activities. Then, \$217,562,000 in adjustments were needed to split the foreign currency in the fiduciary fund.</li> </ul>	\$ 223,997,966

Footnote	Description	Dollar Errors
	<ul style="list-style-type: none"> <li>An increase in the fair value of investments of the State and County Employees' Retirement Plans was incorrectly reported as \$5,720,577, when the actual increase was only \$232,130 – a difference of \$5,488,447.</li> <li>Derivative instruments are required to be shown as governmental activities and business-type activities. The State pools many of its funds for investing, so it must allocate investment activity to the various State funds. State Accounting used an unreasonable method to allocate the derivative instruments between governmental activities and business type activities. A total of \$943,519 in adjustments were made to the footnote.</li> <li>State Accounting failed to disclose the State's policy related to interest rate risk, which is required by accounting standards.</li> <li>State Accounting's disclosures related to concentration risk and durations were inaccurate.</li> </ul>	
#3 Receivables	The Department of Health and Human Services (DHHS) calculation of the Medicaid Drug Rebate (MDR) Allowance for Doubtful Accounts was incorrect because it included \$44,835,005 that had been received already by the State. This error required an adjustment to the footnote disclosures in the financial statements.	44,835,005
#4 Capital Assets	State Accounting made several errors to the Construction Commitments portion of the Capital Asset footnote because State agencies incorrectly reported construction-in-progress projects and also for the inclusion of a project that was not entered into until July 2023.	6,496,773
#7 Noncurrent Liabilities	State Accounting made errors in the Noncurrent Liability footnote related to the Business-type Activities, Unemployment Insurance Claims Payable increases and decreases, causing both to be understated by \$388,000. This then caused the Totals for Business-type Activities line amounts for these items also to be incorrect by the same amounts.	776,000
<b>Total</b>		<b>\$ 276,105,744</b>

Additional Errors Not Requiring Formal Adjustments

The APA also found several other errors related to State Accounting's processes for the preparation of the ACFR. Although formal adjustments may not have been made, these are included to show the reliability of this process.

Description	Dollar Amount
In preparing the Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position, State Accounting incorrectly included \$8,627,286 in subscription-based information technology arrangement (SBITA) liabilities in the accumulated depreciation line instead of the proper liability line.	\$ 8,627,286
The NDNR paid \$5,408,652 for two projects from the Water Sustainability Fund during fiscal year 2023 that should have been accounted for as prior fiscal year expenditures. The APA proposed an adjustment to the State's financial statements to correct the incorrect accounting of these expenditures. These amounts were not adjusted by State Accounting.	5,408,652
State Accounting accrued 100% of the payroll paid on July 12, 2023, as a fiscal year 2023 expense. However, the pay period was from June 19, 2023, to July 2, 2023, and included two days in fiscal year 2024. Even though the two dates fell on the weekend, various agency's employees work in 24-hour facilities. The time worked on the two July dates should not have been included in the accrual. There was \$1,159,947 in payroll costs for those July 2023 dates.	1,159,947
State Accounting failed to correct and reconcile the imprest payroll liability accounts to ensure the accuracy of the accounts. We noted the following: <ul style="list-style-type: none"> <li>State withholding taxes of \$1,345,775 for the May 2023 third biweekly payroll were not paid out until August 2023, after the APA's inquiry.</li> <li>State Accounting recorded amounts in two liability accounts and then made payments from two other different liability accounts, causing variances totaling \$608,014.</li> </ul>	1,345,775 608,014

Description	Dollar Amount
<ul style="list-style-type: none"> <li>State Accounting failed to reconcile the employee and employer Social Security tax withholdings accounts, resulting in a net variance of \$15,699 between the two accounts.</li> </ul>	15,699
<ul style="list-style-type: none"> <li>State Accounting failed to correct a processing issue from fiscal year 2022 related to the transfer of retirement contributions, creating a debit to one liability account and a credit a different liability account for \$4,122,154.</li> </ul>	4,122,154
<p>During review of lease entries performed by State Accounting, the following issues were noted:</p> <ul style="list-style-type: none"> <li>State Accounting failed to perform a review of the general ledger for rent expense and rent income accounts to ensure all potential leases required to be reported in the financial statements under GASB Statement 87 were properly identified. Instead, it relied on agency reporting on accrual response forms for identification of all leases. When the APA performed a limited review of these accounts, we found two leases that should have been reported but were not included. This resulted in the ending lease receivable amount being understated by \$87,495 and the beginning lease receivable amount being understated by \$21,702.</li> <li>One lease was amended in April 2023 and should have been remeasured at that time. However, State Accounting did not remeasure the lease until August 2023, resulting in an understatement of the lease liability and right-to-use asset balance of approximately \$9,000 for fiscal year 2023.</li> </ul>	109,197  18,000
<p>One \$606,203 fund balance was duplicated incorrectly as a payable to the Federal government, resulting in an incorrect payable in the General Fund.</p>	606,203
<p>State Accounting records various government-wide journal entries for activity that is not recorded in the accounting system. During our review of these entries, we noted the following:</p> <ul style="list-style-type: none"> <li>State Accounting incorrectly included certain DHHS receivables as long-term payables.</li> <li>State Accounting incorrectly included \$214,000 as Proceeds – Other Financing instead of as the Proceeds – Capital Leases.</li> <li>State Accounting recorded an incorrect amount to reclassify revenues, resulting in a variance of \$63,000.</li> </ul>	264,138 214,000 63,000
<p>State Accounting’s June 30, 2023, bank reconciliation contained variances between account balances in the accounting system and the amounts recorded on the reconciliation, unresolved unapplied cash transactions ranging from 1-20 years old, and other reconciling items dating back to 2012 that have not been adequately reviewed or resolved. The total amount for these items was \$186,197.</p>	186,197
<p>State Accounting did not advise Omaha Public Schools that its actuarial report on the Omaha School Employees Retirement Systems used a measurement date that was not compliant with Governmental Accounting Standards Board (GASB) Number 68. OSERS failed to consult with the State on the change in the measurement date. As a result, the actuarial report had to be revised.</p>	N/A

A proper system of internal controls requires procedures to ensure accurate reporting of financial information in the accounting system and directly to State Accounting. As seen throughout this comment, a lack of such procedures increases the risk of material financial statement errors going undetected. The absence of procedures also increases the audit time required to ensure the financial statements are materially correct.

