

**ATTESTATION REPORT  
OF THE  
NEBRASKA DEPARTMENT OF  
CORRECTIONAL SERVICES**

**JANUARY 1, 2023, THROUGH DECEMBER 31, 2023**

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**Issued on August 26, 2024**

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NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

TABLE OF CONTENTS

	<u>Page</u>
<b>Background Information Section</b>	
Background	1 - 5
<b>Comments Section</b>	
Summary of Comments	6 - 7
Comments and Recommendations	8 - 40
<b>Financial Section</b>	
Independent Accountant's Report	41 - 42
Schedule of Payroll and Medical Expenditures by Fund	43
Schedule of Revenues, Expenditures, and Changes in Fund	
Balance for the Inmate/Juvenile Trust Fund	44
Notes to the Schedule	45 - 46
<b>Supplementary Information</b>	47
<b>Exhibit A</b> – Top 25 Incarcerated Individuals Earnings and Maintenance Fees Paid	48
<b>Exhibit B</b> – Top 25 Employees Paid Overtime	49
<b>Exhibit C</b> – Top 15 Employees Paid Overtime	50 - 51
<b>Exhibit D</b> – Overtime for the Last Five Years	52
<b>Exhibit E</b> – Employees Paid Over 40 Hours in a Week with Leave	53

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**BACKGROUND**

The Nebraska Department of Correctional Services (Department) was established as a separate agency of State government in 1973. The Department develops policies and programs for the custody, study, care, discipline, training, and treatment of persons in State correctional institutions in the State of Nebraska. The Department’s Director is appointed by the Governor. The Department’s operating funds come from State general funds, supplemented by Federal funds and certain cash funds.

According to its website (<https://www.corrections.nebraska.gov/about>), the mission of the Department is to “Keep people safe.” The following additional information is provided as well:

*NDCS has a statutory responsibility to keep safe people in the public, people who work for the agency, people who visit its prisons and the people living in its prisons. This is accomplished through sound incarceration practices and daily vigilance.*

The Department maintains and administers the Nebraska State Penitentiary (NSP), the Reception and Treatment Center (RTC), the Community Corrections Center – Lincoln (CCCL), the Omaha Correctional Center (OCC), the Community Corrections Center – Omaha (CCCO), the Nebraska Correctional Center for Women in York (NCCW), the Nebraska Correctional Youth Facility in Omaha (NCYF), the Work Ethic Camp in McCook (WEC), and the Tecumseh State Correctional Institution (TSCI). The Department also operates Cornhusker State Industries (CSI) and Federal Surplus Property (FSP).

Below is a table of the average monthly incarcerated populations of the Department’s facilities during the past five years.

	Average Daily Population				
	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023
NSP	1,359	1,331	1,298	1,311	1,255
RTC	1,045	959	1,001	1,089	1,383
OCC	787	768	771	771	789
CCCL	547	621	602	589	593
CCCO	160	172	174	177	177
NCYF	64	67	65	67	75
NCCW	342	280	283	287	296
TSCI	1,021	1,039	1,040	1,059	1,023
WEC	165	189	191	192	198
<b>Total</b>	<b>5,490</b>	<b>5,426</b>	<b>5,425</b>	<b>5,542</b>	<b>5,789</b>

Our attestation’s scope focused on funds with the most significant activity during calendar year 2023. This included employee compensation, medical expenditures made on behalf of incarcerated individuals, and activity within the Inmate/Juvenile Trust Fund. These are further described below:

**Pharmacy**

The Department maintains a centralized pharmacy (Central Pharmacy) responsible for filling incarcerated individuals’ prescriptions at the State’s correctional facilities. Any medicine or vitamin taken by an incarcerated individual must be prescribed and processed through the Central Pharmacy, which orders and receives into inventory such medications and dispenses them to the facilities.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**BACKGROUND**

(Continued)

Additionally, facilities may requisition from the Central Pharmacy stock medications for their medical clinics, skilled nursing units, and housing units. Facilities may also requisition stock vitamins and over-the-counter medications for sale through its canteens; however, any such items stocked in canteens must be approved for use by the Medical Director.

The majority of the incarcerated individual prescriptions are administered on a daily basis by medical staff or medication aides. All facilities, except for WEC, receive daily deliveries of medication boxes containing blister packs of any 30-day or less prescriptions. These facilities then distribute the medications to the incarcerated individuals as prescribed and track the distributions through the use of medication administration records (MARs). The MARs are primarily kept electronically, within the Department’s pharmaceutical system, Advanced Technology Group’s “Pharmacy Administration System” (ATG). Each MAR identifies the incarcerated individual’s name, the date and time the medication was taken, and the quantity administered. When distributing medication, a Department employee scans the incarcerated individual’s identification card, the barcode on his or her prescription, and then records the distribution quantity. If an individual has multiple prescriptions, this process is completed for each one. If applicable, the reason why a medication was not taken is documented on the MAR. MARs are part of the incarcerated individual’s medical records.

Due to the distance from the Central Pharmacy, WEC receives its medications by UPS shipment (for long-term prescriptions) or utilize local pharmacies to obtain prescriptions for a shorter duration. Similar to the other facilities, WEC utilizes MARs to track medication distributions.

Facilities have approved incarcerated individuals for self-medication. They received a 30-day medication supply, which may be kept on their persons. This is allowed for prescriptions that pose a low risk for abuse, but only if those incarcerated individuals sign a form acknowledging their responsibilities and the consequences of any violation thereof.

The Central Pharmacy also utilizes the Advanced Technologies Group (ATG) record-keeping application for its medications inventory and related activity.

**Medical**

The Department is required to provide incarcerated individuals with a “community standard of health care,” per Neb. Rev. Stat. § 83-4,155 (Reissue 2014). In order to make these comprehensive medical services available, the Department has in-house medical clinics located at all nine facilities. These medical clinics offer medical, dental, vision, pharmacy, mental health, and substance abuse services. The Department also has three Skilled Nursing Facilities (SNF), which are licensed by the Department of Health and Human Services, located at RTC, NCCW, and TSCI.

Medical expenses incurred by the Department include:

Medical Expense Type	Amount
Department Personnel	\$ 23.0 million
Blue Cross Blue Shield	19.4 million
Outside Staffing	12.1 million
Prescriptions/Medication	9.3 million
Other	5.7 million
<b>Total</b>	<b>\$ 69.5 million</b>

Most of these medical clinics and SNFs are staffed by Department personnel; however, the Department may also have contracted staff (nurses, physician assistants, etc.) obtained through various providers to work in their clinics/hospitals. Additionally, when it would not be cost effective to keep specialists on staff, the Department has contracted with various medical personnel to provide non-routine or infrequent medical services.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**BACKGROUND**

(Continued)

If a certain medical procedure cannot be performed in the facility’s medical clinic or SNF, the incarcerated individual will be transported to an appropriate medical provider outside of the facility. The provider will then bill the Department through Blue Cross Blue Shield (BCBS), the Department’s third-party claims processing administrator. The Department pays these costs primarily with General funds, but Cash or Federal funds may also be utilized. Below is a listing of the Department’s payments to BCBS during calendar years 2019, 2020, 2021, 2022, and 2023:

	<b>CY 2019</b>	<b>CY 2020</b>	<b>CY 2021</b>	<b>CY 2022</b>	<b>CY 2023</b>
Payments to BCBS	\$ 15,246,282	\$ 13,988,069	\$ 17,878,148	\$ 16,441,564	\$ 19,417,515

To be seen by medical staff, an incarcerated individual is required to complete an Inmate Interview Request (IIR) form. These forms are reviewed by the primary care staff at the medical clinics in order to make the daily schedules. Upon determining that an incarcerated individual requires additional off-site medical care, the primary care physician will complete an Internal Consultation Request form and forward it to the Medical Director for approval. Once the Internal Consultation Request is approved by the Medical Director, the primary care staff makes an appointment with an off-site provider who is within the BCBS network. The off-site provider completes and signs a Health Services Consultation Request form, indicating the date the incarcerated individual was seen, the diagnosis, and the preliminary assessment or prescription recommendations.

The table below identifies the 15 largest medical costs paid for incarcerated individuals during the calendar year 2023.

<b>Incarcerated Individual</b>	<b>BCBS Total</b>	<b>Medication Total</b>	<b>Total</b>
#1	\$ 1,151	\$ 974,039	\$ 975,190
#2	429,613	88	429,701
#3	332,315	150	332,465
#4	313,335	435	313,770
#5	14,169	289,904	304,073
#6	167,552	33,604	201,156
#7	-	178,034	178,034
#8	126,300	41,883	168,183
#9	155,993	11,690	167,683
#10	161,363	4,361	165,724
#11	161,312	2,913	164,225
#12	141,395	21,026	162,421
#13	161,647	541	162,188
#14	9,818	146,510	156,328
#15	152,363	397	152,760
<b>Total</b>			<b>\$ 4,033,901</b>

**Inmate Trust**

The Department utilizes the Inmate/Juvenile Trust Fund (Fund) in the State accounting system to account for incarcerated individual funds. Incarcerated individuals receive funds in a variety of ways, including earnings for performance of their institutional jobs or work release programs, money provided to them by family and friends, and legal settlements. The physical funds received are all deposited into one bank account, separate from other State accounts.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**BACKGROUND**

(Continued)

The detailed transactions and balances for each incarcerated individual are recorded in the Corrections Information and Tracking (CIT) application. CIT segregates incarcerated individual’s funds further into the following accounts:

Account Name	Account Description
Institutional	Contains funds in the incarcerated individual’s possession at the time of admission and, thereafter, all wage payments and non-wage funds received that do not violate Department rules.
Confiscated	Contains all unauthorized amounts received by the incarcerated individual. (Funds can be confiscated if they are in violation of department rules, excessive tokens purchased by inmates, or the value of photo tickets that exceed the allowable limit.) Inmates cannot have access to confiscated accounts until they are paroled, discharged, or without a violation in the last 10 years. No interest is earned on the confiscated accounts.
Private Venture Savings	Established to foster sound financial habits, bear interest, and are opened in the incarcerated individual’s name. Each savings account has different restrictions.
Regular Savings	
Release Savings	

Support money is received at the correctional facility and entered into CIT. The money is then sent to Central Accounting to compare the amount received to that entered into CIT. If the amounts agree, Central Accounting posts the receipt to the incarcerated individual’s account; if not, the variance is investigated. Once all the receipts are posted, Central Accounting completes a deposit document and a Facility Money Receipt, which lists the total funds deposited for a particular facility. The Facility Money Receipt is then sent to the facility in order to verify that all funds sent to Central Accounting were deposited.

In addition, incarcerated individuals are able to write checks from their institutional accounts to purchase items, send support payments to family members, or load funds onto pre-paid debit cards (for community facilities only). The Department is to perform a monthly reconciliation between the account balances on CIT to the funds in the Inmate Trust Fund to ensure that the amounts agree.

When requesting a check to be written from an incarcerated individual’s account, the incarcerated individual completes an Institutional Check Form, which is routed to Central Accounting. Upon receiving that form, Central Accounting enters the check into CIT and then records the check data into the Inmate Check Writer System. Central Accounting then prints the check, affixes an authorized signature, and mails the check to the Payee.

**Inmate Payroll**

Incarcerated individuals working at Department facilities are paid either an hourly wage or a daily rate. Some record their time on timesheets, whereas others’ time is recorded on the inmate payroll application called Corrections Inmate Payroll System (CIPS). The daily rates range from \$1.26 to \$8.69 a day. The hourly rates range from \$0.53 to \$1.55 per hour. Incarcerated individuals may earn vacation leave in CSI traditional shop job assignments and Health Porter job assignments. Also, per Neb. Rev. Stat. § 83-454 (Reissue 2014), incarcerated individuals receive one holiday a year, known as “Howard’s Day,” every September 2.

Private Venture companies are located on prison grounds and employ incarcerated individuals. The incarcerated individuals are paid at the prevailing rate, as determined by the Nebraska Department of Labor, and in accordance with Neb. Rev. Stat. § 83-151 (Reissue 2014) and, in turn, pay State and Federal taxes and contribute to the cost of their stay at the facility. Part of their income goes into a Victim’s Reparation Fund, as well as towards financial support of their families or into savings.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**BACKGROUND**

(Concluded)

**Employee Payroll**

The following is a list of the 20 highest-paid Department employees during calendar year 2023:

<b>Job Title</b>	<b>Calendar Year 2023 Gross Pay</b>
Physician	\$ 284,068
Physician	230,279
Physician	199,108
Corrections Corporal	197,505
Corrections Sergeant	193,851
Physician	192,367
Dentist	181,549
Registered Nurse	180,602
Corrections Corporal	179,678
Corrections Corporal	179,648
Corrections Unit Caseworker	179,142
Registered Nurse	177,187
Corrections Corporal	175,207
Corrections Corporal	174,793
Corrections Sergeant	171,130
Registered Nurse	169,581
Discretionary Non-Classified	168,248
Dentist	164,637
Corrections Corporal	160,330
Nurse Practitioner	159,301



## NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

### SUMMARY OF COMMENTS

During our examination of the Nebraska Department of Correctional Services (Department), 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 (“Inmate/Juvenile Trust Fund Reconciliations”), #3 (“Maintenance Fees Charged to Incarcerated Individuals”), #6 (“Incarcerated Individual Debit Card Usage”), #7 (“Central Pharmacy”), #9 (“Exempt Employee Timesheets”), and #14 (“Improper Coding of Journal Entries”), which are considered to be significant deficiencies, and Comment #1 (“Medicaid Eligibility and Blue Cross Blue Shield (BCBS)”) and Comment #5 (“Blue Cross Blue Shield Payments”), which are considered to be material weaknesses.

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

1. **Medicaid Eligibility and Blue Cross Blue Shield (BCBS):** The Department’s procedures for identifying and processing medical expenses for Medicaid-eligible incarcerated individuals was insufficient. As a result, the Department appears to have paid \$3.5 million in medical expenses that could have been paid by Federal funds through the Medicaid program.
2. **Inmate/Juvenile Trust Fund Reconciliations:** The Department was six months behind on its reconciliation of the Inmate/Juvenile Trust Fund, which holds incarcerated individual funds. Once completed, the December 31, 2023, reconciliation included numerous pending adjustments, some dating back over 10 years. We also noted over \$230,000 in automated clearing house (ACH) Direct Deposits, many from work release income, that had not been credited to incarcerated individuals’ accounts for at least one month, with some being over three years old.
3. **Maintenance Fees Charged to Incarcerated Individuals:** The Department could not provide documentation to support that the maintenance fee rates charged to incarcerated individuals were reasonable. State statute allows the Department to retain a portion of an incarcerated individual’s earnings from on-site private venture (PV) employment or community work release (WR) programs to help cover the costs of his or her incarceration (known as a maintenance fee). During calendar year 2023, the Department collected \$142,107 and \$1,860,582, for PV and WR maintenance fees, respectively. Further, the fees collected for WR were lower than permitted by Department policy.
4. **Department Overtime:** The Department spent or obligated an estimated \$21,911,002 on 477,183 hours of overtime worked and compensatory time earned by 2,149 of its employees during the calendar year.
5. **Blue Cross Blue Shield Payments:** The Department lacked procedures to ensure the \$19,417,515 invoiced from the Department’s third-party claims processing administrator, BCBS, was proper. Improper payments of \$2,985 were made for individuals who had left the Department’s custody.
6. **Incarcerated Individual Debit Card Usage:** There was a lack of oversight of the prepaid debit cards issued to incarcerated individuals at community correction facilities. Though allowed to possess only up to \$100 in cash, incarcerated individuals were withdrawing hundreds of dollars a day through cash back transactions.
7. **Central Pharmacy:** All Central Pharmacy staff can enter inventory adjustments into the Department’s inventory application, without a required approval. Additionally, the Department did not maintain documentation to support why medications returned from the facilities could not be returned to inventory. During testing of items disposed of, rather than being returned to inventory, it was noted that there were two instances of a \$3,247 medication being disposed of because it was not kept refrigerated when returned to the Central Pharmacy.
8. **Pay in Excess of 40 Hours in a Week with Leave:** The Department allows employees to use leave to accumulate more than 40 hours during a work week, and those hours are paid at the standard rate. Due to this, the Department overpaid its employees for 3,403 hours, totaling over \$104,000 during the calendar year.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**SUMMARY OF COMMENTS**

(Concluded)

9. **Exempt Employee Timesheets:** The Department's overtime-exempt employees were not required to maintain timesheets or other similar supporting documentation; rather, they were required only to record leave used. This process is not in compliance with State statute. Additionally, the Department paid an excess \$17,828 to a terminated employee because she was not required to submit a timesheet, and Human Resources had not been notified of her termination.
10. **Facility Stock Medication Inventory Records:** The Department's Central Pharmacy did not maintain documentation to support that stock medications, distributed to Department facilities, were requested by the facility, reviewed and approved by Central Pharmacy, and received by the facility. The Central Pharmacy distributed \$762,933 in stock medications to the Department's facilities.
11. **Deceased Incarcerated Individual Accounts:** For 10 incarcerated individuals tested, the Department held \$25,154 that was available to be claimed by family; however, the Department could not provide support that it notified the family of the available funds. In the addition, the Department held \$2,275 that it could have claimed due to having paid for burial arrangements.
12. **Overtime Policies:** The Department's overtime policies conflict with relevant provisions of the Nebraska Association of Public Employees (NAPE) and the Fraternal Order of Police, Lodge 88, labor contracts.
13. **System Access:** Four terminated employees still had access to the Department's Central Pharmacy application. In addition, the Department used a shared ID to place medication orders.
14. **Improper Coding of Journal Entries:** A misstatement of \$2,254,838 was caused by three improperly recorded journal entries.
15. **Incarcerated Individual Account Issues:** We noted multiple instances of incarcerated individuals being given access to funds erroneously, including premature credits of \$22,000 and \$2,476, and a duplicate credit of \$2,075.
16. **Mail Room Controls:** The Department lacked sufficient internal controls to ensure that cash receipts were handled properly, placing public funds at risk of loss or misappropriation.
17. **Corrections Payroll Policies:** The Department lacked a written policy for the review of employee on-call hours.
18. **Shift Differential Pay:** Three of five Department employees tested had their shift differentials recorded incorrectly, resulting in improper employee compensation totaling \$57.

