STATE OF NEBRASKA

STATEWIDE SINGLE AUDIT

Year Ended June 30, 2024

Issued on March 25, 2025

STATE OF NEBRASKA
Single Audit Report
Year Ended June 30, 2024

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
For the Fiscal Year Ended June 30, 2024

Federal Agency/Program Title	State Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Agriculture, U.S. Department of					
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, Department of	10.025	$	1,087,984	-
Wetlands Reserve Program	Game and Parks Commission	10.072		178	-
Voluntary Public Access and Habitat Incentive	Game and Parks Commission	10.093		213,757	213,757
Specialty Crop Block Grant Program - Farm Bill	Agriculture, Department of	10.170		1,010,404	826,920
Local Food Purchase Agreements with States, Tribes, and Local Governments	Health and Human Services, Department of	10.182		84,836	75,925
Local Food for Schools Cooperative Agreement Program	Agriculture, Department of	10.185		195,203	195,203
Resilient Food System Infrastructure Program	Agriculture, Department of	10.190		48,877	-
State Mediation Grants	Agriculture, Department of	10.435		111,515	-
Meat, Poultry, and Egg Products Inspection	Agriculture, Department of	10.477		11,795	-
COVID-19 Pandemic EBT Food Benefits	Health and Human Services, Department of	10.542		20,605,059	-
SNAP Cluster:					
Supplemental Nutrition Assistance Program	Health and Human Services, Department of	10.551		310,780,979	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Health and Human Services, Department of	10.561	^	26,802,495	2,635,330
COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Health and Human Services, Department of	10.561		1,229,223	-
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				28,031,718	2,635,330
Total SNAP Cluster				338,812,697	2,635,330
Child Nutrition Cluster:					
School Breakfast Program	Education, Department of	10.553		27,932,395	27,932,395
National School Lunch Program	Education, Department of	10.555		110,673,633	110,673,633
National School Lunch Program	Health and Human Services, Department of	10.555		18,257,961	18,257,961
Total National School Lunch Program				128,931,594	128,931,594
Special Milk Program for Children	Education, Department of	10.556		36,026	36,026
Summer Food Service Program for Children	Education, Department of	10.559		3,131,691	3,054,210
Fresh Fruit and Vegetable Program	Education, Department of	10.582		2,567,928	2,529,166
Total Child Nutrition Cluster				162,599,634	162,483,391
Special Supplemental Nutrition Program for Women, Infants, and Children	Health and Human Services, Department of	10.557		34,454,018	9,344,378
Child and Adult Care Food Program	Health and Human Services, Department of	10.558		141,215	141,215
Child and Adult Care Food Program	Education, Department of	10.558		28,616,429	28,262,497
Total Child and Adult Care Food Program				28,757,644	28,403,712
State Administrative Expenses for Child Nutrition	Education, Department of	10.560		2,015,802	-
State Administrative Expenses for Child Nutrition	Health and Human Services, Department of	10.560		576,032	-
Total State Administrative Expenses for Child Nutrition				2,591,834	-

^ - Amounts taken from financial status reports
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For the Fiscal Year Ended June 30, 2024

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Agriculture, U.S. Department of (Continued)					
Food Distribution Cluster:					
Commodity Supplemental Food Program	Health and Human Services, Department of	10.565		1,885,440	1,799,185
Emergency Food Assistance Program (Administrative Costs)	Health and Human Services, Department of	10.568		577,560	577,560
COVID-19 Emergency Food Assistance Program (Administrative Costs)	Health and Human Services, Department of	10.568		338,912	338,912
Total Emergency Food Assistance Program (Administrative Costs)				916,472	916,472
Emergency Food Assistance Program (Food Commodities)	Health and Human Services, Department of	10.569		10,687,118	10,687,118
Total Food Distribution Cluster				13,489,030	13,402,775
Team Nutrition Grants	Education, Department of	10.574		190,829	8,001
Farm to School Grant Program	Education, Department of	10.575		120,179	-
Senior Farmers Market Nutrition Program	Agriculture, Department of	10.576		189,630	-
WIC Grants To States (WGS)	Health and Human Services, Department of	10.578		127,309	-
Child Nutrition Discretionary Grants Limited Availability	Education, Department of	10.579		225,899	225,899
Emerging Markets Program	Secretary of State	10.603		68,860	-
Farm to School State Formula Grant	Education, Department of	10.645		23,199	-
Summer Electronic Benefit Transfer Program for Children	Health and Human Services, Department of	10.646		8,948,443	-
COVID-19 Pandemic EBT Administrative Costs	Health and Human Services, Department of	10.649		431,980	-
Forest Service Schools and Roads Cluster:					
Schools and Roads - Grants to Counties	Education, Department of	10.666		177,159	177,159
Agriculture Conservation Easement Program	Game and Parks Commission	10.931		14,155	-
Regional Conservation Partnership Program	Game and Parks Commission	10.932		35,997	35,997
Nebraska Rural Rehabilitation Program	Agriculture, Department of	10.U01		148,019	-
Hazardous Waste Management	Environment and Energy, Department Of	10.U02		30,945	-
Total U.S. Department of Agriculture			$	614,807,068	218,028,447
Commerce, U.S. Department of					
State Digital Equity Planning and Capacity Grant	Administrative Services, Department of	11.032	$	361,089	288,016
Broadband Equity, Access, and Deployment Program	Transportation, Department of	11.035		1,842,838	-
Economic Development Cluster:					
Economic Adjustment Assistance	Economic Development, Department of	11.307		908,909	860,915
Economic Adjustment Assistance	Nebraska Tourism Commission	11.307		1,769,181	-
Total Economic Development Cluster				2,678,090	860,915
Total U.S. Department of Commerce			$	4,882,017	1,148,931

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Corporation for National and Community Service					
AmeriCorps State Commissions Support Grant	Health and Human Services, Department of	94.003	$	366,646	-
AmeriCorps State and National	Health and Human Services, Department of	94.006		1,407,929	1,342,271
Training and Technical Assistance	Health and Human Services, Department of	94.009		134,328	-
Total Corporation for National and Community Service			$	1,908,903	1,342,271
Defense, U.S. Department of					
Payments to States in Lieu of Real Estate Taxes	Education, Department of	12.112	$	259,512	259,512
State Memorandum of Agreement Program for the Reimbursement of Technical Services	Environment and Energy, Department of	12.113		92,590	-
Military Construction, National Guard	Military Department	12.400		22,760,745	-
National Guard Military Operations and Maintenance (O&M) Projects	Military Department	12.401		36,951,957	-
Total U.S. Department of Defense			$	60,064,804	259,512
Education, U.S. Department of					
Adult Education - Basic Grants to States	Education, Department of	84.002	$	3,546,044	3,144,971
Title I Grants to Local Educational Agencies	Education, Department of	84.010		57,446,321	56,900,737
Migrant Education_State Grant Program	Education, Department of	84.011		7,163,758	6,919,183
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, Department of	84.013		155,085	152,133
Special Education Cluster (IDEA):					
Special Education_Grants to States	Education, Department of	84.027		86,582,842	81,703,131
COVID-19 Special Education_Grants to States	Education, Department of	84.027		4,636,259	4,636,259
Total Special Education_Grants to States				91,219,101	86,339,390
Special Education_Preschool Grants	Education, Department of	84.173		1,952,062	1,805,256
COVID-19 Special Education_Preschool Grants	Education, Department of	84.173		389,371	389,371
Total Special Education_Preschool Grants				2,341,433	2,194,627
Total Special Education Cluster (IDEA)				93,560,534	88,534,017
Career and Technical Education -- Basic Grants to States	Education, Department of	84.048		8,819,347	7,477,350
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, Department of	84.126		20,176,875	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	Blind and Visually Impaired Commission	84.126		4,529,494	-
Total Rehabilitation Services Vocational Rehabilitation Grants to States				24,706,369	-
Migrant Education_Coordination Program	Education, Department of	84.144		46,330	-
Rehabilitation Services_Client Assistance Program	Education, Department of	84.161		167,696	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Blind and Visually Impaired Commission	84.177		102,461	-

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Federal Agency/Program Title	State Agency	AL or Grant #	2024 Expenditures	2024 Subrecipients
Education, U.S. Department of (Continued)				
Special Education-Grants for Infants and Families	Education, Department of	84.181	3,261,104	1,805,365
COVID-19 Special Education-Grants for Infants and Families	Education, Department of	84.181	528,612	491,255
Total Special Education-Grants for Infants and Families			3,789,716	2,296,620
School Safety National Activities	Education, Department of	84.184	536,088	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Blind and Visually Impaired Commission	84.187	13,182	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, Department of	84.187	270,000	-
Total Supported Employment Services for Individuals with the Most Significant Disabilities			283,182	-
Education for Homeless Children and Youth	Education, Department of	84.196	426,540	360,598
Twenty-First Century Community Learning Centers	Education, Department of	84.287	5,787,595	5,333,028
Statewide Family Engagement Centers	Education, Department of	84.310	1,736	-
Special Education - State Personnel Development	Education, Department of	84.323	579,905	250,554
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	Education, Department of	84.325	129,880	126,626
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, Department of	84.326	15,857	12,851
Rural Education	Education, Department of	84.358	122,557	118,154
English Language Acquisition State Grants	Education, Department of	84.365	2,869,664	2,651,447
Supporting Effective Instruction State Grant	Education, Department of	84.367	7,615,290	6,941,969
Competitive Grants for State Assessments	Education, Department of	84.368	1,075,855	-
Grants for State Assessments and Related Activities	Education, Department of	84.369	8,053,000	-
Statewide Longitudinal Data Systems	Education, Department of	84.372	348,665	-
Disability Innovation Fund	Education, Department of	84.421	1,548,033	-
Student Support and Academic Enrichment Program	Education, Department of	84.424	5,301,351	5,106,114
Student Support and Academic Enrichment Program - Stronger Connections Grant (SCG) Program	Education, Department of	84.424F	67,049	38,117
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief Fund (GEER II)	Labor, Department of	84.425C	4,452,313	4,449,187
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief Fund (GEER I)	Education, Department of	84.425C	101,083	-
COVID-19 Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund (ESSER II)	Education, Department of	84.425D	78,397,638	61,938,020
COVID-19 Education Stabilization Fund - Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance for Non-Public Schools (CRRSA EANS)	Education, Department of	84.425R	1,753,152	-

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Education, U.S. Department of (Continued)					
COVID-19 Education Stabilization Fund - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	Education, Department of	84.425U		169,291,332	171,005,692
COVID-19 Education Stabilization Fund - American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP EANS)	Education, Department of	84.425V		6,121,532	-
COVID-19 Education Stabilization Fund - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP HCY)	Education, Department of	84.425W		465,758	379,877
Total Education Stabilization Fund				260,582,808	237,772,776
Total U.S. Department of Education			$	494,848,716	424,137,245
Election Assistance Commission, U.S.					
HAVA Election Security Grants	Secretary of State	90.404	$	463,691	74,210
Total U.S. Election Assistance Commission			$	463,691	74,210
Energy, U.S. Department of					
State Energy Program	Environment and Energy, Department of	81.041	$	653,712	-
Weatherization Assistance for Low-Income Persons	Environment and Energy, Department of	81.042		3,172,954	2,696,783
Energy Efficiency and Conservation Block Grant Program (EECBG)	Environment and Energy, Department of	81.128		12,915	-
State Heating Oil and Propane Program	Environment and Energy, Department of	81.138		4,959	-
Grid Infrastructure Deployment and Resilience	Environment and Energy, Department of	81.254		12,629	-
Total U.S. Department of Energy			$	3,857,169	2,696,783
Environmental Protection Agency, U.S.					
State Indoor Radon Grants	Health and Human Services, Department of	66.032	$	164,697	20,134
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environment and Energy, Department of	66.034		505,499	-
Diesel Emissions Reduction Act (DERA) State Grants	Environment and Energy, Department of	66.040		598,470	-
Climate Pollution Reduction Grant	Environment and Energy, Department of	66.046		407,891	-
Water Pollution Control State, Interstate, and Tribal Program Support	Environment and Energy, Department of	66.419		263,861	-
State Public Water System Supervision	Environment and Energy, Department of	66.432		15,529	-
State Underground Water Source Protection	Oil and Gas Commission	66.433		42,912	-
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	Environment and Energy, Department of	66.442		790,946	-
Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	Environment and Energy, Department of	66.444		55,105	-

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Environmental Protection Agency, U.S. (Continued)					
Sewer Overflow and Stormwater Reuse Municipal Grant	Environment and Energy, Department of	66.447		441,000	-
Water Quality Management Planning	Environment and Energy, Department of	66.454		129,102	-
Clean Water State Revolving Fund	Environment and Energy, Department of	66.458		14,238,488	14,163,456
Nonpoint Source Implementation Grants	Environment and Energy, Department of	66.460		2,454,336	1,407,662
Drinking Water State Revolving Fund	Environment and Energy, Department of	66.468		33,992,414	32,903,002
Underground Storage Tank Prevention, Detection and Compliance Program	Fire Marshal	66.804		422,626	-
Performance Partnership Grants	Agriculture, Department of	66.605		562,666	-
Performance Partnership Grants	Environment and Energy, Department of	66.605		6,826,152	-
Performance Partnership Grants	Health and Human Services, Department of	66.605		277,132	-
Total Performance Partnership Grants				7,665,950	-
Environmental Information Exchange Network Grant Program and Related Assistance	Fire Marshal	66.608		103,032	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environment and Energy, Department of	66.802		438,810	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	Environment and Energy, Department of	66.805		1,038,227	-
State and Tribal Response Program Grants	Environment and Energy, Department of	66.817		757,677	-
State Programs for Control of Coal Combustion Residuals	Environment and Energy, Department of	66.820		9,134	-
Solid Waste Infrastructure for Recycling Infrastructure Grants	Environment and Energy, Department of	66.920		13,597	-
Total U.S. Environmental Protection Agency			$	64,549,303	48,494,254
Equal Employment Opportunity Commission, U.S.					
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Opportunity Commission	30.001	$	575,820	-
Total U.S. Equal Employment Opportunity Commission			$	575,820	-
Federal Communications Commission					
FCC - Certification	Education, Department of	32.U01	$	76,287	-
Total Federal Communications Commission			$	76,287	-
General Services Administration					
Donation of Federal Surplus Personal Property	Corrections, Department of	39.003	$	462,019	-
Total General Services Administration			$	462,019	-

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Health and Human Services, U.S. Department of					
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Health and Human Services, Department of	93.041	$	19,146	-
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Health and Human Services, Department of	93.042		89,936	89,936
COVID-19 Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Health and Human Services, Department of	93.042		50,435	50,435
Total Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals				140,371	140,371
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Health and Human Services, Department of	93.043		92,103	92,103
COVID-19 Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Health and Human Services, Department of	93.043		79,248	79,248
Total Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services				171,351	171,351
Aging Cluster:					
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Health and Human Services, Department of	93.044		2,090,897	1,550,539
COVID-19 Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Health and Human Services, Department of	93.044		1,106,867	1,106,867
Total Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers				3,197,764	2,657,406
Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, Department of	93.045		4,329,152	4,188,721
COVID-19 Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, Department of	93.045		1,084,899	1,084,899
Total Special Programs for the Aging_Title III, Part C_Nutrition Services				5,414,051	5,273,620
Nutrition Services Incentive Program	Health and Human Services, Department of	93.053		932,713	932,713
Total Aging Cluster				9,544,528	8,863,739
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	Insurance, Department of	93.048		302,474	186,554
COVID-19 Special Programs for the Aging - Title IV and Title II - Discretionary Projects	Health and Human Services, Department of	93.048		263,927	263,927
Total Special Programs for the Aging_Title IV_and Title II_Discretionary Projects				566,401	450,481
National Family Caregiver Support, Title III, Part E	Health and Human Services, Department of	93.052		887,021	833,601
COVID-19 National Family Caregiver Support, Title III, Part E	Health and Human Services, Department of	93.052		246,346	246,346
Total National Family Caregiver Support, Title III, Part E				1,133,367	1,079,947

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Health and Human Services, U.S. Department of (Continued)					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster:					
Public Health Emergency Preparedness	Health and Human Services, Department of	93.069		5,334,071	4,696,899
National Bioterrorism Hospital Preparedness Program	Health and Human Services, Department of	93.889		1,487,126	1,023,456
COVID-19 National Bioterrorism Hospital Preparedness Program	Health and Human Services, Department of	93.889		(9,275)	-
Total National Bioterrorism Hospital Preparedness Program				1,477,851	1,023,456
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster				6,811,922	5,720,355
Environmental Public Health and Emergency Response	Health and Human Services, Department of	93.070		477,377	394,720
Medicare Enrollment Assistance Program	Insurance, Department of	93.071		234,022	92,896
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Education, Department of	93.079		205,949	-
Guardianship Assistance	Health and Human Services, Department of	93.090	^	108,776	-
COVID-19 Guardianship Assistance	Health and Human Services, Department of	93.090		8,112	-
Total Guardianship Assistance				116,888	-
Affordable Care Act (ACA) Personal Responsibility Education Program	Health and Human Services, Department of	93.092		305,281	222,994
Food and Drug Administration_Research	Agriculture, Department of	93.103		673,594	-
Maternal and Child Health Federal Consolidated Programs	Health and Human Services, Department of	93.110		894,122	513,992
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health and Human Services, Department of	93.116		408,583	49,866
Emergency Medical Services for Children	Health and Human Services, Department of	93.127		110,328	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	Health and Human Services, Department of	93.130		5,495	-
Injury Prevention and Control Research and State and Community Based Programs	Health and Human Services, Department of	93.136		3,593,544	1,292,490
Projects for Assistance in Transition from Homelessness (PATH)	Health and Human Services, Department of	93.150		285,627	285,627
COVID-19 Grants to State for Loan Repayment Program	Health and Human Services, Department of	93.165		718,744	-
Childhood Lead Poisoning Prevention Project	Health and Human Services, Department of	93.197		396,844	164,847
Traumatic Brain Injury State Demonstration Grant Program	Education, Department of	93.234		192,417	-
COVID-19 Traumatic Brain Injury State Demonstration Grant Program	Education, Department of	93.234		45,588	-
Total Traumatic Brain Injury State Demonstration Grant Program				238,005	-
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	Health and Human Services, Department of	93.235		256,134	170,025
Grants to States to Support Oral Health Workforce Activities	Health and Human Services, Department of	93.236		296,454	148,122
State Rural Hospital Flexibility Program	Health and Human Services, Department of	93.241		1,104,044	809,339

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Health and Human Services, U.S. Department of (Continued)				
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Education, Department of	93.243	2,215,481	312,425
University of Nebraska - Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Education, Department of - passed through from University of Nebraska (Pass-Through Entity Identifying # 24-0116-0005 & 24-0116-0007)	93.243	234,220	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, Department of	93.243	2,255,827	1,967,055
Total Substance Abuse and Mental Health Services_Projects of Regional and National Significance			4,705,528	2,279,480
Universal Newborn Hearing and Screening	Health and Human Services, Department of	93.251	207,653	77,187
Occupational Safety and Health Program	Health and Human Services, Department of	93.262	184,782	-
Immunization Cooperative Agreements	Health and Human Services, Department of	93.268	35,036,242	1,637,780
COVID-19 Immunization Cooperative Agreements	Health and Human Services, Department of	93.268	9,015,050	7,854,652
Total Immunization Cooperative Agreements			44,051,292	9,492,432
Viral Hepatitis Prevention and Control	Health and Human Services, Department of	93.270	134,993	-
Drug Abuse and Addiction Research Programs	Health and Human Services, Department of	93.279	163,584	-
Small Rural Hospital Improvement Grant Program	Health and Human Services, Department of	93.301	841,836	841,836
National and State Tobacco Control Program	Health and Human Services, Department of	93.387	1,006,460	31,656
COVID-19 Activities to Support State, Tribal, Local and Territorial Health Department Response to Public Health or Healthcare Crises	Health and Human Services, Department of	93.391	7,178,132	5,270,045
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Health and Human Services, Department of	93.314	129,574	-
Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, Department of	93.323	3,211,589	1,851,041
COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, Department of	93.323	23,752,198	6,495,440
Total Epidemiology & Laboratory Capacity for Infectious Diseases			26,963,787	8,346,481
State Health Insurance Assistance Program	Insurance, Department of	93.324	447,433	171,902
Behavioral Risk Factor Surveillance System	Health and Human Services, Department of	93.336	671,465	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Health and Human Services, Department of	93.354	100,196	100,196
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Health and Human Services, Department of	93.354	3,755,232	764,532
Total Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			3,855,428	864,728
The State Flexibility to Stabilize the Market Grant Program	Insurance, Department of	93.413	174,507	-

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

Federal Agency/Program Title	State Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Health and Human Services, U.S. Department of (Continued)					
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	Health and Human Services, Department of	93.421		41,060	-
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	Health and Human Services, Department of	93.426		362,380	129,338
ESSA/Preschool Development Grants	Health and Human Services, Department of	93.434		7,135,964	6,368,982
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	Health and Human Services, Department of	93.435		127,027	-
Well-Integrated Screening and Evaluation for Women Across the Nation (Wisewoman)	Health and Human Services, Department of	93.436		631,891	225,766
ACL Assistive Technology	Education, Department of	93.464		698,265	-
Title IV-E Prevention Program	Health and Human Services, Department of	93.472		491,005	-
COVID-19 Family Violence Prevention and Services/Sexual Assault/Rape Crisis Services and Supports	Health and Human Services, Department of	93.497		409,737	409,737
National Health Service Corps	Health and Human Services, Department of	93.547		113,833	-
Promoting Safe and Stable Families	Health and Human Services, Department of	93.556		1,847,054	1,311,715
Temporary Assistance for Needy Families	Health and Human Services, Department of	93.558		48,166,009	18,122,989
Child Support Services	Health and Human Services, Department of	93.563	^	23,932,298	10,066,756
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	Health and Human Services, Department of	93.566	^	17,188,755	4,833,486
Low-Income Home Energy Assistance	Health and Human Services, Department of	93.568		41,317,297	-
COVID-19 Low-Income Home Energy Assistance	Health and Human Services, Department of	93.568		3,408,026	-
Low-Income Home Energy Assistance	Environment and Energy, Department of	93.568		3,607,711	3,504,085
Total Low-Income Home Energy Assistance				48,333,034	3,504,085
Community Services Block Grant	Health and Human Services, Department of	93.569		5,588,736	5,472,003
CCDF Cluster:					
Child Care and Development Block Grant	Health and Human Services, Department of	93.575		55,830,266	3,382,083
COVID-19 Child Care and Development Block Grant	Health and Human Services, Department of	93.575		48,049,755	5,296,947
Total Child Care and Development Block Grant				103,880,021	8,679,030
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services, Department of	93.596		28,692,689	-
Total CCDF Cluster				132,572,710	8,679,030
State Court Improvement Program	Supreme Court, Nebraska	93.586		430,726	-
Grants to States for Access and Visitation Programs	Health and Human Services, Department of	93.597		99,628	99,628
Chafee Education and Training Vouchers Program (ETV)	Health and Human Services, Department of	93.599		352,014	341,596

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See accompanying notes to the Schedule of Expenditures of Federal Awards

Federal Agency/Program Title	State Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Health and Human Services, U.S. Department of (Continued)					
Head Start Cluster:					
Head Start	Education, Department of	93.600		126,610	3,000
Adoption and Legal Guardianship Incentive Payments	Health and Human Services, Department of	93.603		371,219	125,059
Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, Department of	93.630		710,039	249,092
COVID-19 Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, Department of	93.630		56,216	56,216
Total Developmental Disabilities Basic Support and Advocacy Grants				766,255	305,308
Children's Justice Grants to States	Health and Human Services, Department of	93.643		121,882	21,140
Stephanie Tubbs Jones Child Welfare Service Program	Health and Human Services, Department of	93.645		1,784,689	-
Foster Care Title IV-E	Health and Human Services, Department of	93.658	^	28,901,947	45,393
COVID-19 Foster Care Title IV-E	Health and Human Services, Department of	93.658		218,958	-
Total Foster Care Title IV-E				29,120,905	45,393
Adoption Assistance	Health and Human Services, Department of	93.659	^	32,123,755	8,734
COVID-19 Adoption Assistance	Health and Human Services, Department of	93.659		502,097	-
Total Adoption Assistance				32,625,852	8,734
Social Services Block Grant	Health and Human Services, Department of	93.667		12,324,399	1,678,569
Child Abuse and Neglect State Grants	Health and Human Services, Department of	93.669		647,152	624,026
COVID-19 Child Abuse and Neglect State Grants	Health and Human Services, Department of	93.669		37,116	-
Total Child Abuse and Neglect State Grants				684,268	624,026
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, Department of	93.671		1,167,231	1,167,231
COVID-19 Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, Department of	93.671		1,012,720	1,012,720
Total Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services				2,179,951	2,179,951
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Health and Human Services, Department of	93.674		1,433,084	1,116,868
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs -- financed by Prevention and Public Health Funds (PPHF)	Health and Human Services, Department of	93.734		98,762	34,025
COVID-19 Elder Abuse Prevention Interventions Program	Health and Human Services, Department of	93.747		1,024,540	45,357
Children's Health Insurance Program	Health and Human Services, Department of	93.767	^	86,861,000	-
COVID-19 Children's Health Insurance Program	Health and Human Services, Department of	93.767		1,810,050	-
Total Children's Health Insurance Program				88,671,050	-

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See accompanying notes to the Schedule of Expenditures of Federal Awards

Federal Agency/Program Title	State Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Health and Human Services, U.S. Department of (Continued)					
Medicaid Cluster:					
State Medicaid Fraud Control Units	Attorney General	93.775		1,035,141	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services, Department of	93.777	^	6,089,662	-
COVID-19 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services, Department of	93.777		160	-
Total State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare				6,089,822	-
Medical Assistance Program	Health and Human Services, Department of	93.778	^	2,485,747,019	9,492,951
COVID-19 Medical Assistance Program	Health and Human Services, Department of	93.778	^	23,989,810	302,209
Total Medical Assistance Program				2,509,736,829	9,795,160
Total Medicaid Cluster				2,516,861,792	9,795,160
Opioid STR	Health and Human Services, Department of	93.788		2,850,247	2,158,941
Organized Approaches to Increase Colorectal Cancer Screening	Health and Human Services, Department of	93.800		487,606	269,082
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health and Human Services, Department of	93.817		426,482	426,482
COVID-19 Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health and Human Services, Department of	93.817		175,347	175,347
Total Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities				601,829	601,829
Maternal, Infant, & Early Childhood Home Visiting Grant	Health and Human Services, Department of	93.870		1,535,664	1,284,248
COVID-19 Maternal, Infant, & Early Childhood Home Visiting Grant	Health and Human Services, Department of	93.870		115,679	114,329
Total Maternal, Infant, & Early Childhood Home Visiting Grant				1,651,343	1,398,577
Cancer Prevention & Control Programs for State, Territorial & Tribal Organization	Health and Human Services, Department of	93.898		1,983,310	406,675
Grants to States for Operation of State Offices of Rural Health	Health and Human Services, Department of	93.913		183,226	34,421
HIV Care Formula Grants	Health and Human Services, Department of	93.917		9,636,433	3,921,540
HIV Prevention Activities Health Department Based	Health and Human Services, Department of	93.940		859,152	269,376
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health and Human Services, Department of	93.946		367,220	-
Block Grants for Community Mental Health Services	Health and Human Services, Department of	93.958		3,280,047	2,427,495
COVID-19 Block Grants for Community Mental Health Services	Health and Human Services, Department of	93.958		457,125	195,976
Total Block Grants for Community Mental Health Services				3,737,172	2,623,471
Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, Department of	93.959		7,369,296	6,468,471
COVID-19 Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, Department of	93.959		709,005	620,933
Total Block Grants for Prevention and Treatment of Substance Abuse				8,078,301	7,089,404

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
For the Fiscal Year Ended June 30, 2024

Federal Agency/Program Title	State Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Health and Human Services, U.S. Department of (Continued)					
Centers for Disease Control and Prevention's Collaboration with Academia to Strengthen Public Health	Health and Human Services, Department of	93.967		140,645	39,371
COVID-19 Centers for Disease Control and Prevention's Collaboration with Academia to Strengthen Public Health	Health and Human Services, Department of	93.967		985,409	820,363
Total Centers for Disease Control and Prevention's Collaboration with Academia to Strengthen Public Health				1,126,054	859,734
Sexually Transmitted Diseases (STD) Prevention and Control Grants	Health and Human Services, Department of	93.977		501,916	17,452
COVID-19 Sexually Transmitted Diseases (STD) Prevention and Control Grants	Health and Human Services, Department of	93.977		907,184	733,730
Total Sexually Transmitted Diseases (STD) Prevention and Control Grants				1,409,100	751,182
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	Education, Department of	93.981		81,099	34,324
COVID-19 Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	Education, Department of	93.981		(12)	-
Total Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools				81,087	34,324
Cooperative Agreements for Diabetes Control Programs	Health and Human Services, Department of	93.988		331,267	5,431
Preventive Health and Health Services Block Grant	Health and Human Services, Department of	93.991		2,241,569	761,851
Maternal and Child Health Services Block Grant to the States	Health and Human Services, Department of	93.994		3,862,980	1,901,188
Medicated Feed Inspection Contract	Agriculture, Department of	93.U01		71,046	-
Food Inspection Contract	Agriculture, Department of	93.U03		4,189	-
Total U.S. Department of Health and Human Services			$	3,135,705,090	146,581,636
Homeland Security, U.S. Department of					
Urban Areas Security Init (Non-Profit Security Program)	Military Department	97.008	$	979,226	978,831
Homeland Security Grant Program	Military Department	97.067		4,745,842	2,585,016
Boating Safety Financial Assistance	Game and Parks Commission	97.012		671,428	-
Community Assistance Program State Support Services Element (CAP-SSSE)	Natural Resources, Department of	97.023		440,333	-
Flood Mitigation Assistance	Natural Resources, Department of	97.029		32,250	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	97.036		81,594,631	79,146,400
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	97.036		76,853,234	50,975,185
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)				158,447,865	130,121,585

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Federal Agency/Program Title	State Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Homeland Security, U.S. Department of (Continued)					
Hazard Mitigation Grant	Military Department	97.039		3,744,089	3,507,192
COVID-19 Hazard Mitigation Grant	Military Department	97.039		664,076	507,206
Total Hazard Mitigation Grant				4,408,165	4,014,398
National Dam Safety Program	Natural Resources, Department of	97.041		489,894	-
Emergency Management Performance Grants	Military Department	97.042		4,608,193	2,736,030
COVID-19 Emergency Management Performance Grants	Military Department	97.042		479,246	265,951
Total Emergency Management Performance Grants				5,087,439	3,001,981
State Fire Training Systems Grants	Fire Marshal	97.043		28,384	-
Assistance to Firefighters Grant	Fire Marshal	97.044		(255)	-
Cooperating Technical Partners	Natural Resources, Department of	97.045		1,994,533	-
BRIC: Building Resilient Infrastructure and Communities	Military Department	97.047		289,175	276,448
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	Military Department	97.137		428,150	260,000
Total U.S. Department of Homeland Security			$	178,042,429	141,238,259
Housing & Urban Development, U.S. Department of					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Economic Development, Department of	14.228	$	26,016,796	24,482,611
COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Economic Development, Department of	14.228		3,095,697	2,948,384
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				29,112,493	27,430,995
Emergency Solutions Grant Program	Health and Human Services, Department of	14.231		1,101,041	1,042,797
COVID-19 Emergency Solutions Grant Program	Health and Human Services, Department of	14.231		468,523	467,107
Total Emergency Solutions Grant Program				1,569,564	1,509,904
Home Investment Partnerships Program	Economic Development, Department of	14.239		4,383,952	3,933,790
Housing Opportunities for Persons with AIDS	Health and Human Services, Department of	14.241		983,410	975,583
Housing Trust Fund	Economic Development, Department of	14.275		4,190,219	3,943,120
Fair Housing Assistance Program_State and Local	Equal Opportunity Commission	14.401		288,560	-
Total U.S. Department of Housing & Urban Development			$	40,528,198	37,793,392
Institute of Museum and Library Services					
Grants to States	Library Commission	45.310	$	1,842,149	-
National Leadership Grants	Historical Society	45.312		28,183	-
Total Institute of Museum and Library Services			$	1,870,332	-

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STATE OF NEBRASKA
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Federal Agency/Program Title	State Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Interior, U.S. Department of the					
Energy Community Revitalization Program	Oil and Gas Commission	15.018	$	8,576,937	-
Cultural Resources Management	Historical Society	15.511		10,650	-
Fish and Wildlife Coordination Act	Game and Parks Commission	15.517		2,875	-
Recreation Resources Management	Game and Parks Commission	15.524		508,452	-
Fish and Wildlife Management Assistance	Game and Parks Commission	15.608		651,598	521,051
Fish and Wildlife Cluster:					
Sport Fish Restoration	Game and Parks Commission	15.605		7,016,196	599,923
Wildlife Restoration and Basic Hunter Education and Safety	Game and Parks Commission	15.611		13,376,867	4,905,760
Enhanced Hunter Education and Safety	Game and Parks Commission	15.626		66,175	-
Total Fish and Wildlife Cluster				20,459,238	5,505,683
Cooperative Endangered Species Conservation Fund	Game and Parks Commission	15.615		38,151	33,103
Partners for Fish and Wildlife	Game and Parks Commission	15.631		12	-
State Wildlife Grants	Game and Parks Commission	15.634		1,160,558	598,820
Migratory Bird Joint Ventures	Game and Parks Commission	15.637		7,078	-
Cooperative Landscape Conservation	Game and Parks Commission	15.669		112,427	109,245
Historic Preservation Fund Grants-In-Aid	Historical Society	15.904		946,365	211,841
Outdoor Recreation_Acquisition, Development and Planning	Game and Parks Commission	15.916		2,309,479	1,277,458
Cultural Resources Management	Historical Society	15.946		35,571	-
Total U.S. Department of the Interior			$	34,819,391	8,257,201
Justice, U.S. Department of					
Sexual Assault Services Formula Program	Law Enforcement and Criminal Justice, Commission for	16.017	$	464,134	456,423
Services for Trafficking Victims	Health and Human Services, Department of	16.320		387,580	387,580
Juvenile Justice and Delinquency Prevention	Law Enforcement and Criminal Justice, Commission for	16.540		80,660	74,495
Missing Children's Assistance	State Patrol	16.543		383,300	-
State Justice Statistics Program for Statistical Analysis Centers	Law Enforcement and Criminal Justice, Commission for	16.550		19,923	-
National Criminal History Improvement Program (NCHIP)	State Patrol	16.554		3,628,812	105,752
Crime Victim Assistance	Law Enforcement and Criminal Justice, Commission for	16.575		10,433,186	9,212,365
Crime Victim Compensation	Law Enforcement and Criminal Justice, Commission for	16.576		127,483	-
Justice Reinvestment Initiative	Supreme Court, Nebraska	16.827		131,982	-
Justice Reinvestment Initiative	Pardons, Board of	16.827		183,059	-
Total Justice Reinvestment Initiative				315,041	-
Crime Victim Assistance/Discretionary Grants	Law Enforcement and Criminal Justice, Commission for	16.582		47,065	46,798
Violence Against Women Formula Grants	Law Enforcement and Criminal Justice, Commission for	16.588		1,024,489	967,341
Residential Substance Abuse Treatment for State Prisoners	Law Enforcement and Criminal Justice, Commission for	16.593		399	-

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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
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Federal Agency/Program Title	State Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Justice, U.S. Department of (Continued)					
State Criminal Alien Assistance Program	Corrections, Department of	16.606		1,259,029	-
Public Safety Partnership and Community Policing Grants	State Patrol	16.710		74,748	-
Edward Byrne Memorial Justice Assistance Grant Program	Law Enforcement and Criminal Justice, Commission for	16.738		891,506	804,554
Edward Byrne Memorial Justice Assistance Grant Program	Supreme Court, Nebraska	16.738		286,681	-
Total Edward Byrne Memorial Justice Assistance Grant Program				1,178,187	804,554
DNA Backlog Reduction Program	State Patrol	16.741		774,154	-
Paul Coverdell Forensic Sciences Improvement Grant Program	State Patrol	16.742		207,810	-
Support for Adam Walsh Act Implementation Grant Program	State Patrol	16.750		266,548	-
Harold Rogers Prescription Drug Monitoring Program	Health and Human Services, Department of	16.754		208,550	-
Second Chance Act Reentry Initiative	Pardons, Board of	16.812		150,873	-
NICS Act Record Improvement Program	State Patrol	16.813		1,142,640	190,591
Stop School Violence	Education, Department of	16.839		180,156	111,863
Equitable Sharing Program	State Patrol	16.922		388,799	-
Federal Equitable Sharing Program: Public Safety Cash DOJ	State Patrol	16.922		258,564	-
Total Federal Equitable Sharing Program				647,363	-
DEA Grants	State Patrol	16.U01		3,586	-
Total U.S. Department of Justice			$	23,005,716	12,357,762
Labor, U.S. Department of					
Labor Force Statistics	Labor, Department of	17.002	$	749,357	-
Compensation and Working Conditions	Worker's Compensation Court	17.005		36,599	-
Employment Service Cluster:					
Employment Service/Wagner-Peyser Funded Activities	Labor, Department of	17.207		5,283,030	137,582
Jobs for Veterans State Grants	Labor, Department of	17.801		922,465	-
Total Employment Service Cluster				6,205,495	137,582
Unemployment Insurance - Federal	Labor, Department of	17.225		417,373	-
COVID-19 Unemployment Insurance - Federal	Labor, Department of	17.225		28,221	-
Total Unemployment Insurance - Federal				445,594	-
Unemployment Insurance - State	Labor, Department of	17.225		83,852,582	-
Unemployment Insurance - Admin	Labor, Department of	17.225		17,210,252	-
COVID-19 Unemployment Insurance - Admin	Labor, Department of	17.225		1,235,408	-
Total Unemployment Insurance - Admin				18,445,660	-
Total Unemployment Insurance				102,743,836	-
Senior Community Service Employment Program	Labor, Department of	17.235		715,845	-

