

**ATTESTATION REPORT
OF THE
NEBRASKA BOARD OF PARDONS
AND BOARD OF PAROLE**

JANUARY 1, 2023, THROUGH DECEMBER 31, 2023

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Issued on July 11, 2024

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NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

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NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

BACKGROUND

The Agency Number 15, as designated in the State’s Accounting System, is comprised of two separate boards: the Board of Pardons and the Board of Parole.

Established pursuant to Article IV, § 13, of the Nebraska Constitution, the Board of Pardons is comprised of the Governor, the Attorney General, and the Secretary of State. Per Neb. Rev. Stat. § 83-170(10) (Cum. Supp. 2022), the exercise of the pardon authority of the Board of Pardons includes the power to “to remit fines and forfeitures and to grant respites, reprieves, pardons, or commutations.”

The Board of Parole was created in 1968 by constitutional amendment. The Board of Parole consists of five full-time members appointed by the Governor to six-year terms. Per Neb. Rev. Stat. § 83-192 (Cum. Supp. 2022), the Board of Parole’s numerous duties include reviewing the status of committed offenders, determining when committed offenders are released on parole, fixing parole conditions, revoking parole, issuing warrants to arrest parole violators, visiting and inspecting State and local prisons and jails, and recommending parole legislation to the Governor.

Neb. Rev. Stat. § 83-1,100 (Cum. Supp. 2022) creates the Division of Parole Supervision (Division) within the Board of Parole. The Division is responsible for the daily supervision of individuals who are released on parole. The Division supervises approximately 1,100 clients at any given time and offers needed services or refers clients to outside service providers. The Division is led by the Director of Supervision and Services, who reports to the Board of Parole.

The Nebraska Department of Correctional Services performs the majority of accounting related functions on behalf of the Board of Parole.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Pardons Board Members

Name	Position	Elected Office
Jim Pillen	Chairperson	Governor
Robert Evnen	Secretary	Secretary of State
Mike Hilgers	Member	Attorney General

Nebraska Board of Pardons
PO Box 95007
Lincoln, NE 68509
pardons.nebraska.gov

Parole Board Members

Name	Title	Term Ending
Rosalyn Cotton	Chairperson	September 9, 2026
Layne Gissler	Vice-Chair	September 9, 2029
Bob Twiss	Member	September 9, 2024
Mark Langan	Member	September 9, 2025
Habib Olomi	Member	September 9, 2027

Nebraska Board of Parole
PO Box 94754
Lincoln, NE 68509
parole.nebraska.gov

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

SUMMARY OF COMMENTS

During our examination of the Nebraska Board of Pardons and Board of Parole (Agency), we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comment #2 “Monitoring of State Vehicle Usage”; #3 “Expenditure Issues”; #4 “Programming Fee Issues”; and #5 “Payroll Issues”. These comments are considered to be significant deficiencies, and Comment #1 “Financial Coding Errors” is considered to be a material weakness.

The comments and recommendations below are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

- 1. *Financial Coding Errors:*** We noted financial coding errors of \$1,400,701, which were caused by failure of the Board of Parole to record numerous transactions related to Federal grants properly in the State’s accounting system. We also noted a journal entry that did not properly account for \$73,515 of prior-period activity. The financial schedule was adjusted to correct the errors noted.
- 2. *Monitoring of State Vehicle Usage:*** Board of Parole employees drove State-owned vehicles 390,171 miles during the calendar year ended December 31, 2023. The Board of Parole neither reviewed Global Positioning System (GPS) location data to ensure that the vehicle usage was appropriate nor documented the purpose of each trip, as required by Neb. Rev. Stat. § 81-1025(1) (Reissue 2014). We noted 291 trips to employees’ personal residences, including employees being paid for both commuting time and time after they arrived home. We also noted employees driving State-owned vehicles when their timesheets indicated that they were not working.
- 3. *Expenditure Issues:*** The Board of Parole lacked adequate procedures for ensuring that its expenditures were appropriate and adequately documented. Excluding personnel service expenditures, the Board of Parole’s expenditures during the calendar year ended December 31, 2023, totaled \$4,521,452.
- 4. *Programming Fee Issues:*** Neb. Rev. Stat. § 83-1,107.01(2) (Cum. Supp. 2022) requires parolees to pay a monthly programming fee of \$25 while on parole. A total of \$210,730 in such fees was collected during the calendar year ended December 31, 2023. The Board of Parole lacked adequate procedures for ensuring that the fees were properly assessed, and balances reflected in the accounting system for fees still owed, or overpayments received, were accurate and followed up on timely to determine what action, if any, would be necessary to address the parolee’s balance.
- 5. *Payroll Issues:*** The Department of Administrative Services – Shared Services (DAS) processed payroll on behalf of the Board of Parole; however, the Board of Parole did not perform any review procedures to ensure that DAS had processed the payroll accurately. Personnel services expenditures for the Board of Parole during the calendar year ended December 31, 2023, totaled \$6,126,437.
- 6. *Lack of Segregation of Duties Over Capital Assets:*** The Board of Parole lacked an adequate segregation of duties over capital assets. One person was able to add assets to inventory records, surplus and dispose of assets, and perform the annual inventory. No documented secondary review of capital asset reports was performed by an independent person without capital asset access in the accounting system. Additionally, the Board of Parole did not complete and file the mandatory annual inventory by August 31, as required by Neb. Rev. Stat. § 81-1118.02(1) (Supp. 2023).
- 7. *Certification of Time Worked:*** The Board of Parole’s overtime exempt employees did not complete a timesheet or otherwise document that they worked 40 hours each week, as required by Neb. Rev. Stat. § 84-1001(1) (Reissue 2014).

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

SUMMARY OF COMMENTS

(Concluded)

More detailed information on the above items is provided hereinafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Nebraska Board of Pardons and Board of Parole.