Despite similar findings being reported in the prior year ACFRs, the number of errors, as well as the significant dollar amount of those errors, both individually and aggregately, demonstrate that State Accounting still needs to improve its controls and processes to ensure the accurate and timely presentation of the ACFR.

We recommend State Accounting review and, as needed, improve its procedures for ensuring the accurate and timely preparation of the State’s financial statements. Those procedures should include the following:

- The proper resolution of all prior year financial statement errors;
- A proper review of entries and transactions processed or provided by other State agencies for accuracy prior to submission to the APA for audit, including a detailed review of prior issues and new items; and

- The implementation of proper training and better accounting resources for State agencies in order to provide reliable financial information.

*DAS Response: We continue to strive for year-over-year reduction of errors and repeat findings. We will continue to work with agencies to address findings noted during the current audit period to improve reporting and accounting procedures.*

## **2. Unemployment Insurance Fund Issues**

Despite a modified opinion for the Unemployment Insurance (UI) Fund and related findings in the last three audits, State Accounting again lacked procedures for ensuring that the UI Fund financial statements were presented accurately for the Annual Comprehensive Financial Report (ACFR). After each of the last three audits, the Auditor of Public Accounts (APA) recommended that State Accounting work closely with the Nebraska Department of Labor (NDOL) to establish procedures sufficient for calculating and reporting the UI Fund activity for the ACFR.

We also recommended that NDOL establish procedures to ensure its staff performed a proper review of documentation, including the trial balance, and to reconcile NDOL’s separate tax and benefit system, NEworks, to the State accounting system to identify issues between the systems. Though improvements were noted, it is apparent from the adjustments and errors noted below that NDOL and State Accounting failed to comply with our prior recommendations to ensure that the UI Fund financial statements are presented accurately.

The UI funds were maintained in separate, outside bank accounts, differing from most State funds, which are maintained by the State Treasurer. NDOL prepared manual journal entries to record financial activity from NEworks to the State’s accounting system, which is used to generate the financial statements. However, the financial statements required material adjustments due to incorrect journal entries made by NDOL and the lack of an adequate reconciliation of the financial activity recorded in NEworks to that recorded in the State accounting system to ensure account balances and other financial activity were properly presented. The significant number of financial reporting errors required a substantial amount of additional time and work by the APA. Had NDOL and State Accounting addressed the prior year findings, the additional time and work would have been significantly less.

The table below summarizes over \$24 million in errors made by NDOL for fiscal year ended June 30, 2023. The APA proposed, and State Accounting posted, adjustments to correct the financial statements.

<b>Adj.</b>	<b>Description</b>	<b>Dollar Error</b>
<b>1</b>	Prior to fiscal year 2023, the NDOL accrued the UI benefit overpayment receivable only at year end for financial statement presentation. In fiscal year 2023, the NDOL changed its procedures to record a receivable balance as of July 1, 2022, and then tracked changes to the balances throughout the year in the accounting system. The NDOL overstated the beginning overpayment receivable balance and current year expenditures by \$5,205,239.  Additionally, the NDOL did not establish a beginning penalty receivable balance of \$408,386.	\$ 5,205,239
<b>2</b>	Because of the incorrect balances included in #1 above, the NDOL overstated the overpayment receivable allowance for doubtful accounts by \$4,815,264. Additionally, the NDOL failed to record an allowance for doubtful accounts for the penalty receivable balance of \$426,658.	4,815,264
<b>3</b>	The NDOL used an incorrect amount from a NEworks report to record the recoupments from overpayments to claimants, resulting in the overpayment receivable balance being understated by \$1,030,241.	1,030,241
<b>4</b>	As part of the NDOL’s year end processes, it estimates an overpayment receivable for future overpayments related to fiscal year 2023 or prior benefit payments. The NDOL incorrectly recorded its July 1, 2023, reversing entry as a prior period transaction, which caused State Accounting to record it as fiscal year 2023 activity – thereby eliminating the entry. Due to this, an adjustment was necessary to re-record the accounts receivable balance.	787,570
<b>5</b>	The APA determined that the ending balance of the overpayment receivable as of June 30, 2023, should have been \$2,117,396. However, the balance in the accounting system after all other adjustments noted above was \$2,014,358, resulting in an unknown variance of \$103,038 (understatement).	103,038
<b>Total Overpayment Receivable Adjustments</b>		<b>\$ 11,941,352</b>