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Federal Agency/Program Title	State Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Labor, U.S. Department of (Continued)					
Trade Adjustment Assistance	Labor, Department of	17.245		500,140	-
WIOA Cluster:					
WIOA Adult Program	Labor, Department of	17.258		2,414,545	1,453,494
WIOA Youth Activities	Labor, Department of	17.259		3,727,259	2,508,407
WIOA Dislocated Worker Formula Grants	Labor, Department of	17.278		1,852,325	633,100
Total WIOA Cluster				7,994,129	4,595,001
Work Opportunity Tax Credit Program (WOTC)	Labor, Department of	17.271		220,035	-
Temporary Labor Certification for Foreign Workers	Labor, Department of	17.273		188,942	-
Consultation Agreements	Labor, Department of	17.504		628,409	-
Total U.S. Department of Labor			$	119,982,787	4,732,583
National Archives and Records Administration					
National Historical Publications and Records Grant	Historical Society	89.003	$	20,746	-
Total National Archives and Records Administration			$	20,746	-
National Endowment for the Arts					
Promotion of the Arts_Partnership Agreements	Arts Council	45.025	$	1,200,651	932,899
Total National Endowment for the Arts			$	1,200,651	932,899
President, Executive Office of the					
High Intensity Drug Trafficking Areas Program	State Patrol	95.001	$	1,129,789	682,803
Total Executive Office of the President			$	1,129,789	682,803
Small Business Administration					
State Trade Expansion Program	Economic Development, Department of	59.061	$	286,911	146,554
Total Small Business Administration			$	286,911	146,554
Social Security Administration					
Disability Insurance/SSI Cluster:					
Social Security_Disability Insurance	Education, Department of	96.001	$	14,005,690	-
Supplemental Security Income	Education, Department of	96.006		1,014,535	-
Supplemental Security Income	Blind and Visually Impaired Commission	96.006		258,965	-
Total Supplemental Security Income				1,273,500	-
Total Disability Insurance/SSI Cluster				15,279,190	-
Total Social Security Administration			$	15,279,190	-

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See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
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Federal Agency/Program Title	State Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Transportation, U.S. Department of					
Airport Improvement Program	Transportation, Department of	20.106	$	27,732,935	27,471,666
COVID-19 Airport Improvement Program	Transportation, Department of	20.106		11,940,841	11,886,841
Total Airport Improvement Program				39,673,776	39,358,507
Highway Research and Development Program	Transportation, Department of	20.200		1,642,477	-
Highway Planning and Construction	Transportation, Department of	20.205		508,927,653	38,874,133
COVID-19 Highway Planning & Construction	Transportation, Department of	20.205		6,101,032	312,065
Total Highway Planning & Construction				515,028,685	39,186,198
Recreational Trails Program	Game and Parks Commission	20.219		604,987	226,151
FMCSA Cluster:					
Motor Carrier Safety Assistance	State Patrol	20.218		4,239,771	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	State Patrol	20.237		2,018,750	-
Total FMSCA Cluster				6,258,521	-
Federal Lands Access Program	Transportation, Department of	20.224		70,418	-
Commercial Driver's License Program Implementation Grant	Motor Vehicles, Department of	20.232		103,335	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Transportation, Department of	20.505		818,850	818,850
Formula Grants for Rural Areas and Tribal Transit Program	Transportation, Department of	20.509		14,981,228	11,758,225
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	Transportation, Department of	20.509		864,166	864,166
Total Formula Grants for Rural Areas				15,845,394	12,622,391
Transit Services Programs Cluster:					
Enhanced Mobility for Seniors and Individuals with Disabilities	Transportation, Department of	20.513		36,251	36,251
Highway Safety Cluster:					
State and Community Highway Safety	Transportation, Department of	20.600		3,816,601	2,641,783
National Priority Safety Programs	Transportation, Department of	20.616		3,110,801	1,655,140
Total Highway Safety Cluster				6,927,402	4,296,923
Incentive Grant Program to Prohibit Racial Profiling	Transportation, Department of	20.611		130,163	130,163
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	Transportation, Department of	20.614		78,000	-
Pipeline Safety Program State Base Grant	Fire Marshal	20.700		436,143	145,767
Interagency Hazardous Materials Public Sector Training and Planning Grants	Military Department	20.703		72,708	-
National Infrastructure Investments	Transportation, Department of	20.933		5,277,350	5,277,350
Total U.S. Department of Transportation			$	593,004,460	102,098,551

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
For the Fiscal Year Ended June 30, 2024

Federal Agency/Program Title	State Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Veterans Affairs, U.S. Department of					
Grants to States for Construction of State Home Facilities	Veterans' Affairs, Department of	64.005	$	2,960,132	-
Veterans State Domiciliary Care	Veterans' Affairs, Department of	64.014		1,667,313	-
Veterans State Nursing Home Care	Veterans' Affairs, Department of	64.015		25,901,544	-
Veterans Cemetery Grants Program	Veterans' Affairs, Department of	64.203		1,339,469	-
Cooperative Agreement for Veteran Training Program	Education, Department of	64.U01		168,369	-
Total U.S. Department of Veterans Affairs			$	32,036,827	-
Treasury, U.S. Department of the					
COVID-19 Emergency Rental Assistance	Military Department	21.023	$	14,173,744	246,794
COVID-19 Homeowner Assistance Fund	Military Department	21.026		14,725,921	116,369
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	Military Department	21.027		214,163,208	123,990,350
COVID-19 Coronavirus Capital Projects Fund	Military Department	21.029		29,753,965	29,426,287
COVID-19 State Small Business Credit Initiative (SSBCI)	Economic Development, Department of	21.U01		6,173,118	6,051,442
Total U.S. Department of the Treasury			$	278,989,956	159,831,242
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	5,702,398,270	1,310,834,535

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2024

State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Administrative Services, Department of					
State Digital Equity Planning and Capacity Grant	Commerce, U.S. Department of	11.032	$	361,089	288,016
Total Department of Administrative Services			$	361,089	288,016
Agriculture, Department of					
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, U.S. Department of	10.025	$	1,087,984	-
Specialty Crop Block Grant Program - Farm Bill	Agriculture, U.S. Department of	10.170		1,010,404	826,920
Resilient Food System Infrastructure Program	Agriculture, U.S. Department of	10.190		48,877	-
State Mediation Grants	Agriculture, U.S. Department of	10.435		111,515	-
Meat, Poultry, and Egg Products Inspection	Agriculture, U.S. Department of	10.477		11,795	-
Senior Farmers Market Nutrition Program	Agriculture, U.S. Department of	10.576		189,630	-
Nebraska Rural Rehabilitation Program	Agriculture, U.S. Department of	10.U01		148,019	-
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		562,666	-
Food and Drug Administration_Research	Health and Human Services, U.S. Department of	93.103		673,594	-
Medicated Feed Inspection Contract	Health and Human Services, U.S. Department of	93.U01		71,046	-
Food Inspection Contract	Health and Human Services, U.S. Department of	93.U03		4,189	-
Total Department of Agriculture			$	3,919,719	826,920
Arts Council					
Promotion of the Arts_Partnership Agreements	National Endowment for the Arts	45.025	$	1,200,651	932,899
Total Arts Council			$	1,200,651	932,899
Attorney General					
State Medicaid Fraud Control Units	Health and Human Services, U.S. Department of	93.775	$	1,035,141	-
Total Attorney General			$	1,035,141	-
Blind and Visually Impaired Commission					
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	$	4,529,494	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Education, U.S. Department of	84.177		102,461	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187		13,182	-
Disability Insurance/SSI Cluster:					
Supplemental Security Income	Social Security Administration	96.006		258,965	-
Total Blind and Visually Impaired Commission			$	4,904,102	-

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2024

State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Corrections, Department of					
State Criminal Alien Assistance Program	Justice, U.S. Department of	16.606	$	1,259,029	-
Donation of Federal Surplus Personal Property	General Services Administration	39.003		462,019	-
Total Department of Corrections			$	1,721,048	-
Economic Development, Department of					
Economic Development Cluster:					
Economic Adjustment Assistance	Commerce, U.S. Department of	11.307	$	908,909	860,915
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing & Urban Development, U.S. Department of	14.228		26,016,796	24,482,611
COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing & Urban Development, U.S. Department of	14.228		3,095,697	2,948,384
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				29,112,493	27,430,995
Home Investment Partnerships Program	Housing & Urban Development, U.S. Department of	14.239		4,383,952	3,933,790
Housing Trust Fund	Housing & Urban Development, U.S. Department of	14.275		4,190,219	3,943,120
COVID-19 State Small Business Credit Initiative (SSBCI)	Treasury, U.S. Department of the	21.U01		6,173,118	6,051,442
State Trade Expansion Program	Small Business Administration	59.061		286,911	146,554
Total Department of Economic Development			$	45,055,602	42,366,816
Education, Department of					
Local Food for Schools Cooperative Agreement Program	Agriculture, U.S. Department of	10.185	$	195,203	195,203
Child Nutrition Cluster:					
School Breakfast Program	Agriculture, U.S. Department of	10.553		27,932,395	27,932,395
National School Lunch Program	Agriculture, U.S. Department of	10.555		110,673,633	110,673,633
Special Milk Program for Children	Agriculture, U.S. Department of	10.556		36,026	36,026
Summer Food Service Program for Children	Agriculture, U.S. Department of	10.559		3,131,691	3,054,210
Fresh Fruit and Vegetable Program	Agriculture, U.S. Department of	10.582		2,567,928	2,529,166
Total Child Nutrition Cluster				144,341,673	144,225,430
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558		28,616,429	28,262,497
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560		2,015,802	-
Team Nutrition Grants	Agriculture, U.S. Department of	10.574		190,829	8,001
Farm to School Grant Program	Agriculture, U.S. Department of	10.575		120,179	-
Child Nutrition Discretionary Grants Limited Availability	Agriculture, U.S. Department of	10.579		225,899	225,899
Farm to School State Formula Grant	Agriculture, U.S. Department of	10.645		23,199	-
Forest Service Schools and Roads Cluster:					
Schools and Roads - Grants to Counties	Agriculture, U.S. Department of	10.666		177,159	177,159

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2024

State Agency/Program Title	Federal Agency	AL or Grant #	2024 Expenditures	2024 Subrecipients
Education, Department of (Continued)				
Payments to States in Lieu of Real Estate Taxes	Defense, U.S. Department of	12.112	259,512	259,512
Stop School Violence	Justice, U.S. Department of	16.839	180,156	111,863
FCC - Certification	Federal Communications Commission	32.U01	76,287	-
Cooperative Agreement for Veteran Training Program	Veterans Affairs, U.S. Department of	64.U01	168,369	-
Adult Education - Basic Grants to States	Education, U.S. Department of	84.002	3,546,044	3,144,971
Title I Grants to Local Educational Agencies	Education, U.S. Department of	84.010	57,446,321	56,900,737
Migrant Education_State Grant Program	Education, U.S. Department of	84.011	7,163,758	6,919,183
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, U.S. Department of	84.013	155,085	152,133
Special Education Cluster (IDEA):				
Special Education_Grants to States	Education, U.S. Department of	84.027	86,582,842	81,703,131
COVID-19 Special Education_Grants to States	Education, U.S. Department of	84.027	4,636,259	4,636,259
Total Special Education_Grants to States			91,219,101	86,339,390
Special Education_Preschool Grants	Education, U.S. Department of	84.173	1,952,062	1,805,256
COVID-19 Special Education_Preschool Grants	Education, U.S. Department of	84.173	389,371	389,371
Total Special Education_Preschool Grants			2,341,433	2,194,627
Total Special Education Cluster (IDEA)			93,560,534	88,534,017
Career and Technical Education -- Basic Grants to States	Education, U.S. Department of	84.048	8,819,347	7,477,350
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	20,176,875	-
Migrant Education_Coordination Program	Education, U.S. Department of	84.144	46,330	-
Rehabilitation Services_Client Assistance Program	Education, U.S. Department of	84.161	167,696	-
Special Education-Grants for Infants and Families	Education, U.S. Department of	84.181	3,261,104	1,805,365
COVID-19 Special Education-Grants for Infants and Families	Education, U.S. Department of	84.181	528,612	491,255
Total Special Education-Grants for Infants and Families			3,789,716	2,296,620
School Safety National Activities	Education, U.S. Department of	84.184	536,088	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187	270,000	-
Education for Homeless Children and Youth	Education, U.S. Department of	84.196	426,540	360,598
Twenty-First Century Community Learning Centers	Education, U.S. Department of	84.287	5,787,595	5,333,028
Statewide Family Engagement Centers	Education, U.S. Department of	84.310	1,736	-
Special Education - State Personnel Development	Education, U.S. Department of	84.323	579,905	250,554
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	Education, U.S. Department of	84.325	129,880	126,626
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, U.S. Department of	84.326	15,857	12,851
Rural Education	Education, U.S. Department of	84.358	122,557	118,154

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State Agency/Program Title	Federal Agency	AL or Grant #	2024 Expenditures	2024 Subrecipients
Education, Department of (Continued)				
English Language Acquisition State Grants	Education, U.S. Department of	84.365	2,869,664	2,651,447
Supporting Effective Instruction State Grant	Education, U.S. Department of	84.367	7,615,290	6,941,969
Competitive Grants for State Assessments	Education, U.S. Department of	84.368	1,075,855	-
Grants for State Assessments and Related Activities	Education, U.S. Department of	84.369	8,053,000	-
Statewide Longitudinal Data Systems	Education, U.S. Department of	84.372	348,665	-
Disability Innovation Fund	Education, U.S. Department of	84.421	1,548,033	-
Student Support and Academic Enrichment Program	Education, U.S. Department of	84.424	5,301,351	5,106,114
Student Support and Academic Enrichment Program - Stronger Connections Grant (SCG) Program	Education, U.S. Department of	84.424F	67,049	38,117
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief Fund (GEER I)	Education, U.S. Department of	84.425C	101,083	-
COVID-19 Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund (ESSER II)	Education, U.S. Department of	84.425D	78,397,638	61,938,020
COVID-19 Education Stabilization Fund - Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance for Non-Public Schools (CRRSA EANS)	Education, U.S. Department of	84.425R	1,753,152	-
COVID-19 Education Stabilization Fund - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	Education, U.S. Department of	84.425U	169,291,332	171,005,692
COVID-19 Education Stabilization Fund - American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP EANS)	Education, U.S. Department of	84.425V	6,121,532	-
COVID-19 Education Stabilization Fund - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP HCY)	Education, U.S. Department of	84.425W	465,758	379,877
Total Education Stabilization Fund			256,130,495	233,323,589
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Health and Human Services, U.S. Department of	93.079	205,949	-
Traumatic Brain Injury State Demonstration Grant Program	Health and Human Services, U.S. Department of	93.234	192,417	-
COVID-19 Traumatic Brain Injury State Demonstration Grant Program	Health and Human Services, U.S. Department of	93.234	45,588	-
Total Traumatic Brain Injury State Demonstration Grant Program			238,005	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, U.S. Department of	93.243	2,215,481	312,425
University of Nebraska - Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	Health and Human Services, U.S. Department of	93.243	234,220	-
Total Substance Abuse and Mental Health Services_Projects of Regional and National Significance			2,449,701	312,425
ACL Assistive Technology	Health and Human Services, U.S. Department of	93.464	698,265	-
Head Start Cluster:				
Head Start	Health and Human Services, U.S. Department of	93.600	126,610	3,000

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State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Education, Department of (Continued)					
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	Health and Human Services, U.S. Department of	93.981		81,099	34,324
COVID-19 Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	Health and Human Services, U.S. Department of	93.981		(12)	-
Total Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools				81,087	34,324
Disability Insurance/SSI Cluster:					
Social Security_Disability Insurance	Social Security Administration	96.001		14,005,690	-
Supplemental Security Income	Social Security Administration	96.006		1,014,535	-
Total Disability Insurance/SSI Cluster				15,020,225	-
Total Department of Education			$	681,161,804	593,503,371
Environment and Energy, Department of					
Hazardous Waste Management	Agriculture, U.S. Department of	10.U02	$	30,945	-
State Memorandum of Agreement Program for the Reimbursement of Technical Services	Defense, U.S. Department of	12.113		92,590	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Protection Agency, U.S.	66.034		505,499	-
Diesel Emissions Reduction Act (DERA) State Grants	Environmental Protection Agency, U.S.	66.040		598,470	-
Climate Pollution Reduction Grant	Environmental Protection Agency, U.S.	66.046		407,891	-
Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Protection Agency, U.S.	66.419		263,861	-
State Public Water System Supervision	Environmental Protection Agency, U.S.	66.432		15,529	-
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	Environmental Protection Agency, U.S.	66.442		790,946	-
Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	Environmental Protection Agency, U.S.	66.444		55,105	-
Sewer Overflow and Stormwater Reuse Municipal Grant	Environmental Protection Agency, U.S.	66.447		441,000	-
Water Quality Management Planning	Environmental Protection Agency, U.S.	66.454		129,102	-
Clean Water State Revolving Fund	Environmental Protection Agency, U.S.	66.458		14,238,488	14,163,456
Nonpoint Source Implementation Grants	Environmental Protection Agency, U.S.	66.460		2,454,336	1,407,662
Drinking Water State Revolving Fund	Environmental Protection Agency, U.S.	66.468		33,992,414	32,903,002
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		6,826,152	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environmental Protection Agency, U.S.	66.802		438,810	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	Environmental Protection Agency, U.S.	66.805		1,038,227	-
State and Tribal Response Program Grants	Environmental Protection Agency, U.S.	66.817		757,677	-

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State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Environment and Energy, Department of (Continued)					
State Programs for Control of Coal Combustion Residuals	Environmental Protection Agency, U.S.	66.820		9,134	-
Solid Waste Infrastructure for Recycling Infrastructure Grants	Environmental Protection Agency, U.S.	66.920		13,597	-
State Energy Program	Energy, U.S. Department of	81.041		653,712	-
Weatherization Assistance for Low-Income Persons	Energy, U.S. Department of	81.042		3,172,954	2,696,783
Energy Efficiency and Conservation Block Grant Program (EECBG)	Energy, U.S. Department of	81.128		12,915	-
State Heating Oil and Propane Program	Energy, U.S. Department of	81.138		4,959	-
Grid Infrastructure Deployment and Resilience	Energy, U.S. Department of	81.254		12,629	-
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		3,607,711	3,504,085
Total Department of Environmental and Energy			$	70,564,653	54,674,988
Equal Opportunity Commission					
Fair Housing Assistance Program_State and Local	Housing & Urban Development, U.S. Department of	14.401	$	288,560	-
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Employment Opportunity Commission, U.S.	30.001		575,820	-
Total Equal Opportunity Commission			$	864,380	-
Fire Marshal					
Pipeline Safety Program State Base Grant	Transportation, U.S. Department of	20.700	$	436,143	145,767
Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Protection Agency, U.S.	66.608		103,032	-
Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Protection Agency, U.S.	66.804		422,626	-
State Fire Training Systems Grants	Homeland Security, U.S. Department of	97.043		28,384	-
Assistance to Firefighters Grant	Homeland Security, U.S. Department of	97.044		(255)	-
Total Fire Marshal			$	989,930	145,767
Game and Parks Commission					
Wetlands Reserve Program	Agriculture, U.S. Department of	10.072	$	178	-
Voluntary Public Access and Habitat Incentive	Agriculture, U.S. Department of	10.093		213,757	213,757
Agriculture Conservation Easement Program	Agriculture, U.S. Department of	10.931		14,155	-
Regional Conservation Partnership Program	Agriculture, U.S. Department of	10.932		35,997	35,997
Fish and Wildlife Coordination Act	Interior, U.S. Department of the	15.517		2,875	-
Recreation Resources Management	Interior, U.S. Department of the	15.524		508,452	-
Fish and Wildlife Management Assistance	Interior, U.S. Department of the	15.608		651,598	521,051

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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2024

State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Game and Parks Commission (Continued)					
Fish and Wildlife Cluster:					
Sport Fish Restoration	Interior, U.S. Department of the	15.605		7,016,196	599,923
Wildlife Restoration and Basic Hunter Education and Safety	Interior, U.S. Department of the	15.611		13,376,867	4,905,760
Enhanced Hunter Education and Safety	Interior, U.S. Department of the	15.626		66,175	-
Total Fish and Wildlife Cluster				20,459,238	5,505,683
Cooperative Endangered Species Conservation Fund	Interior, U.S. Department of the	15.615		38,151	33,103
Partners for Fish and Wildlife	Interior, U.S. Department of the	15.631		12	-
State Wildlife Grants	Interior, U.S. Department of the	15.634		1,160,558	598,820
Migratory Bird Joint Ventures	Interior, U.S. Department of the	15.637		7,078	-
Cooperative Landscape Conservation	Interior, U.S. Department of the	15.669		112,427	109,245
Outdoor Recreation_Acquisition, Development and Planning	Interior, U.S. Department of the	15.916		2,309,479	1,277,458
Recreational Trails Program	Transportation, U.S. Department of	20.219		604,987	226,151
Boating Safety Financial Assistance	Homeland Security, U.S. Department of	97.012		671,428	-
Total Game and Parks Commission			$	26,790,370	8,521,265
Health and Human Services, Department of					
Local Food Purchase Agreements with States, Tribes, and Local Governments	Agriculture, U.S. Department of	10.182	$	84,836	75,925
COVID-19 Pandemic EBT Food Benefits	Agriculture, U.S. Department of	10.542		20,605,059	-
SNAP Cluster:					
Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.551		310,780,979	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.561	^	26,802,495	2,635,330
COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.561		1,229,223	-
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of			28,031,718	2,635,330
Total SNAP Cluster				338,812,697	2,635,330
Child Nutrition Cluster:					
National School Lunch Program	Agriculture, U.S. Department of	10.555		18,257,961	18,257,961
Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture, U.S. Department of	10.557		34,454,018	9,344,378
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558		141,215	141,215
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560		576,032	-

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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2024

State Agency/Program Title	Federal Agency	AL or Grant #	2024 Expenditures	2024 Subrecipients
Health and Human Services, Department of (Continued)				
Food Distribution Cluster:				
Commodity Supplemental Food Program	Agriculture, U.S. Department of	10.565	1,885,440	1,799,185
Emergency Food Assistance Program (Administrative Costs)	Agriculture, U.S. Department of	10.568	577,560	577,560
COVID-19 Emergency Food Assistance Program (Administrative Costs)	Agriculture, U.S. Department of	10.568	338,912	338,912
Total Emergency Food Assistance Program (Administrative Costs)			916,472	916,472
Emergency Food Assistance Program (Food Commodities)	Agriculture, U.S. Department of	10.569	10,687,118	10,687,118
Total Food Distribution Cluster			13,489,030	13,402,775
WIC Grants To States (WGS)	Agriculture, U.S. Department of	10.578	127,309	-
Summer Electronic Benefit Transfer Program for Children	Agriculture, U.S. Department of	10.646	8,948,443	-
COVID-19 Pandemic EBT Administrative Costs	Agriculture, U.S. Department of	10.649	431,980	-
Emergency Solutions Grant Program	Housing & Urban Development, U.S. Department of	14.231	1,101,041	1,042,797
COVID-19 Emergency Solutions Grant Program	Housing & Urban Development, U.S. Department of	14.231	468,523	467,107
Total Emergency Solutions Grant Program			1,569,564	1,509,904
Housing Opportunities for Persons with AIDS	Housing & Urban Development, U.S. Department of	14.241	983,410	975,583
Services for Trafficking Victims	Justice, U.S. Department of	16.320	387,580	387,580
Harold Rogers Prescription Drug Monitoring Program	Justice, U.S. Department of	16.754	208,550	-
State Indoor Radon Grants	Environmental Protection Agency, U.S.	66.032	164,697	20,134
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605	277,132	-
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Health and Human Services, U.S. Department of	93.041	19,146	-
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Health and Human Services, U.S. Department of	93.042	89,936	89,936
COVID-19 Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Health and Human Services, U.S. Department of	93.042	50,435	50,435
Total Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals			140,371	140,371
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Health and Human Services, U.S. Department of	93.043	92,103	92,103
COVID-19 Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Health and Human Services, U.S. Department of	93.043	79,248	79,248
Total Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services			171,351	171,351

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Health and Human Services, Department of (Continued)					
Aging Cluster:					
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Health and Human Services, U.S. Department of	93.044		2,090,897	1,550,539
COVID-19 Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Health and Human Services, U.S. Department of	93.044		1,106,867	1,106,867
Total Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers				3,197,764	2,657,406
Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, U.S. Department of	93.045		4,329,152	4,188,721
COVID-19 Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, U.S. Department of	93.045		1,084,899	1,084,899
Total Special Programs for the Aging_Title III, Part C_Nutrition Services				5,414,051	5,273,620
Nutrition Services Incentive Program	Health and Human Services, U.S. Department of	93.053		932,713	932,713
Total Aging Cluster				9,544,528	8,863,739
COVID-19 Special Programs for the Aging - Title IV and Title II - Discretionary Projects	Health and Human Services, U.S. Department of	93.048		263,927	263,927
National Family Caregiver Support, Title III, Part E	Health and Human Services, U.S. Department of	93.052		887,021	833,601
COVID-19 National Family Caregiver Support, Title III, Part E	Health and Human Services, U.S. Department of	93.052		246,346	246,346
Total National Family Caregiver Support, Title III, Part E				1,133,367	1,079,947
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster:					
Public Health Emergency Preparedness	Health and Human Services, U.S. Department of	93.069		5,334,071	4,696,899
National Bioterrorism Hospital Preparedness Program	Health and Human Services, U.S. Department of	93.889		1,487,126	1,023,456
COVID-19 National Bioterrorism Hospital Preparedness Program	Health and Human Services, U.S. Department of	93.889		(9,275)	-
Total National Bioterrorism Hospital Preparedness Program				1,477,851	1,023,456
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster				6,811,922	5,720,355
Environmental Public Health and Emergency Response	Health and Human Services, U.S. Department of	93.070		477,377	394,720
Guardianship Assistance	Health and Human Services, U.S. Department of	93.090	^	108,776	-
COVID-19 Guardianship Assistance	Health and Human Services, U.S. Department of	93.090		8,112	-
Total Guardianship Assistance				116,888	-
Affordable Care Act (ACA) Personal Responsibility Education Program	Health and Human Services, U.S. Department of	93.092		305,281	222,994
Maternal and Child Health Federal Consolidated Programs	Health and Human Services, U.S. Department of	93.110		894,122	513,992
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health and Human Services, U.S. Department of	93.116		408,583	49,866
Emergency Medical Services for Children	Health and Human Services, U.S. Department of	93.127		110,328	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	Health and Human Services, U.S. Department of	93.130		5,495	-

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State Agency/Program Title	Federal Agency	AL or Grant #	2024 Expenditures	2024 Subrecipients
Health and Human Services, Department of (Continued)				
Injury Prevention and Control Research and State and Community Based Programs	Health and Human Services, U.S. Department of	93.136	3,593,544	1,292,490
Projects for Assistance in Transition from Homelessness (PATH)	Health and Human Services, U.S. Department of	93.150	285,627	285,627
COVID-19 Grants to State for Loan Repayment Program	Health and Human Services, U.S. Department of	93.165	718,744	-
Childhood Lead Poisoning Prevention Project	Health and Human Services, U.S. Department of	93.197	396,844	164,847
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	Health and Human Services, U.S. Department of	93.235	256,134	170,025
Grants to States to Support Oral Health Workforce Activities	Health and Human Services, U.S. Department of	93.236	296,454	148,122
State Rural Hospital Flexibility Program	Health and Human Services, U.S. Department of	93.241	1,104,044	809,339
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, U.S. Department of	93.243	2,255,827	1,967,055
Universal Newborn Hearing and Screening	Health and Human Services, U.S. Department of	93.251	207,653	77,187
Occupational Safety and Health Program	Health and Human Services, U.S. Department of	93.262	184,782	-
Immunization Cooperative Agreements	Health and Human Services, U.S. Department of	93.268	35,036,242	1,637,780
COVID-19 Immunization Cooperative Agreements	Health and Human Services, U.S. Department of	93.268	9,015,050	7,854,652
Total Immunization Cooperative Agreements			44,051,292	9,492,432
Viral Hepatitis Prevention and Control	Health and Human Services, U.S. Department of	93.270	134,993	-
Drug Abuse and Addiction Research Programs	Health and Human Services, U.S. Department of	93.279	163,584	-
Small Rural Hospital Improvement Grant Program	Health and Human Services, U.S. Department of	93.301	841,836	841,836
National and State Tobacco Control Program	Health and Human Services, U.S. Department of	93.387	1,006,460	31,656
COVID-19 Activities to Support State, Tribal, Local and Territorial Health Department Response to Public Health or Healthcare Crises	Health and Human Services, U.S. Department of	93.391	7,178,132	5,270,045
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Health and Human Services, U.S. Department of	93.314	129,574	-
Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, U.S. Department of	93.323	3,211,589	1,851,041
COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, U.S. Department of	93.323	23,752,198	6,495,440
Total Epidemiology & Laboratory Capacity for Infectious Diseases			26,963,787	8,346,481
Behavioral Risk Factor Surveillance System	Health and Human Services, U.S. Department of	93.336	671,465	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Health and Human Services, U.S. Department of	93.354	100,196	100,196
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Health and Human Services, U.S. Department of	93.354	3,755,232	764,532
Total Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			3,855,428	864,728
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	Health and Human Services, U.S. Department of	93.421	41,060	-
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	Health and Human Services, U.S. Department of	93.426	362,380	129,338

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State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Health and Human Services, Department of (Continued)					
ESSA/Preschool Development Grants	Health and Human Services, U.S. Department of	93.434		7,135,964	6,368,982
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	Health and Human Services, U.S. Department of	93.435		127,027	-
Well-Integrated Screening and Evaluation for Women Across the Nation (Wisewoman)	Health and Human Services, U.S. Department of	93.436		631,891	225,766
Title IV-E Prevention Program	Health and Human Services, U.S. Department of	93.472		491,005	-
COVID-19 Family Violence Prevention and Services/Sexual Assault/Rape Crisis Services and Supports	Health and Human Services, U.S. Department of	93.497		409,737	409,737
National Health Service Corps	Health and Human Services, U.S. Department of	93.547		113,833	-
Promoting Safe and Stable Families	Health and Human Services, U.S. Department of	93.556		1,847,054	1,311,715
Temporary Assistance for Needy Families	Health and Human Services, U.S. Department of	93.558		48,166,009	18,122,989
Child Support Services	Health and Human Services, U.S. Department of	93.563	^	23,932,298	10,066,756
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	Health and Human Services, U.S. Department of	93.566	^	17,188,755	4,833,486
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		41,317,297	-
COVID-19 Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		3,408,026	-
Total Low-Income Home Energy Assistance				44,725,323	-
Community Services Block Grant	Health and Human Services, U.S. Department of	93.569		5,588,736	5,472,003
CCDF Cluster:					
Child Care and Development Block Grant	Health and Human Services, U.S. Department of	93.575		55,830,266	3,382,083
COVID-19 Child Care and Development Block Grant	Health and Human Services, U.S. Department of	93.575		48,049,755	5,296,947
Total Child Care and Development Block Grant				103,880,021	8,679,030
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services, U.S. Department of	93.596		28,692,689	-
Total CCDF Cluster				132,572,710	8,679,030
Grants to States for Access and Visitation Programs	Health and Human Services, U.S. Department of	93.597		99,628	99,628
Chafee Education and Training Vouchers Program (ETV)	Health and Human Services, U.S. Department of	93.599		352,014	341,596
Adoption and Legal Guardianship Incentive Payments	Health and Human Services, U.S. Department of	93.603		371,219	125,059
Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, U.S. Department of	93.630		710,039	249,092
COVID-19 Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, U.S. Department of	93.630		56,216	56,216
Total Developmental Disabilities Basic Support and Advocacy Grants				766,255	305,308
Children's Justice Grants to States	Health and Human Services, U.S. Department of	93.643		121,882	21,140
Stephanie Tubbs Jones Child Welfare Service Program	Health and Human Services, U.S. Department of	93.645		1,784,689	-

^ - Amounts taken from financial status reports
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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2024

State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Health and Human Services, Department of (Continued)					
Foster Care_Title IV-E	Health and Human Services, U.S. Department of	93.658	^	28,901,947	45,393
COVID-19 Foster Care_Title IV-E	Health and Human Services, U.S. Department of	93.658		218,958	-
Total Foster Care_Title IV-E				29,120,905	45,393
Adoption Assistance	Health and Human Services, U.S. Department of	93.659	^	32,123,755	8,734
COVID-19 Adoption Assistance	Health and Human Services, U.S. Department of	93.659		502,097	-
Total Adoption Assistance				32,625,852	8,734
Social Services Block Grant	Health and Human Services, U.S. Department of	93.667		12,324,399	1,678,569
Child Abuse and Neglect State Grants	Health and Human Services, U.S. Department of	93.669		647,152	624,026
COVID-19 Child Abuse and Neglect State Grants	Health and Human Services, U.S. Department of	93.669		37,116	-
Total Child Abuse and Neglect State Grants				684,268	624,026
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, U.S. Department of	93.671		1,167,231	1,167,231
COVID-19 Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, U.S. Department of	93.671		1,012,720	1,012,720
Total Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services				2,179,951	2,179,951
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Health and Human Services, U.S. Department of	93.674		1,433,084	1,116,868
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	Health and Human Services, U.S. Department of	93.734		98,762	34,025
COVID-19 Elder Abuse Prevention Interventions Program	Health and Human Services, U.S. Department of	93.747		1,024,540	45,357
Children's Health Insurance Program	Health and Human Services, U.S. Department of	93.767	^	86,861,000	-
COVID-19 Children's Health Insurance Program	Health and Human Services, U.S. Department of	93.767		1,810,050	-
Total Children's Health Insurance Program				88,671,050	-
Medicaid Cluster:					
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services, U.S. Department of	93.777	^	6,089,662	-
COVID-19 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services, U.S. Department of	93.777		160	-
Total State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare				6,089,822	-
Medical Assistance Program	Health and Human Services, U.S. Department of	93.778	^	2,485,747,019	9,492,951
COVID-19 Medical Assistance Program	Health and Human Services, U.S. Department of	93.778	^	23,989,810	302,209
Total Medical Assistance Program				2,509,736,829	9,795,160
Total Medicaid Cluster				2,515,826,651	9,795,160

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

State Agency/Program Title	Federal Agency	AL or Grant #	2024 Expenditures	2024 Subrecipients
Health and Human Services, Department of (Continued)				
Opioid STR	Health and Human Services, U.S. Department of	93.788	2,850,247	2,158,941
Organized Approaches to Increase Colorectal Cancer Screening	Health and Human Services, U.S. Department of	93.800	487,606	269,082
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health and Human Services, U.S. Department of	93.817	426,482	426,482
COVID-19 Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health and Human Services, U.S. Department of	93.817	175,347	175,347
Total Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities			601,829	601,829
Maternal, Infant, & Early Childhood Home Visiting Grant	Health and Human Services, U.S. Department of	93.870	1,535,664	1,284,248
COVID-19 Maternal, Infant, & Early Childhood Home Visiting Grant	Health and Human Services, U.S. Department of	93.870	115,679	114,329
Total Maternal, Infant, & Early Childhood Home Visiting Grant			1,651,343	1,398,577
Cancer Prevention & Control Programs for State, Territorial & Tribal Organization	Health and Human Services, U.S. Department of	93.898	1,983,310	406,675
Grants to States for Operation of State Offices of Rural Health	Health and Human Services, U.S. Department of	93.913	183,226	34,421
HIV Care Formula Grants	Health and Human Services, U.S. Department of	93.917	9,636,433	3,921,540
HIV Prevention Activities_Health Department Based	Health and Human Services, U.S. Department of	93.940	859,152	269,376
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health and Human Services, U.S. Department of	93.946	367,220	-
Block Grants for Community Mental Health Services	Health and Human Services, U.S. Department of	93.958	3,280,047	2,427,495
COVID-19 Block Grants for Community Mental Health Services	Health and Human Services, U.S. Department of	93.958	457,125	195,976
Total Block Grants for Community Mental Health Services			3,737,172	2,623,471
Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, U.S. Department of	93.959	7,369,296	6,468,471
COVID-19 Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, U.S. Department of	93.959	709,005	620,933
Total Block Grants for Prevention and Treatment of Substance Abuse			8,078,301	7,089,404
Centers for Disease Control and Prevention's Collaboration with Academia to Strengthen Public Health	Health and Human Services, U.S. Department of	93.967	140,645	39,371
COVID-19 Centers for Disease Control and Prevention's Collaboration with Academia to Strengthen Public Health	Health and Human Services, U.S. Department of	93.967	985,409	820,363
Total Centers for Disease Control and Prevention's Collaboration with Academia to Strengthen Public Health			1,126,054	859,734
Sexually Transmitted Diseases (STD) Prevention and Control Grants	Health and Human Services, U.S. Department of	93.977	501,916	17,452
COVID-19 Sexually Transmitted Diseases (STD) Prevention and Control Grants	Health and Human Services, U.S. Department of	93.977	907,184	733,730
Total Sexually Transmitted Diseases (STD) Prevention and Control Grants			1,409,100	751,182
Cooperative Agreements for Diabetes Control Programs	Health and Human Services, U.S. Department of	93.988	331,267	5,431
Preventive Health and Health Services Block Grant	Health and Human Services, U.S. Department of	93.991	2,241,569	761,851
Maternal and Child Health Services Block Grant to the States	Health and Human Services, U.S. Department of	93.994	3,862,980	1,901,188