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 Department.

Draft copies of this report were furnished to the Department to provide its 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. Where no response has been included, the Department declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

## NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

### COMMENTS AND RECOMMENDATIONS

#### 1. Medicaid Eligibility and Blue Cross Blue Shield (BCBS)

For the sample of claims tested for the calendar year 2023, we noted the Department paid Blue Cross Blue Shield (BCBS) \$2,050,843 for medical services provided to incarcerated individuals who appear to have been eligible for Medicaid. As a result, the Department paid 100% of the expenses – whereas, had Medicaid paid for the services provided, the Department would have only been liable for 42% of the claim amounts, totaling approximately \$861,354. The Department has attempted to get many of these paid by Medicaid; however, as of April 30, 2024, the Department had not received any reimbursement from BCBS.

In addition, it appears the State could have saved approximately \$3.5 million had all Medicaid-eligible claims been paid by Medicaid. Per review of all BCBS claims during the year, total claims paid for inpatient hospital stays that appeared to exceed 24 hours totaled \$5,249,897. Additionally, we noted \$809,170 in professional service claims related to those inpatient stays for a total of \$6,059,067. During calendar year 2023, the State's approved Federal Medical Assistance Percentage rate, which is the portion of Medicaid claims paid by the Federal government, was 58%. Additional savings may have been possible, as the Medicaid reimbursement rate may have been lower than the BCBS negotiated rate.

Medicaid is available to incarcerated individuals who would qualify for Medicaid except for being incarcerated (i.e., failed 'living arrangement' criteria) and have an inpatient stay at an external medical facility (i.e., hospital) over 24 hours (a qualifying stay). In those instances, Medicaid rules and regulations allow for coverage of those events because the incarcerated individual is not considered to be in the Department's facility at that time.

Medicaid regulations require the applications for eligibility to be completed and signed by the individual for whom eligibility would be determined; therefore, the Department is unable to submit applications for incarcerated individuals. Incarcerated individuals cannot be required or forced to complete the applications, and unless the Department has obtained a proper power-of-attorney or other legal authority to act on the behalf of the incarcerated individual, the Department would not be allowed to submit an application for the incarcerated individual.

During the calendar year 2023, the Department submitted applications when an incarcerated individual had a qualifying stay in an external medical facility. Once that event occurred, the Department would request that the incarcerated individual complete the Medicaid application. Once the application was completed, the Department would submit the information to the Nebraska Department of Health and Human Services (DHHS), which administers the Medicaid program in Nebraska. Medicaid allowed for retroactive eligibility as long as the application was received prior to 90 days after the service date.

Once a Medicaid eligibility determination letter was received from DHHS, the Department would record the approval or denial on a tracking spreadsheet. If the incarcerated individual was approved, the Department: (1) requested the provider (hospital) to submit the claim to Medicaid; (2) notified BCBS so related subsequent claims would not be processed for payment; and (3) informed BCBS of a possible "recoupment" of previous payments from the provider.

Per the Department, the provider must submit the claim to Medicaid for reimbursement. DHHS would then send the reimbursement payment to the provider, who then would reimburse BCBS. Upon receiving the reimbursement, BCBS would provide recoupment credits to the Department on the subsequent weekly billing cycles. Medicaid reimbursement funds do not go directly to the Department.

We reviewed the Department's tracking spreadsheets, as well as the detailed files of claims from BCBS, and identified incarcerated individuals who had institutional (hospital stay) claims for two or more days. Our review noted the following:

We identified a total of 107 incarcerated individuals who had an application for Medicaid approved during the calendar year and had claims paid through BCBS for inpatient hospital stays over 24 hours. The Department paid \$3,222,377 for these inpatient hospital stays.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Medicaid Eligibility and Blue Cross Blue Shield (BCBS) (Continued)

**Incarcerated Individuals Approved for Medicaid**

We selected 15 incarcerated individuals and tested all claims for inpatient hospital stays paid that appeared to be Medicaid eligible. During a separate claims test, we identified two additional individuals (#16 & #17 below), which had claims paid during the year, that also appeared to be Medicaid eligible. During our testing, we noted the following:

Identified Exception	Incarcerated Individual	# of Eligible Claims	Total \$ Amount	Date 1st Claim Paid by BCBS	Date Paid by Medicaid
Medicaid application for service(s) were approved - Provider has not submitted reimbursement claim(s) to Medicaid. The Department is actively following up with the Provider, Medicaid, and BCBS to recoup these claims.	#1	1	\$ 356,262	8/31/2023	N/A
	#2	5	101,778	6/6/2023	N/A
	#3	2	97,829	6/13/2023	N/A
	#4	4	81,853	6/20/2023	N/A
	#5	2	74,930	6/20/2023	N/A
	#6*	3	69,566	1/24/2023	N/A
	#7	3	60,613	6/20/2023	N/A
	#8	3	53,117	1/31/2023	N/A
	#9	1	42,413	12/19/2023	N/A
	#10	1	31,579	9/12/2023	N/A
	#11*	3	20,352	4/28/2023	N/A
	#12	1	18,356	7/25/2023	N/A
<b>Subtotal</b>		<b>29</b>	<b>\$ 1,008,648</b>		
Medicaid has reimbursed the Provider for these claims. However, no reimbursement from the Provider has been received by the Department as of April 2024. The Department is actively following up with the Provider, Medicaid, and BCBS to recoup these claims.	#13	1	130,703	6/27/2023	1/29/2024
	#14	1	121,652	9/12/2023	12/26/2023
	#15	2	45,143	6/6/2023	10/23/2023 & 3/18/2024
	#8	1	42,245	12/29/2023	3/18/2024
	#16	1	39,167	9/29/2023	1/29/2024
	#17	1	3,832	9/26/2023	2/12/2024
<b>Subtotal</b>		<b>7</b>	<b>\$ 382,742</b>		
Claim was eligible but no application was submitted as it was past the 90-day retroactive claim period.	#1	1	35,488	9/12/2023	N/A
	#6	1	31,540	8/22/2023	N/A
	#7	1	18,902	1/17/2023	N/A
	#12	2	18,659	2/14/2023	N/A
	#17	1	8,873	2/8/2023	N/A
<b>Subtotal</b>		<b>6</b>	<b>\$ 113,462</b>		
<b>Total</b>		<b>42</b>	<b>\$ 1,504,852</b>		

\*There were three instances for #11 and one instance for #6 of the claims being initially processed as inpatient claims, and Medicaid applications being approved. However, the Provider subsequently submitted an amended claim to BCBS to change the claim from an inpatient claim to an outpatient claim.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Medicaid Eligibility and Blue Cross Blue Shield (BCBS) (Continued)

In August 2023, the Department began following up with the providers, DHHS, and BCBS on claims that had been approved by Medicaid. Based on our review of email correspondence, the Department has continued to follow up with those groups monthly. As of April 2024, the Department still had not received any recoupment credits for these claims.

**Incarcerated Individuals with No Approved Medicaid Applications**

We identified a total of 170 incarcerated individuals with claims for hospital stays over 24 hours that did not have any applications for Medicaid approved during the calendar year. The Department paid \$2,027,521 for these inpatient hospital stays.

We selected 15 incarcerated individuals and tested all claims paid for those individuals, who appeared to be Medicaid eligible. During our review we noted the following:

Identified Exception	Incarcerated Individual	# of Eligible Claims	Total \$ Amount	Date 1st Claim Paid by BCBS
Claim was eligible for Medicaid; however, individual became deceased, and Department's process was to obtain application upon return from hospital.	#1	3	\$ 264,913	1/24/2023
	#2	4	71,808	5/30/2023
<b>Subtotal</b>		<b>7</b>	<b>\$ 336,721</b>	
Claim was eligible for Medicaid; however, 90-day retroactive period had elapsed prior to identification by the Department.	#3	1	55,685	4/11/2023
	#4	1	47,229	2/7/2023
	#5	1	46,275	1/10/2023
	#6	1	34,942	3/7/2023
	#7	1	25,139	10/17/2023
<b>Subtotal</b>		<b>5</b>	<b>\$ 209,270</b>	
<b>Total</b>		<b>12</b>	<b>\$ 545,991</b>	

A proper system of internal control requires procedures for identifying Medicaid-eligible claims and ensuring those claims are paid by Medicaid. These procedures should include a process for tracking Medicaid eligibility status, as well as documenting why an incarcerated individual did not apply to Medicaid after a qualifying event.

Without such procedures, there is an increased risk of the Department paying for medical costs that could have been paid with Federal funds.

A similar finding was reported during the 2014 attestation.

We recommend that Department continue to work with the providers, DHHS, and BCBS to recoup funds for Medicaid-covered claims. We also recommend the Department review current processes and implement additional procedures to ensure that Medicaid applications are obtained and submitted for all eligible incarcerated individuals. For instance, when an individual would be ineligible or choose not to apply, we recommend the Department document the reason. Additionally, the Department should implement procedures for reviewing claims paid to BCBS to ensure those claims are not Medicaid eligible.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Medicaid Eligibility and Blue Cross Blue Shield (BCBS)** (Concluded)

*Department Response: This process was implemented during the audit period. The implementation included extensive coordination efforts with the contractor, as well as the State of Nebraska Health and Human Services Medicaid Division. Recent efforts included obtaining signed applications for all newly admitted incarcerated individuals upon admission. NDCS also implemented a process to obtain signed applications for all other incarcerated individuals.*

*Under this program, Medicaid funds only eligible in-patient stays exceeding 24 hours in community hospitals, excluding in-patient observation hospital stays. Further, there are income/asset requirements. While most incarcerated individuals are eligible for coverage under these criteria, not all do. Also, the application must be signed by the incarcerated individual and cannot be waived under any circumstance.*

*Current processes necessitated working with providers, DHHS and BCBS, as well as reviewing claims paid to BCBS to ensure those claims are not Medicaid eligible. Additionally, Health Services works with the providers as applicable. Processes and controls continue to be further defined and documented to assure all eligible claims are paid with Medicaid funds.*

2. **Inmate/Juvenile Trust Fund Reconciliations**

On March 6, 2024, we requested support for the Department's December 31, 2023, reconciliations; however, they had not been completed. The most recent reconciliation available at that time was July 2023. The December 31, 2023, reconciliation was provided approximately two weeks later. Review of the reconciliations for December 31, 2023, identified numerous errors and unusual reconciling items that, in some cases, dated back 10 years.

The Department utilizes the Inmate/Juvenile Trust Fund (Fund) in the State accounting system to account for incarcerated individual funds. During the calendar year 2023, the Fund received \$25.5 million, disbursed \$24.7 million, and had a balance of \$7.5 million at December 31, 2023.

The Fund's receipts were deposited into a unique State bank account, separate from other accounts maintained by the State. The detailed transactions and balances for each incarcerated individual were recorded in the Corrections Information and Tracking (CIT) application. Incarcerated individual purchases from the Department's canteens are tracked using a separate Canteen Sales and Inventory System purchased from Advanced Technologies Group (ATG) and then input into CIT.

Because multiple systems are used to track incarcerated individual transactions and balances, the Department developed a monthly process and performed the following: (1) balanced the Inmate Trust bank account's checks and deposits; (2) created a monthly balance sheet for the Fund; (3) reconciled ATG to CIT and the Fund; (4) reconciled the Fund to CIT; and (5) reconciled the bank account to the Fund.

There was a previous finding for late reconciliations during our prior attestation for the period July 1, 2013, through December 31, 2014. A similar finding was also included in the Department's Early Management Letter for the fiscal year ended June 30, 2017, Annual Comprehensive Financial Report (ACFR).

We reviewed each reconciliation for December 31, 2023, and noted the following:

**Balancing the Bank Account**

When balancing the Inmate/Juvenile Trust bank account, the Department reviewed the monthly bank statement and verified that the balance was \$40,000, after accounting for checks still outstanding, deposits due to incarcerated individuals, and transactions in transit. The bank account should balance to \$40,000 because that was the amount used to open the account.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Inmate/Juvenile Trust Fund Reconciliations** (Continued)

The balancing calculation included \$529,987 in outstanding direct deposits that dated back to November 2016. These were funds directly deposited into the State bank account, usually from work release jobs, but not credited to an incarcerated individual account in CIT. Below is a table that summarizes the outstanding direct deposits and when they were received:

Fiscal year	Pending credit
July 2016-June 2017	\$ 3,025
July 2017-June 2018	11,646
July 2018-June 2019	33,115
July 2019-June 2020	28,304
July 2020-June 2021	16,229
July 2021-June 2022	52,196
July 2022-June 2023	100,819
July 2023-Dec. 2023	284,653
<b>Total</b>	<b>\$ 529,987</b>

When asked about these direct deposits, the Department replied, "NDCS was not notified of who to apply the deposits to, we were given the company name but not the incarcerated individual's name." However, review of the outstanding direct deposit listing, obtained from the Department, identified that all deposits since February 14, 2020, included the name of the incarcerated individual to whom the deposit relates. Deposits after February 14, 2020, account for \$460,972 of the \$529,987.

Further inquiry was made as to why these funds had not been credited to the applicable incarcerated individuals, to which the Department responded:

*Central Office Accounting will not release a direct deposit without a paystub. The general process starts with a payee submitting an Inmate Interview Request [IIR] regarding the issue. Then, if they do not have a paystub to submit, either Central Office Accounting or the Community Centers business office will contact employers requesting the paystub. In addition, when reviewing the IIR, if there are other deposits from that same employer, we will ask for all missing paystubs.*

Direct deposits of \$222,789 were received in December 2023, so they are likely pending entry into CIT; however, that leaves \$307,198 uncredited to incarcerated individuals' accounts, which should be investigated.