Adj.	Description	Dollar Error
6	<p>In fiscal year 2023, the NDOL failed to record an allowance for doubtful accounts related to employers' accounts receivable (employer UI taxes owed), including penalties and interest receivable. The NDOL also failed to record a similar entry in fiscal year 2022, resulting in an adjustment to the Beginning Fund Balance. Additionally, the NDOL is required by State statute to transfer the penalties and interest assessed on the late employer remittance of taxes from the Unemployment Insurance Tax Clearing Fund to the Employment Security Special Contingent Fund. The APA determined the NDOL transferred the amount charged and not amount collected, resulting in too much money being transferred to the Employment Security Special Contingent Fund from the Unemployment Insurance Tax Clearing Fund. Therefore, these adjustments, totaling \$2,912,501, were necessary to correct the amounts.</p>	2,912,501
7	<p>Employer balances due to the NDOL for UI taxes, interest, and penalties from unpaid tax contributions and UI taxes owed back to employers are maintained in NEworks. The NDOL failed to reconcile the employer accounts receivable consisting of Tax Contribution Receivable, Billed Interest Receivable, Penalty Receivable, and Reimbursable Employer Receivable, or Tax Contributions Payable accounts from the State accounting system to NEworks to ensure the amounts agreed. Since they did not, adjustments, totaling \$2,693,984, were necessary to record these balances accurately as of June 30, 2023.</p> <p>In December 2021, the NDOL converted from its old Tax Management System (TMS) to NEworks. After the fiscal year 2022 audit, in which the NDOL was unable to determine its balances for the financial statements, a contractor was hired to review the NDOL's account balances and to ensure the balances from the old system were properly transferred to the new system. The contractor determined that the conversion of account balances from TMS to NEworks was correct.</p> <p>The NDOL took the prior balances confirmed by the contractor and added financial activity from the accounting system from December 2021 to June 2022 to determine the June 30, 2022, balances. The NDOL compared its calculated balance to the accounting system balances on July 1, 2022. Because variances were identified, the NDOL created adjustments to correct the balances. The APA noted the following issues with the adjustments prepared by the NDOL:</p> <ul style="list-style-type: none"> <li>• At the time of conversion, the balances for Tax Contributions Receivable and Reimbursable Employer Receivables were negative. The NDOL appears to have considered all employer balances to be receivables when employers with negative balances should have been considered payables.</li> <li>• The NDOL used activity from the accounting system for the December 2021 to June 2022 period. There appears to be errors in these entries made, so a more accurate method would have been to use reports directly from the NEworks system.</li> <li>• The NDOL incorrectly recorded its adjustment to correct the balances. Balances that should have increased were decreased, and balances that should have decreased were increased.</li> </ul> <p>Due to the errors noted above, the APA performed its own review and calculation of the balances as of June 30, 2023. The NDOL failed to provide a report from NEworks that accurately reported all employer balances. Therefore, the APA started with the employers' balances from the contractor at the time of conversion, December 6, 2021, and added activity for each employer from reports from NEworks through June 30, 2023.</p> <p>The APA performed additional validation procedures to ensure its calculation agreed to the NEworks employer balances at June 30, 2023, and determined the following adjustments were needed:</p> <ul style="list-style-type: none"> <li>• Increase Tax Contribution Receivable by \$1,823,317</li> <li>• Increase Billed Interest Receivable by \$870,667</li> <li>• Decrease Penalty Receivable by \$125,397</li> <li>• Decrease Reimbursable Employer Receivable by \$5,730</li> <li>• Increase Tax Contributions Payable by \$2,201,533</li> <li>• Increase Beginning Fund Balance by \$361,324</li> </ul>	2,693,984
8	<p>The NDOL's fiscal year 2022 State Unemployment Insurances Taxes (SUIT) revenue was overstated by \$2,151,033, while the fiscal year 2023 SUIT revenue was understated by \$2,151,033. The inaccurate revenues were due to errors made by the NDOL in transferring the revenue between funds. Therefore, an adjustment was necessary to decrease the fiscal year 2023 beginning fund balance and increase fiscal year 2023 revenue.</p>	2,151,033
9	<p>In its preparation of the ACFR, State Accounting annually reviews entries identified as prior period transactions and recorded within three months after the fiscal year end. The NDOL failed to process multiple miscellaneous adjustments related to fiscal year 2022 until August 2023 and failed to notify State Accounting of the late entries. Therefore, State Accounting did not properly record the transactions as fiscal year 2022 activity, and an adjustment was needed in fiscal year 2023 to reflect the activity in the proper fiscal year.</p>	1,002,510
10	<p>In fiscal year 2023, the NDOL recorded entries to write off \$614,926 in overpayments receivable. However, the entries were recorded as miscellaneous adjustments instead of as current year expenditures.</p>	614,926
11	<p>Fiscal year 2023 revenues were overstated because the NDOL incorrectly recorded the reversal of the fiscal year 2022 accrual for tax contributions.</p>	242,619
<b>Total Miscellaneous Adjustments</b>		<b>\$ 9,617,573</b>

Adj.	Description	Dollar Error
12	The NDOL failed to reverse the fiscal year 2022 claims payable accrual entry, resulting in the overstatement of the fiscal year 2023 benefits payable by \$1,431,090.	1,431,090
13	As of June 30, 2023, the NDOL failed to record a benefits payable accrual for claims paid after the fiscal year end for services rendered prior to the fiscal year end. The total payable amount was \$361,452.	361,452
14	The NDOL failed to consider canceled payments to claimants, resulting in expenditures and payables being overstated by \$319,541.	319,541
15	The NDOL incorrectly calculated its claims liability for fiscal year 2023, resulting in an understatement of \$168,328.	168,328
<b>Total Claims and Benefits Payable Adjustments</b>		<b>\$ 2,280,411</b>
16	The NDOL failed to record a \$288,865 payable to the Federal government for overpayments due back to the Federal government once received.	288,865
17	The NDOL moved the beginning balances in 11 accounts, totaling \$21,509, to the Due to Government account. However, the NDOL did not have support for the payable, and it was not paid in fiscal year 2023, so it is likely that this balance is incorrect and should be written off.	21,509
<b>Total Due to Government Adjustments</b>		<b>\$ 310,374</b>
18	The NDOL failed to record a receivable for \$160,505 in Combined Wage Claims, which are benefits owed by other states.	160,505
19	The NDOL recorded the reduction of the Due from Federal Government receivable in the wrong account, resulting in the balance being overstated by \$75,100.	75,100
20	The NDOL moved the beginning balance in eight accounts, totaling \$23,793, to the Due from Federal Government account during fiscal year 2023. However, the NDOL lacked support for the receivable, and it was not received in fiscal year 2023, so it is likely that this balance is incorrect and should be written off.	23,793
<b>Total Other Receivable Adjustments</b>		<b>\$ 259,398</b>
<b>Total Adjustments</b>		<b>\$ 24,409,108</b>

The APA identified additional financial statement errors that did not require adjustments to the financial statements due to their relative insignificance; nevertheless, these were errors and are detailed in the table below:

Error	Description	Dollar Error
1	The NDOL incorrectly recorded \$264,598 in benefit payment recoupments for July and August 2022 to the wrong account. Additionally, the NDOL failed to record entries for the September to June 2023 benefit payment recoupments, totaling \$777,899, until notified by the APA. The NDOL corrected these issues prior to September 30, 2023, so formal adjustments to the financial statements were not required.	\$ 1,042,497
2	The suspense account serves as the holding account for unreconciled items between the bank and NEworks. During fiscal year 2023, the NDOL wrote off the \$854,980 balance at June 30, 2022, without an analysis of the balance. The NDOL failed also to perform an analysis of the \$113,441 balance in the holding account at June 30, 2023.	854,980
3	The NDOL claimed to have discretion in the use of a Federal fund balance of \$846,573; however, documentation to support that assertion was not provided, nor was an explanation describing how the balance was accumulated.	846,573
4	The NDOL recorded \$496,122 in Federal revenues incorrectly as miscellaneous adjustments rather than operating Federal grants and contracts. Therefore, its revenues in the Reed Act Fund were not correct.	496,122
5	The NDOL recorded an entry to write off the \$202,921 balance in the employer reimbursable payable account. Prior to the conversion to NEworks in December 2021, the NDOL used two accounts to record the payable balance to contributory employers and reimbursable employers. After the conversion, the NDOL stopped using the reimbursable payable account and used only the contributory payable account. As the reimbursable payable account had no activity in over a year, the NDOL mistakenly wrote off the balance, when it should have been moved to the contributory payable account. An entry was not proposed to correct this directly, as the balance was corrected in entry #7 in the table above.	202,921
6	The NDOL recorded a \$151,569 check to the benefits payable account, even though a liability was never recorded related to this check. Therefore, the benefits payable liability was understated.	151,569
7	The NDOL lacked support for \$143,899 of the \$542,632 benefits payable account balance at June 30, 2023. It is likely the amount is for benefit payments returned to the bank, but the NDOL lacked support for the amount of the returned payments.	143,899
8	The NDOL failed to record a liability for amounts collected that were more than a claimant's overpayment balance, which should be paid back to the claimant. The APA calculated this liability to be \$133,982.	133,982
9	The NDOL incorrectly reported a Federal fund balance as \$118,716; however, due to incorrect entries, that fund did not actually have a balance.	118,716
10	The NDOL inappropriately included \$15,755 of fiscal year 2024 interest charges in the original calculation of the employers' fiscal year 2023 accounts receivable allowance for doubtful accounts. The amount was appropriately not included in the adjustment proposed by the APA. Testing revealed also a projected additional amount of \$21,297 for fiscal year 2024 interest charges that should not have been included in the allowance.	37,052

<b>Error</b>	<b>Description</b>	<b>Dollar Error</b>
<b>11</b>	The NDOL failed to record a payable to the Federal Government for Federal Pandemic Unemployment Compensation (FPUC) monies held on June 30, 2023, totaling \$12,916.	12,916
<b>12</b>	The NDOL recorded \$11,296 in entries that increased the payable due to the Federal Government. When processing the payment to the Federal government, however, the NDOL recorded the entry to the wrong account; therefore, the original entries need to be reversed.	11,296
<b>13</b>	The NDOL's methodology for the calculation of the overpayment receivable, those expected to be established within 90 days after June 30, 2023, was not reasonable. First, the calculation included the average overpayments established between July and September for the last eight years, which assumes that all overpayments established during that time period are for payments from the previous fiscal year. However, those overpayments could be for payments made during the current fiscal year. Second, the calculation neglected to include overpayments established from October to June for payments made in the previous fiscal year.	0
<b>Total</b>		<b>\$ 4,052,523</b>

A proper system of internal control requires procedures to ensure accurate information is included in the State accounting system for the proper presentation of the State's financial statements. Without such procedures, there is an increased risk of not only material misstatements occurring and remaining undetected but also improper payments being made.

We continue to recommend State Accounting work the NDOL to establish procedures to ensure accounting records are recorded properly in the accounting system, including reconciliation procedures to ensure accounting records reflect accurately the activity and appropriate balances of NEworks. Without the resolution of these repeated findings, the APA's ability to audit the UI financial statements might be compromised.

*DAS Response: We recognize that the Auditor of Public Accounts (APA) invested substantial time into reviewing and identifying proposed adjustments. The Department of Labor has corrected one-time errors related to establishing accurate balances. We will continue to assist NDOL to adequately document its reconciliation procedures.*

### **3. Capital Asset Accounting Errors**

State Accounting compiled the capital asset information from the State's accounting system and requested State agencies to report additional accrual items not already included in the accounting system for inclusion in the ACFR. The APA found several projects that were not reported or not reported accurately in the accounting system or to State Accounting. These errors required revisions to State Accounting's original capital asset-related items on the financial statements and their footnotes.

The table below details the Construction in Progress (CIP) adjustments required due to calculation errors and unreported projects:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
CIP Initially Reported by State Accounting	\$ 751,467,513	\$ 260,277,665	\$ 258,278,396	\$ 753,466,782
CIP After Adjustments	759,277,143	264,972,119	265,040,621	759,208,641
<b>Misstatements</b>	<b>\$ 7,809,630</b>	<b>\$ 4,694,454</b>	<b>\$ 6,762,225</b>	<b>\$ 5,741,859</b>
<b>DAS Errors (incl. Task Force)</b>	<b>\$ 63,140</b>	<b>\$ 1,899,500</b>	<b>\$ -</b>	<b>\$ 1,962,640</b>
<b>Agency Errors</b>	<b>\$ 7,746,490</b>	<b>\$ 2,794,954</b>	<b>\$ 6,762,225</b>	<b>\$ 3,779,219</b>