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State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Health and Human Services, Department of (Continued)					
AmeriCorps State Commissions Support Grant	Corporation For National and Community Service	94.003		366,646	-
AmeriCorps State and National	Corporation For National and Community Service	94.006		1,407,929	1,342,271
Training and Technical Assistance	Corporation For National and Community Service	94.009		134,328	-
Total Department of Health and Human Services			$	3,566,353,046	190,369,506
Historical Society					
Cultural Resources Management	Interior, U.S. Department of the	15.511	$	10,650	-
Historic Preservation Fund Grants-In-Aid	Interior, U.S. Department of the	15.904		946,365	211,841
Cultural Resources Management	Interior, U.S. Department of the	15.946		35,571	-
National Leadership Grants	Institute of Museum and Library Services	45.312		28,183	-
National Historical Publications and Records Grant	National Archives and Records Administration	89.003		20,746	-
Total Historical Society			$	1,041,515	211,841
Insurance, Department of					
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	Health and Human Services, U.S. Department of	93.048	$	302,474	186,554
Medicare Enrollment Assistance Program	Health and Human Services, U.S. Department of	93.071		234,022	92,896
State Health Insurance Assistance Program	Health and Human Services, U.S. Department of	93.324		447,433	171,902
The State Flexibility to Stabilize the Market Grant Program	Health and Human Services, U.S. Department of	93.413		174,507	-
Total Department of Insurance			$	1,158,436	451,352
Labor, Department of					
Labor Force Statistics	Labor, U.S. Department of	17.002	$	749,357	-
Employment Service Cluster:					
Employment Service/Wagner-Peyser Funded Activities	Labor, U.S. Department of	17.207		5,283,030	137,582
Jobs for Veterans State Grants	Labor, U.S. Department of	17.801		922,465	-
Total Employment Service Cluster				6,205,495	137,582
Unemployment Insurance - Federal	Labor, U.S. Department of	17.225		417,373	-
COVID-19 Unemployment Insurance - Federal	Labor, U.S. Department of	17.225		28,221	-
Total Unemployment Insurance - Federal				445,594	-
Unemployment Insurance - State	Labor, U.S. Department of	17.225		83,852,582	-
Unemployment Insurance - Admin	Labor, U.S. Department of	17.225		17,210,252	-
COVID-19 Unemployment Insurance - Admin	Labor, U.S. Department of	17.225		1,235,408	-
Total Unemployment Insurance - Admin				18,445,660	-
Total Unemployment Insurance				102,743,836	-

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2024

State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Labor, Department of (Continued)					
Senior Community Service Employment Program	Labor, U.S. Department of	17.235		715,845	-
Trade Adjustment Assistance	Labor, U.S. Department of	17.245		500,140	-
WIOA Cluster:					
WIOA Adult Program	Labor, U.S. Department of	17.258		2,414,545	1,453,494
WIOA Youth Activities	Labor, U.S. Department of	17.259		3,727,259	2,508,407
WIOA Dislocated Worker Formula Grants	Labor, U.S. Department of	17.278		1,852,325	633,100
Total WIOA Cluster				7,994,129	4,595,001
Work Opportunity Tax Credit Program (WOTC)	Labor, U.S. Department of	17.271		220,035	-
Temporary Labor Certification for Foreign Workers	Labor, U.S. Department of	17.273		188,942	-
Consultation Agreements	Labor, U.S. Department of	17.504		628,409	-
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief Fund (GEER II)	Education, U.S. Department of	84.425C		4,452,313	4,449,187
Total Department of Labor			$	124,398,501	9,181,770
Law Enforcement and Criminal Justice, Commission for					
Sexual Assault Services Formula Program	Justice, U.S. Department of	16.017	$	464,134	456,423
Juvenile Justice and Delinquency Prevention	Justice, U.S. Department of	16.540		80,660	74,495
State Justice Statistics Program for Statistical Analysis Centers	Justice, U.S. Department of	16.550		19,923	-
Crime Victim Assistance	Justice, U.S. Department of	16.575		10,433,186	9,212,365
Crime Victim Compensation	Justice, U.S. Department of	16.576		127,483	-
Crime Victim Assistance/Discretionary Grants	Justice, U.S. Department of	16.582		47,065	46,798
Violence Against Women Formula Grants	Justice, U.S. Department of	16.588		1,024,489	967,341
Residential Substance Abuse Treatment for State Prisoners	Justice, U.S. Department of	16.593		399	-
Edward Byrne Memorial Justice Assistance Grant Program	Justice, U.S. Department of	16.738		891,506	804,554
Total Commission for Law Enforcement and Criminal Justice			$	13,088,845	11,561,976
Library Commission					
Grants to States	Institute of Museum and Library Services	45.310	$	1,842,149	-
Total Library Commission			$	1,842,149	-
Military Department					
Military Construction, National Guard	Defense, U.S. Department of	12.400	$	22,760,745	-
National Guard Military Operations and Maintenance (O&M) Projects	Defense, U.S. Department of	12.401		36,951,957	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	Transportation, U.S. Department of	20.703		72,708	-
COVID-19 Emergency Rental Assistance	Treasury, U.S. Department of the	21.023		14,173,744	246,794

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See accompanying notes to the Schedule of Expenditures of Federal Awards

State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Military Department (Continued)					
COVID-19 Homeowner Assistance Fund	Treasury, U.S. Department of the	21.026		14,725,921	116,369
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	Treasury, U.S. Department of the	21.027		214,163,208	123,990,350
COVID-19 Coronavirus Capital Projects Fund	Treasury, U.S. Department of the	21.029		29,753,965	29,426,287
Urban Areas Security Init (Non-Profit Security Program)	Homeland Security, U.S. Department of	97.008		979,226	978,831
Homeland Security Grant Program	Homeland Security, U.S. Department of	97.067		4,745,842	2,585,016
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security, U.S. Department of	97.036		81,594,631	79,146,400
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security, U.S. Department of	97.036		76,853,234	50,975,185
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)				158,447,865	130,121,585
Hazard Mitigation Grant	Homeland Security, U.S. Department of	97.039		3,744,089	3,507,192
COVID-19 Hazard Mitigation Grant	Homeland Security, U.S. Department of	97.039		664,076	507,206
Total Hazard Mitigation Grant				4,408,165	4,014,398
Emergency Management Performance Grants	Homeland Security, U.S. Department of	97.042		4,608,193	2,736,030
COVID-19 Emergency Management Performance Grants	Homeland Security, U.S. Department of	97.042		479,246	265,951
Total Emergency Management Performance Grants				5,087,439	3,001,981
BRIC: Building Resilient Infrastructure and Communities	Homeland Security, U.S. Department of	97.047		289,175	276,448
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	Homeland Security, U.S. Department of	97.137		428,150	260,000
Total Military Department			$	506,988,110	295,018,059
Motor Vehicles, Department of					
Commercial Driver's License Program Implementation Grant	Transportation, U.S. Department of	20.232	$	103,335	-
Total Department of Motor Vehicles			$	103,335	-
Natural Resources, Department of					
Community Assistance Program State Support Services Element (CAP-SSSE)	Homeland Security, U.S. Department of	97.023	$	440,333	-
Flood Mitigation Assistance	Homeland Security, U.S. Department of	97.029		32,250	-
National Dam Safety Program	Homeland Security, U.S. Department of	97.041		489,894	-
Cooperating Technical Partners	Homeland Security, U.S. Department of	97.045		1,994,533	-
Total Department of Natural Resources			$	2,957,010	-
Oil and Gas Commission					
Energy Community Revitalization Program	Interior, U.S. Department of the	15.018	$	8,576,937	-
State Underground Water Source Protection	Environmental Protection Agency, U.S.	66.433		42,912	-
Total Oil and Gas Commission			$	8,619,849	-

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2024

State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Pardons, Board of					
Second Chance Act Reentry Initiative	Justice, U.S. Department of	16.812	$	150,873	-
Justice Reinvestment Initiative	Justice, U.S. Department of	16.827		183,059	-
Total Board of Pardons			$	333,932	-
Secretary of State					
Emerging Markets Program	Agriculture, U.S. Department of	10.603	$	68,860	-
HAVA Election Security Grants	Election Assistance Commission, U.S.	90.404		463,691	74,210
Total Secretary of State			$	532,551	74,210
State Patrol					
Missing Children's Assistance	Justice, U.S. Department of	16.543	$	383,300	-
National Criminal History Improvement Program (NCHIP)	Justice, U.S. Department of	16.554		3,628,812	105,752
Public Safety Partnership and Community Policing Grants	Justice, U.S. Department of	16.710		74,748	-
DNA Backlog Reduction Program	Justice, U.S. Department of	16.741		774,154	-
Paul Coverdell Forensic Sciences Improvement Grant Program	Justice, U.S. Department of	16.742		207,810	-
Support for Adam Walsh Act Implementation Grant Program	Justice, U.S. Department of	16.750		266,548	-
NICS Act Record Improvement Program	Justice, U.S. Department of	16.813		1,142,640	190,591
Equitable Sharing Program	Justice, U.S. Department of	16.922		388,799	-
Federal Equitable Sharing Program: Public Safety Cash DOJ	Justice, U.S. Department of	16.922		258,564	-
Total Federal Equitable Sharing Program				647,363	-
DEA Grants	Justice, U.S. Department of	16.U01		3,586	-
FMCSA Cluster:					
Motor Carrier Safety Assistance	Transportation, U.S. Department of	20.218		4,239,771	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	Transportation, U.S. Department of	20.237		2,018,750	-
Total FMSCA Cluster				6,258,521	-
High Intensity Drug Trafficking Areas Program	President, Executive Office of the	95.001		1,129,789	682,803
Total State Patrol			$	14,517,271	979,146
Supreme Court, Nebraska					
Edward Byrne Memorial Justice Assistance Grant Program	Justice, U.S. Department of	16.738	$	286,681	-
Justice Reinvestment Initiative	Justice, U.S. Department of	16.827		131,982	-
State Court Improvement Program	Health and Human Services, U.S. Department of	93.586		430,726	-
Total Nebraska Supreme Court			$	849,389	-

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2024

State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Nebraska Tourism Commission					
Economic Development Cluster:					
Economic Adjustment Assistance	Commerce, U.S. Department of	11.307	$	1,769,181	-
Total Nebraska Tourism Commission			$	1,769,181	-
Transportation, Department of					
Broadband Equity, Access, and Deployment Program	Commerce, U.S. Department of	11.035	$	1,842,838	-
Airport Improvement Program	Transportation, U.S. Department of	20.106		27,732,935	27,471,666
COVID-19 Airport Improvement Program	Transportation, U.S. Department of	20.106		11,940,841	11,886,841
Total Airport Improvement Program				39,673,776	39,358,507
Highway Research and Development Program	Transportation, U.S. Department of	20.200		1,642,477	-
Highway Planning and Construction	Transportation, U.S. Department of	20.205		508,927,653	38,874,133
COVID-19 Highway Planning & Construction	Transportation, U.S. Department of	20.205		6,101,032	312,065
Total Highway Planning & Construction				515,028,685	39,186,198
Federal Lands Access Program	Transportation, U.S. Department of	20.224		70,418	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Transportation, U.S. Department of	20.505		818,850	818,850
Formula Grants for Rural Areas and Tribal Transit Program	Transportation, U.S. Department of	20.509		14,981,228	11,758,225
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	Transportation, U.S. Department of	20.509		864,166	864,166
Total Formula Grants for Rural Areas				15,845,394	12,622,391
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	Transportation, U.S. Department of	20.513		36,251	36,251
Highway Safety Cluster:					
State and Community Highway Safety	Transportation, U.S. Department of	20.600		3,816,601	2,641,783
National Priority Safety Programs	Transportation, U.S. Department of	20.616		3,110,801	1,655,140
Total Highway Safety Cluster				6,927,402	4,296,923
Incentive Grant Program to Prohibit Racial Profiling	Transportation, U.S. Department of	20.611		130,163	130,163
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	Transportation, U.S. Department of	20.614		78,000	-
National Infrastructure Investments	Transportation, U.S. Department of	20.933		5,277,350	5,277,350
Total Department of Transportation			$	587,371,604	101,726,633

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

State Agency/Program Title	Federal Agency	AL or Grant #		2024 Expenditures	2024 Subrecipients
Veterans' Affairs, Department of					
Grants to States for Construction of State Home Facilities	Veterans Affairs, U.S. Department of	64.005	$	2,960,132	-
Veterans State Domiciliary Care	Veterans Affairs, U.S. Department of	64.014		1,667,313	-
Veterans State Nursing Home Care	Veterans Affairs, U.S. Department of	64.015		25,901,544	-
Veterans Cemetery Grants Program	Veterans Affairs, U.S. Department of	64.203		1,339,469	-
Total Department of Veterans' Affairs			$	31,868,458	-
Worker's Compensation Court					
Compensation and Working Conditions	Labor, U.S. Department of	17.005	$	36,599	-
Total Worker's Compensation Court			$	36,599	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	5,702,398,270	1,310,834,535

^ - Amounts taken from financial status reports
See accompanying notes to the Schedule of Expenditures of Federal Awards

(1) General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all Federal awards programs of the State of Nebraska (the State), except as noted in note 2 below. The State's reporting entity is defined in note 1(b) to the State's financial statements. Federal awards received directly from Federal agencies, as well as those passed through other government agencies, are included in the Schedule. Unless otherwise noted on the Schedule, all programs are received directly from the respective Federal agency.

(2) Summary of Significant Accounting Policies

(a) Reporting Entity

The State's reporting entity is defined in note 1(b) to the financial statements. The accompanying Schedule includes the Federal awards programs administered by the State (the primary government) for the fiscal year ended June 30, 2024.

Federal awards for the following discretely presented component units of the State are reported upon separately:

University of Nebraska
Nebraska State College System

(b) Basis of Presentation

The accompanying Schedule presents total expenditures for each Federal award program in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Because the Schedule presents only a selected portion of the operations of the State, it is not intended to and does not present the financial position, changes in net position or cash flows of the State. Federal program titles are reported as presented in Assistance Listings (AL) on https://sam.gov whenever possible.

Federal Awards—Pursuant to Uniform Guidance, Federal awards are defined as assistance provided by a Federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary Federal awards, including food stamps, food commodities, surplus property, and vaccines are included as Federal awards and are reported on the Schedule.

Major Programs—In accordance with Uniform Guidance, major programs are determined using a risk-based approach.

(c) Basis of Accounting

The accompanying Schedule was prepared on the cash basis of accounting, except for certain amounts reported by the Department of Health and Human Services (DHHS). The amounts for DHHS denoted with a caret (^) were taken from the Federal financial status reports. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Grants Between State Agencies—Certain primary recipient State agencies pass grant money through to subrecipient State agencies. These transactions are only shown in the primary recipient's expenditures on the accompanying Schedule to avoid overstating the aggregate level of Federal awards expended by the State; nonetheless, purchases of services between State agencies using Federal monies are reported as expenditures by the purchasing agency and as revenue for services by the providing agency in the State's basic financial statements.

Matching Costs—The Schedule does not include matching expenditures from general revenues of the State.

Nonmonetary Assistance—The Schedule contains amounts for nonmonetary assistance programs. The Supplemental Nutrition Assistance Program (SNAP) is presented at the dollar value of food stamp benefits disbursed to recipients. The commodities programs are presented at the value assigned by the U.S. Department of Agriculture. The Immunization vaccines are presented at the value assigned by the U.S. Department of Health and Human Services. Surplus property is presented at approximated market value.

Fixed-Price Contracts—Certain Federal awards programs are reimbursed based on a fixed price for a service and not the actual expenditure made by the State. Under these circumstances, the amounts shown on the Schedule represent the amount of assistance received from the Federal government, not the amount expended by the State.

(d) Indirect Cost Rate

The State has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) Nonmonetary Assistance Inventory

Nonmonetary assistance is reported in the Schedule based on the amounts disbursed. As of June 30, 2024, the inventory balance of nonmonetary assistance for food commodities at the State level was $0.

(4) Commodity and Vaccine Programs

Expenditures for the following programs included nonmonetary Federal assistance in the form of food commodities:

AL #	Program	Commodities
10.555	National School Lunch Program	$18,257,961
10.558	Child and Adult Care Food Program	141,215
10.565	Commodity Supplemental Food Program	1,439,732
10.569	Emergency Food Assistance Program	10,687,118

The U.S. Department of Agriculture, upon direction from the Nebraska Department of Health and Human Services, delivers a portion of the food commodities directly to the subrecipients for distribution. During the fiscal year, a total of $9,560,148 was delivered directly to subrecipients.

The Immunization Cooperative Agreements (AL 93.268) included expenditures of $32,096,275 of nonmonetary Federal assistance in the form of vaccines.

(5) Surplus Property Program

The State agency responsible for surplus property distributes Federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property (AL 39.003) program. Donated Federal surplus personal property in 2024 was valued at the historical cost of $3,080,127 as assigned by the Federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule is 15% of the historical cost, which approximates the fair market value of the property.

(6) Federal Loans Outstanding

The State administers the following loan programs. The Federal government does not impose continuing compliance requirements other than repayment of the loans.

AL #	Program	Outstanding Balance at June 30, 2024
66.458	Capitalization Grants for Clean Water State Revolving Funds	$350,478,171
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$139,621,313

New loans provided from these programs totaling $31,868,233 are included as current year expenditures on the Schedule.

(7) Airport Improvement Program

The Nebraska Department of Transportation acts as an agent for the various Airport Improvement Program grants funded through the Federal Aviation Administration. The grants represent agreements between the Federal Aviation Administration and various cities, counties, and airport authorities. The Department of Transportation's primary responsibilities are processing of requests for reimbursement and reviewing the requests to determine allowability of program expenditures. The amount of reimbursements passed through to the respective cities, counties, or airport authorities are included as expenditures on the Schedule.


GREAT SEAL OF THE STATE OF NEBRASKA
EQUALITY BEFORE THE LAW
MARCH 1ST 1867

AUDITOR SECTION

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Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Independent Auditor's Report

The Honorable Governor,
Members of the Legislature and
Citizens of the State of Nebraska:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements, and have issued our report thereon dated December 18, 2024.

Our report includes a reference to other auditors who audited the financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the Nebraska State Colleges Facilities Corporation, the activity of the Nebraska State College System Revenue and Refunding Bond Program, the College Savings Plan and the Enable Savings Plan, as described in our report on the State of Nebraska's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Program and the Nebraska State Colleges Facilities Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with these entities or that are reported on separately by those auditors who audited the financial statements of these entities.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Nebraska's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Nebraska's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002, 2024-007, 2024-010, 2024-013, 2024-020, 2024-021, 2024-023, and 2024-024 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-003, 2024-004, 2024-005, 2024-006, 2024-008, 2024-009, 2024-011, 2024-012, 2024-014, 2024-015, 2024-016, 2024-017, 2024-018, 2024-019, 2024-022, 2024-025, 2024-026, 2024-027, and 2024-028 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Nebraska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We did note certain other matters that we reported to the management of the various agencies of the State of Nebraska in separate letters.

State of Nebraska's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the State of Nebraska's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The State of Nebraska's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Kris Kucera

Lincoln, Nebraska
December 18, 2024

Kris Kucera, CPA, CFE
Assistant Deputy Auditor

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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

The Honorable Governor,
Members of the Legislature and
Citizens of the State of Nebraska:

Report on Compliance for Each Major Federal Program

Adverse, Qualified, and Unmodified Opinions

We have audited the State of Nebraska's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2024. The State of Nebraska's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Adverse Opinion on Refugee and Entrant Assistance State/Replacement Designee Administered Programs and CCDF Cluster

In our opinion, because of the significance of the matters discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the State of Nebraska did not comply in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Refugee and Entrant Assistance State/Replacement Designee Administered Programs and CCDF Cluster for the year ended June 30, 2024.

Qualified Opinion on Foster Care Title IV-E, Unemployment Insurance, Emergency Rental Assistance, Coronavirus State and Local Fiscal Recovery Funds, and Coronavirus Capital Projects Fund

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the State of Nebraska complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Foster Care Title IV-E, Unemployment Insurance, Emergency Rental Assistance, Coronavirus State and Local Fiscal Recovery Funds, and Coronavirus Capital Projects Fund for the year ended June 30, 2024.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Nebraska complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2024.

Basis for Adverse, Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State of Nebraska and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified opinions on compliance for each major Federal program. Our audit does not provide a legal determination of the State of Nebraska's compliance with the compliance requirements referred to above.

Matters Giving Rise to Adverse Opinion on Refugee and Entrant Assistance State/Replacement Designee Administered Programs and CCDF Cluster

As described in Findings 2024-042, 2024-043, 2024-045, 2024-047, and 2024-048 in the accompanying schedule of findings and questioned costs, the State of Nebraska did not comply with requirements regarding the following:

Finding #	AL #	Federal Program	Compliance Requirement
2024-042	93.566	Refugee and Entrant Assistance	Allowability & Eligibility
2024-043	93.566	Refugee and Entrant Assistance	Allowability & Subrecipient Monitoring
2024-045	93.575, 93.596	CCDF Cluster	Allowability & Eligibility & Matching
2024-047	93.575	CCDF Cluster	Period of Performance
2024-048	93.575	CCDF Cluster	Allowability & Period of Performance

Compliance with such requirements is necessary, in our opinion, for the State of Nebraska to comply with the requirements applicable to those programs.

Matters Giving Rise to Qualified Opinion on Foster Care Title IV-E, Unemployment Insurance, Emergency Rental Assistance, Coronavirus State and Local Fiscal Recovery Funds, and Coronavirus Capital Projects Fund

As described in Findings 2024-040, 2024-061, 2024-067, 2024-069, and 2024-072 in the accompanying schedule of findings and questioned costs, the State of Nebraska did not comply with requirements regarding the following:

Finding #	AL #	Federal Program	Compliance Requirement
2024-040	93.658	Foster Care Title IV-E	Allowable Costs
2024-061	17.225	Unemployment Insurance	Allowability & Eligibility
2024-067	21.023	Emergency Rental Assistance	Allowability & Eligibility
2024-069	21.027	Coronavirus State and Local Fiscal Recovery Funds	Allowability
2024-072	21.029	Coronavirus Capital Projects Fund	Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for the State of Nebraska to comply with the requirements applicable to those programs.

Other Matter — Federal Expenditures Not Included in the Compliance Audit

The basic financial statements of the State of Nebraska include the operations of the University of Nebraska and State College System component units, which expended Federal awards which are not included in the State of Nebraska's schedule of expenditures of Federal awards during the year ended June 30, 2024. Our compliance audit, described in the "Adverse, Qualified, and Unmodified Opinions," did not include the operations of the University of Nebraska or the State College System because the component units engaged other auditors to perform separate audits of compliance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State of Nebraska's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Nebraska's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State of Nebraska's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State of Nebraska's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the State of Nebraska's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the State of Nebraska's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs, as listed below. Our opinion on each major Federal program is not modified with respect to these matters.

Finding #	**AL #**	**Federal Program**	**Compliance Requirement**
2024-029	Various, 93.778	Various, Medical Assistance Program	Allowable Costs
2024-030	Various, 93.566, 10.551, 10.542	Various, Refugee and Entrant Assistance, SNAP, PEBT	Reporting
2024-031	10.553, 10.555, 10.556, 10.559, 10.582	Child Nutrition Cluster	Reporting
2024-032	84.048	Career and Technical Education – Basic Grants to States	Allowability
2024-033	84.126	Rehabilitation Services Vocational Rehabilitation	Reporting
2024-034	84.126	Rehabilitation Services Vocational Rehabilitation	Period of Performance
2024-035	84.425U	Education Stabilization Fund (ARP ESSER)	Reporting
2024-036	15.611	Wildlife Restoration	Allowability & Subrecipient Monitoring
2024-037	93.558, 93.566, 93.568, 93.575, 93.658, 93.659, 93.667, 93.778, 10.561	TANF, Refugee and Entrant Assistance, LIHEAP, Child Care, Foster Care, Adoption Assistance, Social Services Block Grant, Medicaid, SNAP	Allowable Costs

Finding #	AL #	Federal Program	Compliance Requirement
2024-038	93.558, 93.563, 93.566, 93.568, 93.575, 93.658, 93.659, 93.667, 93.767, 93.778, 10.561	TANF, Child Support Services, Refugee and Entrant Assistance, LIHEAP, Child Care, Foster Care, Adoption Assistance, Social Services Block Grant, CHIP, Medicaid, SNAP	Allowable Costs
2024-039	93.575, 93.959, 93.767, 93.778, 10.561	Child Care, SUPTRS, CHIP, Medicaid, SNAP	Allowable Costs
2024-041	93.558	Temporary Assistance for Needy Families	Allowability & Subrecipient Monitoring
2024-044	93.566	Refugee and Entrant Assistance	Reporting
2024-046	93.575, 93.596	CCDF Cluster	Special Tests
2024-049	93.658	Foster Care Title IV-E	Allowability
2024-050	93.658	Foster Care Title IV-E	Allowability & Eligibility
2024-051	93.659	Adoption Assistance	Allowability & Eligibility
2024-052	93.659	Adoption Assistance	Level of Effort & Reporting
2024-053	93.778	Medical Assistance Program	Allowability
2024-054	93.778	Medical Assistance Program	Special Tests
2024-055	93.767, 93.778	CHIP, Medical Assistance Program	Special Tests
2024-056	93.767, 93.778	CHIP, Medical Assistance Program	Special Tests
2024-057	93.778	Medical Assistance Program	Special Tests
2024-058	93.767, 93.778	CHIP, Medical Assistance Program	Allowability & Eligibility
2024-059	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Level of Effort
2024-060	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Allowability & Subrecipient Monitoring
2024-062	17.225	Unemployment Insurance	Reporting
2024-063	17.225	Unemployment Insurance	Allowability
2024-064	17.225	Unemployment Insurance	Special Tests

Finding #	AL #	Federal Program	Compliance Requirement
2024-065	17.225	Unemployment Insurance	Special Tests
2024-066	12.401	National Guard Operations	Cash Management & Reporting
2024-068	21.023	Emergency Rental Assistance	Reporting
2024-070	21.027	Coronavirus State and Local Fiscal Recovery Funds	Reporting
2024-071	97.036	Disaster Grants	Subrecipient Monitoring
2024-073	20.509	Formula Grants for Rural Areas	Allowability & Subrecipient Monitoring

Government Auditing Standards requires the auditor to perform limited procedures on the State of Nebraska's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State of Nebraska's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The State of Nebraska is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The State of Nebraska's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-040, 2024-042, 2024-043, 2024-045, 2024-047, 2024-048, 2024-061, 2024-067, 2024-069, and 2024-072 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-030, 2024-037, 2024-038, 2024-046, 2024-049, 2024-050, 2024-051, 2024-052, 2024-053, 2024-054, 2024-058, 2024-059, 2024-064, 2024-065, and 2024-070 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State of Nebraska's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State of Nebraska's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The State of Nebraska is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The State of Nebraska's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements. We issued our report thereon, dated December 18, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Pat Reding

Lincoln, Nebraska
March 25, 2025

Pat Reding, CPA, CFE
Assistant Deputy Auditor

I. Summary of Auditor's Results

a) Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

b) Significant deficiencies in internal control were disclosed by the audit of the financial statements and are included in the schedule of findings and questioned costs in Part II as items 2024-003, 2024-004, 2024-005, 2024-006, 2024-008, 2024-009, 2024-011, 2024-012, 2024-014, 2024-015, 2024-016, 2024-017, 2024-018, 2024-019, 2024-022, 2024-025, 2024-026, 2024-027, and 2024-028. Items 2024-001, 2024-002, 2024-007, 2024-010, 2024-013, 2024-020, 2024-021, 2024-023, and 2024-024 were considered material weaknesses.

c) The audit disclosed no instances of noncompliance, which is material to the State's basic financial statements.

d) Significant deficiencies in internal control over the major programs were disclosed by the audit and are included in the schedule of findings and questioned costs in Part III as items 2024-030, 2024-037, 2024-038, 2024-046, 2024-049, 2024-050, 2024-051, 2024-052, 2024-053, 2024-054, 2024-058, 2024-059, 2024-064, 2024-065, and 2024-070.

We consider items 2024-040, 2024-042, 2024-043, 2024-045, 2024-047, 2024-048, 2024-061, 2024-067, 2024-069, and 2024-072 to be material weaknesses in internal control over the major programs.

e) Type of report issued on compliance for major programs: Unmodified opinion for all major programs except for Foster Care Title IV-E, Unemployment Insurance, Emergency Rental Assistance, Coronavirus State and Local Fiscal Recovery Funds, and Coronavirus Capital Projects Fund which were qualified, and Refugee and Entrant Assistance State/Replacement Designee Administered Programs and CCDF Cluster which were adverse.

f) The audit disclosed audit findings, which are required to be reported in accordance with 2 CFR § 200.516(a) and are included in the schedule of findings and questioned costs in Part III.

g) The following table shows programs tested as major programs:

AL	10.542	Pandemic EBT Food Benefits
AL	10.551 and 10.561	SNAP Cluster
AL	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
AL	10.565, 10.568, and 10.569	Food Distribution Cluster
AL	15.605, 15.611, and 15.626	Fish and Wildlife Cluster
AL	17.225	Unemployment Insurance
AL	21.023	Emergency Rental Assistance

AL	21.027	Coronavirus State and Local Fiscal Recovery Funds
AL	21.029	Coronavirus Capital Projects Fund
AL	66.468	Drinking Water State Revolving Fund
AL	84.011	Migrant Education State Grant Program
AL	84.048	Career and Technical Education – Basic Grants to States
AL	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
AL	93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs
AL	93.575 and 93.596	CCDF Cluster
AL	93.658	Foster Care Title IV-E
AL	93.659	Adoption Assistance
AL	93.767	Children's Health Insurance Program
AL	93.775, 93.777 and 93.778	Medicaid Cluster
AL	93.959	Block Grants for Prevention and Treatment of Substance Abuse

h) Dollar threshold used to distinguish between Type A and Type B programs: $17,107,195

i) The State did not qualify as a low-risk auditee.

II. Findings Related to the Financial Statements:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2024-001

Significant Annual Comprehensive Financial Report (ACFR) Preparation Issues

The Department of Administrative Services – State Accounting Division (State Accounting) is responsible for the preparation and accuracy of the ACFR. For the fiscal year 2024 audit, as well as reported in prior years, the APA has identified a significant amount of inaccurate entries – both by State Accounting and other agencies – leading to the conclusion that State Accounting lacks adequate controls to ensure the State's financial statements are materially correct. One of the main failures is the lack of control to ensure its own and other agency entries are accurate prior to their submission to the Auditor of Public Accounts (APA) for audit.

As a result, State Accounting materially misstated financial statement entries and footnote disclosures, requiring significant adjustments, revisions, and additional time to complete the audit procedures. The table below summarizes **over $3.2 billion** in required adjustments to the financial statements and over **$388 million** in related footnote adjustments.

Type of Error	Dollar Error
State Accounting Errors	$ 2,659,974,518
Agency Errors	501,595,980
Unemployment Insurance Fund Issues – See Finding 2024-002	10,822,516
Capital Asset Accounting Errors – See Finding 2024-003	27,760,630
Total Financial Statement Adjustments	**$ 3,200,153,644**
Total Footnote Errors	**$ 388,654,185**
Total Errors	**$ 3,588,807,829**

The dollar amount of these errors has grown significantly from the prior two years. A table near the end of this comment provides a three-year history of these errors. Without the efforts and significant time of the APA to identify and request the correction of these errors, the State's financial statements would be materially misstated.

Total Financial Statement Adjustments
Please refer to the **Supplementary Table, at the end of this finding**, for details regarding 51 financial statement adjustments, totaling $3,200,153,644, that were identified by the APA and recorded by State Accounting to ensure the financial statements were materially correct.

The **Supplementary Table** also identifies whether the adjustments were also reported in the prior audit. In total, 17 of the 51 adjustments, totaling $71,693,111, were related to issues reported in the prior audit and were not adequately addressed and corrected.

Total Footnote Errors
The following tables explain the errors found in State Accounting's preparation of the required footnote disclosures to the financial statements. The most significant issues were related to footnote #2, "Deposits and Investment Portfolio."

On April 1, 2024, the State transitioned its investment custodian to a new global custodian. This transition had a significant impact on the ACFR because the investment custodian was responsible for providing a significant amount of investment-related disclosures. The APA identified over $337 million in issues with the information provided by the new custodian, including the following:

Description	Dollar Errors
The custodian was responsible for providing a file to support its accumulation of the required disclosures related to derivative instruments. The file contained a formula error that resulted in the notional values of the fiduciary funds to be understated by $241,060,819 and the endowment funds to be overstated by $82,211,154. The APA identified this error through a simple recalculation of the formulas.	$ 323,271,973
The custodian was also responsible for the calculation to determine the change in fair value of these derivative instruments. In the original file provided by the new custodian, the change in fair value included unrealized gains and losses, realized gains, investment income, and investment expenses. In comparison to the prior year, only the unrealized gains and losses were reported by the prior custodian. Upon the APA's inquiry into the inconsistency, the file was changed to include only the unrealized gains and losses without explanation or documentation from State Accounting on whether this method complied with the accounting standard. The file also failed to include assets held by the previous custodian. Due to these errors, the change in fair value of derivative instruments in the fiduciary funds was understated by $8,549,838 and overstated by $1,993,555 in the endowment funds.	$ 10,543,393
The custodian is also responsible for providing a file that includes the State's security holdings as of June 30, 2024. In our review of this file, we found five securities, totaling $3,860,952, that were incorrectly classified as asset-backed securities rather than mortgage securities. The APA's discovery was made in a simple comparison to the prior year file. This misclassification affected several tables included in the footnote and required adjustments.	$ 3,860,952
Total Error for Footnote #2 Deposits and Investments Portfolio	**$ 337,676,318**

The APA also identified the following issues related to State Accounting's preparation of other footnotes:

Footnote	Description	Dollar Errors
#7 Noncurrent Liabilities	The amount originally reported by State Accounting as decreases in claims payable for governmental funds did not agree to supporting documentation. The original calculation for the decreases included accrual activity but should have only included actual expenditures paid during the year. As a result, the decreases for claims payable were overstated, which also impacted the amount reported as additions for the year as well in the same amount.	$ 21,744,109
#17 Restatements	Financial statement restatements are necessary when prior year financial statements contain significant inaccuracies due to errors or the misapplication of accounting principles. The restatement footnote provided by State Accounting contained errors in the amounts related to beginning balances for net position and fund net position. This included: • Errors for transactions recorded in the incorrect reporting period, funds, or accounts, totaling $9,084,538. • State Accounting's failure to include all items in its calculations, totaling $1,506,000.	$ 10,590,538
#4 Capital Assets	There were errors included in the construction commitments portion of the Capital Asset footnote because State agencies incorrectly reported construction-in-progress projects, and State Accounting failed to identify the errors. Construction commitments are contractual obligations related to a project that has not yet been paid. This included: • Federally funded construction commitments being overstated by $1,478,786. • State funded construction commitments being understated by $5,717,674.	$ 7,196,460

Footnote	Description	Dollar Errors
#13 Pension Plans	State Accounting incorrectly calculated pension expense for deferred outflows and inflows for the School Plan, resulting in the total deferred outflows reported in the footnote being overstated by $1,811,000 and the total deferred inflows reported in the footnote being overstated by $2,924,000.	$ 4,735,000
#3 Receivables	State Accounting incorrectly adjusted the Allowance for Doubtful Accounts in several funds. These errors required adjustments to the footnote disclosures, as follows: • Health and Human Services Fund allowance for doubtful accounts was overstated by $3,574,011 due to a financial statement correction. • The allowance for doubtful accounts in the Other Special Revenue Fund was overstated by $776,672 because it incorrectly included the allowance for doubtful accounts from another State fund. • The allowance for doubtful accounts in the Unemployment Compensation Fund failed to include an adjusting entry, resulting in the allowance being understated by $79,077.	$ 4,429,760
#14 Other Postemployment Benefits	State Accounting did not include the required employer contributions paid subsequent to the actuarial measurement date for the deferred outflows of resources in the original footnote disclosure.	$ 2,282,000
	Total Other Footnote Errors	**$ 50,977,867**
	Toal Footnote Errors	**$ 388,654,185**

Additional Errors not Requiring Formal Adjustments

The APA also found several other errors related to State Accounting's processes for calculating accruals and footnote information for the ACFR that did not require formal adjustments. Although formal adjustments may not have been made, the errors are included below to show the extent of the control weaknesses in State Accounting's processes.