Draft copies of this report were furnished to the Nebraska Board of Pardons and Board of Parole (Board), and the Nebraska Department of Correctional Services (NDCS) to provide their management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next examination.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

1. **Financial Coding Errors**

Improper Reporting of Federal Grant Activity

During the examination, we identified the following transactions related to Federal grants received by the Board of Parole, which were not recorded properly in the State’s accounting system:

- Federal expenditures, totaling \$220,509, were paid using the Board of Parole’s General Fund appropriations, rather than being paid from the Board of Parole’s Federal Grants Fund.
- Federal expenditures, totaling \$545,192, were paid using the Board’s Parole Program Cash Fund, rather than being paid from the Board of Parole’s Federal Grants Fund.
- Federal revenues, totaling \$635,000, were deposited to the Board of Parole’s Parole Program Cash Fund, rather than being deposited to the Board of Parole’s Federal Grants Fund.

Adjustments were made to the financial schedule to correct these errors.

Additionally, the Board of Parole did not reconcile Federal expenditures, as recorded in its Federal Grants Fund in the State accounting system, to Federal expenditures reported on the quarterly Federal Financial Reports (FFRs) submitted to the Federal government. The following table identifies the variances noted in total cumulative expenditures, as recorded in the State’s accounting system, to the FFRs for the Board of Parole’s two Federal grants:

Cumulative Expenditures as of 12/31/2023			
	Per FFR	Per State Accounting System	Variance
Grant #1	\$ 333,062	\$ 178,757	\$ 154,305
Grant #2	718,696	-	718,696
Total	\$ 1,051,758	\$ 178,757	\$ 873,001

Had the Board of Parole performed such a reconciliation, the coding errors addressed above likely would have been identified and corrected prior to the APA’s examination.

Improper Journal Entry

We tested a journal entry posted in the State’s accounting system to move expenditures totaling \$107,315 from the General Fund to the Parole Program Cash Fund. Of this amount, however, \$73,515 was related to prior periods and, therefore, should have been recorded using the “prior period adjustment” account code, rather than a current-period operating expenditure account code. Adjustments were made to the financial schedule to correct this error.

Good internal controls require procedures to ensure that all financial activity of the Board of Parole is recorded properly in the State’s accounting system, in accordance with State Accounting policies, and any errors are identified and corrected in a timely manner. Such procedures should require further that Federal expenditures reported on FFRs submitted to the Federal government are reconciled to Federal expenditures recorded in the State’s accounting system.

Without such procedures, there is an increased risk of financial reports containing undetected material misstatements.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Financial Coding Errors** (Concluded)

We recommend the Board of Parole implement procedures to ensure all financial activity is recorded properly in the State’s accounting system, in accordance with State Accounting policies, and any errors are identified and corrected in a timely manner. We recommend further the implementation of procedures to reconcile Federal expenditures reported on FFRs to Federal expenditures recorded in the State’s accounting system.

NDCS’ Response: NDCS strives to be as accurate as possible. The recommend reconciliation will be conducted quarterly.

Board’s Response: Pursuant to Neb. Rev. Stat. § 83-1,127.01, the Board of Parole has long relied on the Nebraska Department of Correctional Services’ expertise in proper accounting and financial coding advisement. With that, the recommendations will be incorporated into the Board’s practices to the best of its ability.

2. **Monitoring of State Vehicle Usage**

During the calendar year ended December 31, 2023, the Board of Parole leased approximately 25 permanently assigned State vehicles through the Transportation Services Bureau (TSB). Those vehicles had Global Positioning System (GPS) tracking devices installed, which logged all locations driven; however, the Board of Parole did not receive, much less review, this GPS location information to ensure that the leased vehicles were being used appropriately and only for travel required for essential State business. Moreover, the Board of Parole failed to implement a formal vehicle use policy to direct its employees regarding the proper operation of, as well as specific requirements related to, State-owned vehicles.

During the calendar year ended December 31, 2023, the Board of Parole paid TSB \$190,137 and drove the leased State vehicles a total of 390,171 miles, making the implementation of a formal vehicle use policy all the more important due to the significant number of miles driven.

The Board of Parole’s deficient monitoring procedures and lack of a formal vehicle use policy for State vehicles allowed the following issues to occur and remain undetected:

Personal Residences

We noted that 12 employees of the Board of Parole used leased State vehicles to make 291 trips, for a total of 9,018 miles, to their personal residences during the calendar year ended December 31, 2023. None of these employees were Parole Board members. The following table identifies the number of trips and miles driven by each employee:

Employee	# of Trips	Miles Driven
Employee #1	180	7,057
Employee #2	75	1,244
Employee #3	4	228
Employee #4	8	301
Employee #5	1	9
Employee #6	7	22
Employee #7	2	10
Employee #8	1	13
Employee #9	8	102
Employee #10	3	19
Employee #11	1	1
Employee #12	1	12
Total	291	9,018

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Monitoring of State Vehicle Usage** (Continued)

None of the 12 employees listed above had been approved by the Director of Administrative Services to take a State vehicle home on a regular basis. Likewise, the Board of Parole did not authorize any of the employees to take a vehicle home for a one-night specific event. Each of the employees reported to work, moreover, at a specific location, casting further doubt upon the propriety of taking a State vehicle home.

Executive Order 99-01, signed by Governor Mike Johanns on March 31, 1999, contains the following:

2. *The use of all state-owned vehicles will be strictly limited to conducting official business of the state. Any private use of a state-owned vehicle, including commuting to and from work, shall be cause for disciplinary action in accordance with Neb. Rev. Stat. § 81-1024 (Reissue 1994).*

3. *No employee will be allowed to drive a state-owned vehicle home except for the reasons set forth below:*

* * * *

(b) *The agency head approves a vehicle going home for one night, for a specific, scheduled event, e.g. traveling to an out-of-town conference. Agencies are required to report these trips to the Accounting Division of the Department of Administrative Services for submission to the Internal Revenue Service.*

(c) *If an employee does not report to work at a specific location, but works out of his or her vehicle, then that employee may take the state vehicle home.*

* * * *

(e) *If an agency head determines there is a special circumstance for an employee to take a vehicle home on a regular basis, a written request may be sent to the Director of Administrative Services. Written requests shall include: the employee's job title; vehicle license number; the type of vehicle; and the reason for the request. If it is an on-call situation, the history of the frequency of the use per vehicle should be included.*

Neb. Rev. Stat. § 81-1024 (Reissue 2014) provides the following regarding personal use of State-owned vehicles:

No officer or employee of the State of Nebraska shall use any motor vehicle owned by the State of Nebraska for any personal use whatsoever. Any officer or employee who violates any of the provisions of this section shall be deemed guilty of a Class V misdemeanor, and in addition thereto the officer or employee shall be deemed guilty of official misconduct in office for palpable omission of duty, and upon conviction thereof the court shall have the power to add to the judgment that any officer or employee so convicted shall be removed from office or employment.