The following table details additional capital asset and accumulated depreciation errors related to equipment that also required adjustments to the financial statements:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b><i>Capital Assets – Equipment</i></b>				
Initial Calculation by State Accounting	\$ 722,584,324	\$ 33,243,598	\$ 14,264,123	\$ 741,563,799
Final After Adjusted by APA	720,603,809	42,518,771	14,869,677	748,252,903
<b>Total Errors</b>	<b>\$ (1,980,515)</b>	<b>\$ 9,275,173</b>	<b>\$ 605,554</b>	<b>\$ 6,689,104</b>
<b><i>Accumulated Depreciation – Equipment</i></b>				
Initial Calculation by State Accounting	\$ 483,473,379	\$ 88,523,864	\$ 13,770,276	\$ 558,226,967
Final After Adjusted by APA	484,601,794	91,614,863	14,373,729	561,842,928
<b>Total Errors</b>	<b>\$ 1,128,415</b>	<b>\$ 3,090,999</b>	<b>\$ 603,453</b>	<b>\$ 3,615,961</b>

The errors detailed in the table above included the following:

- Three agencies did not record their equipment assets appropriately in the accounting system, resulting in errors in acquisition dates, incorrect capitalizable costs, and failure in one case to create a capital asset for a software system.
- State Accounting failed to include 35 assets that were sold on June 30, 2023, but not recorded as disposed of in the accounting system until July 2023.
- State Accounting failed to update depreciation calculations for changes to the useful lives of 26 software assets. In the system, these types of assets were originally depreciated over five years, until State Accounting made a change during the year to depreciate them over three years.
- State Accounting failed to update asset costs for errors communicated during the prior year audit for two DHHS computer software assets.

During testing of projects related to the Task Force for Building Renewal (Task Force), the APA noted the following:

- The Task Force recorded \$1,645,256 in costs for upgrades to the Craft State Office Building HVAC system as operating expenses; however, the project should have been recorded as CIP. This issue is included in the CIP table above.
- The Task Force paid \$914,679 for a project that included upgrades to the HVAC system and masonry restoration for the exterior of the Ford Conservation Center. Because a portion of the project was for repair of the masonry, the full costs of the project should not be capitalized; however, State Accounting did not consider any of the costs to be a capital project and, therefore, the amount of the HVAC upgrade was not readily available. The APA noted a minimum of \$377,418 related to the HVAC demolition and equipment that should have been capitalized as CIP. This issue is included in the CIP table above.
- The Task Force failed to include \$240,326 in asset costs related to the 501 Building code and energy conservation upgrades project to the cost of the capital asset. These costs were subsequently added to the asset after it was brought to the Task Force’s attention.

Most of the errors above were a result of internal control issues at State agencies; however, State Accounting is responsible for accurate financial statement presentation and failed to ensure CIP and Equipment were properly recorded in the financial statements.

The APA found other errors related to capital assets that did not require an adjustment to the financial statements, as follows:

- State Accounting was informed of the July 7, 2022, disposal of one building asset; however, it failed to record the disposal in the accounting system until September 2023, over one year later. This caused the asset beginning balance to be overstated by \$121,000 and the related accumulated depreciation beginning balance to be overstated by \$99,825.
- Four building assets had depreciation understated by \$233,514. These errors resulted from State Accounting using incorrect acquisition dates or an incorrect fiscal year end when manually calculating depreciation. We also noted that this caused depreciation expense to be understated by \$30,675 for one of the assets.
- Six assets had July 21, 2023, disposal dates in the accounting system; however, the assets were sold on June 30, 2023. Therefore, the assets were included in the fiscal year 2023 capital asset activity and should not have been. Capital asset deletions were understated by \$186,833, and accumulated depreciation deletions were understated by \$166,668. Additionally, a loss on the disposal of the assets, totaling \$20,165, should have been recorded.

Good internal controls and sound accounting practice require procedures to ensure that capital asset activity is recorded accurately, transferred correctly into all journal entries and roll-forwards, and supported by adequate documentation. Such procedures should also include working with other agencies to ensure proper accounting methods are followed, and items reported by the various agencies on the accrual response form are reviewed for accuracy.

Without such procedures, there is an increased risk for the continued occurrence of financial statement misstatements.

We recommend State Accounting continue to work with the various agencies to implement or improve procedures necessary to resolve this audit finding. We further recommend State Accounting implement procedures to ensure capital asset activity is accurate and complete, including procedures to ensure all accrual response forms contain accurate information.

*DAS Response: Over the last two years we have improved procedures to minimize errors in agency reporting. We will continue to work with the agencies to address findings, to reduce repeat findings, and improve reporting and accounting procedures.*

\* \* \* \* \*

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 DAS 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 DAS.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State of Nebraska's internal control over financial reporting or on compliance. This letter is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Nebraska's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purposes.