Description	Dollar Amount
The APA determined that certain municipal (local) tax activity recorded by the Nebraska Department of Revenue (NDOR) should be reclassified and reported in a custodial fund. A custodial fund generally reports fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria, including when the government controls the assets, and whether the assets are derived from the government's own-source revenues. In these cases, the State authorized a local government to levy a tax. The local government's tax is remitted to the State but will be distributed to the municipality for its use. State Accounting worked with NDOR to reclassify the local tax activity as follows: • Total Local Sales and Use Tax Reclassification: $816,163,494 • Total Local Motor Vehicle Sales Tax Reclassification: $66,444,108 • Total Local Lodging Tax Reclassification: $35,616,687 • Total Other Local Taxes (Consumer's Use, ATV and Motorboat Sales Tax): $5,569,698 Additionally, a $12,538,420 reclassification entry was necessary for Nameplate Capacity taxes so that the activity is properly recorded as a State tax receipt and disbursement to counties. Prior to the reclassification, the tax activity was recorded in liability accounts.	$ 936,332,407

Description	Dollar Amount
In its preparation of the Statements of Cash Flows, State Accounting failed to accumulate accurately the data for inclusion in the statements. Upon the APA's review, several revisions were necessary for items that were not originally included, amounts that did not agree between financial statements, and amounts that were incorrectly classified. This included: • In the Unemployment Compensation Fund, adjustments were required to correct various lines including Operating Income (Loss), Cash Received from Customers, Cash Paid to Suppliers, Increase (Decrease) in Accounts Payable and Accrued Liabilities, and Increase (Decrease) in Claims Payable. Total adjustments for these items were $27,750,000. • In the Internal Service Funds, adjustments were required to correct various lines, including Operating Income (Loss), Cash Paid to Suppliers, Cash Paid for Insurance Claims, Increase (Decrease) in Accounts Payable and Accrued Liabilities, and Increase (Decrease) in Claims Payable. Total adjustments for these items for all internal service funds combined was $23,279,000. • In the Non-Major Enterprise Funds, adjustments were required to various lines, including Operating Income (Loss), Cash Paid to Suppliers and Increase (Decrease) in Accounts Payable and Accrued Liabilities. Total adjustments for these items for all non-major enterprise funds combined was $72,000.	$ 51,101,000
State Accounting neglected to include the Permanent School Fund activity in the governmental activities portion of the interfund elimination entry. This resulted in the Due To Permanent School fund balance being understated by $2,658,000 and the Due From General Fund balance being overstated by the same amount. Upon inquiry by the APA, State Accounting revised the entry to account properly for this activity.	$ 2,658,000
A contract change for the State Law Enforcement Bargaining Council (SLBEC) increased the payout to 600 hours of sick leave. State Accounting did not adjust the compensated absences accrual to account for this change, causing an understatement in accrued compensated absences.	$ 1,721,755
State Accounting records various government-wide journal entries for transactions that are not recorded in the accounting system. During our review of these entries, State Accounting incorrectly included $869,000 in motor vehicle sales and use taxes as petroleum taxes.	$ 869,000
In reviewing a reversal of a prior year transaction, State Accounting incorrectly recorded the reversal as a Due From Other Governments instead of the proper Due From Federal Government.	$ 459,254
In reviewing funds for proper classification of the fund and function, one Superfund Cash Fund was originally classified under the Regulation of Business and Professions function but should have been to the Conservation of Natural Resources function. State Accounting corrected the classification after it was brought to their attention. The total amount of fiscal year 2024 expenditures, which are reported by function on the financial statements, was $377,879.	$ 377,879
The allocation of interest and dividends receivables to the trust funds was inaccurate because State Accounting did not calculate the value at the individual custodial fund level.	$ 34,949

State Agency Errors not Requiring Formal Adjustments

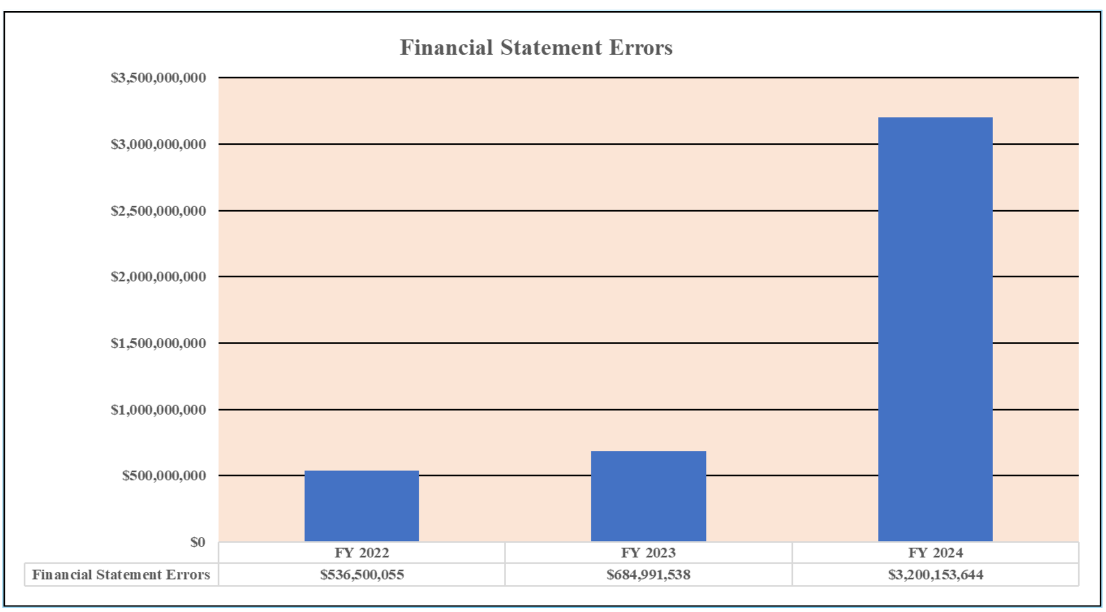
The APA identified several errors in the amounts recorded by agencies in the State's accounting system. These items were communicated to the responsible agencies, and corrections were made prior to the APA proposing formal adjustments. Significant examples of these errors included the following:

Description	Dollar Amount
• A journal entry for Medicaid provider refunds was prepared incorrectly by DHHS. In its reconciliation and calculation of the journal entry, DHHS failed to identify certain amounts as a prior period transaction, resulting in necessary corrections of $12,102,287. • Investment activity for the Deferred Compensation Plan was not recorded properly, requiring adjustments for investment income, investment expenses, and gains or losses on the sales of investments. The adjustments totaled $7,336,282. • Workers' compensation insurance taxes collected of $4,221,417 were recorded to charges for services instead of to the proper tax account. • A $4,000,000 transaction to record the payment for the purchase of property rights for a Department of Transportation project was recorded incorrectly as an operating expense instead of a capital outlay expense. • A transaction to record the return of the Federal share of a prior year overpayment of $4,467,005 was not properly recorded as a prior period adjustment. • Deposits for the receipts of Disproportionate Share Hospital (DSH) funds were recorded as negative expenditures instead of as revenues, resulting in the reclassification of $2,122,115 in deposits. The significance of these errors underscores the need for improved monitoring of entries made by State agencies.	$ 34,249,107

A proper system of internal controls requires procedures to ensure the accurate reporting of financial information in the accounting system and as reported to State Accounting at the end of the year. The State's control procedures should not include a reliance on the APA's team to identify material errors; rather, State Accounting's procedures should include a more detailed review of the agencies' transactions recorded in the accounting system and on the accrual response forms to identify such errors prior to submission to the APA.

As shown throughout this comment, a lack of such procedures increases the risk of material financial statement errors going undetected. The lack of procedures increases significantly the audit time required to ensure that the financial statements are materially correct.

Similar findings have been reported in the prior year ACFRs. The number of errors, as well as the dollar amount of those errors, both individually and aggregately, demonstrate that State Accounting still needs to develop controls and processes to ensure the accurate and timely presentation of the ACFR. The following chart shows the progression of financial statement errors over the last 3 audits.



We recommend State Accounting review its procedures to ensure the accurate and timely preparation of the State's financial statements, which should include the following procedures:

- The proper resolution of all prior year financial statement errors;
- A much more detailed review of entries and transactions processed or provided by other State agencies for accuracy prior to submission to the APA for audit; and
- The implementation of proper training and better accounting resources for State agencies, enabling them to record accurate financial information.

Department Response: State Accounting has established internal controls to review agency documentation, which is reflected in the significant reduction of repeat errors over the previous audit. Three of the largest adjustments were one-time errors which encompassed over 78% of the adjustments reported. Procedures have already been implemented to ensure the errors are not repeated in the future and State Accounting continues to work with agencies on training and implementing procedures to improve accuracy in reporting year over year.

Regarding the investment custodial change, State Accounting worked diligently from April through November 2024 with the bank and the Nebraska Investment Council to ensure information was complete and accurate. The extensive time spent by DAS led to successfully recording financial statement transactions and accurately presenting more than $108 billion in the Deposits and Investments Portfolio footnote. The error noted within, represents only 0.31% of the dollars reported in this one footnote alone. The massive undertaking was deemed a huge success due to the collaborative effort between State Accounting and the Nebraska Investment Council.

Lastly, within the Additional Errors not Requiring Formal Adjustments of $936 million, State Accounting was not aware of the custodial activity until brought to our attention. State Accounting worked with NDOR to successfully record $1 billion in entries. Procedures have been implemented to ensure the activity is properly reflected in the future and training will be held with State agencies to instruct them on custodial reporting requirements.

APA Response: Regardless of whether the errors are one-time errors or repeat errors, it is a significant concern that the APA found and proposed corrections for $3.2 billion. Had the APA not identified these errors, the financial statements would have been materially misstated. State Accounting needs to strengthen its controls to identify errors prior to the information being provided to the APA.

The APA understands the time and effort involved in the change in custodial banks. Although, the errors related to footnote #2 are a small percentage of the overall assets managed by the custodial bank, $337 million in footnote errors is also a material amount.

State Accounting also claims to not have known about the custodial activity at the Department of Revenue that resulted in errors of $936 million. This is not new activity to the State and State Accounting made reclassification entries in the prior year related to this type of activity and should have been aware of it.

Supplementary Table

Item #	Description	Amount	Category	Prior Audit Finding?
1	State Accounting improperly classified the fund balance in the General Fund as unassigned rather than restricted, committed, or assigned.	$ 1,960,661,000	State Accounting Errors	No
2	State Accounting incorrectly recorded Federal revenues to the Health & Social Services function instead of the proper functions.	$ 283,041,183	State Accounting Errors	No
3	State Accounting improperly included payments in the current fiscal year accrual for prior period expenditures that had been previously accrued in the prior fiscal year.	$ 259,847,021	State Accounting Errors	No
4	State Accounting improperly classified receivable revenues from UNMC for Medicaid poison control, DSH, and Supplemental GME revenues. The Department of Health and Human Services (DHHS) originally recorded the revenues as non-grant reimbursements. State Accounting's process is to record that type of account activity as sales of services revenues, but it should have been reported as operating grants and contributions in the Health and Social Services Fund.	$ 85,393,456	State Accounting Errors	No
5	Agencies use various object accounts, including other revenue, licenses, and fees and permits, to record revenue received from surcharges. State Accounting is responsible to review the activity and properly reclassify the revenues to surcharge revenue. State Accounting failed to identify all of the surcharge revenue for reclassification during fiscal year 2024.	$ 15,686,388	State Accounting Errors	No
6	State Accounting improperly recorded the elimination of University of Nebraska Foundation capital assets to investments on the Statement of Net Position - Component Units.	$ 14,630,000	State Accounting Errors	No
7	State Accounting failed to include in the taxes receivable accrual significant receipts received in September 2024 for tax periods of June 2024 and prior that NDOR sent to State Accounting. This adjustment includes tax categories of Sales & Use Tax, Motor Vehicle Sales Tax, and Nameplate Capacity Tax. For sales & Use and Motor Vehicle Sales taxes, amounts were split between the State and Local portion of taxes.	$ 9,518,075	State Accounting Errors	No
8	State Accounting improperly recorded a payment for software as a prior period expenditure after June 30, 2024, which resulted in the overstatement of an accounts payable amount.	$ 6,858,947	State Accounting Errors	No
9	State Accounting used the Nebraska Department of Transportation (NDOT) accrual response form to record the Federal accounts receivable. However, NDOT provided updated documentation supporting a revised Federal accounts receivable amount which State Accounting failed to review.	$ 6,129,788	State Accounting Errors	Yes
10	The allocation of long-term investments receivables and payables to trust funds was inaccurate because State Accounting did not calculate the value at the individual custodial fund level.	$ 4,088,914	State Accounting Errors	No
11	State Accounting made an adjustment to the beginning balance of the Federal Fund due to the Ryan White accrual. In its deferred revenues calculation, the short-term portion of the accrual was used rather than the long-term portion causing an understatement to the adjustment.	$ 3,667,671	State Accounting Errors	No

Item #	Description	Amount	Category	Prior Audit Finding?
12	In fiscal year 2024, DHHS made an entry to correct duplicative activity in the prior year. During State Accounting's fiscal year 2024 ACFR preparation procedures, an adjustment to beginning fund balance was made to account for this correction. However, the duplicative activity from the prior year was never included in the prior year activity because State Accounting intentionally excluded the duplicated entries. As such, State Accounting's fiscal year 2024 accrual of the DHHS correction was not necessary since the error did not exist in the prior year financial statements.	$ 2,812,819	State Accounting Errors	No
13	State Accounting improperly classified the Other Special Revenue Fund as restricted when it should have been classified as unrestricted per GASB Statement 54.	$ 2,648,172	State Accounting Errors	No
14-15	State Accounting records unearned premiums in the Excess Liability Fund based on amounts determined by an actuary. The APA's review of the actuary reports uncovered some issues, resulting in revised calculations and reports. Both the prior year and current year amounts were changed, requiring adjustments to the original entry recorded by State Accounting.	$ 2,390,000	State Accounting Errors	No
16	State Accounting did not adjust the Cultural Preservation Endowment fund endowment principal balance for a $1 million transfer into the fund in fiscal year 2024.	$ 1,000,000	State Accounting Errors	Yes
17	State Accounting reported all of the revenue in the Nebraska Game & Parks Commission's (NGPC) accounts receivable accrual to Rental Income revenue, even though a portion of it should have been recorded as License, Fees, and Permits revenue.	$ 963,757	State Accounting Errors	No
18	State Accounting failed to include all applicable employees in its calculation of the compensated absences related to internal service funds.	$ 637,327	State Accounting Errors	No
Total State Accounting Errors		**$ 2,659,974,518**		
19	The Department of Revenue (NDOR) failed to accurately calculate and report the local portion of certain taxes payable related to the reclassification of local taxes to the municipal tax custodial fund. Because of this, corrections were needed for the fiscal year 2023 and fiscal year 2024 payables for sales tax and use tax owed to municipalities.	$ 279,571,766	Agency Errors	No
20	In June 2024, DHHS began to implement rate updates approved by CMS in February 2024. The rate update process was not completed until August 2024. As such, a significant number of these changes were implemented after the fiscal year end. DHHS failed to report an accrual for this activity because MMIS lacks the capability to record transactions as a prior period transaction. Therefore, adjustments were required to record this subsequent activity in the current reporting period.	$ 72,083,960	Agency Errors	No
21-22	The Department of Environment and Energy (DEE) recorded several payments under the Clean and Drinking Water State Revolving Fund (SRF) programs after fiscal year end as prior year transactions. The APA's testing found certain transactions were not reported in the proper fiscal year. Additionally, in fiscal year 2023, DEE failed to properly accrue for transactions related to the SRF Programs. Therefore, a beginning balance adjustment was necessary.	$ 42,219,656	Agency Errors	No

STATE OF NEBRASKA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Item #	Description	Amount	Category	Prior Audit Finding?
23	DHHS made a beginning balance adjustment for GME receivables that were not accrued in fiscal year 2023. This beginning balance adjustment was understated because they failed to use the actual amounts received in fiscal year 2024. Additionally, DHHS also improperly recorded the GME payable in fiscal year 2023, which understated the payable in both the Federal and Health & Social Services funds.	$ 27,231,321	Agency Errors	No
24	The Racing and Gaming Commission failed to report Authorized Gaming Operating License fees to State Accounting resulting in accounts receivable, deferred revenue and revenue amounts being understated. Additionally, the balance in the prior year was misstated due to a portion being received within 60 days of year end.	$ 14,000,000	Agency Errors	No
25	The DHHS calculation of the Disproportionate Share Hospital (DSH) accrual included a long-term payable for fiscal year 2024. However, in the prior year all this activity was reported as a short-term payable and required an adjustment.	$ 12,182,690	Agency Errors	Yes
26	DHHS recorded a journal entry to claim American Rescue Plan Act (ARPA) funding for provider rate increases for child welfare services. This journal entry was recorded entirely as fiscal year 2024 activity; however, expenditures related to those increases had been recorded in fiscal year 2022 and fiscal year 2023. As such, adjustments were required to remove this activity from the current year.	$ 9,914,279	Agency Errors	No
27-28	In August 2023, the Board of Educational Lands & Funds (BELF) improperly recorded the receipt of a fiduciary income tax refund as a negative expense rather than a prior period adjustment. BELF received the refund in August 2023 for its calendar year 2022 Fiduciary Income Tax Return. BELF also failed to report to State Accounting the outstanding tax refund due for the 2023 tax return.	$ 7,666,676	Agency Errors	No
29	The Department of Education (NDE) failed to accurately calculate their accounts payable accruals for several programs. The Department incorrectly reported prior period transactions, failed to include some grants, and used supporting worksheets that contained various formula errors.	$ 5,950,358	Agency Errors	Yes
30	The State Treasurer mistakenly recorded the January 2024 transfer it received for the Mutual Finance Assistance Fund twice. State Accounting reclassifies the transfers as insurance premium revenue, so that amount was also incorrect.	$ 4,979,280	Agency Errors	No
31	NDOR failed to include in its tax receivable accrual the estimated corporate income taxes received in July and August 2024 for the March 2024 tax period. Estimated taxes for the March 2024 tax period are due by June 15th and should be included as corporate income tax receivable at fiscal year-end.	$ 4,253,118	Agency Errors	Yes
32	The Nebraska Department of Corrections (NDCS) failed to accrue for revenue it was owed related to license plates ordered in fiscal year 2023 but not invoiced until fiscal year 2024. The Department of Motor Vehicles properly accrued for the expenditure related to its purchase of these plates.	$ 4,077,452	Agency Errors	No
33	DHHS overstated its patient and county billing accounts receivable accrual due to a number of errors in its calculations. The largest error related to over $3 million in uncollectible accounts being mistakenly included in the receivable calculation.	$ 3,594,011	Agency Errors	Yes

Item #	Description	Amount	Category	Prior Audit Finding?
34	In its entry to record the settlement amounts due from each of the Managed Care Organizations (MCO), DHHS mistakenly calculated the amount charged to Federal and State Cash Funds – too much was charged to the Health and Human Services Cash Fund that should have been charged to the Federal Fund. Because State Accounting used these amounts to create a journal entry to record the Federal portion of this entry to a current revenue account, a correcting entry was necessary.	$ 3,432,431	Agency Errors	No
35	DHHS failed to accrue for activity related to deposits to be received from UNMC for the period of January 2024 to June 2024. The proposed adjustment to record this accrual was an estimate of the deposits to be received for this period based upon the two previous years of deposits made by the University.	$ 3,050,482	Agency Errors	No
36	The Nebraska Supreme Court failed to identify an accrual for fiscal year 2023 for expenditures for courtroom technology installations completed in fiscal year 2023 but not invoiced until fiscal year 2024. Therefore, a beginning balance adjustment was necessary.	$ 2,505,610	Agency Errors	No
37	DHHS recorded $1,684,281 in deposits as prior period activity, even though the deposits were related to the period July 1, 2023, through December 31, 2023. Therefore, State Accounting reported the activity as prior period activity. As such, an adjustment was required to eliminate this activity from the accrual and report it in the proper fiscal year.	$ 1,684,281	Agency Errors	No
38	The NDCS Cornhusker State Industries (CSI) inventory balances recorded in the State's accounting system were overstated. The APA identified part of the overstatement in our review of reconciliations of the inventory system to the accounting system. The APA also performed actual physical inventory counts and found additional overstatements.	$ 1,449,626	Agency Errors	No
39	The BELF calculation of the gain or loss on land trades was not accurate. The supporting spreadsheet used to calculate the gain or loss included incorrect acres and incorrect rates per acre. This inaccurate documentation was then used by State Accounting to create a journal entry to adjust the land for presentation in the financial statements.	$ 1,006,329	Agency Errors	No
40	DHHS recorded certain correcting journal entries as prior period activity, even though the activity related to the current year. Because it was identified as prior period activity, State Accounting included it in its accrual and removed in from the current year activity. As such, an adjustment was required to eliminate this activity from the accrual and report it in the proper fiscal year.	$ 742,654	Agency Errors	No
Total Agency Errors		**$ 501,595,980**		
41-47	NDOL Accounting Errors – See Finding 2024-002	$ 10,822,516		Yes
NDOL Accounting Errors Total		**$ 10,822,516**		
48-51	Capital Asset Accounting Errors - See Finding 2024-003	$ 27,760,630		Yes
Capital Asset Errors Total		**$ 27,760,630**		
Grand Total		**$ 3,200,153,644**		

Finding 2024-002

Repeat Accounting Weaknesses for the Unemployment Insurance Fund

Modified opinions for the Unemployment Insurance (UI) Fund were issued for the FY2020, FY2021, and FY2022 audits. Though an unmodified opinion for the UI Fund was issued in FY2023, material errors still occurred that required adjustments. Despite the modified opinions or material findings in the last four audits, the Department again lacked procedures for ensuring that the UI Fund financial statements were presented accurately for the ACFR. After each of the last four audits, the APA recommended that State Accounting work closely with the Nebraska Department of Labor (NDOL) to establish procedures sufficient for calculating and reporting the UI Fund activity for the ACFR. However, based on our discussions with State Accounting and NDOL, improved oversight is still needed by State Accounting to assist NDOL in preparing the UI Fund financial statements.

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

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

The table below summarizes over $10 million in errors made by NDOL for the fiscal year ended June 30, 2024. The APA proposed, and State Accounting posted, adjustments to correct the financial statements.

Account	Description	Amount
Tax Contributions Receivable	Two errors affected the tax contribution receivable. The first was NDOL's incorrect entry in fiscal year 2024 to record a prior year adjustment that was already recorded in the prior year. The second error was related to NDOL's failure to record properly all receivable activity as of the fiscal year end.	$ 4,208,985
Overpayment & Penalty Receivable	Eight errors affected the overpayment and penalty receivable accounts and their related allowances for doubtful accounts. These errors included NDOL's incorrect recording of a prior year adjustment in the current year, errors in NDOL's calculation of the related allowances for doubtful accounts, errors in NDOL's monthly adjustment of its receivable, the duplication of write-off entries, mistakes in recording entries in the accounting system, and an unsupported ending balance in the account as of June 30, 2024.	$ 3,465,917
Due To Funds	Penalties and interest on employer contributions are due to the Employer Security Special Contingent Fund per State statute. There were four errors affecting the amounts to this Fund. NDOL reported the incorrect ending balance to State Accounting, which subsequently recorded the incorrect balance in the accounting system. NDOL also failed to record necessary entries and included an ending balance that was not fully supported by documentation.	$ 1,188,695

Account	Description	Amount
Due From Funds	Two errors affected the due from funds accounts in the Other Special Revenue Fund and the General Fund. NDOL failed to report properly to State Accounting a due from the UI Fund to the General fund. Because of this error, State Accounting incorrectly eliminated the due to fund balance, which had to be reversed. Additionally, after accounting for the due to fund errors noted in the Due to Funds account in the UI Fund above, the corresponding due from fund balance did not agree to the new due to fund balance, requiring adjustment.	$ 928,635
CWC Errors	Combined Wage Claims (CWC) are unemployment claims for claimants with wages in multiple states. When payments are made, the state that made the claim is entitled to reimbursement from the other states. There were seven errors affecting the CWC receivable and payable accounts. These errors included the failure to include all necessary activity in the accounts as of year-end, the duplication of amounts recorded in the account, and improperly recording year-end activity to the payable account rather than the receivable account, or vice versa.	$ 590,751
Miscellaneous Adjustment	NDOL incorrectly recorded a prior year adjustment in the current year.	$ 242,619
Benefits Payable	Seven errors affected the benefits payable account. These errors included recording unnecessary adjustments to the account for adjustments that had already been recorded, mistakes in recording entries to the accounting system, an NEworks system error that resulted in not all activity for the year being properly recorded in the accounting system, and the lack of agreement between amounts recorded in the accounting system to supporting documentation from NDOL's system.	$ 196,914
	Total Unemployment Insurance Fund Adjustments	**$ 10,822,516**

Note: In total, 31 separate adjustments were necessary to correct the financial statements for fiscal year 2024.

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

Error	Description	Dollar Error
1	NDOL claimed to have discretion in the use of a Federal fund balance of $916,802; however, documentation to support that assertion was not provided, nor was an explanation describing how the balance was accumulated.	$ 916,802
2	NDOL uses a suspense account to serve as the holding account for unreconciled amounts between the bank and NEworks. During fiscal year 2024, NDOL failed to perform an analysis of the $219,251 balance in the holding account on June 30, 2024, to determine the proper disposition of those amounts.	$ 219,251
3	NDOL recorded a fiscal year 2023 adjustment to correct the balance in the claims payable account again in fiscal year 2024, resulting in fiscal year 2024 expenditures being overstated by $168,328.	$ 168,328
4	NDOL's allowance for doubtful accounts related to employers' accounts receivable (employer UI taxes owed), including penalties and interest receivable, included $149,660 that should not have been included based on the Department's own criteria for inclusion as an allowance.	$ 149,660
5	Employer account activity from one day in fiscal year 2024 was not recorded in the accounting system. This resulted in an overstatement of $95,160 to tax contributions receivable and an understatement of $197 to tax contributions payable.	$ 95,357

Error	Description	Dollar Error
6	NDOL recorded a fiscal year 2023 adjustment to correct the reimbursable receivable allowance for doubtful accounts again in fiscal year 2024, resulting in fiscal year 2024 revenue being understated by $83,986. The reimbursable receivable is related to those employers who do not pay UI taxes, but who reimburse the Department for claims paid.	$ 83,986
7	In its preparation of the ACFR, State Accounting annually reviews entries identified as prior period transactions and recorded within three months after the fiscal year end. Due to differences between the timing of NDOL's entries into the accounting system and the timing of State Accounting's annual review, multiple prior period transactions, totaling $219,254, were not reviewed for inclusion in the current fiscal year. Additionally, NDOL incorrectly recorded $186,248 in entries for fiscal year 2024 as prior period transactions, which then prompted State Accounting to make a beginning balance adjustment. The net result of these two errors resulted in $33,006 of activity being recorded in the incorrect fiscal year. As the net amount was insignificant, we did not propose an adjustment.	$ 33,006
8	The reimbursable receivable account was overstated by $26,287 due to NDOL's failure to record April 2024 employer payments recorded in NEworks to the accounting system.	$ 26,287
9	NDOL failed to consider $11,722 in negative charges to reimbursable employers that occurred in fiscal year 2025 for periods prior to July 1, 2024. This resulted in the balance in reimbursable receivable being overstated by $11,722.	$ 11,722
10	Due to the use of old versions of the reports supporting the claims payable at June 30, 2024, NDOL's entry was understated by $10,691.	$ 10,691
11	NDOL lacked support for $7,906 of the $2,072,625 benefits payable account balance at June 30, 2024. The amounts are likely related to benefit payments that failed to deposit in the claimants' bank account and were returned to NDOL's bank. NDOL lacked support for the amounts of returned payments.	$ 7,906
12	In March 2024, NDOL received an extra $2,810 CWC payment from the state of Idaho that was not recorded as a receivable. At that time, the payment was recorded as a reduction to the CWC receivable, which incorrectly reduces the receivable.	$ 2,810
13	In January 2024, NDOL recorded two different entries to one employer account balance, which resulted in a negative tax contribution receivable for that employer. Both entries reduced the tax contributions receivable balance by $2,809, leaving an incorrect negative balance due of $2,809 in NEworks.	$ 2,809
14	The balance in child support payable as of June 30, 2024, was understated by $187.	$ 187
15	From April to June 2023, NDOL collected $449,465 in penalties and interest, but $449,602 was remitted to the Employment Security Special Contingent Fund, a $137 difference.	$ 137
16	NDOL's calculation of the overpayment receivable expected to be established within 90 days after June 30, 2024, was not reasonable. First, the calculation included the average overpayments established between July and September for the last nine years, which assumes that all overpayments established during that time were from the previous fiscal year. However, some of those overpayments could be for payments made during the current fiscal year. Second, the calculation neglected to include overpayments established from October to June for payments made in the previous fiscal year.	$ -
17	NDOL failed to reduce the balance in due from the Federal government for $334 received in February 2024. This error was eliminated by an entry made by State Accounting, resulting in no required adjustment. However, as the State Accounting entry will reverse in fiscal year 2025, NDOL will need to record an entry to reduce properly the balance in due from the Federal government going forward.	$ -
18	While reviewing the employer balances as of June 30, 2024, the APA noted multiple billed interest receivable balances in the accounting system that could not be traced to NEworks. Per NDOL, the error was caused by the method to record adjustments by the vendor to employer balances in NEworks.	$ -
	Total Unadjusted Errors	**$ 1,728,939**

A proper system of internal control requires procedures to ensure accurate information is included in the State's accounting system for proper presentation of the State's financial statements.

Without such procedures, there is an increased risk of not only material misstatements occurring and remaining undetected but also improper payments being made.

> We continue to recommend State Accounting work closely with NDOL to establish procedures to ensure accounting records are recorded properly in the accounting system, including reconciliation procedures to ensure accounting records reflect accurately the activity and appropriate balances of NEworks. The reconciliation should include ensuring that the balances in the State's accounting system agree to NEworks or other sources, with any variances being reconciled and corrected on a timely basis. Without the resolution of these repeated findings, the APA's ability to audit the UI financial statements might be compromised.

Department Response: State Accounting and the Nebraska Department of Labor (NDOL) have worked closely with one another on the implementation of corrective action over the last several years. This collaboration led to a reduction in adjustment amounts of 56% over the previous year. State Accounting is dedicated to investing additional resources in its continuing partnership with NDOL to further reduce errors and eliminate future adjustments.

APA Response: Although, State Accounting claims to have been working closely with NDOL, there have been material financial statement errors for multiple years. A simple review of the accounting entries made by NDOL and a comparison of the accounting systems would have revealed the issues NDOL continued to have during fiscal year 2024.

Finding 2024-003

Capital Asset Accounting Errors

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

Most of the errors were a result of internal control issues at the State agencies; however, State Accounting is responsible for accurate financial statement presentation and failed to ensure construction-in-progress (CIP) and other capital assets were recorded properly in the financial statements. The table below details the financial statement adjustments required due to those errors and State Accounting's failure to ensure proper accounting:

Adjustment	Description	Dollar Error
Construction-in-Progress	State Accounting records information regarding CIP based on information from the State's accounting system and from information reported by the various State agencies. State Accounting's calculations for CIP contained errors due to incorrect project completion dates and for projects and related costs that were not properly included. As a result of these errors, a beginning balance adjustment of $944,548 was required for CIP along with $5,819,787 in total adjustments for CIP additions and/or deletions which were understated.	$ 6,764,335

Adjustment	Description	Dollar Error
Equipment	This asset account included errors in amounts reported for equipment assets related to the failure to record costs correctly in the State's accounting system, acquisition date errors, or equipment status errors, and the failure by State Accounting to properly carry forward values and balances from the prior year. These issues required adjustments to beginning balances, equipment additions, and depreciation totaling $6,357,942.	$ 6,357,942
Infrastructure	State Accounting also had errors in the amounts reported for infrastructure assets. When CIP projects are substantially complete, costs are moved from the CIP accounts to the appropriate capital asset accounts. Due to errors in reporting substantial completion dates for infrastructure projects and incorrect identification of the related project costs, State Accounting incorrectly accumulated and reported infrastructure assets, including infrastructure additions. Additionally, due to these errors, depreciation and accumulated depreciation related to infrastructure were also understated for the year. The total adjustments needed for these errors was $3,780,240.	$ 3,780,240
Buildings	This asset account included errors related to the timely and accurate recording of the purchases of land and buildings for a new prison site, as well as for incorrectly recorded CIP payments and acquisition dates related to construction of the Reception and Treatment Center (RTC). These issues required adjustments to the financial statements, totaling $4,218,871, for buildings and related depreciation.	$ 4,218,871
Land	For the new prison site, the APA's calculated value of the land and buildings was $17,206,246. That amount, less the correct building value of $781,129, should have resulted in a land value of $16,425,117. However, the accounting system reported the value of the land as $12,534,346, an understatement of $3,890,771.	$ 3,890,771
Retainage Payable	State Accounting made errors in its accumulation and reporting of retainage payable projects. In the prior year, State Accounting accrued $2,452,617 as the short-term payables for retainage on 15 infrastructure projects. However, these costs were not paid during the current fiscal year; therefore, a beginning balance adjustment was necessary to reclassify these as long-term payables. Additionally, State Accounting improperly excluded $295,854 of retainage related to 17 infrastructure maintenance projects resulting in an understatement of expenditures and accounts payable.	$ 2,748,471
	Total Capital Asset Accounting Errors	**$ 27,760,630**

The APA proposed, and State Accounting posted, entries to correct the above errors.

In addition to those errors, the following table details other accounting issues and financial statement errors that did not require adjustments to the financial statements due to their relative insignificance or because there was little to no financial statement effect:

Error	Description	Dollar Error
1	A number of errors were identified in State Accounting's accumulation of CIP and capital assets recorded in the State's accounting system, including incorrect asset costs, acquisition dates, or equipment statuses. In addition, State Accounting lacked a policy to determine when an asset's depreciation should be recalculated when errors are identified. These errors resulted in various overstatements or understatements of beginning asset balances, additions, deletions, current depreciation, and accumulated depreciation. The $2,397,485 in errors by asset type are as follows: • CIP: $1,272,194 in errors. • Equipment: $1,058,623 in errors. • Infrastructure: $61,250 in errors. • Buildings: $5,418 in errors.	$ 2,397,485

Error	Description	Dollar Error
2	State Accounting incorrectly recorded $1,121,287 in expenditures for upgrades to the Craft State Office Building HVAC system during fiscal year 2024 to a repair and maintenance operating expense account, instead of to a construction-in-progress expense account. No adjustment was necessary because the upgrades were properly reported on the accrual response form as a CIP project.	$ 1,121,287
3	State Accounting improperly included two CIP projects under the Culture & Recreation function of government instead of the correct Conservation of Natural Resources function, which resulted in errors in the amounts reported as beginning balances, additions, and deletions for those functions totaling $936,440.	$ 936,440

A proper system of internal controls and sound accounting practices require procedures to ensure that capital asset activity is recorded accurately, transferred correctly into all journal entries, properly carried into the next fiscal year, and supported by adequate documentation. Such procedures should also include working with other agencies to ensure proper accounting methods are followed and a review of items reported by the various agencies on the accrual response form for accuracy.

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

> We recommend State Accounting continue to work with and provide training to the various agencies to implement or improve procedures necessary to resolve this audit finding. We further recommend State Accounting implement procedures to ensure capital asset activity is accurate and complete, including procedures to ensure all Accrual Response Forms contain accurate information.

Department Response: State Accounting has worked extensively with State agencies to help ensure capital assets are recorded timely and accurately in the State's accounting system. This is an ongoing process of improvement for which we hold annual trainings to assist agencies. State Accounting has implemented procedures over the last several years to review agencies reporting, not only at year end, but continuously throughout the year, to alleviate issues. We do not consider these efforts a "failure" as noted, instead a continual process of improvement to reduce future adjustments. The adjustments noted comprise only 0.2% of the State's reported capital assets.