Due to their significantly greater number of what appear to have been personal trips during the calendar year, we examined more closely the State vehicle usage of Employees #1 and #2. In doing so, we noted numerous instances of both employees not only using a State vehicle to travel to and from their homes but also being paid for, at least, a portion of the commute time. Additionally, we noted instances of those same employees being paid for the entire time of their commute and then staying on the clock to continue being paid after they had arrived home. In response to questioning by the auditors, Board of Parole representatives professed no knowledge of this problematic employee activity.

The following table provides a summary of the trips to and from their homes with State vehicles for which Employees #1 and #2 were paid for a portion of the commute time:

Employee	# of trips	Hours Paid	Amount Paid
Employee #1	51	30	\$ 846
Employee #2	13	4	127
Total	64	34	\$ 973

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Monitoring of State Vehicle Usage** (Continued)

The table below provides a summary of the trips to their homes with State vehicles for which Employees #1 and #2 were not only paid for the entire commute time but also stayed on the clock to continue being paid after arriving at their personal residences.

Employee	# of trips	Hours Paid	Amount Paid
Employee #1	25	30	\$ 848
Employee #2	10	8	218
Total	35	38	\$ 1,066

Finally, the Board of Parole did not add a taxable fringe benefit to the employees’ taxable wages for any of the employees who used a State-owned vehicle for commuting purposes.

IRS Publication 15-B (2024), “Commuting Rule,” at page 26, states the following:

Under this rule, you determine the value of a vehicle you provide to an employee for commuting use by multiplying each one-way commute (that is, from home to work or from work to home) by \$1.50. If more than one employee commutes in the vehicle, this value applies to each employee. This amount must be included in the employee’s wages or reimbursed by the employee.

Furthermore, the Nebraska State Accounting Manual, AM-005, Travel Policies, Section 2 (“Commuting”) (1/2018), provides, in relevant part, the following process for agencies to follow:

According to regulations issued by the Internal Revenue Service, certain responsibilities are required of employers who have employees that use State vehicles for commuting purposes.

The regulation provides that a value of \$1.50 for one way commute (\$3.00 for round trip commute) be added to the employee’s income. Social Security taxes must be withheld on this income at least once a year. Federal and State income taxes need not be withheld, although the income will be included on the employee’s W-2.

Each agency is responsible for maintaining the necessary supporting documentation and correctly entering the withholding into EnterpriseOne (Payroll and Financial Center). State Accounting may ask to review such supporting documentation at any time. Use of a State vehicle for commuting is recorded in the payroll system by using Pay Type 530. A “one-way” commute would be entered as .50 hours; a round trip commute would be entered as one hour. Two round trip commutes in one day would be recorded as two hours. Commuting adjustments must be processed during the calendar year payroll and can be entered as they occur or on a quarterly, semi-annual or annual basis. The entry is subject to Social Security and the employee’s social security deduction will increase on their payroll when the entry is processed.

“Off the Clock” Vehicle Usage

During our detailed examination of these same two employees, we noted both having made many trips when their timesheets indicated that neither was working. As noted already, the Board of Parole lacked a formal vehicle use policy, including any prohibition against operating a State vehicle when an employee was not working. Board of Parole representatives were unable to respond readily when the auditors inquired about specific examples of employees driving State vehicles while not clocked in for work. Had a formal vehicle use policy – including provisions for monitoring vehicle usage, documenting the purpose of each trip, and maintaining supporting travel documentation – been implemented, the auditors’ questions would likely have been answered without difficulty. Better yet, this issue might not have arisen in the first place.

The following table details the number of trips and miles driven by Employees #1 and #2 when not clocked in for work:

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Monitoring of State Vehicle Usage (Continued)

Employee	# of Days	Total Trips	Total Miles
Employee #1	2	6	274
Employee #2	3	11	212
Total	5	17	486

Included in Employee #1’s travel while not clocked in for work were 243 miles driven on January 20, 2023. According to Board of Parole representatives, the employee used the State vehicle to attend an employee retirement party at the Board of Parole office in Lincoln, NE. Such a trip appears to constitute “personal use,” which is expressly prohibited by § 81-1024. Had she wished to attend the retirement party on her day off, Employee # 1 should have driven a personal vehicle instead.

In addition to the questionable travel undertaken by Employees #1 and #2, we noted an instance of another Board of Parole employee driving 15 miles during a time that, according to his timesheet, he was not working.

It should be noted that the APA subjected Employees #1 and #2 to special scrutiny because of their particularly conspicuous use of State vehicles for what appear to have been personal purposes. Because other Board of Parole employees did not receive the same degree of review, additional instances of State vehicles being driven by those individuals while not clocked in for work may have occurred as well.

Purpose of Travel Not Documented

The Board of Parole did not document the purpose of travel for each employee’s trip with a State vehicle, as required by Neb. Rev. Stat. § 81-1025(1) (Reissue 2014). Instead, the Board relied on the TSB’s “Official Travel Log,” which was created using the GPS location data for each vehicle. That log does not document the travel purpose, however.

Section 81-1025(1) provides the following:

Each operator of a bureau fleet vehicle shall report the points between which the bureau fleet vehicle traveled each time used, the odometer readings at such points, the time of arrival and departure, the necessity and purpose for such travel, the license number of such vehicle, and the department to which such vehicle is assigned.

(Emphasis added.) Moreover, having identified seven trips made on the weekend or before/after normal working hours that appeared unusual, the auditors requested supporting documentation and an explanation from the Board of Parole for that suspect travel. The Board of Parole was unable to provide the travel purposes for three of the seven trips at issue because the identity of the employee who used the vehicle at those specific times could not be established.