Kris Kucera, CPA, CFE  
Assistant Deputy Auditor

**Supplementary Table #1**

<b>Item #</b>	<b>Description</b>	<b>Dollar Error</b>	<b>Category</b>	<b>Prior Audit Finding?</b>
1	DHHS incorrectly reported the fiscal year 2022 intergovernmental receivable for the Children’s Health Insurance Program (CHIP), which required a \$59,283,758 adjustment to the fiscal year 2023 financial statements.	\$ 59,283,758	Agency Errors	Yes
2	DHHS incorrectly recorded journal entries related to the Home and Community Based Services (HCBS) Cash Fund. The entries originally reduced expenditures in the HCBS Cash Fund and increased expenditures in the Federal Fund. However, the original expenses were not recorded in the HCBS Cash Fund, so the expenditures in that fund were not properly stated. The \$47,172,798 adjusting entry was for fiscal year 2022 expenditures. After our discussion of this error, State Accounting made an additional entry to correct the fiscal year 2023 expenditures by \$18,190,209 before a formal adjustment was proposed.	47,172,798	Agency Errors	No
3	Under an agreement with DHHS, the University of Nebraska Medical Center (UNMC) returns most of its disproportionate share hospital (DSH) payments to the DHHS. In June 2023, UNMC returned \$19,259,295 for the fiscal year 2022 DSH payment. DHHS incorrectly recorded the receipt to one of its cash funds, instead of to the General Fund, and also failed to identify a prior year accrual. Because of the two different errors, the net effect of the error was doubled.	38,518,590	Agency Errors	Yes
4	Several Federal fund transactions processed by the Nebraska Military Department (Military) from October 2022 to June 2023 were recorded as fiscal year 2023 activity, but the transactions were for prior to fiscal year 2023.	35,094,054	Agency Errors	Yes
5	On September 22, 2023, DHHS processed three journal entries to change the funding source of various prior expenditures. In the accounting system, DHHS identified the entries as prior-period transactions. Therefore, the expenses and funding changes were recorded as fiscal year 2023 activity. However, in our review of the entries, much of the activity was determined to be for periods prior to fiscal year 2023 and, therefore, should not have been included in the fiscal year 2023 activity. DHHS failed to notify State Accounting of the amount that was for activity prior to fiscal year 2023, which should have been recorded as a beginning fund balance adjustment. The adjustment required for this improperly recorded activity was \$24,715,610.	24,715,610	Agency Errors	Yes
6-7	Medicaid Estate Recovery was established by State and Federal law to recover costs of medical assistance paid by the Nebraska Medicaid Program from the estates of certain former Medicaid recipients. DHHS neglected to include unworked cases in its receivable calculation, resulting in \$20,553,616 in adjustments to the fiscal year 2022 and 2023 activity.	20,553,616	Agency Errors	No
8	Under an agreement with DHHS, UNMC returns most of its DSH payments to DHHS, which failed to record an accounts receivable for the fiscal year 2023 DSH payment that, as of June 30, 2023, had yet to be returned by UNMC. The receivable was calculated to be \$20,228,161.	20,228,161	Agency Errors	Yes
9	The Nebraska Public Employees Retirement Systems (NPERS) incorrectly recorded certain transfers of assets from one record keeper to another as rollover contributions and disbursements from member accounts, rather than as transfers.	19,901,528	Agency Errors	No
10	The Nebraska Department of Transportation (NDOT) participates in road projects financed by Federal, State, and/or local entities. In some cases, local governments provide their share of the funding when the contract is awarded, which creates a liability for NDOT called “Deposits by Locals.” In other cases, the local governments are billed for their share of the funding on a progress basis, and NDOT creates an accounts receivable called “Accounts Receivable from Locals.” During its accumulation of these accruals, NDOT overstated each accrual by \$19,079,795 due to the incorrect calculation of manual adjustments (adding instead of subtracting) made to the amounts reported from NDOT’s system. This same mathematical error has occurred since fiscal year 2021.	19,079,795	Agency Errors	Yes
11	Several Federal fund transactions processed by the Military from July 2023 to September 2023 were recorded as fiscal year 2024 transactions, but the transactions were for prior to fiscal year 2023.	17,075,920	Agency Errors	Yes
12	NDOT has an accrual called “Accounts Receivable from Others,” which includes receivables from local governments, railroads, other states, and individuals who have been billed for damages to State property. NDOT overstated this accrual by \$16,119,546 because it was recorded as a receivable both in the State’s accounting system and then again on the accrual response form submitted to State Accounting. Therefore, the receivable was recorded twice.	16,119,546	Agency Errors	Yes
13	The Nebraska Department of Revenue (NDOR) improperly recorded the lodging taxes to the State Highway Fund. The lodging taxes are distributed to counties and the State’s Visitor Promotion Fund. A portion is maintained by NDOR for administrative fees. Therefore, those distributions should be recorded to an Other Special Revenue Fund, the Economic Development Fund, and the General Fund, respectively. Adjustments were needed to record the activity to the correct fund. NDOR’s adjustments, which State Accounting posted to the State accounting system, were also incorrect. Additional corrections, totaling \$14,185,375, were needed to correct the activity.	14,185,375	Agency Errors	No