APA Response: While the Department focuses on the percentage of errors overall, there were still $27 million in capital asset accounting errors.

Finding 2024-004

EnterpriseOne Timesheets

Twenty State agencies utilized the State's accounting system to record their employees' work time entry and leave reporting. For these agencies, we noted the following:

- Supervisors and human resource staff within the State agencies were able to change the employees' submitted timesheets without the employees' knowledge or documentation of the changes made.

- The State's accounting system did not accurately track who approved timesheets in the system. For State agencies that utilized timesheet entry in the State's accounting system, the supervisor assigned to an employee approved the timesheet. However, supervisors were allowed to set up delegates in the system to approve timesheets in the supervisor's absence. The system did not record who actually approved the timesheet; if a delegate approved an employee timesheet, the system would record the assigned supervisor as the approver. When delegates were set up for their supervisor, the delegate was then able to alter and approve his or her own timesheet. Furthermore, there was no audit trail for delegates in the State's accounting system. When a supervisor removed a delegate from the system, there was no record of the delegates in the system in an audit trail. Supervisors were also able to delete delegates without any record of the assignment.

- Employees were able to record their time worked to other agency funding sources. When completing a timesheet, the employee had a field available to him or her to record time to any State agency. The coding was not restricted to only the employing agency.

Section 124-86, Payroll – Agency Records, of Nebraska Records Retention and Disposition Schedule 124, General Records (February 2020), as issued by the Nebraska State Records Administrator, requires any "supporting records received or generated by an agency used to review, correct or adjust and certify agency payroll records" to be retained for five years. Per that same section, the supporting records may include timesheets and reports.

A proper system of internal control requires procedures to ensure that the approval of timesheets is documented for subsequent review, and funding sources are restricted to an employee's agency.

Without such procedures, there is an increased risk for fraudulent or inaccurate payment of regular hours worked or accumulation of leave. Additionally, failure to retain important payroll documentation risks noncompliance with Nebraska Records Retention and Disposition Schedule 124. When the funding source is not restricted, moreover, there is an increased risk that an employee may record payroll expenditures to an incorrect funding source or another agency's general ledger in error.

It was noted also that Department overtime-exempt employees were not required to maintain a timesheet or other form of documentation to show that at least 40 hours were worked each week. Exempt employees were required to record only leave used in the system.

Neb. Rev. Stat. § 84-1001(1) (Reissue 2024) 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.*

Sound business practices, as well as a proper system of internal controls, require hours actually worked by State employees to be adequately documented and such documentation to be maintained as evidence of compliance with § 84-1001(1). A proper system of internal control also requires procedures to ensure vacation and sick leave amounts are properly recorded and accrued.

A similar comment has been reported since the fiscal year 2013 ACFR audit.

> We recommend the Department implement procedures for maintaining adequate supporting documentation of time worked for all employees, such as timesheets or certifications, in compliance with State statute and Nebraska Records Retention and Disposition Schedule 124. Furthermore, we recommend the Department make the necessary changes to the State's accounting system, or save supporting documentation to a data warehouse, to allow for the retention of documentation of approvals, and changes to timesheets to ensure compliance with Nebraska Records Retention and Disposition Schedule 124. Lastly, we recommend the Department restrict funding access to an employee's agency only.

Department Response: Timesheet images are maintained in EnterpriseOne until the payroll is processed; however, the electronic data is maintained in EnterpriseOne indefinitely. Agencies choosing to delegate time approval are trained to maintain documentation when a delegate approves time. Under federal law, exempt employees do not need to track their hours. DAS is weighing the risks identified with the cost of implementing a new time tracking and payroll system.

APA Response: As noted in the comment, state law requires the heads of departments, their deputies, assistants, and employees to render no less that forty hours of labor each week. A proper system of internal control requires procedures to adequately document compliance with this statute. Furthermore, Neb. Rev. Stat. § 81-1328 (Reissue 2024) outlines vacation hours earned by State employees. State employees who work less than full-time earn vacation hours in proportion to the percent of hours worked. Without a timesheet to support employee hours worked, there is an increased risk an employee will earn excess vacation leave, which is paid out upon termination.

Finding 2024-005

Changes to Vendor and Banking Information

During our review of the process for changing vendor and banking information in the State's accounting system, we found a lack of controls to ensure that additions and/or changes to vendor addresses and banking information were proper and accurate. To change vendor addresses and banking information in the system, an authorized agent at the agency level must submit a W-9/ACH form to the Department. This submission can be made by any one person at the agency. There is no required secondary approval of changes at the agency level to ensure additions and changes are proper.

In addition, the Department failed to perform any other procedures to identify potential fraudulent bank accounts in the system. A review could include a query to identify duplicate bank accounts or addresses for both a vendor and employee of the State.

Due to this lack of procedures, the Nebraska Department of Transportation (NDOT) made a $250,000 payment to an illegitimate vendor in April 2024. NDOT received a fraudulent request to change a vendor's banking information and forwarded the fraudulent request to the Department to change the bank account to the fraudulent payee.

On June 6, 2024, the Department and the State Treasurer released a letter notifying State agencies of additional requirements when changing vendor and banking information. Those additional steps include:

- Agencies are required to follow up with a known vendor contact to verify that the change is valid. This is required to be signed off on by an agency representative.
- State Treasurer staff will have the ability to review the changed information in order to provide better answers to bank inquiries regarding outgoing ACH payments.

A proper system of internal controls requires procedures to ensure that critical vendor and banking information within the State's accounting system is proper, and changes to the information are verified as accurate.

Without such procedures, there is an increased risk of loss, misuse, or theft of State funds due to fraudulent activity.

A similar comment has been reported since the fiscal year 2015 ACFR audit.

We recommend the Department establish procedures for ensuring vendor addresses and banking information in the State's accounting system are appropriate and accurate. These procedures would include a secondary review and approval of all vendor and banking information at the agency level when modifying W-9/ACH forms, ensuring that at least two knowledgeable individuals are involved in the changes. We also recommend the Department establish procedures, such as a periodic review for duplicate bank accounts and vendor addresses, to identify potential fraudulent bank accounts in the system.

Department Response: As a mitigating control that DAS already has in place, changes to a vendor or payee's banking information requires prior banking information be provided for verification. DAS has revised its W-9 form to include agency review with a secondary approval sign-off. The $250,000 noted was recovered in full.

BOARD OF EDUCATIONAL LANDS AND FUNDS

Finding 2024-006

Accounting Issues

The Auditor of Public Accounts (APA) identified multiple errors in financial statement coding and accrual entry preparation made by the Board. The table below summarizes over $8 million in errors made by the Board for the fiscal year ending June 30, 2024. The APA proposed, and the Department of Administrative Services – State Accounting Division posted, adjustments to correct the financial statements.

Description of Issue	Amount
The Board failed to accrue for the 2023 tax return credit filed in 2024 of $2,657,570, which caused an adjustment of $2,657,570 to the Permanent School Fund and the General Fund.	$ 5,315,140
The Board mistakenly recorded the receipt of the 2022 tax return credit of $2,351,536 as a negative expenditure, when it should have been a prior-period adjustment.	$ 2,351,536
The Board overstated the fiscal year 2024 adjustment to land by $1,006,329 due to multiple data entry errors when preparing the entry.	$ 1,006,329
Total Adjustments	**$ 8,673,005**

A proper system of internal control requires procedures to ensure that not only the proper amounts are recorded in the accounting system but also the internal calculations are correct and agree to supporting documentation.

Without such procedures, there is an increased risk for material misstatement to the financial statements.

> We recommend the Board implement procedures to ensure any property tax credits received are properly coded and accrued, and internal calculations are correct and agree to supporting documentation.

Board Response: The Board did not accrue the anticipated tax return credit as a receivable in 2023 as we did not anticipate the journal entry process of the return credit had changed to an actual receipt in the accounting system until August 24, 2023. We will report the adjustment going forward.

The Department of Revenue created a journal entry in 2022 and neither agency recognized the transaction as a prior year adjustment.

The Board implemented a new reporting format for the land market report and will update those processes to address and correct data entry errors.

APA Response: The journal entry process that the Board is referring to was performed in October 2022 and is not the subject of the comment above. The 2022 tax return credit was received in August 2023 as a receipt transaction and not a journal entry and should have been reported as a prior year transaction. Additionally, the Board would have been aware of the receipt process as of August 2024 when receivables were required to be reported to State Accounting for the 2023 tax return credit.

DEPARTMENT OF CORRECTIONAL SERVICES

Finding 2024-007

Lack of Inventory Valuation Procedures

The Department failed to perform certain critical procedures during the year pertaining to the Cornhusker State Industries (CSI) inventory maintained by the Department to ensure the accounting records were complete and accurate for financial reporting for the fiscal year ended June 30, 2024.

The inventory balance reported in the State's accounting system as of June 30, 2024, was $5,974,804. However, due to the lack of critical procedures, as noted below, the Department failed to maintain an internal control process over inventory. It was also determined that the value of the inventory was overstated by $1,449,626.

The Department's procedural failures included the following:

- The Department failed to complete inventory cycle counts for the months of December 2023 through February 2024, which are the primary control procedures over inventory. These cycle counts are routine physical inventory counts and are utilized to safeguard inventory from loss and/or theft. Inventory items are categorized by risk level, with higher risk items counted more frequently. With the lack of performance of these counts, there can be no assurance that inventory was not misappropriated during that period.

- The Department failed to reconcile properly the inventory balances from the inventory ledgers to the balances recorded within the State's accounting system. The Department obtained integrity reports from the State's accounting system; however, those reports were not adequately reviewed, and variances identified on the reports were not resolved. A proper review and resolution of the variances on these reports would have assisted in reconciling inventory ledgers to the accounting system. Such a reconciliation could also assist in identifying possible loss or theft of inventory.

- The Department failed to generate detailed listings of all inventory items at the fiscal year end to allow for an adequate verification of inventory. Such detailed listings can only be generated as of the date the report is run. Without such listings, there is inadequate information to support the inventory valuations included in the financial statements.

The adjustment to inventory included the following:

Error	Amount
The Department failed to reconcile its inventory balances to the accounting system. The review by the Auditor of Public Accounts (APA) revealed the accounting system balances to be overstated.	$ 765,729
During the APA's testing of 20 inventory items, comprising more than $1.9 million, we determined that 8 items included amounts on hand that did not agree to the inventory system, and the balances were overstated.	$ 683,897
Total	**$ 1,449,626**

The APA proposed, and the Department of Administrative Services – State Accounting Division (State Accounting) posted, the $1,449,626 adjustment to the financial statements.

A proper system of internal controls requires procedures to ensure the value of inventory recorded in the accounting system is complete and accurate. This would include procedures to ensure physical counts of all inventories are performed on a periodic basis, detailed listings are generated at the end of the fiscal year, and the listings are verified and reconciled to the accounting system.

Without such procedures, there is an increased risk of not only materially incorrect inventory balances being shown on the financial statements but also the loss or theft of inventory items.

> We recommend the Department ensure physical counts of inventory are performed on a regular basis to determine that the quantities recorded in the accounting system are proper. We also recommend the Department generate detailed inventory listings as of fiscal year end and verify that these amounts reconcile to the accounting system.

Department Response: NDCS agrees physical counts of inventory should be performed. NDCS has scheduled physical count inventories for Cornhusker State Industries, and such will occur on a regular basis. Further, the detailed inventory listing will be generated as of the fiscal year-end and verified that those amounts reconcile to the accounting system.

Finding 2024-008

Capital Asset Errors

The Department is responsible for recording information regarding capital assets into the State's accounting system. However, we noted the following shortcomings with the Department's recording procedures: 1) failure to record both timely and properly purchases of land, buildings, and equipment; 2) incorrectly recorded construction-in-progress payments and acquisition dates for multiple assets; 3) lack of documentation to support certain purchases; and 4) failure to pay invoices timely.

The culmination of such recording errors by the Department required an $8 million adjustment to the financial statements, which was proposed by the APA and posted by State Accounting. See below for details of this adjustment:

Project	Department Errors Requiring Adjustment	Amount
New Prison Site - Buildings	The Department recorded the value of five buildings on the property at $1 million each, which was not supported by documentation. Using information from the County Assessor, the APA calculated the value of the buildings to be $781,129, resulting in an overstatement of their value. It was also noted that two of the five buildings had incorrect acquisition dates entered into the system.	$ 4,218,871
New Prison Site - Land	The remaining amount from the APA's calculated asset value (see below) of $17,206,246, less the correct building value calculated above of $781,129, should have resulted in $16,425,117 as the value of land. However, the Department recorded the value of the land as $12,534,346, resulting in an understatement of $3,890,771 of its value.	$ 3,890,771
RTC Construction	The Department failed to include an additional $1,066,187 in costs to the assets related to the construction of the Reception and Treatment Center (RTC). These costs were erroneously recorded as repairs and maintenance. Three of four assets also included incorrect acquisition dates.	$ (1,066,187)
RTC Construction	Because of the errors noted above, adjustments were necessary to the beginning net assets for buildings.	$ 882,486

Project	Department Errors Requiring Adjustment	Amount
Prison Buildings and RTC Construction	Because of the errors noted above, adjustments were necessary to the accumulated depreciation for buildings.	$ 94,033
Prison Buildings and RTC Construction	Because of the errors noted above, adjustments were necessary to the current depreciation expense.	$ 89,668
Total Adjustments		**$ 8,109,642**

New Prison Site
During fiscal year 2024, the State paid $17,534,346 for the purchase of land and buildings for the construction of a new prison site near Lincoln. In addition to the errors noted above that resulted in the adjustment, the APA identified other issues related to this land and building purchase, as detailed below:

Additional Departmental Errors
The Department initially recorded the entire $17,534,346 purchase as construction in progress and operating expenses, when it should have been recorded as land and buildings.
The Department recorded the entire $17,534,346 purchase price as a capital asset. However, the APA determined that $328,100 should have been recorded as an expense. These costs included option money paid for real estate that was not purchased (no asset obtained) less title and escrow charges. The total amount that should have been capitalized was $17,206,246.

RTC Construction
The Department had various construction projects related to the RTC. The issues noted above involved one $59,737,472 project and one $36,203,526 project at the RTC.

In addition to the errors above that required adjustments, the following table details other accounting issues and financial statement errors that did not require adjustments to the financial statements due to their relative insignificance; nevertheless, these were errors and are detailed in the table below:

Description of Issue	Dollar Error
The Department failed to capitalize properly equipment purchased and lacked support for the quantities or unit prices thereof.	$ 302,700
The Department inaccurately recorded costs for one project as operating expenditures rather than construction in progress.	$ 155,770
The Department failed to include the costs for 21 assets in the accounting system. For eight of the assets, the following accounts were understated: • Beginning asset cost – $71,909 • Beginning depreciation – $15,656 • Additions – $41,160 • Depreciation additions – $14,236 Two of the assets did not have a cost available but appear to be under the capitalization threshold. Six of the assets were removed and should not have been in the accounting system. Three of the assets were removed because they were surplused before the end of the fiscal year. One asset was not adjusted because the amount was insignificant, and the asset was surplused a month after the fiscal year end. One asset had an acquisition date after the fiscal year.	$ 142,961
The Department failed to pay three invoices related to a capitalized asset within 45 days of receipt of the invoice, as required by State statute. The payments occurred 71, 202, and 230 days after the invoice receipt date.	$ 120,558
Total Unadjusted Errors	**$ 721,989**

Neb. Rev. Stat. § 81-2403(1) (Reissue 2014) states the following:

> *Except as provided in subsection (2) of this section, each agency shall make payment in full for all goods delivered or services rendered on or before the forty-fifth calendar day after (a) the date of receipt by the agency of the goods or services or (b) the date of receipt by the agency of the bill for the goods or services, whichever is later, unless other provisions for payment are agreed to in writing by the creditor and the agency.*

A proper system of internal control requires procedures to ensure that all costs are recorded accurately in the accounting system, acquisition dates are recorded accurately, costs are capitalized promptly upon completion of the project, adequate supporting documentation is maintained, and invoices are paid in a timely manner.

Without such procedures, there is an increased risk for material misstatement of the financial statements and footnote disclosures and noncompliance with State Accounting policy and State law.

> We recommend the Department implement procedures to ensure the following: 1) costs are recorded properly in the accounting system and are capitalized in a timely manner; 2) acquisition dates of the assets are accurate; 3) adequate supporting documentation is maintained by the Department; and 4) invoices are paid in a timely manner.

Department Response: NDCS accounting strives to be as accurate as possible. Procedures have been reviewed with applicable team members to ensure costs are recorded properly and timely, acquisition dates are accurate, adequate supporting documentation is maintained, and invoices are paid in a timely manner.

Finding 2024-009

Missing Fiscal Year 2023 Accrual and Review of Revenues

In fiscal year 2024, the Department recorded $4,077,452 incorrectly as revenues for license plate sales. However, these license plates were ordered in fiscal year 2023 and should have been recorded in the prior fiscal year. Therefore, the APA proposed, and State Accounting posted, the $4,077,452 adjustment to correct the financial statements.

We also determined that the Department lacked procedures for reviewing the general ledger detail report to ensure that all revenues were recorded properly in the accounting system.

A proper system of internal controls requires procedures to ensure that not only all financial transactions are reported appropriately in the correct period but also a proper review is performed of accounting reports.

Without such procedures, there is an increased risk of material misstatement to the financial statements.

> We recommend the Department implement procedures to ensure transactions are reported in the correct fiscal year, and accounting reports are reviewed to determine if all transactions are appropriate.

Department Response: Again, NDCS accounting strives to be as accurate as possible. Procedures have been reviewed with applicable team members and that the accounting reports are reviewed to ensure accuracy.

DEPARTMENT OF EDUCATION

Finding 2024-010

Multiple Financial Statement Adjustments

The Department is responsible for accurately recording financial transactions in the State's accounting system and providing additional financial information, including various accounts receivable and payable entries, to the Department of Administrative Services – State Accounting Division (State Accounting) on an accrual response form for preparation of accrual entries for the State's Annual Comprehensive Financial Report (ACFR).

The Auditor of Public Accounts (APA) reviewed these transactions to ensure the proper presentation of the State's financial statements and proposed $234,162,148 in adjustments to the financial statements due to errors made by the Department in its year end reporting. The proposed adjustments were recorded in the accounting system by State Accounting. The errors are summarized in the table below:

Description of Accrual or Error	Amount in Error
Prior Year Expenditures Accrual Error	$ 228,211,790
Department Accrual Errors	$ 5,950,358
Total	**$ 234,162,148**

Many of the current year accruals were inaccurate and not prepared in accordance with governmental accounting standards. Additionally, the Department lacked procedures to ensure a secondary review of the accruals to verify their completeness and accuracy prior to submission to State Accounting or when the entries were recorded in the State's accounting system.

A similar issue was reported in the prior year. However, the APA accumulated only $4,074,000 in proposed adjustments for fiscal year 2023. Therefore, the Department's errors have increased by more than 5,648%.

The following information provides more detail on each of the accrual errors noted in the above table.

Prior Year Expenditures Accrual Error
The State's accounting system allows users to identify transactions made in the prior fiscal year by applying a certain code to the transaction. When transactions processed during the fiscal year are identified as a prior year transaction using this code, State Accounting records an adjustment to the beginning fund balance for these transactions, so that the prior year transactions are not included in the current fiscal year's activity. The APA found the following issues:

Description	Reason	Dollar Error
Prior Year Expenditures Accrual Error	The Department recorded $228,211,790 in various transactions as prior period expenditures, even though they were already recorded as prior period activity through a separate procedure in the prior year. These errors resulted in duplicative prior period activity. The APA proposed an adjustment for these errors, which was posted by State Accounting, to correct the errors.	$ 228,211,790

Department Accrual Errors

The Department's financial statement accruals reported to State Accounting for preparation of the fiscal year 2024 ACFR contained multiple errors. Activity reported to State Accounting is related to various grants administered by the Department that span multiple fiscal years. For these various programs, the Department calculates an original payable amount at fiscal year-end, which is then manually reduced to account for current year payments processed after the fiscal year end.

The APA found the following errors in the Department's calculation of program accruals that required adjustments to the State's financial statements.

Description	Reason	Dollar Error
Early Childhood Education Grant	The Department failed to review the Early Childhood Education grant for current year expenditures recorded after the fiscal year end. As such, $1,600,939 in General Fund activity was incorrectly included as a payable.	$ 1,600,939
General Fund Discretionary Projects Grants	The Department's review of current expenditures recorded after fiscal year end included a $39 error.	$ 39
Total General Fund Payable Adjustment:		**$ 1,600,978**
Nebraska Hands and Voices Grant	The Grant Award Notification (GAN) provided by the Department for one award did not agree to Department's accrual calculation reported to State Accounting. As a result, the Federal Fund included $20,000 that should not have been reported as a payable.	$ (20,000)
Deaf/Blind Program Grant	The Department's calculation included a formula error that resulted in an $88,888 misstatement.	$ (88,888)
Teach Step Up Grant	The Department excluded the Teach Step Up grant in its review for current period expenditures recorded after the fiscal year end. As such, $26,486 in activity was incorrectly recorded as a payable.	$ (26,486)
Quality Enhancement Grant	The Department excluded the Quality Enhancement grant from its review for current period expenditures recorded after the fiscal year end. As such, $92,870 in activity was incorrectly recorded as a payable.	$ (92,870)
Educational Service Unit PreK Grant	The Department excluded the Educational Service Unit PreK grant from its review for current period expenditures recorded after the fiscal year end. As such, $499,228 in activity was incorrectly recorded as a payable.	$ (499,228)
CARES* Act Grant	The Department excluded $690,760 in CARES Act grant activity from its review for current period expenditures recorded after the fiscal year end. As such, $690,760 in activity was incorrectly recorded as a payable.	$ (690,760)
Stronger Connection Grant	The Department omitted completely the Stronger Connection grant, resulting in a $2,023,161 misstatement.	$ 2,023,161
Title I Support Grant	The Department omitted completely the Title I Support grant, resulting in a $338,934 misstatement.	$ 338,934
Rural Low Income School (RLIS) Grant	The Department omitted completely the RLIS grant, resulting in a $7,385 misstatement.	$ 7,385
ESSER**/American Rescue Plan (ARP) Grants	The Department's calculation of the payable related to the ESSER/ARP grants contained multiple formula errors and also excluded certain grants, resulting in $8,176,637 in misstatements to the financials.	$ 8,176,637
Grant Management System (GMS) Grants	The Department's calculation of the payable related to its GMS grants contained errors including the duplication of grant amounts and incorrect percentages, resulting in $6,893,517 in misstatements to the financials.	$ (6,893,517)
Total Federal Fund Payable Adjustment:		**$ 2,234,368**
Nebraska Hands and Voices Grant	Error noted above.	$ (20,000)
Deaf/Blind Program Grant	Error noted above.	$ (88,888)
Educational Service Unit PreK Grant	Error noted above.	$ (499,228)
CARES* Act Grant	Error noted above.	$ (690,760)
Stronger Connection Grant	Error noted above.	$ 2,023,161
Title I Support Grant	Error noted above.	$ 338,934
RLIS Grant	Error noted above.	$ 7,385

Description	Reason	Dollar Error
ESSER**/ARP Grants	Error noted above.	$ 8,176,637
GMS Grants	Error noted above.	$ (6,893,517)
Non-Letter of Credit Grant Activity	Previously identified errors related to the reporting of the Teach Step Up and Quality Enhancement grants required a reduction in the APA's proposed adjustment to the Federal Fund because the activity is reported outside of the State's Federal Letter of Credit Fund. As such, any amounts recorded as liabilities would not require a corresponding receivable from the Federal government – similar to the entries from above.	$ (238,712)
Total Federal Fund Receivable Adjustment:		**$ 2,115,012**
Total Errors		**$ 5,950,358**

*CARES – The Coronavirus Aid, Relief, and Economic Security Act
**ESSER – Elementary and Secondary School Emergency Relief

A proper system of internal controls requires procedures to ensure that accruals reported to State Accounting at year end are complete and accurate. Without such procedures, there is a greater risk of material misstatements occurring and remaining undetected.

A similar finding was noted in the prior management letter.

> We recommend the Department prioritize staff training and implement procedures to ensure its accruals are completely and accurately reported to State Accounting, including the resolution of repeated errors. Furthermore, we recommend the Department implement procedures to ensure a secondary review of all accruals is performed by a knowledgeable individual prior to submission to State Accounting or entry into the State's accounting system.

Department Response: The Department continues to value a proper system of internal controls ensuring that accruals reported to the State's accounting system are complete and accurate. To reduce the risk of material misstatements occurring, the Department will prioritize updating procedures, training/re-training staff, and technology verification by July 1, 2025.

Finding 2024-011

Special Education Program Noncompliance and Accrual

The Department is authorized to reimburse school districts from its General Fund appropriations 80% of the total allowable excess costs for all Special Education (SPED) programs and support services. Recent legislation also authorized funding to the program from the Education Futures Fund, which includes appropriations separate from the General Fund, if 80% reimbursement of allowable excess costs is not initially achieved.

The APA identified various instances of noncompliance with the recent legislation, including expenditures that exceeded the appropriated funding and the allowable reimbursement per State statute. Additionally, the Department's SPED accrual reported to State Accounting on the accrual response form was not accurate.

The following information provides further detail on each of the issues.

Description	Reason	Dollar Error
Noncompliant Education Futures Fund Expenditures	At June 30, 2024, the General Fund had unspent Special Education Program appropriations of $37,980,193. Neb. Rev. Stat. § 79-1142(4)(b) (Reissue 2024) required the General Funds to be liquidated prior to using Education Future Funds. Instead, the Department used the Education Futures Fund to pay the Special Education Program expenditures, prior to the liquidation of all General Fund appropriations. As a result, the Education Futures Fund also exceeded its appropriations by $19,507,099.	$ 37,980,193
SPED Program Overpayments	The Department reimbursed school districts an amount that exceeded the 80% of the allowable Special Education excess costs set forth in statute. The Department paid $7,406,803 to school districts that was not authorized by statute.	$ 7,406,803
SPED Payable Calculation	The Department calculated incorrectly the payable for the transportation portion of the SPED program. The Department included unspent appropriations as the basis for its calculation rather than expected expenditures in future reporting periods. As a result, we identified a $543,452 variance between expected expenditures and unspent appropriations reported by the Department.	$ 543,452
	Total	**$ 45,930,448**

Legislative Bill (LB) 583 § 11 [codified at § 79-1142 (Reissue 2024)] provides that school district allowable excess costs to be reimbursed at 80%, as follows:

> *[F]or special education and support services provided in each school fiscal year, the department shall reimburse each school district in the following school fiscal year eighty percent of the total allowable excess costs for all special education programs and support services. Cooperatives of school districts or educational service units shall also be eligible for reimbursement for cooperative programs pursuant to this section if such cooperatives or educational service units have complied with the reporting and approval requirements of section 79-1155 for cooperative programs which were offered the preceding year.*

Further, § 79-1142(4)(b) goes on to state the following in relation to how funding shall be utilized:

> *If the General Fund appropriations for special education approved by the Legislature, minus the amounts set aside pursuant to subsection (5) of this section, are insufficient to reimburse eighty percent of the total allowable excess costs for all special education programs and support services for any school fiscal year:*
>
> > *(i) Such allowable excess costs shall be reimbursed from the General Fund appropriations for special education approved by the Legislature, minus the amounts set aside pursuant to subsection (5) of this section, on a pro rata basis at the maximum rate of reimbursement such appropriations will allow as determined by the department; and*
> >
> > *(ii) The remainder of the eighty percent reimbursement of such allowable excess costs shall be paid from the Education Future Fund.*

The program included appropriations as a result of LB 1412 (2023) as follows:

> *There is included in the amount shown for this program $235,724,424 General Funds and $226,580,280 ~~$199,041,052~~ Cash Funds provided as state aid for FY2023-24 for special education reimbursement. There is included in the amount shown for this program $235,724,424 General Funds and $206,007,489 Cash Funds provided as state aid for FY2024-25 for special education reimbursement.*

A proper system of internal controls requires procedures to ensure that the Department's administration of State programs is in accordance with legislative requirements and that Department accruals reported to State Accounting are calculated accurately. Without such procedures, there is an increased risk of regulatory noncompliance and material misstatement to the financial statements.

We recommend the Department implement procedures to ensure that Special Education program expenses are funded as required by governing legislation and that accrual calculations are accurate.

Department Response: NDE staff worked with the Governor's office and the Legislature to write the language in LB 583 that changed the reimbursement for Special Education. The intent of LB 583 was to appropriate 80% of the submitted special education reimbursable expenses and have NDE pay out the full amount appropriated as has been the process for many years which is necessary to avoid potential maintenance of effort issues as required by the Individuals with Disabilities Education Act (IDEA). The language NDE proposed which was ultimately included and passed did not clearly identify the continued intent of the bill to require NDE to pay out the entire appropriation. NDE has worked with the Governor's office to correct the language adopted in LB 583 so that it clearly requires the full appropriation to be used for Special Education Reimbursement.

NDE will make the necessary journal entry to move the funds as needed to the Education Future Fund in future years.

DEPARTMENT OF ENVIRONMENT AND ENERGY

Finding 2024-012

Accounting Errors

The Department is responsible for accurate reporting of accrual information to the Department of Administrative Services – State Accounting Division (State Accounting) for proper financial statement and footnote presentation. The following errors were identified in the Department's accrual reporting for the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) programs that required adjustments to the financial statements:

Issue	Affected Accounts	Amount
Federal Fund	We identified errors affecting the following accounts: Beginning Balance, Transfers Out, Expenditures, Federal Grants, and Contracts Revenue.	$ 6,871,860
Environmental Quality Fund	We identified errors affecting the following accounts: Transfers In, Beginning Balance, and Expenditures.	$ 1,380,420
	Total Adjusted	**$ 8,252,280**

A description of the issues requiring such adjustments is provided below:

- During previous audits, the Department failed to properly accrue for loan payments from the CWSRF and DWSRF programs when the reimbursement request was received prior to fiscal year end, but the payment was made after fiscal year end. A portion of the payments was paid from the Federal Fund, and the loans receivable was recorded in the Environmental Quality Fund, a non-major Special Revenue Fund. This required an adjustment to the beginning fund balance for both funds. An adjustment was also required to the transfer accounts for each fund to offset the current year entries.

- The Department also failed to accrue for loan forgiveness and grant expenditures during the fiscal year 2023 audit. This error resulted in the beginning fund balance and related expenses for fiscal year 2024 being overstated in both the Federal Fund and Environmental Quality Fund.

- The Department failed to record a Due from Federal Government receivable for Federal expenditures incurred during fiscal year 2023, for which the Federal revenue was not received until fiscal year 2024. This error resulted in the beginning fund balance being understated and the related revenue being overstated in the Federal Fund for fiscal year 2024.

Other significant errors were also identified by the APA. The State's accounting system allows users to identify transactions applicable to the prior fiscal year by applying a certain code to the transaction. When transactions are identified with this code, State Accounting records an entry to remove the expense from the current year activity and to adjust the beginning fund balance. The APA reviewed a sample of prior and current year expenditures to determine whether the transactions were reported in the proper fiscal year. The following table identifies a summary of issues related to the recording of these expenditures and other transactions.

Fund	Issue	Amount
Federal Fund	Overstatement of Accounts Payable	$ 16,912,092
Environmental Quality Fund	Overstatement of Accounts Payable	$ 10,084,505
Both Funds	Misstated expenses, loans receivable, due from Federal Government receivable, revenues, and transfers	$ 6,970,779

The APA proposed, and State Accounting posted, these adjustments to the financial statements.

A proper system of internal control requires procedures to ensure that accruals are properly reported to State Accounting. Without such procedures, there is an increased risk of material misstatements to the financial statements, which could remain undetected.

> We recommend the Department strengthen procedures for reviewing and identifying accrual activity to ensure that financial information is properly reported.

Department Response: We agree with the audit finding. The accrual entries noted in this finding were recorded in a methodology that is no longer used by the agency. Going forward, the agency has improved the method of identifying, reviewing, and reporting accruals. Internal controls were adjusted to reflect the new method. We will also work with DAS throughout the accrual reporting timeframe to ensure accruals are more accurately reported.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2024-013

Multiple Financial Statement Adjustments

The Department is responsible for the accurate recording of financial transactions in the State's accounting system. At fiscal year end, the Department also provides additional financial information, including various accounts receivable and payable entries, to the Department of Administrative Services – State Accounting Division (State Accounting) on an accrual response form for preparation of accrual entries for the Annual Comprehensive Financial Report (ACFR). The Auditor of Public Accounts (APA) reviewed these transactions to ensure the proper presentation of the State's financial statements.

Upon our review, the APA proposed $165,551,339 in adjustments to the financial statements, which were recorded in the accounting system by State Accounting, due to errors made by the Department throughout the year and in its year-end reporting. The errors are summarized in the table below:

Description of Accrual or Error	Amount in Error
Untimely Implementation of Managed Care Organization (MCO) Rate Adjustments	$ 72,083,960
Prior Year Accrual Error	$ 31,635,230
Medicaid Graduate Medical Education (GME) Receivable Accrual	$ 27,231,321
Department Journal Entry Preparation	$ 12,341,214
Disproportionate Share Hospital (DSH) Activity & Accruals	$ 12,182,690
Patient and County Billing Receivable	$ 3,594,011
MCO Heritage Health Reconciliation Errors	$ 3,432,431
Accrual not Reported for Receivables from UNMC	$ 3,050,482
Total	**$ 165,551,339**

Many of the current year accruals were inaccurate and not prepared in accordance with governmental accounting standards. Additionally, there was not an adequate secondary review to ensure that the accruals were proper prior to being submitted to State Accounting or when entries were made to the State's accounting system.

Similar issues have been reported since the 2003 audit, for over 20 years.

The following information provides more detail on each of the accrual errors noted in the above table.

Untimely Implementation of Managed Care Organization Rate Adjustments
The Nebraska Medicaid program has agreements with multiple Managed Care Organizations (MCO) to provide services at rates prepared by the State's actuary and approved by the Centers for Medicaid Services (CMS). After CMS approves amendments to the rates in each MCO's contract, the rates are updated within the State's Medicaid Management Information System (MMIS).

Description	Reason	Dollar Error
Untimely Implementation of MCO Rate Adjustments	In June 2024, the Department began to implement its rate updates approved by CMS in February 2024. The rate update process was not completed until August 2024. As such, a significant portion of these changes were implemented after the fiscal year end. The Department failed to report an accrual for this activity because MMIS lacks the capability to record transactions as a prior period transaction. Therefore, $72,083,960 in adjustments were required to record this subsequent activity in the current reporting period.	$ 72,083,960

Prior Year Accrual Error

The State's accounting system allows users to identify transactions made in the prior fiscal year by applying a certain code. When transactions processed during the fiscal year are identified with this code, State Accounting records an adjustment to the beginning fund balance, so those prior year transactions are reported in the proper fiscal year. The APA found the following issues in our review of the October 2023 to June 2024 transactions containing the prior fiscal year code:

Description	Reason	Dollar Error
Prior Year Accrual Error	Transactions in the amount of $31,635,230 were inappropriately recorded as prior period transactions and were also already accrued for in the prior year, resulting in duplicative activity. An adjustment for $31,635,230 was required to correct these errors.	$ 31,635,230

Medicaid Graduate Medical Education (GME) Accrual

In January 2022, the Nebraska Medicaid State Plan was amended to include new funding for supplemental graduate medical education (GME) payments. These supplemental payments help offset growing costs and allow for support and investment in future educational and clinical training activities of health professionals. The Department makes payments directly to eligible teaching hospitals. As part of this amendment, the University of Nebraska Medical Center (UNMC) is expected to transfer funds to the Department for the State share of these supplemental GME payments. The APA found the following issue related to the Department's calculation of the supplemental GME accrual:

Description	Reason	Dollar Error
Medicaid GME Accrual	The Department failed to record a receivable in fiscal year 2023 for the transfer from UNMC and made an adjustment in fiscal year 2024 to account for that prior year receivable that was not properly accrued. Upon review of this adjustment, the Department understated the prior year's receivable. In addition, the prior year's payable reported by the Department had also been understated. An adjustment, totaling $27,231,321, was required to correct these understatements.	$ 27,231,321

Department Journal Entry Preparation

The Department posted various journal entries to the State's accounting system that were inaccurate and required adjustments to correct. The following issues were noted during testing:

Description	Reason	Dollar Error
Provider Rate Increases	The Department recorded a journal entry to claim Federal funding associated with the American Rescue Plan Act (ARPA) for provider rate increases made to child welfare services. This journal entry was recorded entirely as fiscal year 2024 activity; however, expenditures related to these increases had been recorded in fiscal years 2022 and 2023. As such, adjustments in the amount of $9,914,279 were required to remove this activity from the current year.	$ 9,914,279
Miscellaneous Adjustment Entry	The Department recorded $1,684,281 in deposits as prior period activity, even though the deposits were related to the period July 1, 2023, through December 31, 2023. Therefore, State Accounting reported the activity as prior period activity. As such, an $1,684,281 adjustment was required to eliminate this activity from the accrual and report it in the proper fiscal year.	$ 1,684,281
Miscellaneous Adjustment Entry	The Department recorded $371,327 in correcting journal entries as prior period activity, even though the activity related to the current year. Because it was identified as prior period activity, State Accounting included it in its accrual and removed it from the current year activity. As such, a $742,654 adjustment was required to eliminate this activity from the accrual and report it in the proper fiscal year.	$ 742,654
	Total	**$ 12,341,214**

In addition to the adjustments proposed above, the APA noted the following other issues related to the Department's journal entry preparation procedures that did not require adjustments to the financial statements due to their relatively insignificant impact on the financial statements or corrections that were completed before a formal adjustment was proposed by the APA:

- A journal entry was required upon the reconciliation of refunds from providers to specific account subsidiaries for the period July 1, 2023, to September 30, 2023. During preparation of the entry, the Department neglected to account for amounts already posted to these account subsidiaries, causing the reconciliation to be inaccurate. The Department corrected the error prior to the APA's inquiry; however, the reversal to the original entry was recorded using an incorrect code that recorded the activity as a prior period adjustment. Corrections, totaling $12,102,287, were posted by the Department on June 24, 2024, after the APA inquired. The corrections were made between the General and Federal funds.