A good internal control plan and sound business practices require procedures to ensure: 1) State vehicles are used only for work-related travel; 2) employees do not drive State vehicles to and from their homes without the proper authorization; 3) employees are clocked in for work and actually conducting official business whenever operating a State vehicle; 4) the use of a State vehicle for commuting purposes is designated as a taxable fringe benefit and included with an employee’s wages; and 5) the purpose of travel for each employee’s trip with a State vehicle is properly documented, as required by law.

Without such procedures there is a significantly increased risk for not only abuse of State vehicles but also loss, theft, or misuse of public property or funds.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Monitoring of State Vehicle Usage** (Concluded)

We recommend the Board of Parole implement procedures to ensure: 1) State vehicles are used only for work-related travel; 2) employees do not drive State vehicles to and from their homes without the proper authorization; 3) employees are clocked in for work and actually conducting official business whenever operating a State vehicle; 4) the use of a State vehicle for commuting purposes is designated as a taxable fringe benefit and included with an employee's wages; and 5) the purpose of travel for each employee's trip with a State vehicle is properly documented, as required by law.

Board's Response: The Board's Statewide Operations Manager worked closely with the Nebraska Transportation Bureau for advise and guidance on state vehicle usage. With that, the recommendations will be incorporated into the Board's practices to the best of its ability.

3. **Expenditure Issues**

During testing of the Board of Parole's expenditures, we noted an overall lack of procedures for ensuring that such disbursements were both appropriate and supported by adequate documentation. Specifically, we noted the following issues:

- The Board of Parole was unable to provide documentation that a regular, thorough review of the General Ledger Detail Report for its funds and accounts was performed to ensure the accurate posting of all related financial activity. This is particularly important because the Board of Parole does not perform its own accounting; rather, the Nebraska Department of Correctional Services (NDCS) records the financial activity of the Board of Parole in the State's accounting system. Not being involved in the day-to-day activities of the Board of Parole, NDCS would likely be unaware if an erroneous posting were to occur.

Additionally, the Department of Administrative Services (DAS) posts directly to the Board of Parole's funds and accounts for monthly rent, office supplies, postage, and copy service billings. If DAS were to post something in error, the mistake might be overlooked without a regular review of the General Ledger Detail Report.

- The Board of Parole reimbursed an employee \$546 for a United Airlines ticket purchased to attend a conference in New York City. The employee provided only a credit card receipt to support this expense. No itemized receipt was obtained by the Board of Parole.

The Nebraska State Accounting Manual, AM-005, Travel Policies, Section 8 ("Receipts") (1/2021), provides the following:

Detailed receipts are required as support for all expenditures except per diem meals and immaterial items identified by the Director of Administrative Services. Common expenses requiring detailed receipts include, but are not limited to, lodging, car rental, commercial travel, and registration fees. Detailed receipt is defined as a receipt that identifies the date, time, city, state, itemization of item(s) claimed, and the cost.

- The following table details issues noted during our testing of payments made with the Board of Parole's purchasing cards:

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Expenditure Issues (Continued)

Vendor	Amount	Item Purchased	Issue Noted
Southwest Airlines	\$ 25	Early Boarding Upgrade	No itemized receipt on file.
Rixstine Recognition	17	Badge Retirement Plates	The Board of Parole’s employee recognition policy (see below) does not allow for such a purchase. Per the Board of Parole, this purchase was made in accordance with DAS’ employee recognition policy, which allows for a maximum \$150 for retirement gifts, such as plaques. Two plaques were purchased at \$158.50 each, which is above the \$150 maximum set by DAS.
Hy-Vee	63	Specialty Cake	The Board’s employee recognition policy (see below) does not allow for such a purchase. Per the Board, this purchase was made in accordance with DAS’ employee recognition policy, which allows for a maximum of \$5 per person for food and tableware for a retirement celebration. The Board was unable to provide documentation of the number of attendees to determine if this purchase was within the \$5/person maximum.
Omaha Hilton	308	Misc. Hotel Charges	The Board was unable initially to explain the specific purpose of \$308 for "miscellaneous" charges included on a hotel bill from the Omaha Hilton. Subsequently, the Board stated that the charges were for parking; however, no documentation could be provided to support this statement.
Various Hotels	231	Lodging	Eleven (11) hotel stays during October 2023 exceeded GSA per diem lodging rates.

Neb. Rev. Stat. § 81-118.02(4) (Cum. Supp. 2022) requires an itemized receipt to accompany all State purchasing card purchases.

Section 11-102 ("Employee Awards") of the Nebraska Board of Parole Rules provides the following:

(A) The Board has authorized and approved an employee recognition program. The Board will recognize the following annual service awards with up to a \$100 bonus for each, if within the budgeted appropriations of the Board: Staff employee of the year, Parole Officer of the year, and Supervisor of the Year. These bonuses will be awarded in accordance with the Nebraska Classified System Personnel Rules Chapter 18, Section 001

(B) The Board may discontinue the employee recognition program at any time.

The Department of Administrative Services’ (DAS) “Teammate Recognition Guidelines and Toolkit for State Agencies” (July 19, 2021) provides, as relevant, the following guidelines for employee recognition gifts and celebrations:

Receptions should cost no more than \$5 per person which includes food and appropriate tableware.

Retirement celebrations may also include gift items such as certificates, plaques, pins, or items which are of more personal value to the honoree. Retirement gifts should not exceed \$150.

- Michael House was paid \$168,350 during the calendar year ended December 31, 2023, to provide transitional living services to parolees; however, no formal contract or agreement was executed between the Board of Parole and Michael House memorializing the nature of the agreement and specific services to be performed.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Expenditure Issues** (Continued)

- Lynece Daiker was paid \$40,000 in February 2023; however, the agreement on file states that the Board was to pay Ms. Daiker only \$15,000 for her services. No updated agreement was executed prior to the additional payment.
- Four payments tested, totaling \$114,090, were not made within 45 days, as mandated by Neb. Rev. Stat. § 81-2403(1) (Reissue 2014). That subsection of statute provides 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.