We selected the following five outstanding deposits (below) and requested support for what follow-up the Department had performed to deposit the funds into the proper incarcerated individuals' accounts:

Date	Incarcerated Individual	Amount	Department Provided Support They Followed Up on the Outstanding Direct Deposit
10/29/2021	#1	\$ 1,741	No
2/4/2022	#2	1,753	No
7/8/2022	#3	2,292	No
5/26/2023	#4	1,476	No
8/4/2023	#5	2,254	No

We also selected the 10 incarcerated individuals with the highest outstanding direct deposits who could be identified, requesting confirmation that these deposits were never credited to each incarcerated individual's account. We also looked up the same 10 incarcerated individuals in the Department's public-facing incarcerated individual database, and all but one were no longer incarcerated. As a result, these individuals appear to have been released but have yet to receive funds due to them.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Inmate/Juvenile Trust Fund Reconciliations** (Continued)

Below is a summary of the 10 incarcerated individuals with the largest identified outstanding direct deposits:

Incarcerated Individual	Time period of Outstanding Direct Deposits	Total Outstanding Amount at December 31, 2023	Remaining Outstanding amount as of May 2024	Incarceration Status
#1(same as #1 above)	Oct. & Nov. 2021	\$ 4,671	\$ 4,671	In custody since September 2018
#2	Sept. - Dec. 2023	4,626	2,924	Paroled in January 2024
#3	Dec. 2023	4,139	-	Paroled in March 2024
#4	Sept. - Nov. 2023	4,012	4,012	Paroled in Nov. 2023; Decd. June 2024
#5	Sept. - Dec. 2023	\$ 3,515	\$ 2,478	Paroled in December 2023
#6	Oct. & Dec. 2023	3,412	1,002	Paroled in February 2024
#7	Nov. & Dec. 2023	3,342	-	Paroled in March 2024
#8	May - Sept. 2022	3,131	3,131	Re-paroled October 2022
#9	Dec. 2023	2,998	-	Paroled in December 2023
#10	May - Aug. 2023	2,926	2,926	Released in July 2023
<b>Total</b>		<b>\$ 36,772</b>	<b>\$ 21,144</b>	

The balancing calculation also included \$603,856 in outstanding checks that dated back to July 2020. Per the Department:

*Checks are re-issued only upon an incarcerated individual's request for stop payment/reissue. Transferring items to Unclaimed Property annually is part of NDCS's current process. Checks from FY21 will be submitted in Nov 2024.*

While none of the checks were due to Unclaimed Property, an incarcerated individual seeing only his or her CIT account statement, rather than a bank statement, may cause him or her to be unaware that a check has not been cashed and, thus, not know to stop payment. Outstanding check amounts, by fiscal year, are as follows:

Fiscal Year	Outstanding Check Amount
July 2020-June 2021	\$ 64,546
July 2021-June 2022	73,004
July 2022-June 2023	90,822
July 2023-Dec. 2023	375,484
<b>Total</b>	<b>\$ 603,856</b>

**Fund's Monthly Balance Sheet**

At the end of each month, the Department created a balance sheet for the Fund, as it is recorded in EnterpriseOne (E1), the State's Accounting system. The balance sheet included the following:

Section	Includes:
Liabilities	Amounts collected from incarcerated individuals and due to others, such as maintenance fees, victims' compensation fees, and court filing fees.
+ Equity	Cash held for incarcerated individuals, including their institutional accounts and savings accounts.
= Assets	Cash in the Fund, per E1, and amounts due to the Fund for payroll and fees



NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**2. Inmate/Juvenile Trust Fund Reconciliations** (Continued)

Included in the 'Equity' section of the Balance Sheet was a line labeled "Differences," totaling (\$68,358). A detailed listing of what made up this amount included 461 items pending resolution that dated back to May 2011 and had an absolute value of \$2,394,092. In other words, there were (\$1,231,225) in pending debits to Equity and \$1,162,867 in pending credits to Equity. Per the Department, some of these items have since been resolved; however, some of the resolutions did not occur until May 2024, after our inquiry.

We reviewed five of the largest pending adjustments and noted the following:

- Two reconciling items tested, totaling \$31,586, were electronic receipts recorded in CIT in June 2023 and August 2023, but those receipts had not been recorded in the State's accounting system as of December 31, 2023.
- A November 2023 journal entry for unclaimed property was accounted for incorrectly on the Department's worksheet used to calculate the amount necessary to replenish the Inmate/Juvenile Trust bank account, causing a reconciling item of (\$17,094). This appears to have been corrected in May 2024, after our inquiry.
- Support for a (\$6,055) reconciling item related to a June 2023 duplicate canteen refund journal entry was not available.
- A correction for \$1,282, which was caused by a work release paycheck being credited to the wrong incarcerated individual's account, was corrected in CIT in May 2023; however, it was still a reconciling item on the December 31, 2023, reconciliation.

**Reconciliation of ATG to CIT and the Fund**

ATG's Canteen Sales and Inventory System is used for facilitating canteen purchases made by incarcerated individuals while the account balances are maintained in the CIT application. Activity between CIT and ATG is in real time, whereas weekly journal entries are recorded in E1 to move funds from the Inmate/Juvenile Trust Fund into the separate Canteen Fund. During the reconciliation process, the data from both CIT and ATG is compared to the journal entries in E1.

We noted reconciling items that dated back to September 2021 and totaled \$60,682. Per the Department, "Due to high turnover and short staffing issues, these corrections were not completed as quickly as they should have been."

We reviewed three reconciling items and noted the following:

- A \$1,670 reconciling item related to vaccine incentives from July 2022 was still pending entry into the State's Accounting system. The incentive was a \$5 canteen credit for each participant.
- A \$22,929 reconciling item related to a weekly transaction from August 2023 was not yet completed in State's Accounting system. The entry was finally completed on March 29, 2024, after the APA requested the reconciliation files.

When reconciliations are not completed timely, there is an increased risk for the loss or misappropriation of funds. The longer adjustments and outstanding items remain unresolved, moreover, there is a higher potential for the funds not to be properly recouped or paid out to the correct individual.

A similar finding was reported during the 2014 attestation.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Inmate/Juvenile Trust Fund Reconciliations** (Concluded)

We recommend the Department implement procedures to ensure proper reconciliation of the Fund is completed timely, so errors may be caught and resolved in a timely manner. We also recommend the Department implement procedures to resolve reconciling items in a timely manner.

*Department Response: NDCS strives to stay as current as possible. Team member turnover and vacancies can at times create a delay in completing some work responsibilities.*

*NDCS Accounting has cross trained many team members previously in the reconciliation processes. During the period audited, one of the team members being cross-trained left employment, and cross-training had to be re-initiated. The current process is a complex one and requires many months to train someone.*

*NDCS has begun the implementation process to move the inmate accounting system off the mainframe onto a new electronic system. The new system provides reconciliation processes which will greatly reduce the time for processing and reduce the likelihood of errors in doing so.*

*Incarcerated individuals provide a forwarding address upon their release. Many checks issued to inmates after their release are returned to NDCS as undeliverable, as the address they provided was no longer current. NDCS has no way to contact these former incarcerated individuals.*

*NDCS also strives to be as current as possible on crediting incarcerated individuals' work release accounts. As noted by the Auditors, NDCS Accounting does not release a direct deposit without a paystub. This is necessary so that NDCS can ensure income posted to the incarcerated individual's institutional account complies with NDCS policy and State of Nebraska statutory requirements (i.e., 5% net wages due to the State Victim's Compensation fund). This requires a review of the incarcerated individual's pay stub information. If this information is not provided timely to NDCS accounting, it delays processing. However, NDCS will be closely reviewing this process to identify possible efficiencies.*

3. **Maintenance Fees Charged to Incarcerated Individuals**

State statutes provide for not only incarcerated individual employment in private venture (PV) and work release (WR) programs but also the adoption of rules and regulations that specify deductions from inmate wages to assist with the cost of room and board, clothing, and medical and dental expenses. These deductions are referred to as maintenance fees. During the calendar year 2023, incarcerated individuals earned \$13,435,065 on WR and paid \$1,860,582 in maintenance fees. During this same period, incarcerated individuals earned \$864,214 from PV projects and paid \$142,107 in maintenance fees.

During the calendar year 2023, the Department's policies set the PV and WR maintenance fees at \$2 per hour and \$12 per day, respectively. However, per Department policy 113.02 "Inmate Accounting", WR maintenance fees should have been charged at \$14 per day, as the minimum wage had increased. As a result, the Department appears to have undercharged incarcerated individuals by approximately \$310,000. Furthermore, during calendar year 2024, the WR maintenance rate should have increased to \$16 per day, as the minimum wage had increased again, but the rate had not been changed as of June 2024.

Additionally, the Department had not changed its WR maintenance fee rates since 2009, when it was increased from \$10 to \$12 per day, and the PV maintenance rate was increased from \$1.50 to \$2.00 per hour. As a result, the Department had not changed maintenance fees for 15 years even though the minimum wage nearly doubled, and incarceration costs increased significantly.

To illustrate this issue further, see **EXHIBIT A** herein for a list of the top 25 WR earners during 2023 and their respective maintenance fees paid during that year.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Maintenance Fees Charged to Incarcerated Individuals** (Continued)

Per the Department, the rates are reviewed annually with each revision of the policy, and the specific WR calculation in Department Policy 113.02, “Inmate Accounting” (rev. June 30, 2023), was added during a December 31, 2020, policy revision; however, the rationale for this calculation could not be provided.

No such calculation, or other supporting documentation, was available for the maintenance fee charged for PV workers.

Department Policy 119.03, “Private Venture Projects – Incarcerated Individual Accounting” (rev. Dec. 31, 2022), establishes “a uniform practice and procedure for the depositing and accounting of incarcerated individual wages” earned through private venture employment. Under the heading “Room and Board,” Section III(B) of that regulation specifies, “\$2.00 per hour based on gross wages paid will be credited to the Incarcerated individual maintenance fund.”

Neb. Rev. Stat. § 83-183(1) (Cum. Supp. 2022) provides for inmate employment in PV work, which is performed within the confines of the correctional facility. Neb. Rev. Stat. § 83-183.01(3) (Cum. Supp. 2022) provides, as is relevant, the following regarding wages earned from such PV work:

*A person committed to the department, who is earning at least minimum wage and is employed pursuant to sections 81-1827 and 83-183, shall have his or her wages set aside by the chief executive officer of the facility in a separate wage fund. The director shall adopt and promulgate rules and regulations which will protect the inmate's rights to due process, provide for hearing as necessary before the Crime Victim's Reparations Committee, and govern the disposition of a confined person's gross monthly wage minus required payroll deductions and payment of necessary work-related incidental expenses for the following purposes:*

\* \* \* \*

*(3) To pay all or a part of the cost of their board, room, clothing, medical, dental, and other correctional services[.]*

(Emphasis added.) As noted above, the Department has implemented Policy 119.03. Such an internal policy is not the same, however, as rules and regulations promulgated in accordance with the Administrative Procedure Act (Act), as set out at Neb. Rev. Stat. §§ 84-901 to 84-920 (Reissue, 2014, Cum. Supp. 2022, Supp. 2023.) Per Neb. Rev. Stat. § 84-901(2) (Cum. Supp. 2022), any “standard affecting private rights, private interests, or procedures available to the public” is not an internal procedural document but rather a rule or regulation subject to the requirements of the Act.

Neb. Rev. Stat. § 83-184(1) (Cum. Supp. 2022) allows the Department to authorize incarcerated individuals to find employment in the community. Subsection (3) of that statute permits a portion of the incarcerated individual’s WR earnings to be expropriated to pay “such costs incident to the person’s confinement as the director deems appropriate and reasonable.”

Department Policy 113.02, “Inmate Accounting” (rev. June 30, 2023), section (VIII)(A), provides the following:

*1. Incarcerated individuals in a work release status shall be assessed maintenance from the date when employment begins . . . .*

*2. The amount frozen shall be the maintenance daily rate of \$12.00 times the number of days that maintenance is due.*

Section (VIII)(D) of the same policy states the following:

*The daily rate for maintenance shall be reviewed annually. The daily rate shall be determined based on the hourly minimum wage times 40 hours divided by 30 days.*

Sound business practices require the Department to document formally and to review periodically its rationale for determining the maintenance fee rates assessed to incarcerated individuals.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**3. Maintenance Fees Charged to Incarcerated Individuals (Concluded)**

Failure to maintain documentation to support the rates of the maintenance fees assessed to incarcerated individuals increases the risk that such fees will be either excessive or insufficient to meet their objectives – resulting in the loss of Department funds in the latter case.

A similar finding has been noted in audits issued for 1998, 2001, 2005, 2008, and 2014.

We recommend the Department strengthen procedures for documenting the rationale, including the review and approval thereof, for the rates of the maintenance fees charged to incarcerated individuals, both in the WR and the PV programs. Such documentation should reflect the Department’s consideration of the cost of housing incarcerated individuals when determining the rate to charge for maintenance. We also recommend the Department implement procedures to ensure maintenance fees are calculated in accordance with its own policy. Lastly, we recommend the Department adopt rules and regulations for PV maintenance fees, as required by § 83-183.01.

*Department Response: NDCS Policy 113.02, Inmate Accounting, provides for maintenance fees to be charged to incarcerated individuals. As noted by the Auditors, this policy was updated (after the prior audit period and before the audit period) to remove the referenced language. The annual review of the policy takes into consideration factors that might impact the maintenance fee being charged. When reviewing this policy, considerations can include factors such as the labor market, general economic conditions and other applicable considerations.*

*Policy 119.03, Private Venture Projects -Incarcerated Individual Accounting, will be updated as needed during its next annual review.*

*The policies as published by NDCS meets the requirement of § 83-183.01.*

**4. Department Overtime**

The Department spent or obligated an estimated \$21,911,002 on 477,183 hours of overtime worked and compensatory time earned by 2,149 employees during the examination period. During the year, 251 employees had overtime worked and compensatory time earned that exceeded 500 hours. Because it was beyond the scope of our testing, we did not calculate an estimate of any possible savings that could have been realized had the Department been staffed at various levels. The Department may wish to consider performing such an analysis.

Overtime and compensatory time costs by facility for the examination period were as follows:

<b>Facility</b>	<b>Amount</b>
RTC	\$ 7,540,327
NSP	4,688,479
TSCI	4,539,225
OCC	2,437,677
NCCW	1,112,658
CCC-L	630,084
NCYF	315,681
CCC-O	227,516
WEC	203,638
Central Office	215,717
<b>Total</b>	<b>\$ 21,911,002</b>

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

4. **Department Overtime** (Concluded)

**Exhibit B** herein outlines the top 25 Department recipients of overtime and compensatory time paid during the examination period. Those employees were paid overtime and compensatory time ranging from 1,026 to 2,173 hours during the examination period.

**Exhibit C** herein was provided to show a historic perspective of the top 15 overtime earners.

**Exhibit D** herein was provided to show a historic perspective of overtime and compensatory time earned for the last five years.

A similar finding was reported during the 2014 attestation.

We recommend the Department review the appropriateness of the overtime hours worked by, as well as compensatory time paid to, its employees.

*Department Response: NDCS closely reviews all overtime and compensatory time paid to its employees at least monthly and often more frequently. While overtime expenditures have decreased from the previous year, overtime is necessary if the required number of team members are not available to continue to protect the incarcerated population, team members and the public.*

5. **Blue Cross Blue Shield Payments**

The Department provides medical services to incarcerated individuals through a variety of methods. In addition to employing its own medical professionals, the Department contracts with vendors for medical care for incarcerated individuals within its facilities. Individuals whose medical needs cannot be met within the confines of a correctional facility are transported by the Department to an outside medical facility for the appropriate treatment. Such outside procedures are billed through the Department's third-party claims processing administrator, Blue Cross Blue Shield (BCBS), but are funded by the Department's own monies, mostly through General funds. As the contracted third-party claims processing administrator, BCBS is considered a Service Organization for the Department.

BCBS billed NDCS weekly for claims processed and paid. BCBS provided a detailed listing of the claims to support the amounts billed. The Department also paid BCBS a monthly administrative fee based on the number of incarcerated individuals. The Department paid BCBS \$19,417,515 during the examination period, which included \$18,022,705 for medical claims and \$1,394,810 for the administrative fee.