- In a journal entry to claim Federal funding under the Temporary Assistance for Needy Families (TANF) program, the Department inaccurately included $10,792 in activity from the prior period for services provided prior to the start of the fiscal year.

- The Department performed a quarterly journal entry to move deposits from the Nursing Quality Assurance Fund to the General Fund less an administrative fee that is withheld by the Department. For the quarter ending September 30, 2023, the Department neglected to withhold the $20,504 administrative fee.

- The Department records an annual journal entry as a result of its reconciliation of the Intermediate Care Facility taxes associated with the Beatrice State Development Center (BSDC). When preparing the fiscal year 2024 entry, the Department failed to update preparation documents and utilized figures from the prior year in its calculations, which resulted in a $288,860 variance in amounts recorded to the State's accounting system.

- The Department failed to maintain adequate documentation to support its review of the $2,360,238 interface entry from the Nebraska Families Online Client User System (NFOCUS) system to the State's accounting system.

Disproportionate Share Hospital (DSH) Activity & Accruals
A Disproportionate Share Hospital (DSH) is a hospital with an above-average Medicaid inpatient utilization rate or a low-income utilization rate of 25 percent or more. Essentially, these are hospitals that serve many Medicaid or uninsured patients. Under its rules and regulations, DSH payments are made pursuant to six different distribution methods, called pools. The payment under each pool is generally related to different types of hospitals or services provided, as noted below:

Pool 1: Eligible other urban acute care, rural acute care, and critical access hospitals that are not eligible under Pool 6.

Pool 2: Eligible metro acute care, other urban acute care, and rural acute care hospitals that are also eligible under Pool 6.

Pool 3: Hospitals that both primarily service children under age 20 and have the greatest number of Medicaid days.

Pool 4: State-owned institutions for mental disease and other eligible psychiatric hospitals.

Pool 5: The non-profit acute care teaching hospital, subsequently referred to as the state teaching hospital, that has an affiliation with the University Medical College owned by the State of Nebraska. A hospital eligible for payment under this pool may be eligible for payment under Pool 6. The only eligible hospital is UNMC.

Pool 6: Hospitals that provide services to low-income persons covered by a county-administered general assistance program; or hospitals that provide services to low-income persons covered by the State-administered public behavioral health system. Funding is a mix of Federal and State funds. Entities who receive this type of funding will often return it to the State to be used for purposes of drawing down Federal funds.

The APA found the following errors related to the Department's calculation of DSH accruals:

Description	Reason	Dollar Error
Pools 1-4	Funding related to Pools 1-4 is typically paid to hospitals two years after it is allotted due to the length of time it takes to compile data utilized in the calculations for these payments. However, the Department reported the entirety of this activity in the prior year as short term. An adjustment in the amount of $12,182,690 was made to correct the beginning balances in the General and Federal Funds related to this error.	$ 12,182,690

In addition to the adjustments proposed above, the APA noted the following other issues related to the Department's recording of DSH activity that did not require adjustments to the financial statements due to their relatively insignificant impact on the financial statements or corrections that were completed before a formal adjustment was proposed by the APA:

- An overpayment was made in fiscal year 2020 for Pool 3, and the Department returned the Federal share of this funding to CMS in the current reporting period. However, the Department mistakenly recorded this activity as a current year expense. The error was noted as part of our testing, and a $4,467,005 adjustment was made by State Accounting to correct this activity in both the Federal and General Funds, so a formal adjustment was not proposed by the APA.

  Additionally, the Department did not intend to recoup this funding from the vendor even though it is required to do so in accordance with Title 471 NAC 46-009.04.

- Funding for Pool 6 is typically paid one year after allotment under the program. As such, a short-term liability (due within one year) is reported each year for obligations not yet paid. The APA found multiple errors related to payments made within the pool and their funding. During the year, $2,122,115 in deposits were recorded as negative expenditures rather than revenues. The Department resolved this error after APA inquiry. In addition to this adjustment, there were $442,591 in other issues in our testing of Pool 6 relating to calculation errors and incorrectly recorded transactions.

- The Department inaccurately recorded a payable for the General fund portion of Pool 4 funding allocated to the Lincoln Regional Center (LRC). The Federal portion of this funding should be recorded as a receivable from the Federal government, as LRC is a subsidiary of the Department and not a separate vendor. Consequently, $1,476,394 in short-term liabilities and $1,476,394 in long-term liabilities were recorded incorrectly during the year.

- The Department receives funding each year from UNMC under an Intergovernmental Transfer (IGT) agreement to cover the State portion of some DSH expenditures. However, the current agreement does not adequately support the deposit amount made each year. The deposit made in fiscal year 2024 was $20,334,303.

Patient and County Billing Receivable

The Department received payments related to care provided and billed to clients at any of the four regional centers or for developmental disability services provided at non-State facilities. A receivable is recorded to estimate the funds due to the State for these services at the fiscal year end. The APA found the following errors related to the Department's patient and county billings receivable accrual:

Description	Reason	Dollar Error
Patient and County Billings Receivable	The patient and county billings receivable was overstated by $3,594,011 due to a combination of several errors. Most significantly, $3,237,351 of the $5,183,880 Medicaid contract balance for BSDC is uncollectible, but the Department included the full balance in its calculation of the accrual. Additionally, the entire $667,019 Medicaid/Managed Care balance for the LRC was included in the receivable, even though only the $396,343 Federal share should have been included. The remaining $272,144 is the State's responsibility.	$ 3,594,011

MCO Heritage Health Reconciliation Errors

As part of its contracts with the MCOs, the Department receives an annual Program Risk Corridor/Profit Cap and Medical Loss Ratio (MLR) report. The report calculates the necessary settlements for each of the three MCOs as outlined within the respective contractual agreements for administration of the program's services. The MCOs must pay back the payment calculated in the report to the State and Federal governments per the contracts with each organization.

Description	Reason	Dollar Error
MCO Heritage Health Reconciliation Errors	Upon receipt of the calculated amounts due from each of the three MCOs, the Department mistakenly calculated the split between the Federal Fund and State Cash Fund, resulting in an excess of $1,716,215 being recorded as revenue to a Health and Social Services Cash Fund, which should have been recorded to the Federal Fund. Total adjustments of $3,432,431 were required for all affected accounts.	$ 3,432,431

Accrual not Reported for Receivables from University of Nebraska Medical Center

Title 42 CFR § 438.6(c)(2)(iii) (October 1, 2023) states the following:

> *The total payment rate for each State directed payment for which written prior approval is required under paragraph (c)(2)(i) of this section for inpatient hospital services, outpatient hospital services, nursing facility services, or qualified practitioner services at an academic medical center must not exceed the average commercial rate.*

UNMC performs such services for patients under the managed care program and must perform a reconciliation to determine if actual expenditures exceeded this average commercial rate on a regular basis.

Description	Reason	Dollar Error
Accrual not Reported for Receivables from UNMC	UNMC consistently deposits funding with the Department because the reconciliations are typically completed more than one year after the services are performed. From January 1, 2024, to June 30, 2024, no payments from UNMC had been received or recorded, and no receivable had been prepared for such activity. After review, a $3,050,482 receivable was recorded.	$ 3,050,482

A proper system of internal controls requires procedures to ensure that accurate and complete financial information is recorded in the accounting system and reported to State Accounting. Good internal controls also require procedures to ensure that secondary reviews are performed for all significant accruals reported and journal entries made.

Without such procedures, there is an increased risk of material misstatements occurring and remaining undetected.

> We recommend the Department implement procedures to ensure its accruals are properly calculated and reported to State Accounting, which should include the prioritization of staff training and the correction of repeated errors. Furthermore, we recommend the Department implement procedures to ensure a secondary review is performed for all accruals by a knowledgeable individual prior to submission to State Accounting or entry into the State's accounting system.

Department Response: The Department has continued to develop, assess, and improve upon internal procedures, which has led to a significant reduction of repeat errors and adjustments needed for the financial statements. Two of the largest adjustments were one-time errors which encompassed roughly 60% of the adjustments reported. The Department has processes in place to ensure errors are not repeated in the future. In addition, the Department will continue to work closely with the Department of Administrative Services – State Accounting Division to ensure accurate reporting.

APA Response: Regardless of whether the errors identified are one-time errors or repeat errors, it is a significant concern that the APA found and proposed corrections for $165 million. Had the APA not identified these errors, the financial statements would have been materially misstated. The Department and State Accounting are responsible for controls to identify the errors prior to the information being provided to the APA.

Finding 2024-014

Other Errors in Financial Reporting

The Department made an additional $33,287,384 in other accounting errors that did not require a formal proposed adjustment to the financial statements due to either the dollar amount of the error or the Department's correction of the error before a formal adjustment was proposed. The details of these errors are contained in the table below:

Description	Reason	Dollar Error
CIP Reporting Errors	The Department incorrectly reported Construction in Progress (CIP) expenditures and beginning balances related to its iServe Project in the accounting system. These project costs were not accurately reported for two reasons. First, the Department changed its methodology for determining costs that are included in the capitalized assets. In the prior year, cost allocation entries were excluded; however, they should have been included. The Department failed to recalculate the beginning balance of Phase I to account for this change. Second, for fiscal year 2024 expenses, the Department included expenses that were not CIP expenses. The total amount of these errors was $8,367,528; however, no adjustment was necessary as the net effect of the errors was insignificant. Additionally, the Department failed to record properly CIP expenditures for this project and instead recorded them to operating object accounts. However, the amounts were appropriately reported to State Accounting, so no adjustment was necessary. The total amount of these errors was $13,318,400.	$ 21,685,928
Untimely Movement of WellCare Funds	The Department received settlement funds in fiscal year 2020 from WellCare that were deposited into the Medicaid Holding Fund based on the contractual agreement. At June 30, 2024, there was $7,090,557 in funding still on hand that needed to be moved to the correct fund. However, State Accounting recorded this activity properly, so no adjustment was necessary.	$ 7,090,557

Description	Reason	Dollar Error
MDR Supplemental Split	The Medical Drug Rebate (MDR) program collects Medicaid rebates for certain physician-administered drugs from drug labelers to be able to receive Federal matching payments for the drugs. In addition, the State has negotiated a supplemental rebate program with drug manufacturers to generate additional revenues and further reduce expenditures. The Department has recorded 6% of supplemental MDR rebate income to the Children's Health Insurance Program (CHIP) since at least 2014. However, the Department has failed to provide documentation to support that percentage since the APA first asked for it in fiscal year 2020. During fiscal year 2024, the Department received $44,795,362 in supplemental rebates, of which $2,687,764 was charged to the CHIP program.	$ 2,687,764
Advance Payment to Public Consulting Group	The Department made a $1,000,000 advance payment in April 2024 to Public Consulting Group for technology packages for child care providers. Advance payments are disallowed by not only the terms of its contractual agreements but also by Neb. Rev. Stat. § 81-2403 (Reissue 2024). Amounts unspent were to be returned, of which $434,672 was returned, and $81,012 is still outstanding.	$ 1,000,000
PRTF MCO Settlement Calculation Errors	The settlement amounts for one Psychiatric Residential Treatment Facility (PRTF) Managed Care Organization (MCO) receipt tested were calculated using claims outside the settlement period of July 1, 2021, through June 30, 2022. The APA calculated an overpayment by the MCO of $629,224 using only the claims during the period. The Department failed to inquire or review the calculation for accuracy.	$ 629,224
Credit Card Clearing Account Balance	In the prior year, the APA determined that the Department failed to perform a reconciliation of the balance in a credit card clearing account. At June 30, 2023, the balance was $555,543. On June 30, 2024, the balance was $1,013,504; however, after the fiscal year 2024 transactions posted after the year end were considered, the balance had decreased to $193,911. The balance should still be reconciled in entirety to provide for the proper disposition of the amounts in the account.	$ 193,911
	Total	**$ 33,287,384**

Neb. Rev. Stat. § 81-2403 (Reissue 2024) does not authorize advance payments for goods or services not received:

> *(1) Except as provided in subsection (2) of this section, each agency shall make payment in full for all goods delivered or services rendered on or before the forty-fifth calendar day after (a) the date of receipt by the agency of the goods or services or (b) the date of receipt by the agency of the bill for the goods or services, whichever is later, unless other provisions for payment are agreed to in writing by the creditor and the agency.*
>
> *(2) Any agency making payment for goods or services provided for third parties shall make payment in full for such goods or services on or before the sixtieth calendar day after the date of receipt by the agency of the bill.*
>
> *(3) No goods or services shall be deemed to be received by an agency until all such goods or services are completely delivered and finally accepted by the agency. For purposes of determining whether payment was made in accordance with this section, payment in full by an agency shall be considered to be made on the date the warrant or check for such payment was mailed or otherwise transmitted.*

Similar issues have been noted in prior audits.

A proper system of internal control requires procedures to ensure: 1) transactions are recorded properly and accurately in the accounting system; 2) there is adequate review and approval for processing transactions or accruals; 3) documentation is maintained to support the transactions or accruals; and 4) payments comply with State statute.

Without such procedures, there is an increased risk of material misstatement of financial statements due to errors going undetected.

> We recommend the Department implement procedures to ensure all transactions are not only recorded accurately but also adequately supported and reviewed, so they are properly identified and classified for correct financial statement presentation. We also recommend the Department implement procedures to ensure that payments are made in accordance with State statute.

Department Response: The Department will continue to develop, assess, and improve upon internal procedures, which has led to a significant reduction of repeat errors. In addition, the Department will continue to work closely with the Department of Administrative Services – State Accounting Division to ensure accurate reporting.

APA Response: Similar to Finding 2024-013, the APA identified over $33 million in additional errors, which points to the need for improved control procedures.

Finding 2024-015

NFOCUS Edit Checks and Override of Service Authorizations

The NFOCUS application was used to automate benefit/service delivery and case management for several Department programs. NFOCUS processes included client/case intake, eligibility determination, case management, service authorization, benefit payments, claim processing and payments, provider contract management, interfacing with other State and Federal organizations, and management and government reporting. Due to the volume of claims processed by the NFOCUS application, the Department did not perform a review of each claim paid; rather, the Department relied on edit checks within the system to review claims and deny or suspend claims that did not meet the criteria determined by the Department.

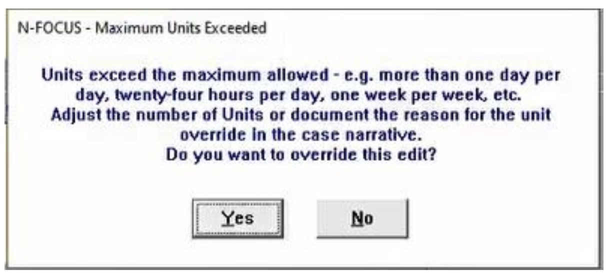
During testing of significant edit checks within the NFOCUS application, it was noted that the “UN” edit check (“Units too high for service dates and frequency”) was incorrectly bypassed on claims submitted and interfaced through the Child and Family Services Provider online claims portal. Instead of applying a logical edit check to these claims, such as not exceeding the regular number of days in one month (e.g., 31 days), the system only compared the claim to the service authorization to determine if adequate units were authorized, and a unit balance remained.

Additionally, this issue appears to have affected only claims with a unit frequency of days or partial days. During the fiscal year ended June 30, 2024, the Department paid $1,160,788,826 through the NFOCUS application. Of this amount, $593,965,219 (more than 50% of the total claims paid) was paid for claims with a unit frequency of days or partial days.

Based on a review of these claims, we noted 1,784 claims, totaling $821,543, paid during fiscal year 2024 where the units paid exceeded the amount of days in the period covered by the claim. Of this amount, $448,370 was paid for units in excess of the maximum logical number of days in the period. The following table shows the amount paid in excess of logical number of days by program:

Program	Total Overpaid
Child Care	$ 421,170
Children and Family Services/Med	20,975
Subsidized Adoption/Med	2,693
Aged and Disabled Waiver	1,161
Comprehensive Developmental Disabilities Wavier	984
Personal Assistance Services	638
Subsidized Guardianship	621
Social Services Aged and Disabled	128
Total	**$ 448,370**

NFOCUS IT staff were informed that the "UN" edit check is bypassed if the maximum units on the service authorization is overridden by a Department employee. When a service authorization with a unit frequency of day or partial day is created in the NFOCUS application, the system will automatically calculate a maximum amount of units (based on logic of how many days are in the service period). The Department employee who creates the service authorization must also enter the maximum amount of units that are authorized, as there are cases when the authorized amount of units could be less than the maximum calculated amount. If the case worker enters a maximum amount of units greater than the maximum units calculated by the NFOCUS application, the following message will appear:



The Department employee is allowed to proceed with the overridden maximum amount of units and is not required by the system to "adjust the number of units or document the reason for the unit override." During fiscal year 2024, there were 18,699 instances of service authorizations where the maximum calculated units were overridden (14,588 unique service authorizations affected). The Department paid claims, totaling $102,557,566, associated with overridden service authorizations. It is important to note that this amount includes claims paid where the units paid would not exceed a logical amount.

The APA inquired with four programs (Children and Family Services/Med; Aged and Disabled Waiver; Child Care; and Subsidized Adoption/Med) that had a significant number of service authorizations overridden, and none of these programs indicated that a review is performed to ensure that overridden service authorizations are reasonable.

Additionally, during our testing, we noted that the "RM" edit check ("Submitted rate is more than the authorized rate") was triggered, and the claim was suspended pending resolution; however, the error message displayed was incorrect. The "RM" edit check does not produce the correct error code message of "Submitted rate is more than the authorized rate." When the submitted rate is more than the authorized rate, an incorrect frequency code error message appears instead. When an error is triggered for a claim, only edit checks within the specific "group" are shown. A bug in the system is producing the incorrect error message for the "RM" edit check, and the claim is still unable to process.

Good internal controls require procedures to ensure the following: 1) logical edit checks are implemented and are properly triggering to ensure all claims cannot be paid for more days than in the service period; 2) adequate documentation is maintained to support each service authorization where the maximum amount of units is overridden; 3) a periodic review of overridden service authorizations is performed to ensure they are appropriate and reasonable; 4) edit checks are periodically tested to ensure they are functioning as intended; and 5) automated edit checks are implemented and display the correct error message to prevent data entry errors.

Without such procedures, there is an increased risk for erroneous or fraudulent eligibility determinations and/or claim payments being processed in the application/system.

> We recommend the Department strengthen procedures to ensure the following: 1) logical edit checks are implemented and are properly triggering to ensure all claims cannot be paid for more days than in the service period; 2) adequate documentation is maintained to support each service authorization where the maximum amount of units is overridden; 3) a periodic review of overridden service authorizations is performed to ensure they are appropriate and reasonable; 4) edit checks are periodically tested to ensure they are functioning as intended; and 5) automated edit checks are implemented and display the correct error message to prevent data entry errors.

Department Response: N-FOCUS implemented changes for the UN edit – Units too high for service dates and frequency. The Child Care Duplicate Billing project included work front requests: 950651 (implemented 1-12-2025), 950652 (implemented 12-18-2024, 919900 (implemented 1-15-2025), 1002700 (defect fix implemented 1-30-2025), enhancement request 99171 (planned completion date 4-13-2025). These requests updated claim validation edits in used by the claims portal as well as updates to service authorizations and reports. These only addressed the Child Care program. The issue for the other programs remains. Workfront Request 851100 was written to address the other programs and still Pending and has not been scheduled for implementation.

The RM Edit – "Bug in claim validation code for creating status reason RM" is documented in Workfront # 700854 is in pending status and has not been scheduled for implementation

Finding 2024-016

User Access

The Department utilized multiple applications for various purposes, such as processing payments, identifying amounts to be billed to others, determining program eligibility, etc. Access to these applications is based on a user's need to complete his or her job tasks.

During testing of user access of the Department's applications, we noted the following issues:

NFOCUS User Access
The user's supervisor was responsible for completing the NFOCUS Access Request Checklist (Checklist) for new hires, making changes to employee access, and reviewing that access annually. The Checklist was sent to security staff to assign the appropriate level of access to the system. No access should be assigned until a completed, signed Checklist was submitted. For external employees, a Confidentiality Agreement was completed before NFOCUS access was granted.

In our review of employee access to NFOCUS, we noted the following:

- For 8 of 24 users tested, a completed user access Checklist or Confidentiality Agreement was not provided.

- For 11 of 15 internal users tested that have been connected to NFOCUS for over one year, the Department lacked documentation to support that the employee's access was reviewed by his or her supervisor during the fiscal year.

- For 3 of 25 users tested, access assigned in NFOCUS was not appropriate for the user's job function.

- For one employee tested who no longer required NFOCUS access, the IT Help Desk was not notified of the change in job duties in a timely manner. This employee transferred positions on November 12, 2023, but still had NFOCUS access as of testing in April 2024.

A similar comment has been noted since the fiscal year 2014 ACFR audit.

MMIS RACF Access

The Department uses MMIS to support its operations of the Medicaid Program. The objective of MMIS is to improve and expedite claims processing, efficiently control program costs, effectively increase the quality of services, and examine cases of suspected program abuse. To gain access to MMIS, a user's supervisor is responsible for completing an access notification form that is sent to the Security Administrator. For new Medicaid and Long-Term Care (MLTC) staff, a MLTC Security Checklist form should be completed and on file. The forms requesting access are sent to security staff to assign the appropriate level of access to the MMIS system.

In our review of employee access to MMIS, we noted the following:

- For 5 of 25 users tested, user access was not reasonable based on the access request, Security Checklist, or discussion with the user's supervisor.

- For 15 users, the user had multiple IDs that granted access to MMIS when only one ID was required. This was due mainly to a new ID being incorrectly created by the IT Help Desk when a user needed to have access changed or added to their existing MMIS ID.

- For three users, the user IDs were not found by the IT Help Desk at the time the users' employment was terminated. This resulted in the users' IDs not being properly removed upon termination. One user terminated in November 2023 while another user terminated in December 2023. Both of these users still had IDs as of testing in May 2024. The third user terminated in June 2024; however, access was not removed until August 2024 after notification by the APA.

A similar comment has been noted since the fiscal year 2022 ACFR management letter.

Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, Information Security Policy 8-502(1) (July 2023), "Minimum user account configuration," states the following:

> *User accounts must be provisioned with the minimum necessary access required to perform duties. Accounts must not be shared, and users must guard their credentials.*

NITC Technical Standards and Guideline, Information Security Policy 8-701 (July 2023), "Auditing and compliance; responsibilities; review," states the following, in relevant part:

> *An agency review to ensure compliance with this policy and applicable NIST SP 800-53 security guidelines must be conducted at least annually.*

National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 5 (December 2020), "Security and Privacy Controls for Information Systems and Organizations," Access Control 6 (AC-6), "Least Privilege," states, in part, the following:

> *Employ the principle of least privilege, allowing only authorized accesses for users (or processes acting on behalf of users) that are necessary to accomplish assigned organizational tasks.*

Per the Department's internal review procedures, users with NFOCUS access are supposed to have their access reviewed "at time of hire, annually and when job duties have changed."

A proper system of internal control requires procedures to ensure that user access to Department applications is assigned properly, reviewed periodically to confirm that such access is necessary for the user's job duties, and removed in a timely manner after termination.

Without such procedures, there is an increased risk of users having a level of access that is not only unnecessary for their job duties but also contrary to applicable security guidelines.

> We recommend the Department strengthen procedures for ensuring user access to Department applications is assigned properly, reviewed periodically to confirm that such access is necessary for the user's job function, and removed in a timely manner after termination.

Department Response: The Department is implementing a new process for the annual N-FOCUS user access validation. An existing N-FOCUS user access report will be used to create an electronic list. Supervisors and business sponsors will use this list to review the need for user access and determine if it is at the appropriate level. The supervisor will indicate that the person's access has been reviewed and verified and include the service ticket number if the access is removed or changed. This process is planned to start in February 2025 and replace the need for the supervisor to maintain the original checklist or for the business sponsor to maintain a validation email.

Annual Security Awareness Training will continue to stress the need for supervisors and business sponsors to notify the DHHS Help Desk in a timely manner for terminations or any changes required to user access.

The DHHS Help Desk is conducting a review to identify duplicative mainframe accounts and will more fully evaluate requests for new accounts and terminations to ensure that a new account is required prior to creation of the account and that all accounts associated with individuals are properly removed.

Finding 2024-017

Lack of MMIS to MDR Reconciliation and Extract Criteria Issue

The State of Nebraska participates in the Federal Medicaid Drug Rebate (MDR) Program, which helps to offset the Federal and State costs of most outpatient drugs dispensed to Medicaid patients. During the fiscal year ended June 30, 2024, the Department received $327 million in drug rebates that were processed through its MDR application.

The Department utilizes the MDR application to compile Medicaid drug claims and uses that data to invoice drug manufacturers. Paid drug claims are extracted and exported quarterly to MDR. The drug claims originate from either the MMIS application or a vendor supported database, HealthInteractive (HIA). Encounter claims that are sent to the MDR application are sent first to HIA to be filtered prior to being sent to MMIS.

The Department lacked procedures to ensure the data sent to MDR was complete, accurate, and eligible for drug rebates. A similar issue has been noted since the fiscal year 2020 ACFR audit.

Due to this, the APA performed a reconciliation of the March 2024 claims in MDR to the claims that originated from MMIS/HIA and noted no issues within that reconciliation. However, the APA also performed testing of the HIA system extract process to determine if the criteria set in the system was set to extract properly. For 1 of 17 extract criteria tested to ensure negative claims are not received by the MDR system, the HIA extract process did not properly reject certain claims with negative claim amounts. While the HIA system extract failed for that one criterion and improperly sent claim data to the MDR system, it was noted the MDR system, through its own system controls, properly rejected these negative claims preventing improper rebates.

A good internal control plan and sound business practices require procedures to ensure data used to calculate drug rebates is reconciled from MMIS to MDR to ensure completeness and accuracy. Those same procedures should ensure that extract processes are operating as intended in order to ensure rebates are not requested for ineligible claims.

Without such procedures, there is an increased risk of inaccurate amounts being invoiced by the Department.

> We recommend the Department implement procedures to ensure the following: 1) data processed through its applications is complete and accurate; 2) data used to calculate drug rebates is reconciled to ensure completeness and accuracy; and 3) the extract processes are operating as intended in order to ensure rebates are not requested for ineligible claims.

Department Response: The Department acknowledges the importance of ensuring controls are in place to ensure appropriate claims are invoiced to drug labelers and that a secondary reconciliation process exists. The Department has implemented a separate MMIS to MDR reconciliation process, which provides a file output of claims that potentially should or should not be sent to MDR for invoicing. The reports are now available for the DHHS team. These reports are reviewed by the Rates and Reimbursement Administrator in conjunction with various MDR program members to confirm whether errors occurred in sending proper claims to the MDR system. This process is in its early stages and DHHS is committed to ensuring it is an effective control plan in completing a separate reconciliation process. Additionally, the noted negative paid claims were removed by the MDR business rules. The Department will work with IST technical team to put in a system change request to fix this issue with the MMIS to MDR extract. This will ensure negative paid claims are not included in the outbound file to MDR.

DEPARTMENT OF INSURANCE

Finding 2024-018

Excess Liability Fund Adjustments

The Auditor of Public Accounts (APA) identified two specific errors related to the calculation of the Excess Liability Fund reserves that resulted in $2,390,000 in adjustments to the financial statements. The Excess Liability Fund is used by the Department for the exclusive use and purposes stated in the Nebraska Hospital-Medical Liability Act. The fund was created by a surcharge levied on health care providers in Nebraska qualified under the Act.

Since fiscal year 2022, the Department has hired an actuary to perform an analysis of the Excess Liability Fund's reserves. The APA determined the fiscal year 2024 actuarial report contained a change to the June 30, 2023, unearned premiums balance, as shown in the table below:

Description	Amount
Balance at June 30, 2023, from FY 23 Report	$ 5,128,000
Balance at June 30, 2023, from FY 24 Report	$ 3,968,000
Difference	**$ 1,160,000**

After the APA's inquiry regarding this change, the Department determined that the actuary had identified an issue with the prior year actuary report and restated the amount. Therefore, an adjustment was needed to increase the beginning fund balance by $1,160,000. However, the Department failed to notify State Accounting of this change.

The APA also found a second error in the fiscal year 2024 actuary report related to the June 30, 2024, unearned premium balance, as shown in the table below:

Description	Amount
June 30, 2024, Balance from Initial Report	$ 5,597,000
June 30, 2024, Balance from Revised Report	$ 4,367,000
Difference	**$ 1,230,000**

After the APA's inquiry regarding the initial reported unearned premium balance, the actuary informed the Department that $1,230,000 in unearned premiums associated with prepaid policies had been double counted.

The APA then proposed, and State Accounting made, two adjustments to the financial statements.

A proper system of internal control requires procedures to ensure all accrual entries are accurate. Without such procedures, there is an increased risk of the financial statements being materially misstated.

> We recommend the Department implement procedures to perform a detailed review of the actuary report, confirming prior year and current year information is consistent. We also recommend the Department assess whether the reported amounts are reasonable based on issues raised in the past. Finally, any changes identified should be reported promptly to State Accounting.

Department Response: In response, the Department will perform an internal review of the outside actuarial report upon its receipt and will notify State Accounting if modifications are necessary after review.

INVESTMENT COUNCIL

Finding 2024-019

Issues with the Transition to Northern Trust

Under Nebraska law, the State Treasurer is the custodian of State assets, who in turn retains a global custodian to sub-custody the investments. The Council manages the State investments. In November 2023, upon express approval of the Council, the State Treasurer and the State Investment Officer signed an agreement with the Northern Trust Company (Northern Trust) to maintain the custody account for the State's assets, ending a nearly 30-year relationship with State Street Bank and Trust Company, the prior custodian.

The custodian transition occurred on April 1, 2024, three months prior to the State's fiscal year end, at a time when the Council managed $35 billion in assets, including the defined benefit retirement assets, the cash balance retirement assets, the State Trust and endowment assets, and the State's Operating Investment Pool.

The Auditor of Public Accounts (APA) found concerns related to this enormous and time-consuming undertaking, as detailed below.

Reconciliation of Assets: One of the most important, if not the most important, tasks with this transition required the Council staff to ensure the complete and accurate transition of all activity from the former custodian to the new custodian. Not only did this require procedures to make sure all investment holdings transitioned properly, but also the procedures included a review to ensure all cash activity, receivables, and payables transitioned properly.

Northern Trust provided the Council with files showing its reconciliation of assets held at State Street Bank to what was transitioned to Northern Trust, which included $24 billion for the endowment and pension accounts. The Northern Trust files included $38,201,363 in variances between the transition activity at the two banks, with explanations for the variances.

The Council then performed its own separate review of the Northern Trust reconciliation files, which included tracing the balances between the records of the current and former custodians. The Council did not include documentation to support its verification of Northern Trust's explanations for the $38 million in variances. However, during the APA's separate review, we found that many of the variance explanations were observable in other support provided by Northern Trust.

The APA reviewed all funds with transition activity variances greater than +/- $50,000, which covered 99% of the variances. The APA was unable to obtain documentation to support variances in five funds, totaling $940,697. Though requiring a considerable amount of time by the APA, this review process was necessary due to the lack of documentation to support the explanations for the variances.

Improper Endowment Income Distribution: Because the custodian transition included a change from how income had been reported, Council staff spent a significant amount of time determining the proper amount of endowment income to be distributed to the various State funds. This was further complicated because some of the endowment and trust fund statutes have slightly different definitions of the income to be distributed.

During its review, the Council discovered that the activity for two fund managers had been omitted subsequent to their hiring. The Council calculated preliminarily that it had failed to distribute approximately $17,600,000 in income to State funds, which is a significant amount that could have been used by those funds. The Council intends to make an entry to distribute this income during fiscal year 2025.

Delays in Providing ACFR Documentation: Annually, the APA and the Department of Administrative Services – State Accounting Division (State Accounting) agree to a list of items that are necessary for the timely completion of the State's Annual Comprehensive Financial Report (ACFR). The list includes strict timeframes for which documentation should be provided to ensure the APA has enough time to issue its opinion on the State's financials by the statutory deadline.

Because the transition had occurred three months prior to the end of the fiscal year, and the State's custodian is responsible for several items on the list, the APA had concerns about whether the Council or its custodian would be able to provide documentation timely. The APA emphasized to the Council, therefore, the importance of meticulous adherence to these timelines. Nevertheless, the Council and its custodian failed to meet some of the ACFR deadlines, which significantly delayed our auditing procedures and put the timely completion of the ACFR at risk.

The Council or its custodian were tardy in providing information on 17 different items on the APA's and State Accounting's list. The following table lists the most egregious items, ranging from 33 to 49 days late.

Description	DAS Expected Completion Date	Date Received	Days Late
Journal entries relating to the fair value adjustment of the Operating Investment Pool are dependent on the monthly statements from the custodian. Due to the custodial bank's delay in providing the June 30, 2024, monthly reports, the entries were late.	9/13/2024	11/1/2024	49
The custodian is responsible for providing a holdings report identifying various information for each security held by the State. The information is used to prepare certain footnote disclosures required by the Governmental Accounting Standards Board (GASB), including the disclosure related to fixed income durations. The initial holdings report received failed to include the information needed to accumulate the durations disclosure.	10/4/2024	11/13/2024	40
Another GASB disclosure requirement relates to derivative instruments and their classifications by type, including the fair value, changes in fair value, and the notional value of the derivative instruments. This is a separate report produced by the custodian.	10/4/2024	11/13/2024	40
Journal entries relating to interest and dividends receivable and investment receivables and payables are prepared using monthly statements from the custodian. Due to the custodial bank's delay in providing the June 30, 2024, monthly reports, the entries were late for both the miscellaneous trust and retirement funds.	9/13/2024	10/18/2024	35
Additional GASB footnote support related to the classification of the fair value hierarchy of alternative investments. Although the initial information was received on November 7, 2024, the APA received a revised copy on November 18, 2024.	10/4/2024	11/7/2024	34
The delay in the receipt of the holdings report, as described previously, delayed three different items on the list: 1) the actual holdings report; 2) disclosures related to the concentration of credit risk; and 3) the allocation of the retirement assets working papers.	10/4/2024	11/6/2024	33

Some of the items included above were delayed due to the custodian's untimely production of the monthly account reports. The following table describes the delays:

Month	Dates Reports Published	Number of Days after Month End
April 2024	8/6/2024	98
May 2024	8/21/2024	82
June 2024	9/5/2024	67

In addition to the delays encountered, the APA found errors related to the information provided by the custodian, such as the incorrect classification of assets on the holdings and other GASB-required reports and inaccurate information on a GASB-required report due to mathematical errors in the file. More details pertaining to these errors can be found in the Department of Administrative Services ACFR management letter on the APA's website (https://auditors.nebraska.gov/).

These delays and errors caused a delay in State Accounting's preparation of the draft financial statements, which were to be provided as part of the audit on a specific date.

A proper system of internal controls requires procedures to ensure: 1) adequate documentation is available to support the reconciliation of accounts and activity and identified variances related to the transition of the custodian; 2) all endowment income is properly identified, the allocation is calculated correctly, and income is properly distributed to the various funds; and 3) the timelines set forth by State Accounting and the APA are observed, allowing the ACFR to be completed by the statutory deadline.

Without such procedures, there is an increased risk for loss or misuse of State funds, for material misstatement of the financial statements and related footnote disclosures, or noncompliance with State statute.

> We recommend the Council implement procedures to ensure adequate documentation exists to support the custodian transition reconciliation process, including all identified variances, all endowment income is calculated and distributed properly, and necessary items are provided in accordance with the deadlines prescribed by State Accounting and the APA.