(Emphasis added.) The following table details the late payments noted:

Vendor	Amount	Date Invoice Rec'd	Date Paid	# of Days
University of Nebraska - Omaha	\$ 10,000	10/10/2022	1/24/2023	106
Satellite Tracking of People	20,816	12/19/2022	2/7/2023	50
University of Nebraska - Omaha	10,000	4/7/2023	7/27/2023	111
Council of State Governments	73,274	5/23/2023	10/30/2023	160
Total	\$ 114,090			

- Three employee travel expense reimbursements tested, totaling \$743, did not include the purpose of the travel.

The Nebraska State Accounting Manual, AM-005, Travel Policies, Section 5 (“Substantiation of Expenses”) (1/2021), provides the following:

Under the State’s accountable plan, the Internal Revenue Service requires employees to substantiate the cost for travel, lodging, meals, and other expenses. To be reimbursed, the expense must be a necessary expense, incurred in the line of duty, reason/purpose of the expense must be clearly stated, all start/stop dates and times must be recorded, and the amount of the expense must be substantiated.

(Emphasis added).

A good internal control plan requires procedures to ensure the following: 1) a proper review is performed of the monthly financial reports from the State’s accounting system; 2) all expenditures are reasonable and supported by adequate documentation; 3) payments are made in accordance with executed contracts; 4) payments are made timely, in accordance with State law; and 5) employee travel expense reimbursements include the purpose of the travel.

Without such procedures, there is an increased risk for not only loss, theft, or misuse of funds occurring and remaining undetected but also noncompliance with State statute.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Expenditure Issues** (Concluded)

We recommend the Board implement procedures to ensure: 1) a proper review is performed of the monthly financial reports from the State's accounting system; 2) all expenditures are reasonable and supported by adequate documentation; 3) payments are made in accordance with executed contracts; 4) payments are made timely, in accordance with State law; and 5) employee travel expense reimbursements include the purpose of the travel.

NDCS' Response: NDCS will continue to be as timely as possible with vendor payments.

Board's Response: Pursuant to Neb. Rev. Stat. § 83-1,127.01, the Board of Parole has long relied on the Nebraska Department of Correctional Services' expertise in proper accounting and financial coding advisement. The Parole Board's Director of Parole Supervision, the Statewide Operations Manager, and the Business Manager reviewed the reports provided by the Nebraska Department of Correctional Services for errors. If errors were noted, they would have been brought to the attention of Nebraska Department of Correctional Services staff. With respect to documentation of payments, there was a longer than anticipated process of creating a Request for Qualifications with assistance from DAS and Nebraska Department of Correctional Services in connection with transitional housing that resulted in payments to Michael House that were not part of a formal contract. Once that RFQ was in place, ad hoc payments to Michael House ceased. Similarly, the process of securing a facility for the PREP House was protracted and resulted in a heavier lift by Lynece Daiker. With that, the recommendations will be incorporated into the Board's practices to the best of its ability.

4. **Programming Fee Issues**

During the calendar year ended December 31, 2023, the Board of Parole collected \$210,730 in programming fees from parolees and had an accounts receivable balance of \$1,262,523 from unpaid programming fees. The Board of Parole lacked adequate procedures for ensuring that not only the fees were assessed and collected properly but also the balances reflected in the accounting system for programming fees owed or overpayments received were accurate and followed up on timely to determine what action, if any, was necessary to address the parolee's balance.

Specifically, we noted the following concerns regarding the administration of the monthly programming fee:

- Parolees are allowed to pay the monthly programming fee with money orders provided to their parole officers. Parole officers did not document the dates the money orders were received, and they sent the payments only periodically to the Board of Parole's Lincoln, Nebraska, office to be deposited with the State Treasurer. Consequently, we were unable to verify that the money orders were deposited in accordance with Neb. Rev. Stat. § 84-710 (Cum. Supp. 2022).
- Money orders are restrictively endorsed when received at the Board of Parole's Lincoln, Nebraska, office rather than immediately upon receipt by the parole officers.
- During testing of 15 programming fee receipts, we noted one discharged parolee with a balance owed of \$97 that was no longer being pursued for collection. Additionally, the balance of programming fees reflected as still owed in the accounting system was inaccurate for two other discharged parolees tested. One parolee was improperly assessed the December 2023 programming fee, and the other was improperly assessed the June 2023 programming fee.
- We also tested 15 parolees who did not make any programming fee payments during the calendar year and noted errors in the assessment of fees for six of those parolees.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS
(Continued)

4. **Programming Fee Issues** (Concluded)

	Actual Fees Assessed	Fees That Should Have Been Assessed	Over / (Under) Assessment	Explanation
#1	\$ 750	\$ -	\$ 750	Fees continued to be assessed after the parolee was deported in June 2021.
#2	-	425	(425)	Fees did not begin accruing after the parolee's fee waiver expired in April 2022.
#3	650	-	650	Fees continued to be assessed after the parolee was taken into Federal custody in November 2021.
#4	-	625	(625)	Fees never started being assessed after parole began in November 2021.
#5	50	-	50	Fees continued to be assessed after the parolee was incarcerated in Douglas County in October 2023.
#6	112	-	112	Fees were not removed from his parole account after parole was revoked in July 2023.

Section 84-710(1) 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 and Gaming 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.

(Emphasis added.) Good internal controls and sound business practices require procedures to ensure that programming fees are assessed properly to parolees, and balances reflected in the accounting system for fees still owed or overpayments received are reviewed for accuracy and followed up on timely for the appropriate corrective action. Such procedures should ensure also that money orders are restrictively endorsed immediately upon receipt by parole officers, and documentation of when those money orders are received is maintained to support compliance with § 84-710.

A similar finding was noted during the previous attestation for the period ended December 31, 2016.

We recommend the Board implement procedures to ensure programming fees are assessed properly to parolees, and balances reflected in the accounting system for fees still owed or overpayments received are reviewed for accuracy and followed up on timely for the appropriate corrective action. We recommend further the implementation of procedures to ensure money orders are restrictively endorsed immediately upon receipt by parole officers, and documentation of when those money orders are received is maintained to support compliance with § 84-710.

Board's Response: The recommendations will be incorporated into the Board's practices to the best of its ability.