**BCBS Invoicing**

We selected five weekly invoices, along with the related monthly administrative fee charged, to review for accuracy and appropriateness. We performed procedures to verify the accuracy of those billings and to determine if the Department had procedures for reviewing and verifying the reasonableness and appropriateness of the various claims processed through BCBS. During our testing we noted the following:

- The Department did not review the claims detail to ensure the claims were for individuals incarcerated in the Department's correctional facilities, the services were actually provided, and the amounts billed were reasonable. Instead, the Department's accounting staff determined the total amount of claims paid for each incarcerated individual and verified that those with \$15,000 or more in claims paid during the month were in the Department's custody. This review was then provided to the Department's Health Services division; however, Health Services did no further documented review of the claims to ensure the services billed were appropriate and the charges reasonable.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

5. **Blue Cross Blue Shield Payments** (Continued)

- BCBS charges administrative fees for claims processing, which is based on the number of contract members (incarcerated individuals) per month. These fees consist of \$19.75 for medical claims and \$0.45 for dental claims, for a total fee rate of \$20.20. BCBS then multiplies those rates by the number of contract members each month and includes the fee on a monthly invoice sent to the Department. The Department then recalculates the total fee to ensure it is correct; however, the Department does not verify that the number of incarcerated individuals included in the calculation is correct.

To determine whether the administrative fee was reasonable, the APA compared the number of incarcerated individuals included in BCBS’s administrative fee calculation to the number of incarcerated individuals per a Department database file. Without an adequate review, there is an increased risk the Department could be overcharged. The following table demonstrates that comparison:

CY 2023 Month	# per BCBS	# per APA	Variance Over (Under)	Total Contract Rate	Possible Amount Over (Under) Billed
January	5,625	6,297	(672)	\$ 20.20	\$ (13,574)
March	5,664	5,655	9	20.20	182
April	5,736	6,067	(331)	20.20	(6,686)
September	5,840	6,186	(346)	20.20	(6,989)
December	6,250	6,212	38	20.20	768

- The Department did obtain a Service Organization Control (SOC) report for BCBS, for the period October 1, 2022, to September 30, 2023. This report provides evidence about the suitability of the design and operating effectiveness of the service organization’s (BCBS’s) internal controls. This report should be utilized by the Department to ensure BCBS has controls in place so that claims are properly processed. In addition, the Department should review the report to understand the complementary user controls that BCBS believes must be in place at user organizations. We noted there is no documented review or analysis of the SOC report and complementary user controls.

**Individual Claims Testing**

We obtained the detail listings of all claims paid during the calendar year ended December 31, 2023, and selected claims for testing. This testing included a review of: 1) 35 claims to five individuals, totaling \$78,559, for which the service dates appeared to have occurred outside of the recipients’ periods of incarceration; and 2) 41 claims for services provided, that included payments of \$9,390 and credits of \$45,010, for three individuals who appeared never to have been held in the Department’s custody. The results of our testing showed that these three individuals had been held in the Department’s custody.

Our review noted the following:

- The Department paid \$2,985 for services provided to three previously incarcerated individuals after they had left the Department’s custody.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Blue Cross Blue Shield Payments (Continued)

Incarcerated Individual	Release Type	Release Date	Claim #	Service From	Service To	# of Days After Release	Date Paid By BCBS	Amount
#1	Parole	4/4/2023	1	5/9/2023	5/26/2023	35	6/30/2023	\$ 276
			2	6/22/2023	6/22/2023	79	8/15/2023	153
			3	6/22/2023	6/22/2023	79	8/15/2023	223
			4	6/22/2023	6/22/2023	79	8/22/2023	50
			5	8/29/2023	8/29/2023	147	10/17/2023	119
			6	10/16/2023	10/16/2023	195	11/14/2023	119
			7	11/7/2023	11/7/2023	217	12/26/2023	119
			8	11/8/2023	11/8/2023	218	12/26/2023	302
			9	11/9/2023	11/9/2023	219	12/26/2023	160
<b>Total</b>								<b>\$ 1,521</b>
#2*	Mandatory Discharge	2/26/2023	1	2/2/2023	2/28/2023	2	3/31/2023	1,216
			<b>Total</b>					
#3**	N/A - County Safekeeper	11/8/2022	1	1/4/2023	1/4/2023	57	3/14/2023	198
			2	1/4/2023	1/4/2023	57	4/18/2023	50
			<b>Total</b>					

\* This incarcerated individual's total claim paid by BCBS was \$16,412. However, as only 2 of the 27 days included in the service period were after his release date, an average daily cost was calculated to determine an estimated overpayment amount.

\*\* This incarcerated individual was held as a County Safekeeper by the Department. A County Safekeeper is held by the Department on behalf of the County, and the medical expenses incurred for that incarcerated individual are the responsibility of the County and should not have been processed through BCBS. Her last date as a County Safekeeper was November 8, 2022.

A proper system of internal controls should include procedures for reviewing the detail listing of claims. This review should include the selection of a sample of claims to verify that: 1) the claims were for individuals who were incarcerated at the time of service; 2) the claims were for services provided to those individuals; and 3) the costs billed for the services provided were reasonable. Additionally, to provide further support for the appropriateness of these billings, the system of internal controls should include a documented review of the BCBS SOC report and documentation of how the Department has addressed the complementary user controls identified within the SOC report.

Without such procedures, there is an increased risk of inappropriate claims being paid.

A similar finding was reported during the 2014 attestation.

We recommend the Department implement procedures for reviewing BCBS claims billed to ensure they are reasonable and proper. These procedures should include verifying the claims were not only for incarcerated individuals but also for services received by those individual, as evidenced in their medical files. The review should verify, moreover, that the amounts paid were reasonable based upon the services received. We recommend also the implementation of procedures for documenting the Department's review and consideration of BCBS SOC reports and the complementary user controls identified therein.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**5. Blue Cross Blue Shield Payments (Concluded)**

*Department Response: NDCS accounting reviews the BCBS billing to determine if it matches to the previous months' data and if it appears reasonable. NDCS will continue to provide a high-level review of claims for verification but will include in its review verification of custody at the date of service. Further, additional utilization review processes are being implemented in the Health Services division to include review of contractor billings for this service and cross-training of applicable team members. This will include a monthly sampling of five of the billings exceeding \$15,000 during the month and five other claims for eligibility, proper and reasonable cost.*

*NDCS is also reviewing the feasibility of an electronic system that uses peer review standards to support appropriate health services care decisions. This would drive utilization reviews of expenditures, including Blue Cross Blue Shield payments.*

*NDCS receives the SOC from BCBS annually. This contract will be expiring, and the RFP scope of service for this contract will require an annual meeting to review the SOC to include a review of controls in place. The RFP requirements will also require a method that provides a simple and defined method for which a fee would be charged by the Contractor.*

*NDCS Health Services' Electronic Health Records system became operational in March 2024. This system will also provide additional information from which analysis and review can occur involving medical expenditures.*

**6. Incarcerated Individual Debit Card Usage**

Of the Department's nine facilities, the Community Corrections Center - Omaha (CCCO) and the Community Corrections Center - Lincoln (CCCL) have the lowest custody level and the least restrictive environments. Individuals assigned to these two facilities participate in "work detail" or "work release" programs. Incarcerated individuals at these facilities can also be released on furlough, an authorized absence from the facility not to exceed 48 hours, for reintegration opportunities such as programming, job seeking, medical, personal needs, and time with family.

Both the CCCL and the CCCO provide incarcerated individuals with three meals a day, including the option for a sacked lunch if the individual will be at work or school during lunch. Incarcerated individuals on work release are not permitted to wear any State-issued clothing to employment or any other location outside of the facility, and the Department does not provide clothing to incarcerated individuals on work release; work clothes must be purchased in the community.

When moved to the CCCL or the CCCO, an incarcerated individual is enrolled in a debit card program and given a prepaid debit card to use at the facility and in the community. The purpose of the debit card program is to provide the incarcerated individual with the ability to make purchases while on work release or on furlough. Funds loaded on the debit card must come from either the incarcerated individual's working income or money sent from an approved family member. Funds are loaded to a debit card on a weekly basis, based on request from the incarcerated individual.

Department policies place specific restrictions on debit cards and other transactions, which apply to both the CCCO and the CCCL. In addition, the CCCL and the CCCO have established their own facility handbook that includes rules on debit cards and cash. Below is a summary of the different policies:



NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

6. **Incarcerated Individual Debit Card Usage** (Continued)

	<b>Department Policy</b>	<b>CCCO Handbook</b>	<b>CCCL Handbook</b>
Maximum Daily ATM Withdrawals	One ATM withdrawal per day, not to exceed \$85	One ATM withdrawal up to \$80	One ATM withdrawal up to \$40
Maximum Point of Sale Transactions	Five transactions per day, not to exceed \$300 per transaction and \$600 per day	Five PIN-based transactions per day, not to exceed \$300 in total. Five signature-based transactions per day, not to exceed \$300 in total	Five PIN-based transactions per day, not to exceed \$300 in total. Five signature-based transactions per day, not to exceed \$300 in total
Online Purchases	No specific policy	No online purchases allowed	No specific policy
Cash Back Transactions	No specific policy	No specific policy, but incarcerated individuals are only allowed to possess up to \$100	Not allowed. Incarcerated individuals are only allowed to possess up to \$100
Maximum Card Balance	\$5,000	No specific policy	No specific policy
Purchases	Cards may only be used at specific approved merchants, based on merchant codes	No specific policy	No specific policy

During calendar year 2023, a total of \$3.4 million was loaded onto debit cards issued to incarcerated individuals. The top 25 of those amounts were between \$10,180 and \$21,100.

During the calendar year ending December 31, 2023, the Department did not review debit card activity, contrary to Department policy. While reviewing the monthly activity for eight large debit card amounts, we noted activities that violated Department and facility policy for seven of the eight, including the following:

- One incarcerated individual at the CCCO loaded \$21,100 on his debit card during the year. We initially reviewed the September 2023 card activity for that person and noted that he had received \$3,700 in cash back. Due to this, we reviewed his debit card activity for the period July 1, 2023, through December 31, 2023. We identified \$12,300 in cash back transactions and ATM withdrawals, as shown below:

<b>July</b>	<b>Amount</b>	<b>August</b>	<b>Amount</b>	<b>September</b>	<b>Amount</b>	<b>October</b>	<b>Amount</b>	<b>November</b>	<b>Amount</b>	<b>December</b>	<b>Amount</b>
1-Jul	\$ 200	5-Aug	\$ 500	3-Sep	\$ 200	1-Oct	\$ 500	4-Nov	\$ 500	24-Dec	\$ 500
2-Jul	80	7-Aug	300	11-Sep	500	7-Oct	200	11-Nov	200		
15-Jul	500	10-Aug	20	12-Sep	500	9-Oct	500	19-Nov	160		
16-Jul	100	12-Aug	500	13-Sep	500	10-Oct	500				
23-Jul	200	15-Aug	80	14-Sep	500	14-Oct	260				
		17-Aug	300	15-Sep	500	16-Oct	500				
		28-Aug	80	16-Sep	500	19-Oct	500				
		30-Aug	40	23-Sep	500	22-Oct	300				
						24-Oct	500				
						27-Oct	500				
						28-Oct	80				
<b>Total</b>	<b>\$ 1,080</b>	<b>Total</b>	<b>\$ 1,820</b>	<b>Total</b>	<b>\$ 3,700</b>	<b>Total</b>	<b>\$ 4,340</b>	<b>Total</b>	<b>\$ 860</b>	<b>Total</b>	<b>\$ 500</b>

Unlike the CCCL, the CCCO has no policy specifically addressing cash back transactions; however, the facility does limit incarcerated individuals to possessing no more than \$100 in cash. It appears unusual that the incarcerated individual needed to obtain \$500 cash on multiple days. It also appears unlikely that the incarcerated individual would not have violated the facility’s prohibition against possessing more than \$100 in cash.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

6. **Incarcerated Individual Debit Card Usage** (Continued)

Per the Department, the incarcerated individual could have withdrawn the cash to make a large purchase, such as for a plane ticket or other after-release plans; however, in such an instance, the incarcerated individual would have been working with a caseworker. The Department was unable to provide support that a caseworker or anyone at the facility was aware of these transactions.

The incarcerated individual’s debit card activity also included \$3,216 in purchases at clothing and retail stores, gas stations, restaurants, and movie theaters, which causes us to question why thousands of dollars in cash was necessary when purchases were made at allowable stores.

Finally, we noted a purchase of \$203 at Nike.com, Inc., which is in violation of the facility’s policy against online purchases.

- For the other six debit card loads, one each for six incarcerated individuals, we identified various other incidents of noncompliance with Department or facility rules. The Department was unable to provide support that it had reviewed this activity, which is detailed in the following table:

	# 1	# 2	# 3	# 4	# 5	# 6
Facility Location	CCCO	CCCL	CCCO	CCCO	CCCO	CCCL
Total Debit Card Loads in 2023	\$ 20,920	\$ 13,200	\$ 5,100	\$ 20,700	\$ 13,822	\$ 708
Month Reviewed	October 2023	August 2023	October 12, 2023, to November 13, 2023	May 2023	May 2023	April 2023
ATM Withdrawal Amount (\$)	\$ 1,250	\$ 400	\$ 1,240	\$ 1,180	\$ 430	\$ 380
ATM Withdrawal Transactions	17	6	16	15	7	5
Cash Back Amount (\$)	\$ 1,650	\$ 0	\$ 0	\$ 0	\$ 620	\$ 0
Cash Back Transactions	9	None	None	None	7	None
Additional Activity/Purchases	\$ 89	\$ 341	\$ 639	\$ 559	\$ 2,535	\$ 42
Online Purchases	No	Honeylove.com - \$204	No	No	Amazon.com - \$16	No
Activity Reviewed by the Department	No	No	No	No	No	No
ATM Withdraws in Accordance With Department/Facility Rules	Yes	No – exceeded \$40 limit at CCCL	Yes	Yes	Yes	No – exceeded \$40 limit at CCCL
Likely the Incarcerated Individual would possess less than \$100	No	Yes	No	No	No	Yes

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**6. Incarcerated Individual Debit Card Usage (Concluded)**

In addition to the merchant code restrictions on where money can be spent via debit cards, there are restrictions on where, or to whom, incarcerated individuals can send money. These restrictions exist, in part, to prevent their money from funding crime or facilitating relationships with potential criminal associates.

When the Department does not review debit card activity, there is an increased risk for the improper use of inmate funds.

We recommend the Department implement procedures for regularly reviewing the debit card activity of incarcerated individuals, identifying and following up on unusual activity. We also recommend the Department consider strengthening restrictions on debit card activity, such as a limiting or completely eliminating cash back transactions. Further, we recommend the Department work with both the CCCL and the CCCO to align their debit card policies, so they address similarly such issues as ATM withdrawal limits, cash back limits, and online purchases.

*Department Response: NDCS will be reviewing this entire process to identify possible efficiencies and to update policies and procedures accordingly.*

**7. Central Pharmacy**

The Department operates a Central Pharmacy that is responsible for filling inmate prescriptions and distributing them to the State's correctional facilities. Any medicine or vitamin taken by an inmate must be prescribed and processed through the Central Pharmacy, which orders and receives into inventory such medications and dispenses them to the facilities. During the period examined, the Department purchased over \$9 million in medications and pharmaceutical supplies.

The Central Pharmacy utilizes Advanced Technology Group's (ATG) electronic pharmaceutical program for maintaining its medication and pharmaceutical supply inventories. The medical providers enter prescriptions into the ATG program, and a pharmacist processes the requests – with orders filled by pharmacy techs and verified by other pharmacists.

**Inventory Adjustments**

During review of the Department's Central Pharmacy operation, the APA identified a significant control weakness that increases the risk of medication being pilfered without the knowledge of Department personnel. All Central Pharmacy staff can enter manual adjustments to inventory in the ATG system, which does not require review and approval by a separate individual. This lack of segregation of duties increased the opportunities and risk for medications to be pilfered.