**Supplementary Table #1**

<b>Item #</b>	<b>Description</b>	<b>Dollar Error</b>	<b>Category</b>	<b>Prior Audit Finding?</b>
14	The Attorney General recorded the receipt of legal settlement funds as “sales and charges” revenue instead of the proper “miscellaneous” revenue classification.	11,887,209	Agency Errors	No
15	Delinquent taxes are those for which a tax return has been filed, but the amount owed has yet to be remitted by the taxpayer. NDOR calculated an estimate of its delinquent taxes receivable. The APA found issues with the collectability percentages used and proposed adjustments, totaling \$9,090,209.	9,090,209	Agency Errors	Yes
16	The DHHS DSH Pool 6 payments are one year behind, so an accounts payable is recorded for obligations not yet paid. DHHS incorrectly recorded the State-funded portion of the accrual, or \$3,001,555, to the General Fund; however, it should have been recorded as a payable in the Health and Human Services Fund as that is the fund from which payments are made. The entry to correct the General Fund and to record payables properly in a cash fund had an effect of doubling the error amount. Because these amounts are expected to be returned, an accounts receivable for that same amount is in the Health and Human Services Fund is also necessary but was not prepared by DHHS.	9,004,666	Agency Errors	Yes
17-18	The Department of Insurance incorrectly recorded \$4,660,195 of Excess Liability Fund premiums received in fiscal year 2023 as a revenue instead of unearned revenue, which is a liability account. These premiums were for fiscal year 2024 and, therefore, were not yet earned. Similarly, premiums, totaling \$2,433,266, received in fiscal year 2022 were for fiscal year 2023.	7,093,461	Agency Errors	No
19	DHHS makes the DSH Pool 1-4 payments in arrears. The payments made in fiscal year 2023 were for fiscal years 2021 and 2022. DHHS failed to report a payable for the Pool 1-4 payments until fiscal year 2023. Therefore, an adjusting entry was needed to reflect properly the prior year payables that were not recorded.	6,596,843	Agency Errors	Yes
20	In January 2022, the Nebraska Medicaid State Plan was amended to include new funding for supplemental graduate medical education (GME) payments. For the fiscal year 2023 payable, DHHS made some mathematical errors in its calculation, which has a General Fund and Federal fund portion, resulting in \$6,562,796 in adjustments to the financial statements.	6,562,796	Agency Errors	No
21	DHHS failed to record a receivable for the fiscal year 2023 the Child Support Enforcement (CSE) grant, resulting in \$6,102,811 in required adjustments.	6,102,811	Agency Errors	Yes
22	NDOR improperly recorded nameplate capacity taxes to the State Highway Fund. The purpose of the nameplate capacity tax is to replace property taxes currently imposed on renewable energy infrastructure to distribute them completely to the counties in which the taxes were collected. The taxes should be recorded to an Other Special Revenue Fund. Therefore, adjustments were needed to record the activity to the correct fund. NDOR’s adjustments, which State Accounting posted to the State accounting system, were also incorrect. Additional corrections, totaling \$6,042,973, were needed to correct the activity.	6,042,973	Agency Errors	No
23	NDOR performed calculations to determine the amount of taxes receivable at fiscal year-end, which included a review of the subsequent July or August tax receipts to determine the amount attributed to tax months during fiscal year 2023. For corporate tax receipts, NDOR’s calculation failed to include corporation income tax returns filed on Form 1120N. The APA also found an error related to a tax receipt of \$99,500, which was related to September 2023 and should not have been in the receivable calculation. For individual income taxes receivable, NDOR failed to include significant receipts in July and August of 2023 from one tax category for tax periods prior to January 2023. For all tax types, NDOR failed to review adequately the receipts for estimated taxes in which the tax year is unknown to ensure those receipts are included or excluded appropriately as taxes receivable.	4,643,486	Agency Errors	Yes
24	The Public Service Commission (PSC) and Military failed to identify several transactions processed after June 30, 2023, as fiscal year 2023 transactions.	4,108,308	Agency Errors	Yes
25	The Nebraska Department of Education (NDE) made an error in its calculation of the Special Education State Aid Program Payable that required an adjustment to the State’s financial statements. The \$4,074,000 error occurred due to a data entry error in NDE’s spreadsheet used to calculate the payable. One of the figures used to reduce the original payable was incorrectly entered into the spreadsheet.	4,074,000	Agency Errors	No
26	The Nebraska Department of Economic Development (NDED) recorded a number of transactions between July 1, 2023, and September 30, 2023, to the incorrect fiscal year.	3,030,306	Agency Errors	No
27	When DHHS received DSH Pool 6 funds back from the mental health regions, the receipts were recorded as negative expenditures instead of revenues. Therefore, an adjustment was necessary to reclassify the amount received in fiscal year 2023.	2,833,863	Agency Errors	Yes

**Supplementary Table #1**

<b>Item #</b>	<b>Description</b>	<b>Dollar Error</b>	<b>Category</b>	<b>Prior Audit Finding?</b>
28	On June 13, 2023, DHHS processed a journal entry to transfer money between its various funds. It identified the transaction as a prior year transaction. Therefore, State Accounting removed these items from the fiscal year 2023 activity and recorded them as a beginning fund balance adjustment. However, in our review of the entry, it was determined that the activity was, in fact, for fiscal year 2023. The adjustments required for this improperly recorded activity was \$1,983,102.	1,983,102	Agency Errors	No
29	Nebraska Investment Council's (NIC) quarterly endowment income distribution entries are normally prepared prior to the end of the subsequent quarter. However, the endowment income earned in both quarter 1 (January to March 2023) and quarter 2 (April to June 2023) of 2023 was received and distributed after the fiscal year end due to delays in reporting by the custodial bank. This delay caused the cash balances for two endowment funds to be understated at the 2023 fiscal year end. It should be noted that State Accounting receives an email when the entries are completed.	1,705,885	Agency Errors	No
30	Accounts Receivable from the Federal government are amounts that NDOT paid to outside entities and requested from the Federal government but have not yet received. NDOT understated this receivable by \$1,532,700 because it reported only amounts requested from the Federal government in July 2023 and did not include amounts previously requested that were still outstanding as of June 30, 2023.	1,532,700	Agency Errors	Yes
31	NDOR improperly recorded the prepaid wireless surcharge to the State Highway Fund. The prepaid wireless surcharge is collected from a consumer for prepaid wireless services. Most of the surcharge gets credited to the 911 Service System Fund, the Nebraska Telecommunications Relay System Fund, and the Nebraska Telecommunications Universal Service Fund and should be reported in the Licensing and Regulation Fund. A small portion is retained by NDOR for administrative fees and should be recorded to the General Fund. Therefore, adjustments were needed to record the activity to the correct fund. NDOR's adjustments, which State Accounting posted to the State accounting system, were also incorrect. Additional corrections, totaling \$1,162,009, were needed to correct the activity.	1,162,009	Agency Errors	No
32	DHHS reported inaccurate distributions from its inventories related to the Immunization and The Emergency Food Assistance Program (TEFAP) programs. The distribution of the flu vaccine was not included in the DHHS calculation, resulting in an error of \$1,032,074. The error in the TEFAP distribution was \$21,863, for a total error of \$1,053,937, which required an adjustment to the financial statements.	1,053,937	Agency Errors	Yes
33	DHHS recorded an incorrect journal entry to move funding from the Supplemental Security Income (SSI) Distributive Fund. Therefore, the APA proposed, and State Accounting recorded adjustments, totaling \$944,033, to correct the amounts and accounts used in the original journal entry.	944,033	Agency Errors	Yes
34	Throughout the fiscal year, DHHS received payments related to care provided and billed to clients at any of the four regional centers or for developmental disability services provided at non-State facilities. A receivable is recorded to estimate the funds due to the State at the fiscal year end. The APA identified errors in DHHS's calculation due to mathematical mistakes; old balances that have not been written off; inaccurate patient balances and allowance amounts; corrections from the prior year not being addressed; and several other inaccuracies. The adjustment made for these errors was \$757,973.	757,973	Agency Errors	Yes
35	NDOT's State Aid Bridge Fund was created to aid counties for the replacement of bridges. Each month, \$64,000 is transferred from the Highway Trust Fund to the State Aid Bridge Fund for this purpose. As bridge projects are completed, NDOT pays the initial expense from the Roads Operations Cash Fund. Then a journal entry is processed to reimburse the Roads Operations Cash Fund from the State Aid Bridge Fund. In fiscal year 2023, NDOT transferred \$768,727 from the State Aid Bridge Fund to the Roads Operations Cash Fund; however, only \$210,502 in fiscal year 2023 expenditures were recorded in that fund. The rest of NDOT's reimbursement was for prior fiscal year expenses. This resulted in expenses in fiscal year 2023 being understated by \$558,225, as the amounts related to prior fiscal years should have been coded as a beginning balance adjustment.	558,225	Agency Errors	No
<b>Total Agency Errors</b>		<b>\$ 422,697,546</b>		
36	State Accounting incorrectly recorded payments of state aid to schools made from the Insurance Tax Fund to the General Government function instead of the Education function. State aid payments are all Education functions and should be recorded as such.	36,839,148	DAS Errors	No
37	State Accounting made incorrect entries related to cash and investments because it categorized securities identified as corporate bonds as cash equivalents instead of investments.	30,961,170	DAS Errors	Yes