5. **Payroll Issues**

The Board of Parole executed a Memorandum of Agreement with the Department of Administrative Services (DAS) – Shared Services to process its payroll after employees' time is approved in the Kronos application, which is used to track time worked and leave used.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Continued)

5. **Payroll Issues** (Concluded)

The Board of Parole did not perform any review of final payroll reports processed by DAS to ensure the accuracy thereof. The State's accounting system lacks an established segregation of duties over payroll processing. Therefore, DAS employee with access to process the Board of Parole's payroll can perform all procedures without a secondary individual being required to approve transactions. This lack of segregation of duties makes it especially important for the Board to have procedures for reviewing and approving payroll reports processed by DAS.

The Board had \$6,126,437 in personal service expenditures during the calendar year ended December 31, 2023.

Had the Board implemented adequate procedures to ensure payroll was processed adequately, the following specific issues that we noted likely could have been prevented.

- For 3 of 10 employees tested, the Federal/State exemptions noted on the Internal Revenue Service (IRS) W-4 form completed by the employees did not agree to the exemptions used when processing payroll. Consequently, Federal and State income tax withholdings were not accurate.
- For 1 of 10 employees tested, neither the Board nor DAS could provide a W-4 form at all.
- One of 10 employees tested was not earning the proper amount of sick leave for each pay period. Having 40 years of service, he should have earned 9.23 hours per pay period, or 240 hours annually. Instead, the employee was earning only 5.54 hours, or 144 hours annually.

Neb. Rev. Stat. § 81-1320 (Reissue 2014) provides the following, in relevant part:

Permanent employees of the State of Nebraska shall be entitled to sick leave with full pay computed at the rate of eight work hours per month for each calendar month of service. Those employees who have completed five or more years of service shall be entitled to one hundred thirty-six hours of sick leave during their sixth year of employment and shall thereafter be entitled to an additional eight hours of sick leave for each year of service not to exceed two hundred forty hours per calendar year. Sick leave shall be earned in accordance with the following schedule:

* * *

During 19th year of continuous employment and thereafter 240 hours per year[.]

A good internal control plan requires the Board of Parole to implement procedures for reviewing final payroll reports processed by DAS to ensure the accuracy thereof. Such review should include verifying that W-4 forms are on file for all employees and properly entered into the accounting system, and sick leave accruals are proper.

Without such procedures, there is an increased risk for overpayments, improper payments, and other errors or irregularities occurring during the payroll process and not being detected.

We recommend the Board of Parole implement procedures for reviewing final payroll reports processed by DAS to ensure the accuracy thereof. Such review should include verifying that W-4 forms are on file for all employees and properly entered into the accounting system, and sick leave accruals are proper.

Board's Response: Pursuant to an MOA with DAS Shared Services – Human Resources, DAS agreed to provide a full complement of HR services to the Board of Parole, including Payroll, Policy & Procedure Guidance, Employment Law, Leave Management, Termination and Transition, among other services to the Board of Parole. It is the Board of Parole's understanding that DAS Shared Services would be responsible for ensuring accuracy of all matters related to payroll. With that, the recommendations will be incorporated into the Board's practices to the best of its ability.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Continued)

6. **Lack of Segregation of Duties over Capital Assets**

The State's accounting system lacks 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 being required to approve transactions. Accordingly, compensating controls, such as a documented review of the Additions and Retirement Report by an individual without access to capital asset functions in the system, should be implemented to ensure that no one individual is able to conceal errors or irregularities.

As of December 31, 2023, the Board of Parole had assets with a total original value of \$149,741 reflected in the accounting system.

Furthermore, during testing, we noted the following:

- The Board of Parole did not complete an annual inventory and file it with the Department of Administrative Services (DAS) Materiel Administrator by August 31, as required by State statute. Instead, the inventory was not completed until October 2023, after DAS contacted the Board of Parole regarding the delinquent filing.
- The Board of Parole purchased a passenger van during the examination period and entered an acquisition date of March 22, 2023, in the accounting system; however, the correct acquisition date appears to have been April 3, 2023. Inaccurate acquisition dates will result in the system calculating depreciation improperly.
- The Fixed Asset With No Cost Integrity Report included three vehicles originally acquired between 2019 and 2023. The Board of Parole had not reviewed this report to determine what action, such as posting costs to the asset or documenting why it was appropriate not to do so, was necessary to address the items identified.
- The Board used AssetTiger, an online asset management service, to track the Board's assets. However, there was no documented comparison or reconciliation of assets recorded in AssetTiger to assets recorded in the State's official accounting system, EnterpriseOne. Because the State of Nebraska's Annual Comprehensive Financial Report (ACFR) is prepared using EnterpriseOne, it is vital to ensure that assets are recorded properly therein.

Neb. Rev. Stat. § 81-1118.02(1) (Supp. 2023) provides the following:

Except as otherwise provided in subsection (4) of this section, each executive, department, commission, or other state agency, and the Supreme Court, shall annually make or cause to be made an inventory of all property, including furniture and equipment, belonging to the State of Nebraska and in the possession, custody, or control of any executive, department, commission, or other state agency. The inventory shall include property in the possession, custody, or control of each executive, department, commission, or other state agency as of June 30 and shall be completed and filed with the materiel administrator by August 31 of each year.

(Emphasis added.) A good internal control plan requires procedures to ensure: 1) an adequate segregation of duties is maintained, so no one individual is able both to perpetrate and to conceal errors or irregularities; and 2) assets are recorded properly in the State's accounting system.

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

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Concluded)

6. Lack of Segregation of Duties over Capital Assets (Concluded)

A similar finding was noted during the previous attestation for the period ended December 31, 2016.

We recommend the Board implement procedures to ensure an adequate segregation of duties is maintained, so no one individual is able both to perpetrate and to conceal errors or irregularities. Those same procedures should ensure also that assets are recorded properly in the State's accounting system.

Board's Response: The recommendations will be incorporated into the Board's practices to the best of its ability.

NDCS' Response: NDCS now has a process in place to review Parole's Fixed Asset No Cost Integrity Report throughout the fiscal year.

7. Certification of Time Worked

We noted the Board's overtime exempt employees did not complete a timesheet or otherwise attest that they worked 40 hours each week.