The following table shows the various categories of manual inventory adjustments and their dollar amounts for the period tested:

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

7. Central Pharmacy (Continued)

Adjustment Types	Net Increase (Decrease)	# of Transactions
Adjust Error	\$ 12,800	33
Inventory Count	12,181	594
Distribution Error	3,954	19
Stock Distribution Return	753	11
Return To Stock Noncontrols	728	6
New NDC #	3	4
STA	-	2
Return Error	(56)	5
Expired (CII Only)	(72)	2
Vendor Shipping Error	(87)	2
Manufacturer Recall	(127)	6
Pharmacy Use	(211)	1
Damaged	\$ (231)	7
Receiving error	(306)	4
Expired (CIII - CV Only)	(549)	9
Return to Vendor	(36,481)	38
Expired	(45,256)	141
<b>Total</b>	<b>\$ (52,957)</b>	<b>884</b>

The Department had no documentation to support that a separate individual reviewed and approved 23 of 30 inventory adjustments tested.

For 9 of 30 inventory adjustments tested, the Department lacked adequate documentation to support the accuracy of the quantities adjusted. The only documentation provided were printouts of the ATG program entry. In some instances, the Department had posted notes and comments in the ATG program to explain the entries; however, these were neither consistently recorded nor always contained a sufficient description for the purpose of the inventory adjustment. For five of the nine inventory adjustments lacking appropriate documentation, the Department did not include any explanatory notes or comments; for another adjustment, there was only a brief comment that did not contain an adequate explanation of why the adjustment was necessary. The remaining three adjustments had comments providing sufficient detail but still lacked documentation to verify that the quantities were correct.

A proper system of internal controls requires a documented segregation of duties, so no one individual can create an adjustment to medication inventories without a separate review and approval. In addition, a proper system of internal controls requires the maintenance of documentation to support that such adjustments are reasonable and necessary.

Without such documentation, there is an increased of items being removed inappropriately from the medication inventory or inventory records containing inaccuracies that would not be identified in a timely manner.

A similar finding was reported during the 2014 attestation.

We recommend the Department implement procedures to ensure all manual adjustments are reviewed by a separate, supervisory level individual to ensure they are reasonable and necessary. Additionally, we recommend the Department maintain documentation to support the inventory adjustment amounts as well as the adjustment reasons.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

7. **Central Pharmacy** (Continued)

**Procedures for Return of Unused or Refused Medications**

During the calendar year ended December 31, 2023, we noted that the following amounts of items were returned to the Central Pharmacy, per the ATG program:

	Amount
Returned - Added Back To Inventory	\$ 294,806
Returned - Disposed	84,211
<b>Total Returned to Central Pharmacy</b>	<b>\$ 379,017</b>

There were six return transactions, amounting to \$29,057, for which the value of each disposed item exceeded \$2,000. For these items, the Department lacked documentation to support the reasons for their disposal. We inquired of the reasons for the disposal, during our fieldwork, and the Pharmacy Manager offered verbal explanations, but there was no documentation to support the veracity thereof.

The following table identifies the disposed items tested and the explanations offered for their disposal:

Item	Quantity	Total Cost	Reason per Central Pharmacy
Pulmozyme Inhalation Solution	60	\$ 2,725	Item was expired and was not kept refrigerated
Humira Pen	1	3,247	Item was not kept refrigerated
Humira Pen	1	3,247	Item was not kept refrigerated
Biktarvy	30	3,560	Not in original sealed packaging
Afinitor	20	12,687	Not in original sealed packaging
Symtuza	25	3,591	Not in original sealed packaging
<b>Total</b>		<b>\$ 29,057</b>	

Particularly notable among the returned medications are the Humira Pens that had to be disposed of because they were not handled properly. While improved documentation to support the reasons why medications were disposed of is necessary, the Department must also review and strengthen its procedures for returning medications so that expensive medication is not being wasted.

We also observed that the quantities of two medications returned, also noted above, did not agree to the quantities on the supporting documentation provided.

ITEM	Quantity per ATG	Quantity per Return Slip	Quantity Variance	Dollar Variance
Pulmozyme Inhalation Solution	60	24	36	\$ 1,687
Symtuza	25	30	(5)	\$ (718)

When medications go unused, either due to refusal by the incarcerated individual to whom it was prescribed, accidental contamination, or expiration, the facilities are to return the items to the Central Pharmacy. To start this process, the facility must create a return slip in the ATG program, and then scan the barcodes on the items to be returned and enter the quantity. The return slip is then printed and placed in secured boxes to be returned to the Central Pharmacy. Once received, a pharmacy technician retrieves the returned items and finishes processing the returns in the ATG program, determining whether the items can be returned to inventory or need to be destroyed.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

7. **Central Pharmacy** (Continued)

A proper system of internal control requires procedures to ensure returns are properly documented, including having amounts recorded agree to what was returned. These procedures should also include adequate documentation for the reason of the return and support for why items are or are not added back into inventory.

Without such procedures, there is an increased risk for the loss of State funds due to inappropriate disposal of pharmaceutical items.

We recommend the Department review current procedures for returning pharmaceutical items from the correctional facilities to the Central Pharmacy and implement additional procedures to ensure documentation is maintained to support the items, quantities, and reasons for the returns, including reasons for why items are or are not returned to inventory.

**Stock Distributions to Facilities**

Facilities may submit to the Central Pharmacy requisitions for stock medications for their medical clinics, skilled nursing units, and housing units. During the calendar year ended December 31, 2023, the Central Pharmacy distributed \$762,933 in stock medications to the facilities.

During our review of the Central Pharmacy's procedures for stock distributions, we noted the Central Pharmacy disposed of the supporting documentation after three months. At the time of our fieldwork, the Central Pharmacy had disposed of the calendar year 2023 records, possessing only requisitions received in calendar year 2024. Consequently, there was no documentation to support that facilities actually requested the items, a Pharmacist verified that the requests were filled properly, and the Central Pharmacy received verification that the facilities had received the items. Without such documentation, there is an increased risk of a transaction being inappropriately entered into the system, either intentionally or due to error.

Facility requests were sent to the Central Pharmacy on a standard stock request form created by the Central Pharmacy or, for other pharmaceutical supplies, such as syringes and needles, via an Intra-Institutional Supply Transfer Form. The Inventory Control Technician filled the requisition, recorded the transaction in the ATG program, printed a Stock Distribution report, and attached it to the requisition form. A pharmacist then reviewed the report and verified the items/quantities and initialed the report. The medications and copies of the Stock Distribution report were then sent daily to the facilities with the other deliveries. Once received by the facility, the staff there reviewed the report and verified the items and quantities received. The facility then signed the report and returned it to the Central Pharmacy. The Central Pharmacy Inventory Control Technician received the returned reports, attached them to the original entry, and filed the documents.

The Department's Policy 115.10(III)(D) states, in relevant part, the following:

*Approved stock medication, as determined by the pharmacy and the P&T committee, kept at NDCS facilities for "single-dose" supply, will be ordered from the pharmacy by appropriate means. . . . Stock medication will only be used for a one to two day supply until the pharmacy delivers the required medication.*

Schedule 92, Item Number 092-054 ("Inmate Records - Pharmacy"), promulgated by the Nebraska Records Management Division, specifies that items including, but not limited to, "biennial inventory, completed prescriptions, initial controlled substance inventories and pharmacy envelope" are to be retained for five years. Additionally, Schedule 124, Item Number 124-31 ("Communications, Fiscal"), requires "[c]ommunications created or received documenting purchases, financial obligations, fiscal revenues, etc. which are not included in your agency specific schedules" to be retained for five years.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**7. Central Pharmacy (Concluded)**

A proper system of internal control requires procedures for retaining all stock medication order forms received from facilities in accordance with record retention requirements. This would include maintaining documentation of the order, review and approval by a pharmacist or other appropriate supervisory level personnel, and documentation of the receipt of such items by the facility.

We recommend the Department implement procedures to ensure that documents are maintained in accordance with record retention regulations.

*Department Response: Procedures and processes were revised to ensure proper segregation of duties occurred, to include approval of inventory adjustments. Additionally, appropriate documentation is being maintained. The revision also provides that the reason medications could not be returned to inventory be included.*

*Documentation for stock distribution was revised to be maintained in accordance with the retention schedule and policy being updated. Additionally, the process was revised to provide increased accountability.*

*Many medications cannot be returned to inventory. Improved documentation involving the reason for the return of these medications shall be maintained. Team members were trained as to this procedure.*

**8. Pay In Excess of 40 Hours in a Week with Leave**

Per KRONOS, the Department’s time-keeping application, staff is granted paid leave regardless of the number of hours worked during the week. For example, if an employee works 36 hours in four days and then takes the fifth day off, he or she will be required to use 8 hours of vacation time. This results in the employee being paid for 44 hours and using 8 hours of paid leave when only 4 would be necessary.

For 10 of 14 employees, where pay for an entire month was tested, time was not adjusted when regular hours worked and leave used resulted in more than 40 hours being paid for the week. On these weeks, time in excess of 40 hours was paid at the regular hourly rate.

The 10 employees tested – each of whom was paid for more than 40 hours in a single week – are listed below:

Employee	Week	Non-Leave Hours	Leave Hours Paid	Total Hours Paid	Hourly Rate	Hours Over 40	Total Overpaid
1	2/13/23 - 2/19/23	24.5	24	48.5	\$ 33.000	8.50	\$ 280.50
2	2/27/23 - 3/5/23	32	16	48	30.000	8.00	240.00
2	3/6/23 - 3/12/23	16	32	48	30.000	8.00	240.00
3	2/20/23 - 2/26/23	32	16	48	28.000	8.00	224.00
4	2/20/23 - 2/26/23	40	10	50	26.239	2.00	52.48
4	2/27/23 - 3/5/23	37.5	10.5	48	26.239	8.00	209.91
4	3/6/23 - 3/12/23	40	10.5	50.5	26.239	10.50	275.51
5	2/27/23 - 3/5/23	40	8	48	28.000	8.00	224.00
6	2/20/23 - 2/26/23	40	24	64	28.000	16.00	448.00
6	2/27/23 - 3/5/23	40	8	48	28.000	8.00	224.00
7	3/13/23 - 3/19/23	40	16	56	31.000	16.00	496.00
8	3/27/23 - 4/2/23	15.75	32	47.75	41.257	7.75	319.74
9	3/13/23 - 3/19/23	8.25	32	40.25	28.000	0.25	7.00
9	3/20/23 - 3/26/23	33.5	16	49.5	28.000	9.50	266.00
10	3/13/23 - 3/19/23	40	8	48	32.000	8.00	256.00
10	3/27/23 - 4/2/23	7	40	47	32.000	7.00	224.00
<b>Total</b>						<b>133.50</b>	<b>\$ 3,987.14</b>

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

**8. Pay In Excess of 40 Hours in a Week with Leave** (Concluded)

These 10 employees were overpaid a total of \$3,987. Based on the APA's review of employees that appear to have pay in excess of 40 hours, it appears that the Department overpaid its employees a total of 3,403 hours, totaling over \$104,000. See **Exhibit E** herein for the relevant calculations.

The Department's process results in employees being required to use leave unnecessarily. Consequently, some employees would be required to use leave when they have already worked 40 hours, and others would be able to cash out their leave rather than lose it to lapsing.

Section M.6.1 (Appendix M) of the 2021-2023 Labor Contract between the State of Nebraska and the Fraternal Order of Police, Lodge 88 (FOP 88), which is for the period July 1, 2021, through June 30, 2023, states the following:

*A standard work week shall be 40 hours plus roll call time. All hours in excess of this standard work week shall be considered overtime and compensated at one and one-half times the regular hourly rate for all members of the bargaining unit.*

Section 12.9 of the same 2021-2023 FOP 88 Labor Contract also states the following:

*Holidays shall not be considered as work hours for overtime purposes. Leave time (vacation, sick, etc.) shall not be considered as hours worked.*

The 2023-2025 FOP 88 Labor Contract with the State of Nebraska, which is for the period July 1, 2023, through June 30, 2025, has similar provisions.

Also, Title 273 NAC 8-003.03, "Overtime Compensation Eligibility – Non-Exempt," states the following:

*These employees shall receive compensation at one and one-half times their hourly rate in the form of either pay or compensatory time off, at the agency head's discretion, for hours worked in excess of 40 hours in any work week. . . . Leave time (vacation, sick, etc.) is not considered as hours worked. Holidays are counted as hours worked.*

By permitting employees to use leave time to exceed 40 hours of work in a single week, the Department is incurring excess expenses. The leave could be reduced, so the employee is paid for 40 hours.

A similar finding was reported during the 2014 attestation.

We recommend the Department modify KRONOS to adjust leave automatically in these situations or, if that is not possible, have supervisors change leave hours manually when approving employees' time.

*Department Response: NDCS revised Policy 112.33, Leave Provision, (after the covered audit period, but before the audit occurred). NDCS no longer allows employees to use leave to accumulate more than 40 hours during a work week.*

**9. Exempt Employee Timesheets**

The Department's overtime-exempt employees were not required to maintain timesheets or other similar supporting documentation; rather, they were required only to record leave used. As a result of the Department's policy, there was no support that full-time employees rendered at least 40 hours of labor each week, as required by Neb. Rev. Stat. § 84-1001(1) (Reissue 2014). During the period January 1, 2023, through December 31, 2023, the Department had 310 full-time exempt employees.

During testing, the APA noted four overtime-exempt employees who did not submit timesheets for approval.



NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

9. **Exempt Employee Timesheets** (Concluded)

Employee	Gross Pay per Bi-Weekly Pay Stub
Employee 1	\$ 3,532
Employee 2	4,271
Employee 3	3,492
Employee 4	2,424
<b>Total</b>	<b>\$ 13,719</b>

Related to this problem, the APA also noted that one employee terminated in December 2023 but was paid \$17,828 in gross wages for almost two months subsequent to termination. The overpayments also resulted in the Department paying \$2,616 in retirement contributions and \$1,335 in health insurance premiums on behalf of the employee. The Department’s Human Resources was not notified of the employee’s termination – and, not being required to complete a timesheet to receive pay, the employee was compensated despite having terminated employment already. In March 2024, the terminated employee reimbursed the Department for the excess funds received through February 7, 2024.

Section 84-1001(1) states the following:

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

A proper system of internal controls requires procedures to ensure that hours worked are adequately documented, via timesheets or time logs, etc., a supervisor reviews and approves the hours worked, and the necessary documentation is kept on file to provide evidence of compliance with § 84-1001(1). Those same procedures should also ensure the maintenance of documentation to support that accrued employee sick and vacation leave was actually earned.

Without such procedures, there is an increased risk of both noncompliance with State statute and loss, misuse, or abuse, including potential fraud, of State funds.

A similar finding was reported during the 2014 attestation.

We recommend the Department implement procedures to ensure: 1) employee hours worked are adequately documented, via timesheets or time logs, etc.; 2) a supervisor reviews and approves the hours worked; 3) the necessary documentation is kept on file to provide evidence of compliance with § 84-1001(1); and 4) documentation is maintained to support that accrued employee sick and vacation leave was actually earned.

*Department Response: Based on the Fair Labor Standards Act, exempt employees must receive the full salary for any week in which the employee performs any work without regard to the number of days or hours worked, unless exceptions are met. The exception reporting of leave is an appropriate process for exempt employees. They are expected to work 40 hours per week, except when taking leave, and often work more than 40 hours per week.*

*The process was reviewed with the team members when a team member leaves NDCS employment to include proper notification to Human Resources/Payroll. The overpayments have been reimbursed to NDCS.*

**APA Response: As noted, Neb. Rev. Stat. § 84-1001(1) requires all state officers and heads of departments and their deputies, assistants, and employees to work no less than forty hours each week. Therefore, documentation should be retained, such as a certification or a detailed timesheet to document compliance with State statute.**

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

**10. Facility Stock Medication Inventory Records**

The Department's Central Pharmacy dispensed medications and other pharmaceutical items to facilities, either as prescriptions for incarcerated individuals or for approved stock medications for the facilities to maintain on hand. To obtain the stock medications, facilities submitted requisitions to the Central Pharmacy. For prescriptions, the facility staff were responsible for dispensing medications to the incarcerated individuals, utilizing medication administration records (MAR). The MAR documented when a medication was given or a reason why it was not distributed.