Council Response:

Issues with the Transition to Northern Trust
The Council acknowledges that transitioning to a new custodian bank is a lengthy and challenging process. This was made especially difficult after a 30-year relationship with State Street that required multiple workarounds to ensure accuracy. The decision to transition to a new custodian bank was not taken lightly and was made after an extensive search and thorough review of the leading custodian banks. The Council's decision in 2023 to switch to a new custodian bank was driven by the need for improvements in several critical areas. The transition was delayed from January 1 to April 1, 2024, with the new date agreed upon by the Directors of APA, DAS and the Council during a meeting on February 14, 2024.

Reconciliation of Assets
Staff reviewed all reconciliation files provided by Northern Trust and compared it with files from State Street to ensure all assets were transitioned properly. Staff also reviewed and concluded that the $38,201,363 in variances were clearly explained and documented by Northern Trust.

Improper Endowment Income Distribution
During the custodian bank transition reconciliation process, staff found that two out of 19 accounts were missing from the income distribution report produced by State Street. Both accounts are structured as commingled trusts and do not report monthly income like the other separately managed accounts. Staff found a solution to the lack of reported monthly income and distributed the past income on December 30, 2024. Staff has updated its procedures to ensure all manager accounts are accounted for in the income distribution.

<u>Delays in Providing ACFR Documentation</u>
Staff met with DAS on June 27, 2024, to discuss ACFR deadlines and was told of two: GASB 72 and manager fees. Both deliverables were sent to DAS on November 14, 2024, a day before the deadline. Staff was not aware of other DAS deadlines but worked diligently and responded, or worked with Northern Trust to respond to all DAS inquires in a timely manner. The Council acknowledges that some issues took more time due to the complexity of the accounts.

<u>Other Delays</u>
The Council acknowledges that the transition to Northern Trust and the subsequent reconciliation process were extremely time-consuming and required a significant amount of amount of work by the Council, DAS and APA. A transition of custodial bank is complicated and even more so with Nebraska having 86 accounts across seven programs for a total of $35 billion. The process is further complicated when the seven programs have subaccounts that all need to be accounted for.

The Council agrees proper internal controls are critical to the success of the investment program by ensuring no loss or misuse of State funds or misstatement of the financial statements and related footnote disclosures or noncompliance with State statute. In our continuing pursuit of this, the Council formalized and adopted the Audit Committee Charter on March 7, 2024. The Council also has a draft of an Internal Auditor Charter that is being updated due to hire of a new internal auditor.

APA Response:

<u>Reconciliation of Assets</u>: The APA's finding is related to the lack of documentation provided by the Council to support some of the variances. It is important to maintain documentation to support the explanation for those variances.

<u>Delays in Providing ACFR Documentation</u>: In the table included in the finding above, two of the six findings related to the delay in producing the monthly bank statements to accumulate the necessary accounting entries for the period April to June 2024 – which is a normal part of the custodial bank's process and not included in the ACFR deadlines. As noted in the finding, those bank statements were significantly delayed. The other four findings from the table are related to items provided by the custodial bank for preparation of the investment disclosures in the ACFR. These are not new reports and have been the responsibility of the custodial bank to provide at year end for many years. It is also important to consider that each of the year end reports provided by the custodian had inaccuracies that required further time to not only uncover but resolve.

DEPARTMENT OF LABOR

Finding 2024-020

Reoccurring Accounting Errors

Despite modified opinions for the Unemployment Insurance (UI) Fund for the fiscal years 2020 through 2022 audits and material weaknesses reported in the fiscal year 2023 audit, the Department continued to lack procedures to ensure the fair and accurate presentation of the UI Fund financial statements in the Annual Comprehensive Financial Report (ACFR).

After each of the last four audits, the Auditor of Public Accounts (APA) recommended the Department work closely with the Department of Administrative Services – State Accounting Division (State Accounting) to establish procedures sufficient for calculating and reporting the UI Fund activity for the ACFR. However, both the Department and State Accounting failed to implement the recommendations, as only minimal oversight was provided by State Accounting to assist the Department in its preparation of the UI Fund financial statements.

Also included in the prior audits was a recommendation for the Department to establish procedures to ensure a proper review of documentation, including the trial balance, and to reconcile the Department's separate tax and benefit system, NEworks, to the State's accounting system to identify discrepancies between the systems. The UI Funds were maintained in separate, outside bank accounts, which differed from most State funds that are maintained by the State Treasurer. The Department prepared manual entries to record financial activity from NEworks and its bank to the State's accounting system, which was used to generate the State's financial statements.

Though improvements were noted, it is apparent from the number and dollar amount of adjustments and errors identified in the table below, that the Department failed to implement our prior recommendations. The financial statements required significant material adjustments due to incorrect entries and the lack of an adequate reconciliation of the financial activity recorded in NEworks to the State's accounting system. The significant errors and adjustments again required a substantial amount of additional time and work by the APA.

The table below summarizes over $10 million in errors made by the Department for the fiscal year ended June 30, 2024. The APA proposed, and State Accounting posted, these adjustments to correct the financial statements.

Account	Description	Amount
Tax Contributions Receivable	Two errors affected the tax contribution receivable. The first was the Department's incorrect entry in fiscal year 2024 to record a prior year adjustment that was already recorded in the prior year. The second error was related to the Department's failure to record properly all receivable activity as of fiscal year end.	$ 4,208,985
Overpayment & Penalty Receivable	Eight errors affected the overpayment and penalty receivable accounts and their related allowances for doubtful accounts. These errors included the Department's incorrect recording of a prior year adjustment in the current year, errors in the Department's calculation of the related allowances for doubtful accounts, errors in the Department's monthly adjustment of its receivable, the duplication of write-off entries, mistakes in recording entries in the accounting system, and an unsupported ending balance in the account as of June 30, 2024.	$ 3,465,917

Account	Description	Amount
Due To Funds	Penalties and interest on employer contributions are due to the Employer Security Special Contingent Fund per State statute. There were four errors affecting the amounts to this Fund. The Department reported the incorrect ending balance to State Accounting, which subsequently recorded the incorrect balance in the accounting system. The Department also failed to record necessary entries and included an ending balance that was not fully supported by documentation.	$ 1,188,695
Due From Funds	Two errors affected the due from funds accounts in the Other Special Revenue Fund and the General Fund. The Department failed to report properly to State Accounting a due from the UI Fund to the General fund. Because of this error, State Accounting incorrectly eliminated the due to fund balance, which had to be reversed. Additionally, after accounting for the due to fund errors noted in the Due to Funds account in the UI Fund above, the corresponding due from fund balance did not agree to the new due to fund balance, requiring adjustment.	$ 928,635
CWC Errors	Combined Wage Claims (CWC) are unemployment claims for claimants with wages in multiple states. When payments are made, the state that made the claim is entitled to reimbursement from the other states. There were seven errors affecting the CWC receivable and payable accounts. These errors included the failure to include all necessary activity in the accounts as of year-end, the duplication of amounts recorded in the account, and improperly recording year-end activity to the payable account rather than the receivable account, or vice versa.	$ 590,751
Miscellaneous Adjustment	The Department incorrectly recorded a prior year adjustment in the current year.	$ 242,619
Benefits Payable	Seven errors affected the benefits payable account. These errors included recording unnecessary adjustments to the account for adjustments that had already been recorded, mistakes in recording entries to the accounting system, an NEworks system error that resulted in not all activity for the year being properly recorded in the accounting system, and the lack of agreement between amounts recorded in the accounting system to supporting documentation from the Department's system.	$ 196,914
	Total Adjustments	**$ 10,822,516**

In total, 31 separate adjustments were necessary to correct the financial statements for fiscal year 2024.

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

Error	Description	Dollar Error
1	The Department claimed to have discretion in the use of a Federal fund balance of $916,802; however, documentation to support that assertion was not provided, nor was an explanation describing how the balance was accumulated.	$ 916,802
2	The Department uses a suspense account to serve as the holding account for unreconciled amounts between the bank and NEworks. During fiscal year 2024, the Department failed to perform an analysis of the $219,251 balance in the holding account on June 30, 2024, to determine the proper disposition of those amounts.	$ 219,251

Error	Description	Dollar Error
3	The Department recorded a fiscal year 2023 adjustment to correct the balance in the claims payable account again in fiscal year 2024, resulting in fiscal year 2024 expenditures being overstated by $168,328.	$ 168,328
4	The Department's allowance for doubtful accounts related to employers' accounts receivable (employer UI taxes owed), including penalties and interest receivable, included $149,660 that should not have been included based on the Department's own criteria for inclusion as an allowance.	$ 149,660
5	Employer account activity from one day in fiscal year 2024 was not recorded in the accounting system. This resulted in an overstatement of $95,160 in tax contributions receivable and an understatement of $197 in tax contributions payable.	$ 95,357
6	The Department recorded a fiscal year 2023 adjustment to correct the reimbursable receivable allowance for doubtful accounts again in fiscal year 2024, resulting in fiscal year 2024 revenue being understated by $83,986. The reimbursable receivable is related to those employers who do not pay UI taxes, but who reimburse the Department for claims paid.	$ 83,986
7	In its preparation of the ACFR, State Accounting annually reviews entries identified as prior period transactions and recorded within three months after the fiscal year end. Due to differences between the timing of the Department's entries into the accounting system and the timing of State Accounting's annual review, multiple prior period transactions, totaling $219,254, were not reviewed for inclusion in the current fiscal year. Additionally, the Department incorrectly recorded $186,248 in entries for fiscal year 2024 as prior period transactions, which then prompted State Accounting to make a beginning balance adjustment. The net result of these two errors resulted in $33,006 of activity being recorded in the incorrect fiscal year.	$ 33,006
8	The reimbursable receivable account was overstated by $26,287 due to the Department's failure to record April 2024 employer payments recorded in NEworks to the accounting system.	$ 26,287
9	The Department failed to consider $11,722 in negative charges to reimbursable employers that occurred in fiscal year 2025 for periods prior to July 1, 2024. This resulted in the balance in reimbursable receivable being overstated by $11,722.	$ 11,722
10	Due to the use of old versions of the reports supporting the claims payable at June 30, 2024, the Department's entry was understated by $10,691.	$ 10,691
11	The Department lacked support for $7,906 of the $2,072,625 benefits payable account balance at June 30, 2024. The amounts are likely related to benefit payments that failed to deposit in the claimants' bank account and were returned to the Department's bank. The Department lacked support for the amounts of returned payments.	$ 7,906
12	In March 2024, the Department received an extra $2,810 CWC payment from the state of Idaho that was not recorded as a receivable. At that time, the payment was recorded as a reduction to the CWC receivable, which incorrectly reduces the receivable.	$ 2,810
13	In January 2024, the Department recorded two different entries to one employer account balance that resulted in a negative tax contribution receivable for that employer. Both entries reduced the tax contributions receivable balance by $2,809, leaving an incorrect negative balance due of $2,809 in NEworks.	$ 2,809
14	The balance in child support payable as of June 30, 2024, was understated by $187.	$ 187
15	From April to June 2023, the Department collected $449,465 in penalties and interest, but $449,602 was remitted to the Employment Security Special Contingent Fund, a $137 difference.	$ 137

Error	Description	Dollar Error
16	The Department's calculation of the overpayment receivable expected to be established within 90 days after June 30, 2024, was not reasonable. First, the calculation included the average overpayments established between July and September for the last nine years, which assumes that all overpayments established during that time were from the previous fiscal year. However, some of those overpayments could be for payments made during the current fiscal year. Second, the calculation neglected to include overpayments established from October to June for payments made in the previous fiscal year.	$ -
17	The Department failed to reduce the balance in due from the federal government for $334 received in February 2024. This error was eliminated by an entry made by State Accounting, resulting in no required adjustment. However, as the State Accounting entry will reverse in fiscal year 2025, the Department will need to record an entry to reduce properly the balance in due from the federal government going forward.	$ -
18	While reviewing the employer balances as of June 30, 2024, the APA noted multiple billed interest receivable balances in the accounting system that could not be traced to NEworks. Per the Department, the error was caused by the method to record adjustments by the vendor to employer balances in NEworks.	$ -
	Total Unadjusted Errors	**$ 1,728,939**

A proper system of internal control requires procedures to ensure accurate information is included in the State's accounting system for the proper presentation of the State's financial statements.

Without such procedures, there is an increased risk of not only material misstatements occurring and remaining undetected but also improper payments being made.

> We continue to recommend the Department implement procedures to ensure its accounting transactions are recorded properly in the State's accounting system. This would include a timely reconciliation between the Department's system and bank to the State's accounting system and an adequate review and documentation of all activities and balances recorded. Without the resolution of these repeated findings, the APA's ability to audit the UI financial statements might be compromised.

Department Response: The Department recognizes that the Auditor of Public Accounts (APA) has recommended stronger internal controls and procedures multiple times. The Department has recognized previous errors and continues to work to improve their accounting practices. Based off previous findings from the APA, the Department has completely re-established its accounting processes over the past two years. The Department has a new accounting team, that is working in response to the APA's findings to establish and solidify sound accounting practices. The average years of experience of the Department's financial reporting team at the time of books close for ACFR FY24 was 1.5 years. The Department acknowledges the changes in process and staff has caused the APA to spend substantial time investigating balances. The Department has and continues to express gratitude to the APA. The Department is in a better position today than it was and continues to make progress. Compared to the prior audit year, the accounting resulted in far fewer errors that required correction. With the hard work of the Department, the depth of experience has grown despite the fewer years of experience by the accounting team. This audit is additionally an improvement upon the prior year with 56% fewer dollars in identified material findings. The Department continues to improve internal controls and procedures. The Department has a strong partnership with the Department of Administrative Services and will continue to work with state accounting to ensure that balances and accruals are recorded accurately and properly.

Finding 2024-021

Unemployment Insurance Benefit Issues

The Department paid $87,552,659 in UI benefits to 20,356 claimants between July 1, 2023, and June 30, 2024.

Our testing included a random sample of 40 payments, totaling $17,624, and resulted in $2,983 in questioned costs. Based on the sample tested, the dollar error rate for the sample was 16.93% ($2,983/$17,624), which estimates the potential dollars at risk for fiscal year 2024 to be $14,822,665.

The APA also found an additional $38,000 of questioned costs during other testing procedures.

Similar findings have been noted since the fiscal year 2020 audit.

The following table summarizes the questioned costs, which are explained in detail below:

	Questioned Costs FY 2024
Random Sample Adjudication Issues	$ 2,983
Claimants with Excessive Wages	$ 20,524
Improper UI Benefits Paid to State Employees	$ 17,476
Total	**$ 40,983**

A proper system of internal controls requires procedures to ensure that UI claimants are eligible, and benefit payments are proper.

Per 2 CFR § 2900.4 (January 1, 2024), the U.S. Department of Labor adopted the Office of Management and Budget (OMB) Uniform Guidance as its policies and procedures for financial assistance administration.

2 CFR § 200.403 (January 1, 2024) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

2 CFR § 200.302 (January 1, 2024) requires states to expend Federal awards in accordance with state laws.

Random Sample Adjudication Issues

Adjudication of Employer Responses
When a claimant files for UI benefits, the Department sends a "Separation Information Request" to the claimant's previous employers to provide certain information, such as beginning and ending dates of employment, reason for termination, and whether vacation, severance, or other wages were paid after termination. Employers are required to respond within 10 days after the mailing or electronic transmission of such a request in accordance with Neb. Rev. Stat. § 48-632(1) (Reissue 2021).

For 3 of the 40 randomly selected claimants tested, the Department failed to adjudicate properly the most recent separating employer responses because the employers provided information that required additional information for accurate adjudication.

Claimant	Claimant Response	Employer Response	Benefit Paid for Weeks Ending	Questioned Costs	Total Payments	Adjudication Issue
#1	**Note 1**	Terminated/Fired	5/18/2024 - 6/29/2024	$ 464	$ 2,906	For each claimant, the employer responded that the claimant was either "Terminated/Fired" or "Fired/Discharged". In each case, the Department failed to follow up and obtain additional information on the specifics of the separation from the employer. If the cause of separation was due to misconduct, the claimant may have been ineligible for benefits. The questioned costs include only the payment tested by the APA.
#2	Fired/ Discharged	Fired/ Discharged	6/10/2023 - 11/25/2023	$ 5	$ 7,829	
#3	Terminated/Fired	Terminated/Fired	10/21/2023 - 4/13/2024	$ 514	$ 13,364	
			Totals	**$ 983**	**$ 24,099**	

Note 1*: Claimant did not report this employer on the application. However, the Department was aware of the employment at the time the claim was filed and sent a Separation Information Request to the employer.*

Neb. Rev. Stat. § 48-628.10 (Reissue 2021) provides the following:

(1) An individual shall be disqualified for benefits for the week in which he or she has been discharged for misconduct connected with his or her work, if so found by the commissioner, and for the fourteen weeks immediately thereafter.

(2) If the commissioner finds that the individual was discharged for misconduct that was not gross, flagrant, and willful or unlawful but which included being under the influence of any intoxicating beverage or any controlled substance listed in section 28-405 not prescribed by a physician licensed to practice medicine or surgery while the individual is on the worksite or while the individual is engaged in work for the employer, the commissioner shall cancel all wage credits earned as a result of employment with the discharging employer.

(3) If the commissioner finds that the individual's misconduct was gross, flagrant, and willful, or was unlawful, the commissioner shall totally disqualify such individual from receiving benefits with respect to wage credits earned prior to discharge for such misconduct.

The Employment and Training Administration (ETA) Handbook 301, 5th Edition (July 2005), page V-11, states, in relevant part, the following:

A request for information which is returned by the claimant, employer or interested party with insufficient or missing information is not considered a reasonable attempt. The SWA [State Workforce Agency] must attempt to obtain the needed information.

A proper system of internal control requires procedures to ensure that the Department adjudicates properly each claimant's last separation from employment.

Without such procedures, there is an increased risk of not only benefit payments being made to ineligible claimants but also noncompliance with State statute.

<u>Issues Regarding Separation Information Requests</u>

The APA also found issues and questioned costs related to the Department's failure to send Separation Information Requests. The following table explains the issues noted:

Claimant	Claimant Response	Benefit Paid for Weeks Ending	Questioned Costs	Total Payments	Adjudication Issue
#4	Still Employed	6/3/2023 - 8/5/2023	$ 288	$ 2,880	The Department failed to send the last separating employer a Separation Information Request. The questioned costs include only the payment tested by the APA.
#5	Not Working	12/23/2023 - 3/23/2024	$ 514	$ 7,196	
		Totals	**$ 802**	**$ 10,076**	

Per Neb. Rev. Stat. § 48-632(1) (Revised 2021), employers must respond to the Separation Information Request within 10 days, as follows:

> *An employer shall provide information to the department in respect to the request for information within ten days after the mailing or electronic transmission of a request.*

ETA Handbook 301, 5th Edition (July 2005), page V-13, contains the following:

> *Employer information is essential on eligible voluntary quit, discharge, refusal-of-work, and certain deductible income cases. Also, the employer must be given the opportunity to be heard and to refute information which could be adverse to the interests of the business.*

A proper system of internal controls requires procedures to ensure that Separation Information Requests are sent to the last separating employer.

Without such procedures, there is an increased risk of improper adjudication, which could result in benefit payments being made in violation of Federal and State requirements.

Adjudication of Claimant Responses
The APA also found issues and questioned costs related to the Department's failure to adjudicate or verify properly information provided by the claimant.

Claimant	Claimant Response	Employer Response	Benefit Paid for Weeks Ending	Questioned Costs	Total Payments	Adjudication Issue
#1	**Note 6**	Terminated/Fired	5/18/2024 - 6/22/2024	**Note 3**	$ 2,906	The claimant reported on his application that he would be attending school, 8:00 a.m. to 5:00 p.m. Monday through Friday, while claiming unemployment benefits. Under Neb. Rev. Stat. § 48-628.03 (Reissue 2021), individuals are not eligible for benefits while attending school.
#4	Still Employed	N/A	6/3/2023 - 8/5/2023	**Note 4**	$ 2,880	The claimant reported on her application that she was employed by an educational institution, that she had separated on May 17, 2023, and expected to return to work in August 2023. Under Neb. Rev. Stat. § 48-628.06 (Reissue 2021), individuals are ineligible for benefits if those benefits are based on services performed for an educational institution, and the weeks claimed are between two successive academic years or terms (i.e., summer break).
#6	Terminated/Fired	Did not Respond	11/11/2023 - 2/17/2024	$ 514	$ 7,218	The claimant did not complete the required work searches even though he had reported that he was a member in good standing with a labor union, which would waive the work search requirements. The Department failed to confirm this fact with the union.
#7 **Note 5**	Resigned/Quit	Resigned/Quit	4/18/2024 - 8/24/2024	$ 492	$ 9,840	The claimant reported to the Department that he had voluntarily resigned/quit his employment to take care of his sick father. While this would qualify as good cause for voluntarily quitting under Neb. Rev. Stat. § 48-628.13 (Reissue 2021), the Department did not obtain documentation to verify the claimant's statement.
			Totals	**$ 1,006**	**$ 22,844**	

***Note 2**: The questioned costs include only the payment tested by the APA.*
***Note 3**: Questioned costs were not reported here to avoid duplication. For the questioned costs, see the **Adjudication of Employer Responses** table.*
***Note 4**: Questioned costs were not reported here to avoid duplication. For the questioned costs, see the **Issues Regarding Separation Information Requests** table.*
***Note 5**: Total payments are as of August 24, 2024. Claimant was still eligible for additional payments at that time.*
***Note 6**: Claimant did not report this employer on the application. However, the Department was aware of the employment at the time the claim was filed, so a Separation Information Request was sent to the employer.*

Neb. Rev. Stat. § 48-628.03 (Reissue 2021) provides the following:

> *(1) An individual shall be disqualified for benefits for any week of unemployment if such individual is a student unless the major portion of his or her wages for insured work during his or her base period was for services performed while attending school. Attendance at a school, college, or university for training purposes, under a plan approved by the commissioner for such individual, shall not be disqualifying.*
>
> *(2) For purposes of this section, student means an individual who is registered for full-time status at and regularly attends an established school, college, university, training facility, or other educational institution or who is on vacation during or between two successive academic years or terms.*

Neb. Rev. Stat. § 48-628.06 (Reissue 2021) states, in relevant part, the following:

> *An individual shall be disqualified for benefits for any week of unemployment if claimed benefits are based on services performed:*
>
> > * * * *
> >
> > *(2) In any other capacity for an educational institution, if such week commences during a period between two successive academic years or terms, such individual performs such services in the first of such academic years or terms, and there is a reasonable assurance that such individual will perform such services in the second of such academic years or terms.*

Neb. Rev. Stat. § 48-627 (Reissue 2021) states, as is relevant, the following:

> *An unemployed individual shall be eligible to receive benefits with respect to any week, only if the Commissioner of Labor finds:*
>
> > *(1) He or she has registered for work at an employment office, is actively searching for work, and thereafter reports at an employment office in accordance with such rules and regulations as the commissioner may adopt and promulgate.*

Employment and Training Administration (ETA) Handbook 301, 5th Edition (July 2005), page V-14, states the following:

> *Often it is necessary to get relevant information from parties other than the claimant or the employer. "Others" includes, but is not limited to, physicians, <u>union officials</u>, school officials, public transportation officials, licensing agencies and other governmental agencies such as Welfare, Workers' Compensation, Employment Service (ES), and the United States Citizenship and Immigration Services (USCIS).*

(Emphasis added.) Neb. Rev. Stat. § 48-628.12 (Reissue 2021) states, in relevant part, the following:

> *An individual shall be disqualified for benefits:*
>
> > * * * *
> >
> > *(2) For any benefit year beginning on or after October 1, 2018, for the week in which he or she has left work voluntarily without good cause, if so found by the commissioner, and for all subsequent weeks until the individual has earned wages in insured work in an amount of at least four times his or her weekly benefit amount and has separated from the most recent subsequent employment under nondisqualifying conditions.*

According to the Nebraska Supreme Court, "In voluntary termination cases the burden of proof is on the employee to prove that the leaving was for good cause." *McClemens v. United Parcel Service*, 218 Neb 689, 691, 358 N.W.2d 748, 750 (1984).

A proper system of internal control requires procedures to ensure that the Department adjudicates properly each claimant's last separation from employment. This would include following up on potentially disqualifying information provided by the claimants.

Without such procedures, there is an increased risk of not only benefit payments being made to ineligible claimants but also noncompliance with State statute.

Weekly Benefit & Maximum Benefit Amount Issues
The base period of a claim is the first four of the last five completed calendar quarters immediately preceding the first day of an individual's benefit year. The benefits paid on a claim are based on the wages reported within the claimant's base period.

For 2 of the 40 randomly selected claims tested, the claimants' wages did not agree to the base period wages on the claims. This resulted in both the Weekly Benefit Amounts (WBA) and Maximum Benefit Amounts (MBA) being incorrect.

Claimant	Original Base Period Wages	Revised Base Period Wages	Questioned Costs	Original WBA	Revised WBA	Description
#8	$ 24,377	$ 23,714	$ 24	$ 286	$ 262	The claimant submitted a wage protest to the Department on 3/14/2023, as she believed her base period wages were incorrect. Due to this, the Department reached out to the claimant's employer, who reported to the Department that the claimant had earned $23,714 in wages between 10/1/2021 and 9/30/2022. When making this change in the system, the Department incorrectly used the 10/30/2022 - 12/31/2022 wages for the 7/1/2022 - 9/30/2022 period. This resulted in the claimant's WBA being overstated by $24. In total, the claimant was overpaid $528 between the weeks ended 3/11/2023 and 8/5/2023. The questioned costs include only the payment tested by the APA.
#9	$ 19,887	$ 11,993	$ 168	$ 404	$ 236	The claimant's base period originally included $7,894 in wages that were not earned by him, and instead were for other individuals. The employers of these other individuals had incorrectly reported these wages to the Department under the claimant's social security number (SSN). The adjudicator failed to realize this error when reviewing the claim, so the claimant's WBA was overstated by $168. In total, the claimant was overpaid $2,632 between the weeks ending 9/9/2023 and 12/30/2023. The questioned costs include only the payment tested by the APA.
Totals	**$ 44,264**	**$ 35,707**	**$ 192**	**$ 690**	**$ 498**	

Neb. Rev. Stat. § 48-626(3) (Cum. Supp. 2024) states, in relevant part, the following:

> *For any benefit year beginning on or after July 21, 2022, any otherwise eligible individual shall be entitled during any benefit year to a total amount of benefits equal to whichever is the lesser of (a) twenty-six times his or her weekly benefit amount or (b) one-third of his or her wages in the employment of each employer per calendar quarter of his or her base period[.]*

Neb. Rev. Stat. § 48-624 (Reissue 2021) provides the following, as is relevant:

> *For any benefit year beginning on or after January 1, 2018:*
>
> > *(1) An individual's weekly benefit amount shall be one-half of his or her average weekly wage rounded down to the nearest even whole dollar amount, but shall not exceed one-half of the state average weekly wage as annually determined under section 48-121.02;*
> >
> > *(2) For purposes of this section, an individual's average weekly wage shall equal the wages paid for insured work in the highest quarter of the base period divided by thirteen[.]*

A proper system of internal control requires procedures to ensure that claimant wages and, therefore, the claim's WBA and MBA, are correct prior to benefit payments being issued.

Without such procedures, there is an increased risk of not only benefit payments being made for amounts greater than allowable but also noncompliance with State statute.

<u>Overpayment Establishment Errors</u>
The APA also found issues regarding the establishment of overpayments, or lack thereof, by the Department.

Claimant	Description
#9	In addition to the error noted in the **<u>Weekly Benefit & Maximum Benefit Amount Issues</u>** table for this claimant, when the Department attempted to correct that error, it mistakenly established an overpayment for more than the difference between the claim's original and revised MBA. The original MBA on the claim was $6,629, which the claimant was paid. However, with the revised wages, this was reduced to $3,997, a difference of $2,632. The Department established an overpayment of $2,853, which is $221 more than the expected overpayment.
#10	The claimant had reported to the Department that she received a vacation payment of $1,880 on 8/10/2023 that was for 10 days of vacation (or 80 hours). The Department did not prorate these wages properly to future benefit weeks, resulting in the Department failing to establish an overpayment of $349 for benefit week ended 8/19/2023. The APA did not question costs, as this was not the payment tested.

Neb. Rev. Stat. § 48-626(1) (Cum. Supp. 2024) states, in relevant part, the following:

> *For any benefit year beginning before July 21, 2022, any otherwise eligible individual shall be entitled during any benefit year to a total amount of benefits equal to whichever is the lesser of (a) twenty-six times his or her weekly benefit amount or (b) one-third of his or her wages in the employment of each employer per calendar quarter of his or her base period[.]*

Neb. Rev. Stat. § 48-628.02 (Reissue 2021) states, in relevant part, the following:

> *(1) An individual shall be disqualified for benefits for any week in which he or she is receiving or has received remuneration in the form of:*
>
> > * * * *
> >
> > *(b) Vacation leave pay, including that received in a lump sum or upon separation from employment;*
> >
> > * * * *
>
> *(2) Payments described in subsection (1) of this section that are made in a lump sum shall be prorated in an amount which is reasonably attributable to such week. If the prorated remuneration is less than the benefits which would otherwise be due, he or she shall be entitled to receive for such week, if otherwise eligible, benefits reduced by the amount of such remuneration. The prorated remuneration shall be considered wages for the quarter to which it is attributed.*

A proper system of internal control requires procedures by the Department to ensure that overpayments are established in a timely manner and for the correct amount.

Without such procedures, there is an increased risk of not only overpayments being established for the incorrect amount or in an untimely manner but also noncompliance with State statute.

Claimants with Excessive Wages Issues

The APA tested five claimants who earned over $350,000 in wages during the period July 1, 2023, through June 30, 2024, and an additional five claimants who earned over $75,000 in wages – all of whom received over $6,000 in unemployment benefits during the period.

Benefits paid to 3 of the 10 claimants tested were inappropriate, as detailed below:

Claimant	FY 2024 Wages	FY 2024 Questioned Costs	Description of Issue
#1	$ 262,676	$ 8,736	The claimant separated from her employer in January 2024 and received benefits from March 2024 through June 2024. The claimant reported a $115,000 severance payment from her employer. The Department failed to review the reported severance payment. Likewise, no attempt was made to contact the claimant or the employer regarding it. Had the severance payment been applied properly to the claim, the claimant would have been ineligible to receive benefits until July 2024. The claimant was paid $8,736 for weeks ended 3/9/2024 to 6/22/2024, which is considered questioned costs.
#2	$ 93,100	$ 3,598	The claimant separated from his employer in May 2023, and received benefits covering weeks ended in June 2023 to January 2024. The claimant reported receiving $12,000 in vacation pay and $19,000 in severance pay from his employer upon separation. The Department failed to prorate properly the reported earnings to future weeks. Had the vacation and severance pay been applied properly to the claim, the claimant would have been ineligible to receive benefits until August 2023. The claimant was paid $3,598 for weeks ended 6/24/2023 to 8/5/2023, which is considered questioned costs.
#3	$ 79,586	$ 8,190	The claimant separated from his last employer on January 9, 2024, and received his first benefit payment on March 13, 2024. However, based on wage records available to the Department, the claimant was reemployed during the period January 1, 2024, to March 31, 2024, and received $20,350 in wages from a new employer during that period, while also receiving $2,184 in unemployment benefits. The claimant also received $32,811 in wages from the new employer for the period April 1, 2024, to June 30, 2024, and received $6,552 in unemployment benefits during this same time. It is likely that the claimant fraudulently certified his wages to the Department and was ineligible to receive UI benefits. The Department lacked sufficient procedures to ensure that benefit payments made to claimants are not made while the claimant is also receiving disqualifying wages. The $8,190 paid to the clamant is considered questioned costs.
Totals	**$ 435,362**	**$ 20,524**	

Neb. Rev. Stat. § 48-628.02 (Reissue 2021) provides the following:

(1) An individual shall be disqualified for benefits for any week in which he or she is receiving or has received remuneration in the form of:

(a) Wages in lieu of notice or a dismissal or separation allowance;

(b) Vacation leave pay, including that received in a lump sum or upon separation from employment;

* * * *

(2) Payments described in subsection (1) of this section that are made in a lump sum shall be prorated in an amount which is reasonably attributable to such week. If the prorated remuneration is less than the benefits which would otherwise be due, he or she shall be entitled to receive for such week, if otherwise eligible, benefits reduced by the amount of such remuneration. The prorated remuneration shall be considered wages for the quarter to which it is attributed.

A proper system of internal control requires procedures to ensure that unemployment benefits are paid properly to claimants in accordance with State statute and Federal regulations, and all claims, including supporting documentation, are adequately reviewed for indicators of potential fraud.

Without such procedures, there is an increased risk of improper benefit payments to claimants.

Improper Benefits Paid to State Employees

The APA compared a list of unemployment benefit claimants to the State's employee management system to identify State of Nebraska (State) employees who had also received unemployment benefits during the fiscal year ended June 30, 2024. The APA then compared the weeks these individuals were paid UI benefits to the weeks they were paid wages from the State.

In total, the APA identified 28 State employees who received UI benefits for weeks they were also employed with the State. We selected six of those employees to test. During fiscal year 2024, the Department paid $17,476 in improper unemployment benefits to State employees for three of six claimants tested. All three claimants failed to report any wages, as detailed in the table below:

Claimant	Wages per State Accounting System	Benefits Paid	APA Calculated Benefits to be Paid	Amount Overpaid	Overpayments Established by NDOL	Unrecorded Overpayments
#1	$ 4,904	$ 1,542	$ -	$ 1,542	$ -	$ 1,542
#2	$ 14,674	$ 7,710	$ -	$ 7,710	$ 5,140	$ 2,570
#3	$ 12,800	$ 8,224	$ -	$ 8,224	$ 8,224	$ -
			Total Overpayments	**$ 17,476**	**$ 13,364**	**$ 4,112**

In addition to the above overpayments, the APA noted the following adjudication issues related to two of the six individuals tested:

Claimant	Adjudication Issue Noted by APA
#1	The employer responded that the claimant was "Terminated/Fired" and provided a letter outlining 11 separate instances that resulted in the claimant's termination. The Department failed to follow up with the employer to obtain additional information on the specifics of the separation. If the cause of separation was due to misconduct, the claimant may have been ineligible for benefits.
#4	The Department failed to send the last separating employer a Separation Information Request.

Active State workers may be eligible for unemployment benefits if: a) their work hours were reduced; b) they were terminated from other employment; or c) their hours from another job were reduced. In these instances, the employee would be required to report his or her wages earned from the State to determine both eligibility and benefit amount.

Neb. Rev. Stat. § 48-625(1) (Cum. Supp. 2024) provides, in relevant part, the following:

> *[E]ach eligible individual who is unemployed in any week shall be paid with respect to such week a benefit in an amount equal to his or her full weekly benefit amount if he or she has wages payable to him or her with respect to such week equal to one-fourth of such benefit amount or less. In the event he or she has wages payable to him or her with respect to such week greater than one-fourth of such benefit amount, he or she shall be paid with respect to that week an amount equal to the individual's weekly benefit amount less that part of wages payable to the individual with respect to that week in excess of one-fourth of the individual's weekly benefit amount. In the event there is any deduction from such individual's weekly benefit amount because of earned wages pursuant to this subsection or as a result of the application of section 48-628.02, the resulting benefit payment, if not an exact dollar amount, shall be computed to the next lower dollar amount.*

Neb. Rev. Stat. § 48-628.02 (Reissue 2021) states, in relevant part, the following:

> *(1) An individual shall be disqualified for benefits for any week in which he or she is receiving or has received remuneration in the form of:*
>
> > *(a) Wages in lieu of notice or a dismissal or separation allowance;*
> >
> > *(b) Vacation leave pay, including that received in a lump sum or upon separation from employment;*
> >
> > *(c) Compensation for temporary disability under the workers' compensation law of any state or under a similar law of the United States;*
> >
> > *(d) Retirement or retired pay, pension, annuity, or other similar periodic payment under a plan maintained or contributed to by a base period or chargeable employer; or*
> >
> > *(e) A gratuity or a bonus from an employer, paid after termination of employment, on account of prior length of service, or disability not compensated under the workers' compensation law.*
>
> *(2) Payments described in subsection (1) of this section that are made in a lump sum shall be prorated in an amount which is reasonably attributable to such week. If the prorated remuneration is less than the benefits which would otherwise be due, he or she shall be entitled to receive for such week, if otherwise eligible, benefits reduced by the amount of such remuneration. The prorated remuneration shall be considered wages for the quarter to which it is attributed.*

Neb. Rev. Stat. § 48-628.10 (Reissue 2021) provides the following:

> *(1) An individual shall be disqualified for benefits for the week in which he or she has been discharged for misconduct connected with his or her work, if so found by the commissioner, and for the fourteen weeks immediately thereafter.*
>
> *(2) If the commissioner finds that the individual was discharged for misconduct that was not gross, flagrant, and willful or unlawful but which included being under the influence of any intoxicating beverage or any controlled substance listed in section 28-405 not prescribed by a physician licensed to practice medicine or surgery while the individual is on the worksite or while the individual is engaged in work for the employer, the commissioner shall cancel all wage credits earned as a result of employment with the discharging employer.*
>
> *(3) If the commissioner finds that the individual's misconduct was gross, flagrant, and willful, or was unlawful, the commissioner shall totally disqualify such individual from receiving benefits with respect to wage credits earned prior to discharge for such misconduct.*

The Employment and Training Administration (ETA) Handbook 301, 5th Edition (July 2005), page V-11, states, in relevant part, the following:

> *A request for information which is returned by the claimant, employer or interested party with insufficient or missing information is not considered a reasonable attempt. The [State Workforce Agency] SWA must attempt to obtain the needed information.*

Per Neb. Rev. Stat. § 48-632(1) (Revised 2021), employers must respond to the Separation Information Request within 10 days, as follows:

> *An employer shall provide information to the department in respect to the request for information within ten days after the mailing or electronic transmission of a request.*

ETA Handbook 301, 5th Edition (July 2005), page V-13, contains the following:

> *Employer information is essential on eligible voluntary quit, discharge, refusal-of-work, and certain deductible income cases. Also, the employer must be given the opportunity to be heard and to refute information which could be adverse to the interests of the business.*

A proper system of internal control requires procedures sufficient to identify improper or questionable benefits for further investigation and proper resolution.