Neb. Rev. Stat. § 84-1001(1) (Reissue 2014) provides 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.

Furthermore, a good internal control plan requires employees who accrue vacation and sick leave to have adequate support that they earned the amounts recorded in the leave records.

Without proper records to support a 40-hour work week for all employees, there is an increased risk for not only noncompliance with State statute but also inaccurate leave accruals, resulting in improper payments for unused leave upon termination.

We recommend the Board document compliance with § 84-1001(1), as well as ensure the accuracy of leave accruals, by requiring staff to complete a timesheet or otherwise attest to having worked 40 hours each week.

Board's Response: Pursuant to an MOA with DAS Shared Services – Human Resources, DAS agreed to provide a full complement of HR services to the Board of Parole, including Payroll, Employment Law, Leave Management, Termination and Transition, among other services to the Board of Parole. It is the Board of Parole's understanding that DAS Shared Services would advise if additional steps were needed for overtime exempt employees to certify time worked. With that, the recommendations will be incorporated into the Board's practices to the best of its ability. Additionally, as Board Members are required to work full-time under Neb. Rev. Stat. § 83-189, the Board will work to achieve such certification of time worked for Board Members pursuant to Neb. Rev. Stat. § 84-1001(1).

Overall response: The Board of Parole takes seriously the findings of the Public Auditor and has strived to the best of its ability comply with standards about which it was aware. With that, in CY 2023, the health complications and death of our Statewide Operations Manager in August 2023 greatly impacted the financial oversight aspect of Parole Board operations. Many individuals who were untrained and unfamiliar with certain business processes picked up the mantle to the best of their abilities at the time. Training and immersion have resulted in many corrective actions already put in place.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Board of Pardons and Board of Parole
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Board of Pardons and Board of Parole for the calendar year ended December 31, 2023. The Nebraska Board of Pardons and Board of Parole's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the calendar year ended December 31, 2023, is based on the accounting system and procedures prescribed by State of Nebraska's Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; fraud that is material, either quantitatively or qualitatively, to the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

July 3, 2024



Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Calendar Year Ended December 31, 2023

	General Fund 10000	Parole Program Cash Fund 24610	Federal Grants Fund 41510	Totals (Memorandum Only)
REVENUES:				
Appropriations	\$ 9,994,713	\$ -	\$ -	\$ 9,994,713
Intergovernmental	-	-	435,000	435,000
Sales & Charges	15	210,856	-	210,871
Miscellaneous	40,853	5,322	4,539	50,714
TOTAL REVENUES	<u>10,035,581</u>	<u>216,178</u>	<u>439,539</u>	<u>10,691,298</u>
EXPENDITURES:				
Personal Services	6,054,506	72	71,859	6,126,437
Operating	3,633,590	126,312	470,234	4,230,136
Travel	259,709	-	1,107	260,816
Capital Outlay	30,500	-	-	30,500
TOTAL EXPENDITURES	<u>9,978,305</u>	<u>126,384</u>	<u>543,200</u>	<u>10,647,889</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>57,276</u>	<u>89,794</u>	<u>(103,661)</u>	<u>43,409</u>
OTHER FINANCING SOURCES (USES):				
Deposit to General Fund	(40,568)	-	-	(40,568)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(40,568)</u>	<u>-</u>	<u>-</u>	<u>(40,568)</u>
Net Change in Fund Balances	16,708	89,794	(103,661)	2,841
FUND BALANCES, JANUARY 1, 2023 (NOTE 7)	<u>204,101</u>	<u>65,544</u>	<u>95,000</u>	<u>364,645</u>
FUND BALANCES, DECEMBER 31, 2023	<u>\$ 220,809</u>	<u>\$ 155,338</u>	<u>\$ (8,661)</u>	<u>\$ 367,486</u>
FUND BALANCES CONSIST OF:				
General Cash	\$ -	\$ 60,702	\$ 211,848	\$ 272,550
Petty Cash	300	-	-	300
Accounts Receivable Invoiced	-	94,646	-	94,646
Due From Other Fund (NOTE 6)	220,509	-	-	220,509
Due to Other Fund (NOTE 6)	-	(10)	(220,509)	(220,519)
TOTAL FUND BALANCES	<u>\$ 220,809</u>	<u>\$ 155,338</u>	<u>\$ (8,661)</u>	<u>\$ 367,486</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

NOTES TO THE SCHEDULE

For the Calendar Year Ended December 31, 2023

1. Criteria

The accounting policies of the Nebraska Board of Pardons and Board of Parole (Board) are on the basis of accounting, as prescribed by the State of Nebraska's Director of the Department of Administrative Services.

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of the Department of Administrative Services (DAS) include:

The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by the DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Board to record all accounts receivable and related revenues in EnterpriseOne; as such, the Board's Schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the Schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2023, and not yet paid as of that date. The amount recorded as expenditures on the Schedule, as of December 31, 2023, **does not** include amounts for goods and services received before December 31, 2023, which had not been posted to the general ledger as of December 31, 2023.

The Board had accounts receivable not included in the Schedule of \$1,262,523 from unpaid parole programming fees. State Accounting did not require the Board to record its receivables on the general ledger, and these amounts are not reflected in revenues or fund balances on the Schedule. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund types are established by the State and used by the Board:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

40000 – Federal Funds – account for the financial activities related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable Federal requirements.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Concluded)

The following major revenue account classifications are established by State Accounting and used by the Board:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income.

The following major expenditure account classifications are established by State Accounting and used by the Board:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Board.

Operating – Expenditures directly related to a program's primary service activities.

Travel – All travel expenses for any State officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay – Expenditures that result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Other significant accounting classifications and procedures established by State Accounting and used by the Board include the following:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, and receivable accounts. Accounts receivable are recorded as an increase to revenues, resulting in an increase to fund balance on the Schedule. Cash accounts are also included in fund balance and are reported as recorded in the general ledger. See Note 6 regarding Due from Other Funds.

Liabilities – See Note 6 regarding Due to Other Funds.

Other Financing Sources – Deposits to General Fund.

2. **Reporting Entity**

The Board is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The Schedule includes all funds of the Board included in the general ledger.