**Supplementary Table #1**

<b>Item #</b>	<b>Description</b>	<b>Dollar Error</b>	<b>Category</b>	<b>Prior Audit Finding?</b>
38	State Accounting incorrectly classified a new fund it created in fiscal year 2023 as an Other Special Revenue Fund instead of a General Fund. Since the funding came from transfers from the State's Cash Reserve Fund, which is in the General Fund, it is required to be reported as a General Fund. An adjustment was necessary to eliminate transfers in and out of the General Fund.	30,000,000	DAS Errors	Yes
39	State Accounting allows agencies to post transactions to a miscellaneous adjustment account code, which could be revenues or expenses. During its review of this account, State Accounting recorded a reimbursement recorded in October 2023 as a fiscal year 2023 transaction. However, upon our review of the supporting documentation, the majority of the reimbursement was for expenses that were originally incurred prior to the start of fiscal year 2023. Therefore, an adjustment was needed to present the beginning fund balance properly and to record a due from Federal government.	27,675,363	DAS Errors	No
40	State Accounting failed to analyze transactions from October – June 2023 in a payable account to determine whether they were recorded in the proper fiscal year. Once the activity was analyzed, significant adjustments were required.	23,825,198	DAS Errors	No
41	State Accounting incorrectly recorded transfers from the General Fund to the Internal Service Fund on the Statement of Activities, resulting in an understatement of the transfers and an understatement of general government program expenses.	18,750,000	DAS Errors	No
42	The State is required to classify fund balances into appropriate classifications according to whether the funds are nonspendable, restricted, committed, assigned, or unassigned. State Accounting reclassified two funds to permanent endowment funds and failed to identify and classify the endowment principal as nonspendable, presenting the entire balance instead as restricted.	15,078,544	DAS Errors	No
43	State Accounting incorrectly recorded \$11,553,316 in health insurance benefit rebates received as revenue instead of reducing expenditures. The rebates should be recorded as a negative expense, reducing the original claims paid.	11,553,316	DAS Errors	No
44	State Accounting incorrectly recorded an Office Depot bill as a negative revenue, rather than as an expense. Therefore, the Internal Service Fund revenue and expenses were understated.	2,993,082	DAS Errors	No
45	In fiscal year 2023, a \$500 contribution to the flexible spending accounts for each State employee was authorized and was to be funded from the State Employee Insurance Fund. State Accounting incorrectly accounted for this activity.	2,800,000	DAS Errors	No
46	During its review process for October 2022 – June 2023 entries to ensure the transactions were recorded in the proper fiscal year, State Accounting incorrectly recorded two entries (instead of just one) related to Federal fund activity for two separate transactions.	2,768,344	DAS Errors	Yes
47	State Accounting incorrectly recorded one fund balance as Due to Federal Government instead of as Fund Balance. The amount was received from the Federal government in 1930 and is more than likely not owed to the Federal government anymore. The fund balance was recorded similarly in fiscal year 2022, requiring a correction to the beginning fund as well.	2,538,534	DAS Errors	No
48	State Accounting allows agencies to post transactions to a miscellaneous adjustment account code, which could be revenues or expenses. During its review of July to September 2023 activity in this account, State Accounting recorded a reimbursement as a fiscal year 2023 transaction. However, upon our review of the supporting documentation, the majority of the reimbursement was for expenses that were originally incurred prior to the start of fiscal year 2023. Therefore, an adjustment was needed to present the beginning fund balance properly and to record a due from Federal government.	2,435,560	DAS Errors	No
49	The State Accounting entry to record the Board of Educational Lands and Funds (BELF) land value and related gain on land was overstated by \$1,339,582.	1,339,582	DAS Errors	Yes
50	On its Statement of Cash Flows – Proprietary Funds, State Accounting included the Unemployment Insurance benefits payable balance as accounts payable, but it should have been included as claim payable. State Accounting also included this amount as Cash paid to Suppliers instead of Cash Paid for Insurance Claims.	776,000	DAS Errors	No
<b>Total DAS Errors</b>		<b>\$ 210,333,841</b>		
51-59	NDOL Accounting Errors – See Comment 2	24,409,108		Yes
<b>NDOL Accounting Errors Total</b>		<b>\$ 24,409,108</b>		
60	Capital Asset CIP Accounting Errors – See Comment 3	14,571,854		Yes
61	Capital Asset Equipment Accounting Errors – See Comment 3	12,979,189		Yes
<b>Capital Asset Errors Total</b>		<b>\$ 27,551,043</b>		
<b>Grand Total</b>		<b>\$ 684,991,538</b>		