The Department's Policy 115.10(III)(D)(2) states, in relevant part, "A perpetual inventory of stock medications will be kept by the nursing team members on the Stock Medication Logbook."

Each of the Department's facilities maintained stock medication inventories. During calendar year 2023, stock medications costing a total of \$762,933 were distributed to the facilities. Despite identifying the medicines and their quantities, the MARs did not specify the facility to which they were distributed. We selected 10 stock distribution transactions and obtained the MARs for those items. Per review of that documentation, the transactions included seven items at the Reception and Treatment Center (RTC), two at the Omaha Correctional Center (OCC), and one at the Tecumseh State Correctional Institution (TSCI). We noted the following:

- For the seven RTC transactions selected for testing, the facility was unable to provide perpetual inventory logs for periods prior to January 2024. As a result, the facility could not demonstrate compliance with the Department's Policy 115.10(III)(D)(2).

As the initial sample did not include items from all facilities, we then requested inventory logs from all of the facilities, for the same items we had requested from RTC, OCC, and TSCI. We noted the following:

- TSCI and the Nebraska State Penitentiary (NSP) did not have perpetual inventory logs for epinephrine devices ("epi pens") maintained for calendar year 2023. Both facilities started maintaining logs in January 2024, prior to the APA's inquiry. During calendar year 2023, a total of 92 epinephrine devices, valued at \$11,780, were distributed to facilities.
- NSP also did not have perpetual inventory logs for Glucagon during calendar year 2023. As with the epinephrine devices noted above, the NSP had begun to maintain the required log in January 2024, prior to the APA's inquiry. During calendar year 2023, a total of 50 units of Glucagon, valued at \$8,316, were distributed to facilities.

A proper system of internal control requires procedures to ensure that facilities are maintaining perpetual inventory logs of stock medications, in accordance with Department policy.

A similar finding was reported during the 2014 attestation.

We recommend the Department implement procedures to ensure facility staff are properly trained on, and following, the Department's policy on maintaining inventory logs.

*Department Response: Current processes were revised to include a review of all stock medications to be maintained and corresponding levels. As part of this process, perpetual inventory records shall be maintained.*

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

**11. Deceased Incarcerated Individual Accounts**

Neb. Rev. Stat. § 83-153 (Cum. Supp. 2022) provides the following, as is relevant:

*Any claim to money or personal property in the hands of the . . . Department of Correctional Services . . . to the credit of an inmate or patient of any institution subject to the jurisdiction of such departments shall be required to be asserted within two years from and after either (1) the date of the death of the inmate or patient, while confined in such institution, or (2) the date of the discharge of the inmate or patient from such institution. If such claim is not presented within the time limited by this section, it shall be forever barred.*

Furthermore, Neb. Rev. Stat. § 83-154 (Cum. Supp. 2022) adds the following:

*Upon the failure to assert a claim for money within two years as prescribed by section 83-153, . . . the Department of Correctional Services . . . shall transfer such money to a special fund to be set up for the use and benefit of all the inmates or patients of the institution in which the deceased or discharged inmate or patient was confined.*

Department Policy 115.13 (rev. November 30, 2022), “Serious Illness or Injury, Advance Directives & Death,” section V.F., part 1, explains what documentation is necessary – such as a court order or other legal document, or an affidavit establishing the individual as the successor of the deceased – for an individual to claim remaining funds from a deceased incarcerated individual’s account. Part 2.a. of the same section states, in regards to an incarcerated individual’s funds on account following his or her death in custody, “NDCS will retain funds up to the total expenses incurred by the department [if NDCS handles the arrangements of the body] . . . Any remaining funds will be in the form of a check made payable to the estate of the patient . . .”

Sound business practice requires the Department to document formally the arrangement plans of a deceased individual, including who will claim the body and who will be responsible for the cost of arrangements. Additionally, there should be timely follow-up on remaining funds, whether due to the Department or to an estate.

We selected 10 of 47 incarcerated individuals who passed away while in custody in 2022 and 2023. We included two years of data, as some accounts would be reaching the statutory two-year mark within which the funds can be claimed. The following is a table summarizing our findings:

Incarcerated Individual	Date of Death	Total Funds on Account at April 2024	Department Paid Arrangements	Should be Claimed by the Department	Available to Claim by Next of Kin	Due to Special Fund
#1	1/2/2022	\$ 38	\$ -	\$ -	\$ -	\$ 38
#2	3/14/2022	2,247	-	-	-	2,247
#3	12/10/2022	258	480	258	-	-
#4	4/7/2023	323	-	-	323	-
#5	4/12/2023	23,924	-	-	23,924	-
#6	6/25/2023	302	3,915	302	-	-
#7	8/25/2023	738	2,535	738	-	-
#8	8/29/2023	534	2,535	534	-	-
#9	10/9/2023	907	-	-	907	-
#10*	12/14/2023	443	1,895	443	-	-
<b>Total</b>		<b>\$ 29,714</b>	<b>\$ 11,360</b>	<b>\$ 2,275</b>	<b>\$ 25,154</b>	<b>\$ 2,285</b>

\* For this individual, the Department could not provide documentation to show the family did not claim the body. Thus, the Department may have paid for arrangements erroneously.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

**11. Deceased Incarcerated Individual Accounts** (Concluded)

For the three incarcerated individuals who had funds available to be claimed by relatives, the Department did not have documentation to support it notified next of kin of the policy or procedures to claim potential funds.

Additionally, we noted the last transfer of incarcerated individual accounts over two years old was done in February 2022 for \$18,046 and included account balances of incarcerated individuals who passed away as far back as 2013.

Without procedures for properly following up on deceased individual's account balances, there is an increased risk of the funds being left unclaimed by either families or the Department.

We recommend the Department implement procedures to ensure the accounts of deceased incarcerated individuals are handled in a timely manner, which would include writing off funds that were put towards arrangements paid by the Department. We also recommend the Department review its policies and procedures to determine if they can be strengthened in order to return incarcerated individual funds to next of kin rather than being transferred to a Department Fund. Lastly, we recommend the Department implement procedures to ensure accounts left unclaimed after two years are transferred promptly to the appropriate fund.

*Department Response: NDCS Accounting strives to be as timely as possible. However, in many cases, it can take an extensive period of time to ensure funds are released to a legally obligated successor which delays the process. Further, Grand Jury results are required before distribution per NDCS policy.*

*NDCS Policy 115.13, Serious Illness or Injury, Advance Directives & Death, identifies the notification process upon death. NDCS cannot disclose financial information to individuals who are not established as a legally obligated successor as addressed in Neb. Rev. Stat. § 83-178.*

*On July 6, 2017, NDCS received a letter from the Auditor of Public Accounts which included that NDCS submit such funds to the State Treasurer Unclaimed Property. NDCS' subsequent review in response to the Auditor's finding in the current draft attestation report determined the proper handling of such funds is to create a 'special' fund for this purpose per § 83-915.01. NDCS will establish such a fund for these funds, to include any funds on an inmate's institutional balance that remain unclaimed for the time period set forth in § 83-153.*

**APA Response: The APA letter dated July 6, 2017, recommends the Department review outstanding checks written on behalf of incarcerated individuals to determine whether they should be turned over to the Inmate Welfare and Club Account Fund, as was being used by the Department, or delivered to the State Treasurer as unclaimed property. During and prior to our attestation, the Department transferred outstanding checks written to incarcerated individuals to the Inmate Welfare and Club Account Fund. The APA agrees with the Department's determination that it has not been in compliance with § 83-154 for many years and needs to establish a special fund.**

**12. Overtime Policies**

Though calculated according to Federal regulations, the Department's manner of determining overtime pay does not agree with the method specified in the State of Nebraska's labor contracts with both the Nebraska Association of Public Employees Local 61 of the American Federation of State, County, and Municipal Employees (NAPE/AFSCME) and the Fraternal Order of Police, Lodge 88 (FOP 88).

The table below identifies the potential impact on overtime rates due to the different methods of calculating overtime described in the applicable Federal regulations and the NAPE/AFSCME and the FOP 88 contracts:

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

12. **Overtime Policies** (Continued)

Employee	Overtime rate per 2021-2023 NAPE/AFSCME or FOP 88 Contract	Overtime rate per 2023-2025 NAPE/AFSCME or FOP 88 Contract	Overtime rate per Federal regulations	Difference
Employee 1	\$87.652	-	\$99.462	\$11.81
Employee 2	-	\$56.01	\$59.482	\$ 3.47

Article 12.5 of both the 2021-2023 NAPE/AFSCME and the 2021-2023 FOP 88 labor contracts was amended by Letters of Agreement on June 24, 2022, and November 29, 2021, respectively. The amended provision in both contracts states the following, in relevant part:

*From December 6, 2021 until June 30, 2023, employees in classifications within bargaining units covered by this Labor Contract shall be eligible for overtime compensation at two times their regular hourly rate.*

Additionally, for both the 2023-2025 NAPE/AFSCME and the 2023-2025 FOP 88 labor contracts, Article 12.5 was revised to state the following, as is relevant:

*Employees in classifications within bargaining units covered by this Labor Contract shall be eligible for time and one-half overtime compensation except for those classifications identified in Appendix A as exempt. Those classifications identified as exempt in Appendix A shall not be eligible for time and one-half overtime.*

Title 29 CFR § 778.107 (July 1, 2023) states, “The general overtime pay standard in section 7(a) requires that overtime must be compensated at a rate not less than one and one-half times the regular rate at which the employee is actually employed.” In addition, Title 29 CFR § 778.108 (July 1, 2023) states, “Section 7(e) of the Act requires inclusion in the ‘regular rate’ of ‘all remuneration for employment paid to, or on behalf of, the employee’ . . . .”

Per the U.S. Department of Labor, the overtime premium due to employees should be calculated as follows: 1) Total straight-time earnings divided by total hours worked equals the employee’s regular rate; 2) Multiply the regular rate by .5 to determine the half-time premium; 3) Multiply the half-time premium by the overtime hours to determine the total overtime premium due. Earnings must include on call and shift differential pay.

The above-quoted amended provisions of the 2021-2023 NAPE/AFSCME and the 2021-2023 FOP 88 labor contracts specify that overtime work is to be paid at “two times the regular hourly rate for all members of the bargaining unit.” However, the Department calculates overtime compensation in accordance with Federal regulations – which, unlike the NAPE/AFSCME and FOP 88 contracts, require the overtime premium calculation not only to be set at time and one-half but also to take into account compensation received for shift differentials and on-call duty.

For 6 out of 22 employees tested, moreover, we noted that the overtime calculation rate improperly included pay for holiday hours worked, resulting in excess overtime payments. During the calendar year, the Department’s entire workforce accumulated a total of 6,266 paid holiday hours. The table below shows the impact of including that excess holiday pay in the overtime calculations for the six employees at issue:

Employee	Paycheck Date	OT Rate per Agency	OT Rate per DAS	Variance	OT Hours	Resulting Overpayment	Total Pay for Pay Period
Employee 1	12/13/2023	\$ 17.091	\$ 17.072	\$ (0.02)	57.25	\$ 1.06	\$ 12,558.06
Employee 2	12/13/2023	24.374	24.360	(0.01)	32.75	0.47	11,346.59
Employee 3	12/13/2023	21.437	21.416	(0.02)	24.25	0.51	6,199.19
Employee 4	11/1/2023	18.126	18.107	(0.02)	20.25	0.38	4,612.93
Employee 5	9/20/2023	22.142	21.367	(0.78)	20.50	15.89	7,132.05
Employee 6 *	9/20/2023	12.579	14.079	1.50	2.75	28.02	4,229.19
		15.979	15.116	(0.86)	37.25		

\* The overtime rate for this employee was incorrectly calculated for both weeks of the pay period.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

12. **Overtime Policies** (Concluded)

Employee 6 was overpaid \$28 because his overtime pay rate incorrectly included shift differential, which is additional compensation for working at a 24/7 facility. The 112 hours of shift differential earned over a two-week period was recorded as being earned on one day, causing the overtime rate for both weeks to be calculated incorrectly.

A similar finding was reported during the 2014 attestation.

We recommend the Department work with the Nebraska Department of Administrative Services to review the language of the NAPE/AFSCME and the FOP 88 labor contracts regarding overtime pay, pursuing whatever action necessary to ensure continuity between those provisions and the procedures utilized by the Department. We also recommend the Department work with the Nebraska Department of Administrative Services to ensure that overtime rates for eligible employees are calculated correctly.

*Department Response: NDCS follows applicable labor contract provisions regarding overtime pay.*

13. **System Access**

The Department utilized the ATG system in order to maintain the Central Pharmacy inventory and track pharmacy transactions, such as prescription ordering and dispensing. When hired, employees were assigned a role within the ATG application that provided them access necessary to perform their job functions. During our review of user access, we identified four terminated employees who still had active IDs. Three had terminated employment with the State, and the other was employed with a different State agency. These individuals had the following access:

UserID Role	Job Title	Date Employment Ended
Super User	Business Manager II	2/28/2019
Pharmacist/Pharmacist Admin	Pharmacy Manager	7/5/2019
Pharmacy Tech	Pharmacy Technician	5/7/2019
Pharmacist Admin	Community Health Educator	1/28/2024*

\*This individual terminated employment with the Department, and transferred to another State agency.

Additionally, when reviewing the Central Pharmacy’s procedures for ordering medications through Cardinal Health, the primary vendor used for medications and other pharmaceutical supplies, we noted that only two IDs were set up to order from the Cardinal Health website. One ID was utilized by the Inventory Control Technician, and the other ID was shared between all other Central Pharmacy staff. The sharing of IDs reduces the ability of the Department to maintain accountability, as multiple staff can use the same ID to order medication from Cardinal Health.

We also noted that there was no restriction or requirement for a second individual to review and approve Cardinal Health orders. This allowed one individual both to enter and to process an order in the Cardinal Health system without any review by a pharmacist or other supervisory employee, increasing the risk of items being inappropriately ordered, either fraudulently or due to error, without being detected. When considered with the fact that staff had the ability to adjust inventory in the ATG system without any secondary approval, this provided an enhanced opportunity for the pilfering of items, as an individual could place an order, receive the items into the ATG inventory in the system, and then record an adjustment to remove the items without being detected.

A proper system of internal controls requires not only the removal or deactivation of terminated users from Department applications but also individual user IDs to ensure accountability for transactions entered.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

**13. System Access** (Concluded)

We recommend the Department strengthen procedures for ensuring user access is removed upon an employee's termination. Those same procedures should ensure also that employees are provided unique IDs to both the Department's applications and significant vendor applications.

*Department Response: Access is being reviewed and updated, as well as ensuring access is updated upon team member change of employment. This will be done at least two times a year, to include ensuring unique IDs are maintained. NDCS will also be reviewing this process to identify possible efficiencies.*

*Additionally, procedures were revised to provide for proper segregation of duties involving orders in the Cardinal Health System and Pharmacy system.*

**14. Improper Coding of Journal Entries**

The Department incorrectly recorded three journal entries that caused both Federal expenditures and Federal revenues to be understated by \$2,254,838. The purpose of the journal entries was to transfer medical expenditures from the General Fund to a Federal fund for the State Criminal Alien Assistance Program (SCAAP) grant program. However, when recording the entries, the Department recorded the expenditures as reductions to a revenue account in the Federal fund instead of as expenditures.

After this was brought to the Department's attention, a correcting entry was made for the entries that occurred within the State fiscal year ending June 30, 2024.

A proper system of internal control requires strong Department procedures for ensuring that journal entries are coded correctly in EnterpriseOne (E1), the State's accounting system, for proper financial statement presentation.

Without such procedures, there is an increased risk for the financial statements to be materially misstated.

We recommend the Department strengthen procedures for ensuring journal entries are recorded properly.