The Board is part of the primary government for the State of Nebraska.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

NOTES TO THE SCHEDULE

(Continued)

3. Totals

The Totals “Memorandum Only” column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

4. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State’s Investment Council, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Annual Comprehensive Financial Report (ACFR). In addition, the Board takes an annual inventory, recording in the State accounting system all equipment that has a cost of \$5,000 or more at the date of acquisition, and all computers.

For the ACFR, the State requires the Board to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than two years is capitalized. Depreciation expenses are reported in the ACFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset’s life is not capitalized.

Equipment is depreciated in the ACFR using the straight-line method with estimated useful lives of five years.

Capital asset activity of the Board recorded in the State accounting system for the calendar year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Equipment	\$ 119,241	\$ 30,500	\$ -	\$ 149,741
Less accumulated depreciation for:				
Equipment				<u>112,736</u>
Total capital assets, net of depreciation				<u>\$ 37,005</u>

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

NOTES TO THE SCHEDULE

(Concluded)

6. Due To/From Other Funds

During the examination, it was identified that Federal expenditures, totaling \$220,509, were paid from the General Fund rather than the Federal Grants Fund. Consequently, the Schedule of Revenues, Expenditures, and Changes in Fund Balances was adjusted to reflect these expenditures in the proper funds with an offsetting entry to Due To/From Other Funds.

7. Prior Period Adjustments

The January 1, 2023, Fund Balances reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balances were adjusted from the balances reported in EnterpriseOne due to errors identified related to expenditures being paid from the improper fund. The General Fund was increased by \$204,101; the Parole Program Cash Fund was decreased by \$79,196, and the Federal Grants Fund was decreased by \$124,905.

8. Subsequent Event

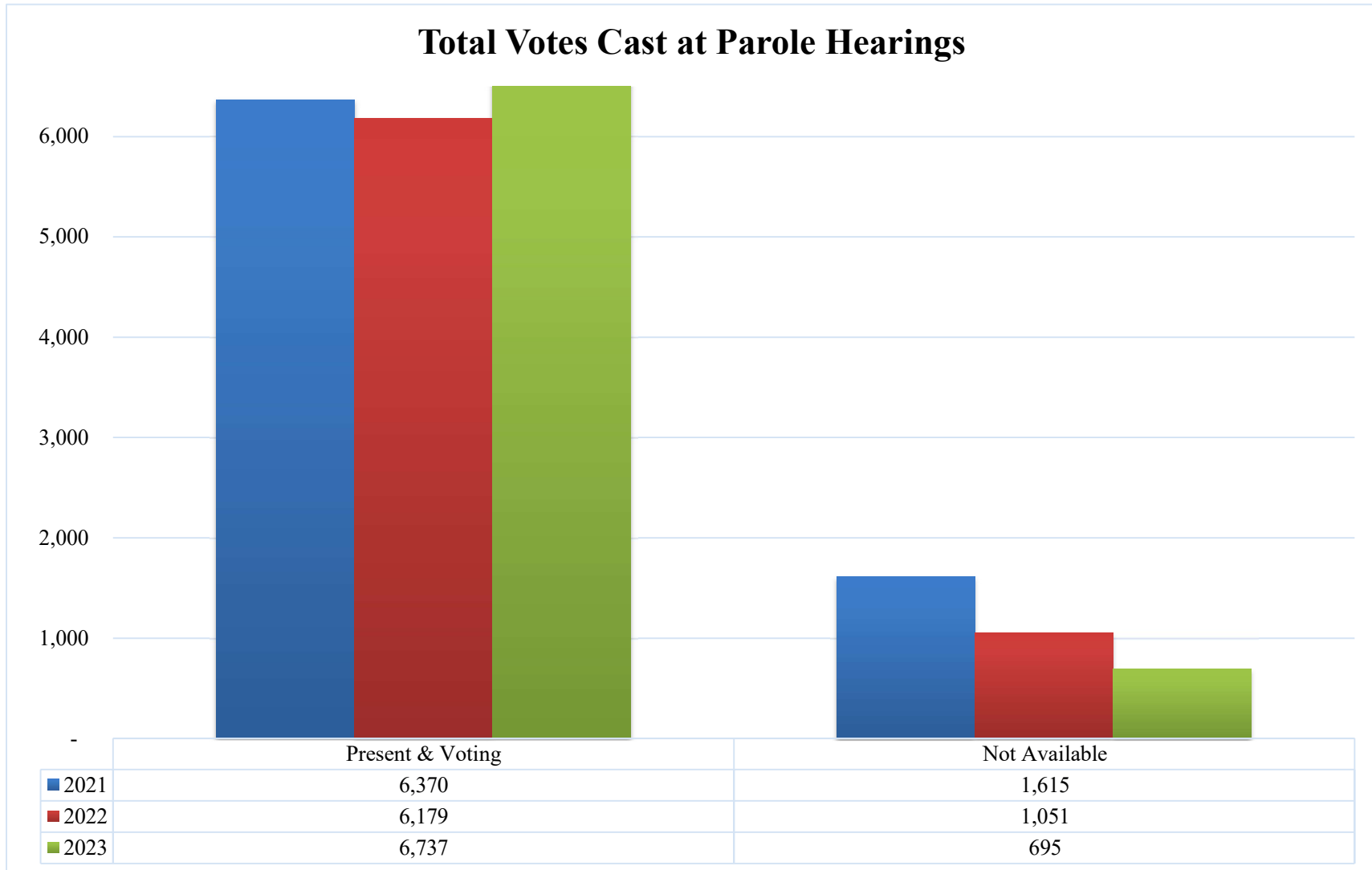
Legislative Bill 631 (LB 631) was approved by the Governor on April 16, 2024, and made numerous changes to the Board of Parole. Most notably, the Division of Parole Supervision will be transferred from the Board of Parole to the Department of Correctional Services. A complete copy of LB 631 may be obtained from the Nebraska Legislature's website (nebraskalegislature.gov).

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE
SUMMARY OF VOTES CAST AT PAROLE HEARINGS
 For the Calendar Years Ended December 31, 2021 through December 31, 2023



As shown above in the "Not Available" column, the number of times Board of Parole members were not present at parole hearings decreased from 2021 to 2023