*Department Response: NDCS Accounting strives to be as accurate as possible. Procedures have been reviewed with applicable team members and corrections made.*

**15. Incarcerated Individual Account Issues**

As described in Comment 2 ("Inmate/Juvenile Trust Fund Reconciliations") herein, the Department utilizes the Inmate/Juvenile Trust Fund (Fund) in the State accounting system to account for funds belonging to incarcerated individuals, and the physical funds received by the Department, on behalf of incarcerated individuals, are deposited into a unique state bank account, separate from other accounts maintained by the State. However, the detailed transactions and balances for each incarcerated individual are recorded in a different computer application called the Corrections Information and Tracking (CIT) application.

Tracking the account balances of incarcerated individuals in a system separate from the actual bank account leaves room for errors to occur between the State's possession of funds and the incarcerated individual's access to funds. As described below, we noted multiple instances during testing when an incarcerated individual had improper access to funds:

- For one of nine institutional receipts and refunds tested, we identified a receipt of \$22,000 that was made available to the incarcerated individual after 14 days, instead of the 21 days required by Department policy. It is unclear whether the receipt had cleared the bank when the funds were released to the incarcerated individual six days after deposit. This error appeared to be caused by the CIT application not allowing the Department to change the date funds are made available and this receipt having to be entered multiple times due to factors beyond the Department's control.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

15. **Incarcerated Individual Account Issues** (Concluded)

The CIT application generates automatic actions to freeze and unfreeze incoming incarcerated individual funds exceeding \$500 to ensure the instrument has cleared the bank before the incarcerated individual has access to the funds. Department Policy 113.02, section II.F.7, requires, “A cashier or certified check will be frozen for 21 days since a stop payment can be placed on this check.”

- For one of eight stopped and/or voided checks tested, the Department posted an excess \$2,075 to an incarcerated individual’s account. For this incarcerated individual, a \$2,075 check was written on August 1, 2023, and the amount was removed from her CIT account. The check was later voided on September 27, 2023, and \$2,075 was credited back to her account. Around the same time, she had requested a stop payment on the check, and the Department did not see that the check had already been voided, so another \$2,075 was credited to her CIT account on October 5, 2023.

The error was not discovered until March 2024, when the Department was completing prior monthly reconciliations. The error has since been resolved.

- For one of three Private Venture payroll credits tested, a \$2,476 credit was posted to an incarcerated individual’s account on April 14, 2023, while the ACH was not processed in the State’s accounting system until April 18, 2023, making these funds available to the incarcerated individual prior to the funds being deposited in the Inmate/Juvenile Trust Fund bank account.

Department Policy 119.03, Section II, includes the following:

*All wage payments to NDCS will be made on a schedule approved and agreed to by both NDCS accounting and the PIECP [Private Venture] employer. Incarcerated individual payroll shall be remitted electronically by the PIECP employer through the Automated Clearing House via an agreement established between the PIECP employer, NDCS and the state treasurer’s office. The payroll shall be in the bank account designated by the state treasurer on a pre-arranged date and no later than five work days prior to the actual posting of payroll on incarcerated individuals’ accounts. Failure to meet the specified time frame may delay the posting of the payroll on the incarcerated individuals’ accounts.*

A proper system of internal control requires procedures to ensure that: 1) funds due to the incarcerated individual are recorded properly and made available in a timely manner, after clearing the bank account; and 2) ensure checks that are voided or stopped are properly recorded in the CIT application.

Without such procedures, there is an increased risk of incarcerated individuals’ account balances being inaccurate.

We recommend the Department strengthen procedures for ensuring funds are made available to incarcerated individuals in accordance with Department policy. We also recommend the Department strengthen procedures for ensuring incarcerated individuals’ account balances and activity are recorded properly in its CIT application.

*Department Response: NDCS Accounting strives to be as accurate as possible and corrects any error they identify during its reconciliation and other processes.*

*As previously noted, NDCS inmate accounting is moving from the current mainframe system to an electronic system that tracks account balances of incarcerated individuals.*



NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Continued)

**16. Mail Room Controls**

During discussions with the Department, we learned that two individuals are not present when incarcerated individuals' mail is opened and receipts are initially recorded to establish initial control over monies received. With only one person opening the mail, there is an increased risk for theft of any cash received. If someone does send an inmate cash, it is still to be receipted; however, the money is deposited into a confiscated funds account that the incarcerated individual cannot access until release or other circumstances apply.

All nine correctional facilities receive mail, including checks and cash. Mail receipts accounted for \$3.79 million of incarcerated individuals' income during the calendar year 2023.

A proper system of internal control requires procedures for properly handling and receipting all mail, including any money included therein, sent to incarcerated individuals. Those procedures should include having more than one individual involved in opening the mail.

Without such procedures, there is an increased risk for the loss or misappropriation of funds. Also, without an adequate segregation of duties and the proper safeguarding of receipts, an individual has the opportunity to perpetuate and conceal fraud.

A similar finding was reported during the 2014 attestation.

We recommend the Department implement procedures for properly handling and receipting all mail, including any money included therein, sent to incarcerated individuals. Those procedures should include having more than one individual involved in opening the mail.

*Department Response: NDCS does not believe having more than one individual involved in opening the mail is necessary, nor the best use of State resources.*

*Funds can be received electronically and through the U.S. postal mail. Incarcerated individuals notify NDCS team members when they believe funds have not been received, including the use of the grievance process. NDCS believes this is a sufficient mitigating factor.*

**APA Response: We recommend the controls over receipts be within the Department and not be based on the reliance of an outside party.**

**17. Corrections Payroll Policies**

The Department lacked written policies for reviewing on-call hours earned by its employees. On-call hours were manually entered into KRONOS by the employee's supervisor and, at times, were entered as a lump sum of hours accumulated over a given period rather than a daily total. During the calendar year, the Department paid over \$380,000 for on-call hours.

Department Policy 112.12(I)(A)(9), "Compensation: Timekeeping, Overtime, Pay, Warrants, and Flex Time," states the following:

*The NAPE overtime eligible team member who is required to be on call/standby status is compensated at 12% of the normal hourly rate of pay for each hour of being on call/standby status. Team members may not be placed in an on call status for more than 7 calendar days in a pay period unless they agree to it in writing - signed by the team member and the supervisor. If a team member is on any kind of leave, except for holiday leave, for one day or more during the on call period, they will not be considered as being in an on call status for that day(s) and will not be paid for on call pay for the time they are on leave. The supervisor will be required to find someone else to cover the on call duty for that day(s). If the overtime eligible team member on an on call/standby status returns to the facility, the method of compensation changes to a call back pay status. Upon clocking-out of the facility, the team member returns to their on call/standby status.*

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**COMMENTS AND RECOMMENDATIONS**

(Concluded)

**17. Corrections Payroll Policies** (Concluded)

It was noted also that the Department lacked written policies addressing how holiday leave hours are accounted for in instances when a holiday falls in the middle of an employee's three-day weekend. During testing, the Department explained that, since the implementation of 12-hour shifts, the Department utilized an unwritten policy of assigning the holiday leave to the closest day within the same pay week.

For one employee tested, moreover, it was noted that workers' compensation hours were counted as time worked for the purposes of accumulating overtime. However, the Department does not have any written policies authorizing workers' compensation hours to be count towards overtime accumulation.

Sound business practices and a proper system of internal control require the Department's employment policies to be clear and comprehensive, include all approved procedures, such as a necessary review of hours worked or earned, including on-call hours, holiday leave, and overtime accumulation.

Without such clear and comprehensive policies, there is an increased risk of both inconsistent and incorrect hourly payroll calculations and accumulations.

A similar finding was reported during the 2014 attestation.

We recommend the Department ensure that its employment policies are clear and comprehensive, including all approved procedures, such as a necessary review of hours worked or earned, including on-call hours, holiday leave, and overtime accumulation.

*Department Response: NDCS reviews all policies annually, to include employment policies. The review includes ensuring the policies are clear and as comprehensive as necessary, to include on-call hours, holiday leave and overtime accumulation. Policy 112.12, Compensation: Timekeeping, Overtime, Pay, Warrants and Flex, was most recently updated and effective June 30, 2024.*

**18. Shift Differential Pay**

Three of five employee payrolls tested included the 24/7 Facility \$3 shift differential hours in lump sums on a single day. For two of these employees, the lump sums were for shift differentials that were earned, but not paid, in prior pay periods. These employees also earned overtime during the pay periods tested, causing the overtime premium to be calculated incorrectly due to the lump sum differential hours not being allocated to the week earned.

Per Article 7.14 of the 2023-2025 NAPE/AFSCME Labor Contract:

*Effective November 8, 2021, a pay differential of three-dollars per hour (\$3.00) shall be paid to all staff covered by this Labor Contract who are assigned by their agency to work at or have as their permanently assigned location one of the 24-hour facilities . . . . The pay differential provided under this section shall be in addition to any other hourly differentials outlined in this Labor Contract, and shall apply to all hours worked while assigned by their agency to one of the above listed 24-hour facility locations.*

The table below shows the impact of recording all shift differential hours, including those earned in prior periods, in a single pay period:

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

COMMENTS AND RECOMMENDATIONS

(Concluded)

18. **Shift Differential Pay** (Concluded)

Employee	Shift Differential Hours	Shift Differential Include Backpay	Department Overtime Paid	APA Calculation	(Under)/Overpayment for Overtime
1	377.50	Yes	\$ 262.12	\$ 255.10	\$ 7.02
2*	103.75	Yes	435.84 905.69	404.71 987.03	(50.21)
3	88.50	No	320.76	334.37	(13.61)

\* The employee had an overpayment in the period when backpay was received and an underpayment in the period when the shift differential should have originally been paid, resulting in a net underpayment of \$50.21.

Employee 1 also improperly received \$456 for 152 shift differential hours that she did not earn.

The original overtime calculation for Employee 3 incorrectly excluded shift differential hours earned.

Applying shift differential hours in lump sums to a single day increases the risk of employees not being paid the correct overtime rate. Likewise, failure to credit shift differential hours properly will increase the likelihood of incorrect employee pay.

We recommend the Department implement procedures to ensure shift differential hours are recorded properly to allow for correct employee payroll.

*Department Response: NDCS Payroll strives to be accurate in recording all payroll entries.*



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

### INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Correctional Services  
Lincoln, Nebraska

We have examined the accompanying Schedule of Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund of the Nebraska Department of Correctional Services (Department) for the period January 1, 2023, through December 31, 2023. The Department's management is responsible for the Schedule of Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund 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 Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund are 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 Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund. 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 Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund, 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 Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund for the period January 1, 2023, through December 31, 2023, is based on the accounting system and procedures prescribed by the State of Nebraska's Director of the Department 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 Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund; fraud that is material, either quantitatively or qualitatively, to the Schedule of Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund; and any other instances that warrant the attention of those charged with governance.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

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 Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund are 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 Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund 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 Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund, 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.

August 13, 2024



Mike Foley  
Auditor of Public Accounts  
Lincoln, Nebraska

**NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES**  
**SCHEDULE OF PAYROLL AND MEDICAL EXPENDITURES BY FUND**

For the Period January 1, 2023, through December 31, 2023

	Payroll	Medical
General Fund - Fund 10000	\$ 226,396,371	\$ 63,978,087
Correctional Facilities Cash Funds - Funds 24690, 24691	(81,801)	1,910,404
Community Based Services - Fund 48130, 48138	158,825	3,622,737
Correctional Industries - Fund 52510	7,314,231	-
Federal Surplus Property - Funds 52700, 52701	359,731	-
Store Canteen - Funds 64640, 64641	917,084	-
<b>TOTAL</b>	<b>\$ 235,064,441</b>	<b>\$ 69,511,228</b>

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
For the Period January 1, 2023, through December 31, 2023

	Inmate / Juvenile Trust Funds 64612, 64613
REVENUES:	
Miscellaneous	\$ 25,539,612
TOTAL REVENUES	25,539,612
EXPENDITURES:	
Operating	24,670,898
TOTAL EXPENDITURES	24,670,898
Excess (Deficiency) of Revenues Over (Under) Expenditures	868,714
OTHER FINANCING SOURCES (USES):	
Operating Transfers Out	(788,474)
TOTAL OTHER FINANCING SOURCES (USES)	(788,474)
Net Change in Fund Balances	80,240
FUND BALANCES, JANUARY 1, 2023	7,377,933
FUND BALANCES, DECEMBER 31, 2023	\$ 7,458,173
FUND BALANCES CONSIST OF:	
General Cash	\$ 7,596,112
Petty Cash	40,000
Due to Vendors	(177,939)
TOTAL FUND BALANCES	\$ 7,458,173

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

NOTES TO THE SCHEDULE

For the Calendar Year Ended December 31, 2023

1. Criteria

The accounting policies of the Nebraska Department of Correctional Services (Department) are on the basis of accounting, as prescribed by the State of Nebraska's Director of the Department of Administrative Services (DAS).

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 Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund 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 Department to record all accounts receivable and related revenues in EnterpriseOne; as such, the Department's Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund 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 of Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures and Changes in Fund Balance for the Inmate/Juvenile Trust Fund 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 Schedules, 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.

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 Department:

**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 DEPARTMENT OF CORRECTIONAL SERVICES

**NOTES TO THE SCHEDULE**

(Concluded)

**1. Criteria** (Continued)

**50000 – Revolving Funds** – account for the operation of State agencies that provide goods and services to other departments or agencies within State government.

**60000 – Trust Funds** – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

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

**Miscellaneous** – Revenue from sources not covered by other major categories, such as family support, incarcerated individual payroll, and investment income.

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

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

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

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

**Assets** – Resources owned or held by a government that have monetary value. Assets include cash accounts. Cash accounts are also included in fund balance and are reported as recorded in the general ledger.

**Liabilities** – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance.

**Other Financing Sources** – Operating transfers, proceeds of fixed asset dispositions, and long-term debt proceeds.

**2. Reporting Entity**

The Department is a State agency established under and governed by the laws of the State of Nebraska. As such, the Department is exempt from State and Federal income taxes. The Schedules include only the Payroll and Medical expenditures of the Department as well as the activity of the Inmate/Juvenile Trust Fund included in the general ledger.

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

**3. Transfers**

During the calendar year, the Department transferred \$788,474 from the Inmate/Juvenile Trust Fund to the Department's Canteen Fund. This transfer is to account for purchases made by incarcerated individuals from the Department's canteen.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

**SUPPLEMENTARY INFORMATION**

Our examination was conducted for the purpose of forming an opinion on the Schedule of Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund. 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 Payroll and Medical Expenditures by Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Inmate/Juvenile Trust Fund; accordingly, we express no opinion on it.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES  
**Top 25 Incarcerated Individuals Earnings and Maintenance Fees Paid**  
**Related to Comment #3, Maintenance Fees Charged to Incarcerated Individuals**  
 For the Period January 1, 2023, through December 31, 2023

<b>Top 25 Earners (after taxes)</b>			
<b>Rank</b>	<b>Payroll Earnings</b>	<b>Maintenance Fees paid to the Dept.</b>	<b>% of Income Paid as Maintenance Fees</b>
1	\$ 54,566.13	\$ 4,320.00	7.90%
2	54,109.76	2,688.00	5.00%
3	53,518.16	4,380.00	8.20%
4	53,061.53	3,228.00	6.10%
5	50,464.59	2,772.00	5.50%
6	49,812.89	2,688.00	5.40%
7	48,325.50	3,480.00	7.20%
8	47,562.14	3,072.00	6.50%
9	47,204.16	2,628.00	5.60%
10	46,290.81	2,916.00	6.30%
11	46,152.25	3,816.00	8.30%
12	45,078.80	4,200.00	9.30%
13	44,391.74	4,416.52	9.90%
14	41,973.79	3,276.00	7.80%
15	41,231.67	4,332.00	10.50%
16	40,957.49	3,228.00	7.90%
17	40,007.65	2,688.00	6.70%
18	39,452.04	2,712.00	6.90%
19	38,860.44	4,380.00	11.30%
20	38,779.98	3,216.00	8.30%
21	38,408.88	3,996.00	10.40%
22	38,367.63	3,960.00	10.30%
23	38,179.93	3,648.00	9.60%
24	38,006.24	3,587.34	9.40%
25	37,753.84	2,400.00	6.40%
<b>Total</b>	<b>\$ 1,112,518.04</b>	<b>\$ 86,027.86</b>	<b>7.70%</b>

## NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

## Top 25 Employees Paid Overtime

## Related to Comment #4, Department Overtime

For the Period January 1, 2023, through December 31, 2023

Employee	Job Title	Institution	Pay Rate at Dec 2023	Overtime Paid and Comp Hours Earned	Overtime Paid and Comp Earned
1	Corrections Corporal	RTC	\$ 33.99	2,075	\$ 112,667
2	Corrections Corporal	NSP	29.87	2,173	108,900
3	Corrections Corporal	OCC	35.02	1,806	106,521
4	Corrections Unit Caseworker	RTC	30.90	1,885	100,526
5	Corrections Corporal	TSCI	29.87	2,132	100,230
6	Corrections Sergeant	NSP	37.08	1,815	93,034
7	Corrections Sergeant	OCC	33.99	1,609	90,752
8	Corrections Corporal	NSP	32.96	1,603	88,037
9	Corrections Corporal	TSCI	30.90	1,717	85,903
10	Corrections Corporal	RTC	29.87	1,746	82,441
11	Corrections Corporal	TSCI	29.87	1,771	81,179
12	Corrections Corporal	RTC	29.87	1,626	78,380
13	Corrections Corporal	RTC	29.87	1,451	75,714
14	Food Service Manager	TSCI	27.91	1,490	74,679
15	Corrections Corporal	RTC	31.93	1,436	74,298
16	Corrections Corporal	NSP	29.87	1,492	74,268
17	Corrections Corporal	RTC	28.84	1,546	72,022
18	Corrections Corporal	NSP	29.54	1,345	71,167
19	Corrections Corporal	NSP	32.96	1,313	70,607
20	Corrections Corporal	NSP	32.96	1,310	70,177
21	Corrections Unit Caseworker	RTC	33.99	1,293	69,673
22	Food Service Worker	RTC	25.16	1,696	68,078
23	Registered Nurse	NCCW	37.34	1,026	67,427
24	Corrections Unit Caseworker	TSCI	33.99	1,343	65,669
25	Corrections Corporal	OCC	29.87	1,278	62,994

**Note 1:** The hourly rate times the overtime and comp hours earned does not equal the overtime and comp earned because: 1) the hours noted include Overtime at 1.5 and Overtime at 2 due to the Fraternal Order of Police Labor Contract, where Corrections Corporals, Corrections Unit Caseworkers, and Corrections Sergeants received Overtime at 2 during the period December 6, 2021, to June 30, 2023, and 2) the Pay Rate included is as of December 2023 and thus the rate paid for overtime prior to December 2023 may have been at a different hourly rate.

**Note 2:** The hourly rate of pay is as of December 2023 or the most recent hourly rate if terminated prior to December 31, 2023.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

Top 15 Employees Paid Overtime

Related to Comment #4, Department Overtime

For the Period January 1, 2019, through December 31, 2023

Corrections Corporal - joined the Department in July 2022	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	-	\$ -	-	\$ -	-	\$ -	732	\$ 28,748	2,111	\$ 92,385
Overtime/Comp Earned	-	\$ -	-	\$ -	-	\$ -	491	\$ 32,435	2,075	\$ 112,667
<b>Total</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>1,223</b>	<b>\$ 61,183</b>	<b>4,186</b>	<b>\$ 205,051</b>
Corrections Corporal - terminated in 2021 and rehired in 2022	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	2,223	\$ 46,286	2,170	\$ 47,291	1,227	\$ 27,719	1,391	\$ 43,297	2,124	\$ 69,852
Overtime/Comp Earned	576	\$ 17,450	1,405	\$ 43,817	289	\$ 8,422	1,112	\$ 51,681	2,173	\$ 108,900
<b>Total</b>	<b>2,799</b>	<b>\$ 63,736</b>	<b>3,575</b>	<b>\$ 91,108</b>	<b>1,516</b>	<b>\$ 36,141</b>	<b>2,503</b>	<b>\$ 94,978</b>	<b>4,297</b>	<b>\$ 178,752</b>
Corrections Corporal	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	2,260	\$ 45,556	2,119	\$ 53,768	2,120	\$ 56,625	2,122	\$ 77,627	2,122	\$ 77,917
Overtime/Comp Earned	2,146	\$ 63,679	2,602	\$ 85,670	2,356	\$ 86,873	2,114	\$ 144,555	1,806	\$ 106,521
<b>Total</b>	<b>4,406</b>	<b>\$ 109,235</b>	<b>4,721</b>	<b>\$ 139,438</b>	<b>4,476</b>	<b>\$ 143,498</b>	<b>4,236</b>	<b>\$ 222,182</b>	<b>3,928</b>	<b>\$ 184,438</b>
Corrections Unit Caseworker - joined the Department in June 2022	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	-	\$ -	-	\$ -	-	\$ -	976	\$ 33,715	2,128	\$ 78,616
Overtime/Comp Earned	-	\$ -	-	\$ -	-	\$ -	545	\$ 31,734	1,885	\$ 100,526
<b>Total</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>1,521</b>	<b>\$ 65,449</b>	<b>4,013</b>	<b>\$ 179,142</b>
Corrections Corporal - joined the Department in February 2022	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	-	\$ -	-	\$ -	-	\$ -	1,736	\$ 63,973	2,110	\$ 79,431
Overtime/Comp Earned	-	\$ -	-	\$ -	-	\$ -	1,819	\$ 84,366	2,132	\$ 100,230
<b>Total</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>3,555</b>	<b>\$ 148,339</b>	<b>4,242</b>	<b>\$ 179,661</b>
Corrections Sergeant	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	2,231	\$ 45,267	2,107	\$ 57,343	2,122	\$ 62,537	2,107	\$ 85,990	2,291	\$ 88,794
Overtime/Comp Earned	2,332	\$ 60,821	2,800	\$ 88,724	2,839	\$ 100,313	2,471	\$ 148,324	1,815	\$ 93,034
<b>Total</b>	<b>4,563</b>	<b>\$ 106,088</b>	<b>4,907</b>	<b>\$ 146,067</b>	<b>4,961</b>	<b>\$ 162,850</b>	<b>4,578</b>	<b>\$ 234,314</b>	<b>4,106</b>	<b>\$ 181,828</b>
Corrections Sergeant - terminated in early 2021 and rejoined in late 2021	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	2,277	\$ 45,799	2,145	\$ 50,861	329	\$ 8,425	2,263	\$ 73,965	2,145	\$ 74,600
Overtime/Comp Earned	2,294	\$ 65,959	2,191	\$ 69,100	156	\$ 5,213	1,894	\$ 108,565	1,609	\$ 90,752
<b>Total</b>	<b>4,571</b>	<b>\$ 111,758</b>	<b>4,336</b>	<b>\$ 119,961</b>	<b>485</b>	<b>\$ 13,638</b>	<b>4,157</b>	<b>\$ 182,530</b>	<b>3,754</b>	<b>\$ 165,352</b>
Corrections Corporal	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	2,234	\$ 43,523	2,120	\$ 47,256	2,114	\$ 52,180	2,129	\$ 78,079	2,121	\$ 72,290
Overtime/Comp Earned	1,664	\$ 44,957	1,419	\$ 42,836	1,916	\$ 59,598	2,316	\$ 127,468	1,603	\$ 88,037
<b>Total</b>	<b>3,898</b>	<b>\$ 88,480</b>	<b>3,539</b>	<b>\$ 90,092</b>	<b>4,030</b>	<b>\$ 111,778</b>	<b>4,445</b>	<b>\$ 205,547</b>	<b>3,724</b>	<b>\$ 160,327</b>

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES

Top 15 Employees Paid Overtime

Related to Comment #4, Department Overtime

For the Period January 1, 2023, through December 31, 2023

Corrections Corporal - joined the Department in September 2022	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	-	\$ -	-	\$ -	-	\$ -	599	\$ 19,271	2,109	\$ 78,069
Overtime/Comp Earned	-	\$ -	-	\$ -	-	\$ -	260	\$ 14,816	1,717	\$ 85,903
<b>Total</b>	-	\$ -	-	\$ -	-	\$ -	859	\$ 34,087	3,826	\$ 163,972
Corrections Corporal - joined the Department in December 2021	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	-	\$ -	-	\$ -	40	\$ 1,120	2,118	\$ 67,484	2,115	\$ 70,187
Overtime/Comp Earned	-	\$ -	-	\$ -	-	\$ -	2,112	\$ 119,123	1,746	\$ 82,441
<b>Total</b>	-	\$ -	-	\$ -	40	\$ 1,120	4,230	\$ 186,607	3,861	\$ 152,628
Corrections Corporal - joined the Department in June 2022	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	-	\$ -	-	\$ -	-	\$ -	973	\$ 33,781	2,111	\$ 77,221
Overtime/Comp Earned	-	\$ -	-	\$ -	-	\$ -	763	\$ 32,648	1,771	\$ 81,179
<b>Total</b>	-	\$ -	-	\$ -	-	\$ -	1,736	\$ 66,429	3,882	\$ 158,400
Corrections Corporal - joined the Department in December 2021	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	-	\$ -	-	\$ -	40	\$ 1,122	2,109	\$ 67,588	2,117	\$ 71,293
Overtime/Comp Earned	-	\$ -	-	\$ -	1	\$ 26	847	\$ 46,307	1,626	\$ 78,380
<b>Total</b>	-	\$ -	-	\$ -	41	\$ 1,148	2,956	\$ 113,895	3,743	\$ 149,673
Corrections Corporal - joined the Department in April 2022	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	-	\$ -	-	\$ -	-	\$ -	1,502	\$ 50,382	2,121	\$ 77,861
Overtime/Comp Earned	-	\$ -	-	\$ -	-	\$ -	697	\$ 25,982	1,451	\$ 75,714
<b>Total</b>	-	\$ -	-	\$ -	-	\$ -	2,199	\$ 76,364	3,572	\$ 153,575
Food Service Manager	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	2,218	\$ 45,502	2,180	\$ 47,318	2,198	\$ 51,038	2,088	\$ 66,386	2,148	\$ 69,590
Overtime/Comp Earned	918	\$ 27,009	1,608	\$ 48,856	1,473	\$ 52,751	1,619	\$ 94,320	1,490	\$ 74,679
<b>Total</b>	3,136	\$ 72,511	3,788	\$ 96,174	3,671	\$ 103,789	3,707	\$ 160,706	3,638	\$ 144,269
Corrections Corporal - joined the Department in January 2020	CY 2019		CY 2020		CY 2021		CY 2022		CY 2023	
	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay	Hours	Pay
Regular Pay	-	\$ -	1,911	\$ 42,879	2,136	\$ 52,549	2,117	\$ 81,063	2,120	\$ 76,543
Overtime/Comp Earned	-	\$ -	922	\$ 26,288	1,138	\$ 35,456	1,208	\$ 71,144	1,436	\$ 74,298
<b>Total</b>	-	\$ -	2,833	\$ 69,167	3,274	\$ 88,005	3,325	\$ 152,207	3,556	\$ 150,841

## Overtime for the Last Five Years

## Related to Comment #4, Department Overtime

For the Period January 1, 2019, through December 31, 2023

	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023
Total Wages Paid	\$ 117,778,282	\$ 120,413,643	\$ 121,884,700	\$ 178,640,285	\$ 179,545,650
Total Overtime paid	\$ 16,453,645	\$ 14,626,364	\$ 16,010,004	\$ 27,438,272	\$ 18,510,562
Overtime at 1 - hours	597,033	487,288	492,419	497,064	363,539
Overtime Premium at 1 - hours	14,848	1,775	27,910	391,477	147,435
Overtime Premium at 0.5 - hours	460,213	380,572	363,070	10,402	147,145
Average Hourly Rate	\$ 19.60	\$ 21.49	\$ 22.41	\$ 29.76	\$ 31.10
Average OT Prem @ 1	\$ -	\$ -	\$ 30.01	\$ 31.74	\$ 32.43
Average OT Prem @ 0.5	\$ 9.79	\$ 10.81	\$ 11.14	\$ 10.70	\$ 16.55
Comp Time Earned (in Hours)	139,299	141,771	140,636	162,200	113,644
Comp Time Earned (in Dollars)	\$ 2,639,458	\$ 2,935,797	\$ 3,053,216	\$ 4,734,003	\$ 3,400,440
Overtime Premium + Comp Time Earned Hours	736,332	629,059	633,055	659,264	477,183

**Note 1:** From December 6, 2021, through June 30, 2023, employees that fell under the Fraternal Order of Police Labor Contract received compensation at 2 times their hourly rate in the form of pay or comp time off for hours worked in excess of 40 hours. Corrections Corporals, Corrections Unit Caseworkers, and Corrections Sergeants all fell under this Labor Contract.

**Note 2:** Effective December 6, 2021, employees that fell under the Fraternal Order of Police Labor Contract received a \$3 increase in wages.

**Note 3:** The Department's overtime is split in Overtime at 1 and Overtime Premium. Overtime at 1 is paid at the employee's normal rate and then the Overtime Premium is paid at the increased rate. Hours at Overtime at 1 will exceed the sum of the other two as employees under the Fraternal Order of Police Labor Contract may receive Overtime at 1 for weeks where they worked 40 hours and also earned 8 hours of holiday leave.

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES  
**Employees Paid Over 40 Hours in a Week with Leave**  
**Related to Comment #8, Pay in Excess of 40 Hours in a Week With Leave**  
For the Period January 1, 2023, through December 31, 2023

Employee	Job Description	Total Hours During Examination Period (Note)	Excess Pay Not Required
1	Corrections Corporal	48.00	\$ 1,440.00
2	Corrections Corporal	46.50	\$ 1,441.50
3	Corrections Sergeant	43.50	\$ 1,444.77
4	Corrections Corporal	39.00	\$ 1,131.00
5	Corrections Corporal	37.00	\$ 1,147.00
6	Corrections Industries Shop Operator	36.50	\$ 957.72
7	Corrections Unit Caseworker	35.00	\$ 1,015.00
8	Corrections Corporal	35.00	\$ 1,085.00
9	Corrections Corporal	32.25	\$ 967.50
10	Corrections Unit Case Manager	31.50	\$ 894.44
11	Food Service Manager	28.50	\$ 800.54
12	Corrections Sergeant	28.00	\$ 951.72
13	Corrections Sergeant	27.00	\$ 830.39
14	Corrections Corporal	27.00	\$ 837.00
15	Corrections Industries Shop Operator	26.00	\$ 746.91
16	Maintenance Specialist I	24.50	\$ 650.48
17	Corrections Corporal	24.00	\$ 672.00
18	Corrections Corporal	24.00	\$ 775.36
19	Food Service Manager	23.75	\$ 634.72
20	Corrections Unit Caseworker	23.25	\$ 744.00
21	Corrections Corporal	22.75	\$ 659.75
22	Mail/Material Specialist	22.50	\$ 444.87
23	Corrections Industries Shop Operator	21.25	\$ 525.26
24	Corrections Corporal	21.25	\$ 595.00
25	Corrections Corporal	20.75	\$ 622.50
26	Corrections Industries Shop Operator	20.25	\$ 542.01
27	Corrections Corporal	20.00	\$ 580.00
28	Corrections Corporal	20.00	\$ 560.00
29	Corrections Corporal	20.00	\$ 588.50
30	Corrections Unit Caseworker	19.75	\$ 814.83
	Top 30 Employees	848.75	\$ 25,099.77
	Other 564 Employees	2,554.00	\$ 79,422.29
	<b>Total</b>	<b>3,402.75</b>	<b>\$ 104,522.06</b>

**Note:** Staff is granted paid leave regardless of the number of hours worked during the week. For example, if an employee works 36 hours in four days and then takes the fifth day off, he or she will be required to use 8 hours of vacation time. This results in the employee being paid for 44 hours and using 8 hours of paid leave when only 4 would be necessary. The excess 4 hours would be included in this column.