Without such procedures, there is an increased risk of improper or fraudulent benefit payments being made.

The APA also identified the following issues that did not result in questioned costs.

Wage Crossmatch Issues

According to 20 CFR § 603.23(b) (April 1, 2024), the Department is required to perform a quarterly wage crossmatch to verify the claimant's reported wages against the wages reported by the employer and accumulated in the Department's wage database to determine whether a claimant met the Department's criteria for further investigation. If the criteria were met, an automatic investigation should be created that would include sending a wage audit request to the employer to obtain the wages earned for each week that the claimant was receiving benefits.

The APA selected a separate random sample of 40 claimants who received UI benefit payments during calendar year 2023 to test the fiscal year 2024 wage crossmatch control process. From this separate sample, four claimants met the criteria; however, an investigation was not created.

The following table details the wages of these four claimants for the quarter tested, the amounts self-certified by the claimants, and the benefits paid to the claimants. The APA determined that two of the four payments were unsupported, as the Department failed to send the employer a wage audit request for the weeks in question and the wages reported by the claimant for the quarter were not within a reasonable amount of the wages reported by the employer for the quarter.

Claimant	Quarter Ending	Benefits Paid for the Quarter	Wages Paid for the Quarter	Wages Certified by Claimant	Payment Tested	Unsupported Payments	Wage Audit Sent?
#1	3/31/2023	$ 2,436	$ 1,221	$ 2,619	$ 984	$ -	No
#2	3/31/2023	$ 3,328	$ 4,924	$ 30	$ 490	$ 490	No
#3	3/31/2023	$ 3,736	$ 887	$ 360	$ 514	$ -	No
#4	3/31/2023	$ 996	$ 2,282	$ -	$ 498	$ 498	No

The Department stated that, for the quarter ended March 31, 2023, the system failed to create investigations based on criteria in place at the time. The crossmatch for this quarter was run in August 2023. A ticket has been filed with the Department's vendor to research this system failure.

Our testing included payments, totaling $19,092, and resulted in $988 in unsupported payments. The benefit payments for calendar year 2023 totaled $74,606,261. Based on the sample tested, the dollar error rate for the sample was 5.17% ($988/$19,092), which estimates the potential dollars at risk for calendar year 2023 to be $3,857,144.

In addition to the errors noted above, the Department's wage crossmatch criteria appear unreasonable. The parameters used by the Department to create wage crossmatch investigates are set up in a way that there is a potential for overpayments not to be caught.

A proper system of internal control requires procedures to ensure that wage crossmatches are performed and benefits are paid in compliance with applicable Federal requirements.

Without such procedures, there is an increased risk of improper benefit payments being made in violation of Federal requirements.

> We recommend the Department implement procedures to prevent the payment of improper UI benefits by ensuring compliance with applicable State and Federal requirements. At a minimum, those procedures should ensure the following: 1) proper adjudication actions – including wage crossmatches, investigations into suspect separation from employment information, separation information requests being sent to employers, ensuring wages are appropriately applied, and verifying that overpayments are established appropriately – are undertaken; and 2) neither ineligible State employees nor other ineligible claimants receive benefit payments.

Department Response:

Random Sample Adjudication Issues

Adjudication of Employer Responses
The Department acknowledges the APA's findings and recognizes that these were adjudication errors. The Department has been working to improve its quality and has coached the adjudication team on ETA requirements for follow-up with employers. To further stress the importance, the Department has made changes to its review process related to employer responses. Separation issues as a cause of improper payment under our BAM review decreased from 3.17% in FY 2023 to 3.04% in FY 2024. The Department recognizes this needs to improve and is committed to improving our processes to prevent similar errors in the future.

Issues Regarding Separation Information Requests
The Department acknowledges the APA's finding regarding the failure to send the Separation Information Request to employers. The Department stressed the importance of quality this year and has been making changes to its review process to catch and prevent errors earlier. Additionally, the Department continues to work with our vendor to have the system properly send Separation Information Requests as expected.

Adjudication of Claimant Responses
The Department acknowledges the APA's findings and recognizes that these were adjudication errors. The Department is committed to improving our processes to prevent similar errors in the future. While the

Department acknowledges several errors, the Department respectfully disagrees with the APA's finding related to receiving benefits while attending school. The APA is correct that an individual must be able and available to work, but this specific individual stated that they were willing and able to accept full-time work. The education program at issue allowed the individual to be available for work. The program advertises that, "many such courses are designed for working professionals."

Weekly Benefit and Maximum Benefit Amount Issues
The Department acknowledges the APA's findings regarding the claimants' wages impacting the weekly benefit and maximum benefit amounts. The Department stressed the importance of quality this year and has been making changes to its review processes to catch and prevent errors earlier.

Overpayment Establishment Errors
The Department acknowledges the APA's findings related to overpayment establishment. The Department has established procedures to address the timely establishment of overpayments. The Department will continue to refine our processes to ensure that overpayments are established promptly and in accordance with all applicable regulations. We will continue to monitor the implemented procedures and make improvements as necessary to ensure that overpayments are established accurately and timely.

Claimants with Excessive Wages
The Department acknowledges the APA's findings and recognizes that these were adjudication errors. The Department is committed to improving our processes to prevent similar errors in the future. These errors will be brought to the appropriate individual's attention, and they will be provided with the necessary guidance and support. The Department acknowledges that there are areas where continued improvement is necessary.

Improper Benefits Paid to State Employees
The Department acknowledges the APA's findings related to improper benefits paid to state employees. The Department agrees that the crossmatch findings should have been prioritized in a timelier manner, and we have trained more staff on this type of investigation in response to this finding. The Department recognizes the need for improvement in this area and is focusing on the prioritization of crossmatches to ensure more timely action moving forward.

Wage Crossmatch Issues
The Department acknowledges the APA's findings related to the wage crossmatch issues. The Department continues to work extensively with their vendor to address and resolve the issues related to wage crossmatches. The Department agrees that there are areas where continued improvement is necessary, and we will continue refining our processes to reduce the errors. The Department has stressed the importance of prioritizing crossmatches and are providing additional training to more staff so they can effectively handle these tasks.

APA Response:

Adjudication of Claimant Responses: As previously stated, State statute states that an individual shall be disqualified from benefits if such individual is a student. Per the claimant's application, the claimant was attending school from 8:00 a.m. to 5:00 p.m. Monday through Friday. Though there may be circumstances where an individual can obtain a full-time job and be a student at the same time, in this situation the claimant is clearly a full-time student per his application and should have been disqualified per State statute.

PUBLIC EMPLOYEES RETIREMENT SYSTEMS

Finding 2024-022

Deferred Compensation Plan Issues

NPERS failed to record properly investment activity reported by the custodial bank for the Deferred Compensation Plan (DCP). The following table shows the entry that should have been made and the original entry posted to the accounting system by NPERS:

Account Description	Actual Amounts	Original Entries	Variance
Long-Term Investments	$ 34,381,959	$ 33,629,697	$ 752,262
Investment Income	$ (1,451,027)	$ (4,646,550)	$ 3,195,523
Gain or Loss - Sale of Investments	$ (33,259,774)	$ (29,215,502)	$ (4,044,272)
Investment Expenses	$ 328,842	$ 232,354	$ 96,488

When informed of the error, NPERS attempted to correct it. Two entries were made and reversed on the same date in September 2024. On September 16, 2024, NPERS posted a third entry in the following net amounts:

Account Description	Original Variance	Third Entry	Revised Variance
Long-Term Investments	$ 752,262	$ 0	$ 752,262
Investment Income	$ 3,195,523	$ 3,103,967	$ 91,556
Gain or Loss - Sale of Investments	$ (4,044,272)	$ (3,200,839)	$ (843,433)
Investment Expenses	$ 96,487	$ 96,872	$ (385)

The third entry was also not completely correct, as the APA found mathematical errors in the calculations. However, the amounts for the financial statements were considered materially correct. It should be noted that NPERS recorded one final entry to correct the issue in October 2024, but did not record it as a fiscal year 2024 transaction. That entry is included below:

Account Description	Revised Variance	Final Entry	Final Variance
Long-Term Investments	$ 752,262	$ 0	$ 752,262
Investment Income	$ 91,556	$ 91,556	$ 0
Gain or Loss - Sale of Investments	$ (843,433)	$ (91,171)	$ (752,262)
Investment Expenses	$ (385)	$ (385)	$ 0

In addition to the errors noted above, the APA determined that NPERS recorded $101,155 in investment income from one of the plan administrators incorrectly as a gain/loss on the sale of investments.

A proper system of internal control requires procedures to ensure staff have an adequate understanding of reports received from the custodial bank and plan administrators in order to record accurately investment activity contained in those reports to the accounting system.

Without such procedures, there is an increased risk of material misstatement of the financial statements.

We recommend NPERS implement procedures to ensure its staff have a proper understanding of reports received from the custodial bank and plan administrators to ensure that all investment activity is recorded accurately in the accounting system.

NPERS Response: We have updated our procedures and have discussed with NPERS (Nebraska Public Employees Retirement System) public servants to make sure that they understand the importance of properly recording the financial activity of the Deferred Compensation Plan.

RACING AND GAMING COMMISSION

Finding 2024-023

Gaming License Fee Accrual

Authorized gaming operators are required to obtain an Authorized Gaming Operator License from the Commission, which requires a fee of $5 million. As of June 30, 2024, the Commission had issued four Authorized Gaming Operator Licenses, requiring $20 million in fees, but had received only $7 million, leaving $13 million still owed to the Commission. The Commission failed to report this $13 million to State Accounting as an accounts receivable accrual. Therefore, the Auditor of Public Accounts proposed, and State Accounting posted, a $13 million adjustment to the financial statements.

Title 296 NAC 3.002.02A states, in relevant part, the following:

> *Authorized Gaming Operator License authorizes an Authorized Gaming Operator or Management Company to conduct Authorized Games as defined by the Act under the regulation, implementation, and enforcement of the Commission. The License authorizes the approved Authorized Gaming Operator to acquire, own, lease, possess, and operate Gaming Devises at a Licensed Racetrack Enclosure. The term of a Gaming Operator License is a minimum of twenty (20) years for a fee of five million dollars ($5,000,000) on each authorized gaming operator for each licensed racetrack enclosure payable to the Commission. The license fee may be paid over a period of five years with one million dollars due at the time the license is issued.*

A proper system of internal control requires procedures to ensure accurate reporting of the year-end accruals, including all accounts receivable, to State Accounting. Without such procedures, there is an increased risk the financial statements will be materially misstated.

> We recommend the Commission implement procedures to ensure all amounts owed to the State are reported appropriately to State Accounting for inclusion in the financial statements.

Commission Response: The Nebraska Racing and Gaming Commission has established a process to track payments received from the Authorized Gaming Operators, as well as the outstanding fee balances. We have collaborated with State Accounting to identify all fees that should be reported on an annual basis.

DEPARTMENT OF REVENUE

Finding 2024-024

Financial Statement Errors

The Auditor of Public Accounts (APA) identified substantial errors in the recording of financial information into the accounting system and in the accrual entries submitted to the Department of Administrative Services – State Accounting Division (State Accounting), resulting in materially misstated financial statement entries, requiring significant adjustments, revisions, and additional time to complete required audit procedures.

Errors Requiring Correcting Entries

The APA identified certain errors in the recording of locally assessed taxes and related receivables and payables. The APA inquired as to whether these taxes should be recorded in a custodial fund and not as tax revenue of the State.

State Accounting made **$923 million** in reclassification entries to classify correctly locally assessed taxes in a custodial fund.

Description	Reason	Dollar Error
Item #1: Municipal Tax Errors	The Department failed to record the locally assessed portion of certain taxes (and related receivables and payables) in a custodial fund, as required by accounting standards.	**$ 923,793,987**

The Department also made more than **$300 million** in accounting errors that resulted in the need for adjusting journal entries. The table below summarizes these issues.

Description	Reason	Dollar Error
Item #2: Municipal Tax Reclassification Entry	In its attempt to correct the issue addressed in **Item #1**, above, the Department failed to reclassify accurately the local portion of taxes payable.	$ 279,571,766
Item #3: Taxes Receivable Accrual Errors	The Department failed to accrue accurately certain tax receipts received after the fiscal year-end for the tax periods of June 2024 and prior. Additionally, the Department failed to accrue properly for corporate income tax extension payments received in July and August 2024 applicable to the March 2024 tax period.	$ 13,771,192
Item #4: Nameplate Capacity Tax Errors	The Department failed to record properly Nameplate Capacity Taxes as a tax revenue and disbursement.	$ 13,072,542
Item #5: Taxes Payable Accrual Entry	The Department failed to accrue properly for a fiduciary tax return of a taxpayer.	$ 5,315,140
	Total Adjusting Journal Entries	**$ 311,730,640**

The errors above resulted in over $1.2 billion in adjustments or reclassification of activity and are explained in more detail below.

<u>Item #1 – Municipal Tax Errors</u>
The APA determined that certain municipal (local) tax activity should be reclassified and reported in a custodial fund. A custodial fund generally reports fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria, including when the government controls the assets, and whether the assets are derived from the government's own-source revenues.

In these cases, the State authorized a local government to levy a tax. The local government's tax is remitted to the State but will be distributed to the municipality for its use.

Below is a summary of the adjustments needed by tax category:

Description		Dollar Error
Local Sales and Use Taxes		
FY 2023 Activity	Fiscal Year 2023 activity was adjusted to reduce the revenues for activity that would have been accounted for in a custodial fund in the previous year.	$ 105,565,256
FY 2024 Beginning Balance	Fiscal year 2024 beginning balance was reclassified to the custodial fund.	$ 7,736,523
FY 2024 Activity	Fiscal year 2024 local taxes collected and distributed were reclassified to the custodial fund.	$ 606,267,115
FY 2024 Receivable Accrual	Fiscal year 2024 local taxes receivable were reclassified to the custodial fund.	$ 52,594,694
FY 2024 Payable Accrual	Fiscal year 2024 local taxes payable were reclassified to the custodial fund.	$ 43,999,906
Total Local Sales and Use Tax Errors		**$ 816,163,494**
Local Motor Vehicle Sales Taxes		
FY 2024 Activity	Fiscal year 2024 local taxes collected and distributed were reclassified to the custodial fund.	$ 56,236,853
FY 2024 Receivable Accrual	Fiscal year 2024 local taxes receivable were reclassified to the custodial fund.	$ 4,911,211
FY 2024 Payable Accrual	Fiscal year 2024 local taxes payable were reclassified to the custodial fund.	$ 5,296,044
Total Motor Vehicle Sales Tax Errors		**$ 66,444,108**
Local Lodging Taxes		
FY 2024 Activity	Fiscal year 2024 local taxes collected and distributed were reclassified to the custodial fund.	$ 29,374,006
FY 2024 Receivable Accrual	Fiscal year 2024 local taxes receivable were reclassified to the custodial fund.	$ 3,444,105
FY 2024 Payable Accrual	Fiscal year 2024 local taxes payable were reclassified to the custodial fund.	$ 2,798,576
Total Lodging Tax Errors		**$ 35,616,687**
Other Local Taxes – Consumers Use Tax, ATV Sales Tax, and Motorboat Sales Tax		
FY 2024 Beginning Balance	Fiscal year 2024 beginning balance related to local taxes was reclassified to the custodial fund.	$ 250,978
FY 2024 Activity	Fiscal year 2024 local taxes collected and distributed were reclassified to the custodial fund.	$ 863,560
FY 2024 Receivable Accrual	Fiscal year 2024 local taxes receivable were reclassified to the custodial fund.	$ 1,359,912
FY 2024 Payable Accrual	Fiscal year 2024 local taxes payable were reclassified to the custodial fund.	$ 3,095,248
Total Other Local Tax Errors		**$ 5,569,698**
Grand Total		**$ 923,793,987**

These reclassifications of the municipal taxes were completed by State Accounting after consultation with the APA. They are not included as adjusting entries to the financial statements; however, the entries were a direct result of the APA's inquiries.

<u>Item #2 – Municipal Tax Reclassification Errors</u>
In addition to the reclassification entries included above in **Item #1**, the Department failed to report accurately the local portion of the tax payables. The Department provided this correct information to State Accounting on its original submission of its accrual response form. However, when calculating the payables related to the reclassification entries from above, the Department provided a different local tax payable amount that was recorded by State Accounting.

After the APA questioned the payable amounts, the Department agreed that the amounts were inaccurate. The APA proposed, and State Accounting posted, the following adjustments.

Entry	Purpose	Dollar Error
Entry #1	The fiscal year 2024 sales tax refunds payable to cities was incorrect. The actual error of $52,585,525 was compounded by its inclusion in the general fund and custodial funds as well as different object accounts.	$ 157,756,275
Entry #2	Because the taxes were not recorded as custodial activity in fiscal year 2023, a beginning balance adjustment was necessary to correct the overstated receivable and payable in the general fund.	$ 57,275,226
Entry #3	This adjustment was made to correct the fiscal year 2023 payable for the local portion of sales and use tax refunds.	$ 56,204,740
Entry #4	The Department failed to report a fiscal year 2024 payable for the Consumer Use Tax. The original $2,421,680 was compounded by its inclusion in the general fund and custodial funds as well as different object accounts.	$ 7,265,040
Entry #5	The Department failed to report a fiscal year 2023 payable for the local portion of the Consumer Use Tax.	$ 1,070,485
	Grand Total	**$ 279,571,766**

Item #3 – Taxes Receivable Accrual Entry Errors

The Department is responsible for determining the amount of taxes receivable at fiscal year-end – that is, those taxes for a tax period of June 2024 or prior – that are received after June 30. The amount is reported to State Accounting for its use in the preparation of the State's Annual Comprehensive Financial Report (ACFR).

The Department failed to include properly significant taxes received from July through September for tax periods of June 2024 and prior. After APA inquiry regarding this topic, State Accounting made the following entries:

Entry	Purpose	Dollar Error
Entry #1	The Department failed to include significant receipts for Corporate Income Tax extensions in its receivable calculation.	$ 4,253,118
Entry #2	The Department failed to include September receipts in its calculation of the State portion of Sales and Use Taxes Receivable.	$ 3,396,341
Entry #3	The Department failed to include September receipts in its calculation of the Name Capacity Taxes Receivable. The actual error of $1,636,683 was compounded by its inclusion in different object accounts.	$ 3,273,366
Entry #4	The Department failed to include September receipts in its calculation of the local portion of Sales and Use Taxes Receivable. The original $778,477 error was compounded by its inclusion in different object accounts.	$ 1,556,954
Entry #5	The Department failed to include September receipts in its calculation of the State portion of Motor Vehicle Sales Taxes Receivable.	$ 960,643
Entry #6	The Department failed to include September receipts in its calculation of the local portion of Motor Vehicle Sales Taxes Receivable. The original $165,385 error was compounded by its inclusion in different funds and object accounts.	$ 330,770
	Total	**$ 13,771,192**

Item #4 – Nameplate Capacity Tax Errors

The purpose of the nameplate capacity tax is to replace property taxes that are currently imposed on renewable energy infrastructure and are fully distributed to the counties in which the taxes were collected. Since this is a State-imposed tax, the activity should be recorded as a tax revenue and disbursement to counties, but it was recorded using a liability account.

After inquiry with State Accounting, the following corrective entries were made:

Category	Description	Dollar Error
FY 2024 Activity	Fiscal year 2024 activity was reclassified as tax revenue and disbursements to counties.	$ 12,004,298
FY 2024 Receivable Accrual	The fiscal year 2024 nameplate capacity tax receivable was also reclassified to the proper accounts. The original $534,122 error was compounded by its inclusion in different object accounts.	$ 1,068,244
	Grand Total	**$ 13,072,542**

Item #5 – Taxes Payable Accrual Entry

The APA also found that the Department failed to accrue a payable related to a $2,657,570 tax return credit owed to a taxpayer for calendar year 2023.

The taxpayer provided the APA with a copy of its tax return for calendar year 2023. The APA determined that the taxpayer did not file the claim for a refund until August 2024, and then filed an amended return in September 2024. When notified of the finding for not including this as an accrual, the Department claimed it takes time to review the return, to verify if the property tax credits were correct before a refund is issued.

After APA inquiry regarding this topic, State Accounting made the following entry:

Entry	Purpose	Dollar Error
Entry #1	To record a payable for the property tax credit paid to a taxpayer. The original $2,657,570 error was compounded by its inclusion in both the General Fund and the Permanent School Fund.	$ 5,315,140

Other Errors Noted

In addition to the errors noted above, all of which required correcting entries, the APA also identified a number of other errors made by the Department during its preparation of accrual information provided to State Accounting as part of the year end ACFR reporting. The errors are included below:

Description of Issue
The Department's accrual of estimated corporate tax receipts was incorrect. We found that three of seven receipts tested, totaling $411,219, were for tax periods after June 2024 and were, therefore, not a receivable.
The Department's accrual of delinquent individual income tax improperly included $120,927 that existed only because the Department mistakenly applied $604,634 to the taxpayer's balance due.
The Department's accrual of delinquent partnership income tax improperly included $103,754 that was received prior to the fiscal year-end but was not applied properly to the taxpayer's account and was not delinquent at fiscal year-end.
The Department's accrual of estimated income tax received improperly included one receipt of $48,571 for a tax period after fiscal year-end.
The Department understated its accrual of Corporate Income tax receivable by $16,469 because collections for one protested audit balance was not recorded until after fiscal year-end, despite being reported as having been received prior thereto.
The Department's accrual of delinquent tax receivable improperly included $12,240 that had been paid by the taxpayer in 2015.
The Department did not calculate a reasonable collectability percentage for protested Withholding and Corporate Income tax returns, as the Department did not have access to five years of historical data.
The Department will typically not accrue interest and penalty and income tax delinquencies until a payment is made, resulting in the amounts recorded as receivable at year-end being inaccurate.
The Department used inaccurate reports to prepare the individual income tax portion of the delinquent taxes receivable accrual at year-end.

A proper system of internal controls requires procedures to ensure accurate reporting of financial information in the accounting system and to State Accounting on the accrual response forms.

The Summary Schedule of Prior Audit Findings lists the status of this finding as "corrected." Title 2 CFR § 200.511(a) (January 1, 2024) requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

As seen throughout this comment, a lack of such procedures increases the risk of material financial statement errors going undetected. The absence of procedures also increases the audit time required to ensure financial statements are materially correct.

> We recommend the Department implement procedures to ensure entries are recorded correctly in the State's accounting system, and year-end accruals are reported properly to State Accounting.

Department Response:

- *Items #1 thru #4*
    - *The Department of Revenue (DOR) places a high value on accurate financial statements. The DOR will work with DAS on reclassifications and accruals to ensure they are done properly in the future.*
- *Items #5*
    - *The Department of Revenue (DOR) verifies Property Tax Credits (PTC) claimed on income tax returns before a refund is issued. Adjustments are made to a taxpayer's refund if the taxpayer made errors on their income tax return. The DOR will ensure this taxpayer is properly reported as an accrual in the future after a review of the PTC is completed.*

DEPARTMENT OF TRANSPORTATION

Finding 2024-025

Capital Asset Issues

The Department is responsible for recording information regarding capital assets into the State's accounting system, as well as reporting other capital asset-related information to the Department of Administrative Services – State Accounting Division (State Accounting) for proper financial statement and footnote presentation.

Capital asset balances for land, buildings, and equipment recorded in the Department's systems did not agree to the balances recorded in the State's accounting system. The Department failed to provide detailed listings of the assets from its system and also failed to complete a reconciliation of the two systems. The table below shows the variances between these systems.

Capital Asset	Value per Department	Value per State's Accounting System	Variance
Land	$ 599,926,094	$ 596,293,976	$ 3,632,118
Buildings	$ 123,844,381	$ 144,265,233	$ (20,420,852)
Equipment	$ 314,040,153	$ 362,122,288	$ (48,082,135)
Totals	**$ 1,037,810,628**	**$ 1,102,681,497**	**$ (64,870,869)**

For purposes of the assets presented in the State's financial statements, the Department's values are used for land, but the State's accounting system amounts are used for buildings and equipment. As testing is performed on the amounts in the State's accounting system, no formal adjustments to the financial statements were proposed for the variances.

Additionally, the Department failed to include the costs for 11 assets in the accounting system. Two of the assets had costs greater than the capitalization threshold set by State Accounting, resulting in additions and depreciation additions being understated by $14,960 and $1,893, respectively. These amounts were included in adjustments proposed by the Auditor of Public Accounts (APA) and posted by State Accounting.

A proper system of internal control requires procedures to ensure that 1) Department asset values are reconciled to the State's accounting system, thus ensuring accurate information is presented in the financial statements; 2) a full asset listing is available and reviewed to ensure all assets are accounted for; and 3) costs are added to assets in a timely manner.

Without such procedures, there is an increased risk of material misstatement to the financial statements, which might remain undetected.

> We recommend the Department implement procedures to ensure that the capital asset amounts reported in the financial statements are complete and accurate. These procedures would include implementing a reconciliation between their system and the State's accounting system, developing a complete asset listing, and reviewing the no cost integrity reports within the accounting system to ensure all costs are appropriately attached.

Department Response: NDOT agrees and will implement stringent procedures to ensure that the capital asset amounts reported in the financial statements align precisely with the records in the state's accounting system.

Finding 2024-026

Year-End Financial Information Errors

State Accounting is responsible for the preparation of the State's Annual Comprehensive Financial Report (ACFR) and requires all State agencies to determine and report receivable and payable amounts, along with other financial information not already included within the State's accounting system at the end of the year.

The table below details over $14 million in errors made by the Department in the financial information reported to State Accounting.

Description	Amount
Retainage payable includes liabilities due to contractors/vendors for amounts to be paid once a project is completed. The Department's retainage payable calculation failed to account for prior period adjustments recorded in the State's accounting system during fiscal year 2025, resulting in retainage payable being overstated by $8,271,969. After the Department worked with State Accounting, an adjustment of $2,748,471 was still necessary.	$ 8,271,969
Accounts Receivable from the Federal government are amounts the Department has paid and requested from the Federal government but have not yet received. The Department understated this receivable by $6,129,788 because it reported only amounts requested from the Federal government in July 2024 and did not include amounts requested during August and September 2024 that were still outstanding as of June 30, 2024. An adjustment for this error was made by State Accounting.	$ 6,129,788
Total Errors	**$ 14,401,757**

The APA proposed, and State Accounting recorded, adjustments related to these errors so that the State's financial statements were materially correct.

A similar finding was noted in the previous three audits.

The APA identified other accounting issues and financial statement errors that did not require formal adjustments to the financial statements, either due to the insignificance of the dollar amount or the Department correcting the error before a formal adjustment was proposed, as described in the table below:

Description	Amount
The Department incorrectly recorded a $4 million purchase of property rights as a legal related expense, when it should have been recorded to land, buildings, & other assets. The Department corrected the error after the APA's inquiry and, therefore, no formal adjustment was proposed.	$ 4,000,000
The Department annually calculates a payroll additive rate, which is a percentage rate used to distribute employee payroll costs based on certain leave, health insurance, retirement, and other employer benefits to all work activities on an equitable basis. Costs are allocated from the State Highway Trust Fund to various other funds. The Department miscoded the journal entries to allocate the payroll additive to the Department's various funds. Instead of recording the journal entry to the same payroll expense accounts from the original payroll posting, the Department recorded the allocation entries to operating expense accounts. This resulted in the payroll expenditures in the State Highway Trust Fund being overstated by $1,803,507 and operating expenditures in that fund being understated by the same amount. Additionally, various other funds also had operating expenditures overstated, and payroll expenditures understated totaling that same amount. There was no financial statement impact as the expenditures were presented together in the same major fund and function on the financial statements.	$ 1,803,507
Accounts Receivable from Others includes receivables from local governments, railroads, other states, and individuals who have been billed for damages to State property. The Department understated this accrual by $90,707 because they did not account for all receivables as of June 30, 2024.	$ 90,707
Total Unadjusted Errors	**$ 5,894,214**

A proper system of internal control requires procedures to ensure complete and accurate financial information is provided to State Accounting for financial statement presentation. Without such procedures, there is an increased risk of material misstatements occurring and remaining undetected.

> We recommend the Department implement procedures to ensure the accuracy of the financial information reported to State Accounting. This would include a documented review and approval of the reported accruals by both the Budget and Finance Manager and the Chief Financial Officer.

Department Response: No agency funds were expended due to year-end reporting errors; consequently, no funds ever left the agency. NDOT will maintain rigorous oversight and ensure a thorough review of accruals each fiscal year.

NDOT promptly corrected the $4,000,000 recording error related to the purchase of property rights, and no formal adjustment was proposed by the APA.

The $1,803,507 payroll additive issue had no impact on the financial statements, as the expenditures were consolidated within the same major fund and function. This issue has since been addressed and will remain accurate moving forward.

Regarding the retainage payable, the requested adjustment was reduced by the APA from $8,271,969 to $2,748,471.

APA Response: These were errors that were not detected by the Department and corrected only after the APA brought it to their attention which is why they are reported in the management letter.

SUPREME COURT

Finding 2024-027

Expenditures Recorded in the Wrong Fiscal Year

The Supreme Court recorded $2,505,610 of expenditures in the wrong fiscal year.

The error was related to a contract with an original price of $4,764,600 for a project to upgrade audio-visual technology in over 100 county and district courtrooms across the State. According to the Supreme Court's own website (https://supremecourt.nebraska.gov/), as of June 30, 2023, more than 70% of the courtrooms had received the upgrades. However, the Auditor of Public Accounts (APA) determined that only $529,984, or approximately 11% of the contract, had been recorded as expenditures in the accounting system for this project for fiscal year 2023.

Upon the APA's inquiry to determine whether other expenditures should have been recorded for fiscal year 2023, the Supreme Court identified 22 more documents, totaling $2,505,610, of additional expenditures recorded in fiscal year 2024 for installations completed in fiscal year 2023. Therefore, the Supreme Court recorded them in the wrong fiscal year. The APA proposed a financial statement adjustment to remove the expenditures from fiscal year 2024 and reclassify the activity in the beginning fund balance. State Accounting posted the adjustment.

Good internal controls require procedures to ensure that all financial transactions are recorded in the correct fiscal year to prevent a material misstatement in the financial statements.

Without such procedures, there is an increased risk of a material misstatement of the financial statements.

> We recommend the Supreme Court implement procedures to ensure transactions are reviewed and recorded in the correct fiscal year.

Supreme Court Response: The Administrative Office of the Courts and Probation (AOCP) will review procedures with a goal of properly accounting for prior fiscal year expenditures throughout the fiscal year.

WORKERS' COMPENSATION COURT

Finding 2024-028

Premium Tax Collection Coding Error

In April 2024, the Department of Insurance transferred $4,221,417 to the Court for the annual taxes received from insurance companies related to workers compensation insurance. The Court incorrectly recorded this tax revenue as Licenses, Fees and Permits instead of as Business and Franchise Taxes.

Neb. Rev. Stat. § 48-1,113 (Reissue 2021) requires "[e]very insurance company which is transacting workers' compensation insurance business in this state" to pay an annual tax to the Department of Insurance based on the amount of direct-writing premiums received by the company. The Department of Insurance remits these taxes to "the State Treasurer for credit to the Compensation Court Cash Fund," per this same statute.

A proper system of internal controls requires procedures to ensure the proper recording of taxes received. Without such procedures, there is an increased risk of material misstatements to the financial statements.

> We recommend the Court implement procedures to ensure that tax revenues received from the Department of Insurance are recorded properly.

Court Response: The proposed management letter states in part: "In April 2024, the Department of Insurance transferred $4,221,417 to the Court for the annual taxes received from insurance companies related to workers['] compensation insurance. The Court incorrectly reported this tax revenue as Licenses, Fee and Permits instead of as Business and Franchise Taxes."

The relevant portion of Neb. Rev. Stat. § 48-1,113 provides: "Every insurance company which is transacting workers' compensation insurance business in this state shall on or before March 1 of each year pay to the Director of Insurance an amount equal to one percent of the gross amount of direct writing premiums received by the company during the preceding calendar year for workers' compensation insurance business transacted in this state."

After this issue was brought to the court's attention, the Court created a journal entry for Fiscal Year 2024 within the "Revenue - Taxes" series and described the revenue as insurance assessments. The Court also informed the Auditor Manager that the Court will update its procedures to reflect this new plan for categorizing the assessment "amounts" it receives in future years. Additionally, the Court will implement procedures to document its review of the revenue general ledger for all funds.

Since the statutes within the Workers' Compensation Act don't describe these amounts as "taxes", please understand that the Court is only agreeing to change the accounting coding for these transactions for purposes of the State's financial statements, but it isn't agreeing that these amounts are "taxes" for any other purpose. We understand the Auditor's finding to be made only in the context of these accounting transactions, and want to make sure you're aware the Court's response is limited to this purpose, too.

III. Findings and Questioned Costs Relating to Federal Awards:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2024-029

Program: Various, including AL 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Grant Number & Year: Various, including 2305NE5ADM, FFY 2023

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 2 CFR § 200.403 (January 1, 2024) and 45 CFR § 75.403 (October 1, 2023) state, in relevant part, the following:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

* * * *

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

* * * *

(g) Be adequately documented.

2 CFR § 200.405(b) (January 1, 2024) and 45 CFR § 75.405(b) (October 1, 2023) state, in relevant part, the following:

All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

2 CFR § 200, Appendix V, Subsection (G)(2) (January 1, 2024) and 45 CFR § 75, Appendix V, Subsection (G)(2) (October 1, 2023) state the following:

Internal service funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to the next. Charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working capital reserve, in addition to the full recovery of costs, are allowable. A working capital reserve as part of retained earnings of up to 60 calendar days cash expenses for normal operating purposes is considered reasonable. A working capital reserve exceeding 60 calendar days may be approved by the cognizant agency for indirect costs in exceptional cases.

2 CFR § 200, Appendix V, Subsection (G)(4) (January 1, 2024) and 45 CFR § 75, Appendix V, Subsection (G)(4) (October 1, 2023) state, in relevant part, the following:

Billing rates used to change Federal awards must be based on the estimated costs of providing the services, including an estimate of the allocable central service costs. A comparison of the revenues generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable costs of the service will be made at least annually, and an adjustment will be made for the difference between the revenue and the allowable costs.

Neb. Rev Stat. § 81-1120.22 (Cum. Supp. 2022) provides the following:

> *The Director of Communications shall develop a system of equitable billings and charges for communications services provided in any consolidated or joint-use system of communications. Such system of charges shall reflect, as nearly as may be practical, the actual share of costs incurred on behalf of or for services to each department, agency, or political subdivision provided communications services. Using agencies shall pay for such services out of appropriated or available funds. Beginning July 1, 2011, all payments shall be credited to the Communications Revolving Fund. Beginning July 1, 2011, all collections for payment of telephone expenses shall be credited to the Communications Revolving Fund.*

2 CFR § 200.444(a) (January 1, 2024) and 45 CFR § 75.444(a) (October 1, 2023) state, in relevant part, the following:

> *For states . . . the general costs of government are unallowable . . . . Unallowable costs include:*
>
> *(1) Salaries and expenses of the Office of the Governor of a state . . . [.]*
>
> *(2) Salaries and other expenses of a state legislature . . . [.]*

A good internal control plan requires:

- Procedures to ensure rate charges are equitable, reflect actual costs incurred, and are reviewed periodically to ensure charges are appropriate for the services provided.
- Maintenance of adequate documentation to support both rates charged and the approval of those rates.
- Periodic review of internal service fund balances to ensure revenues are not in excess of expenses.

Condition: The Agency lacked adequate documentation to support the rates charged by the Office of the Chief Information Office (OCIO). Additionally, the Agency's Material Division lacked adequate documentation to support service rates charges for the Print Shop.

Furthermore, we noted also that the Agency lacked adequate documentation to support the allocation of security costs in developing building rental rates.

Lastly, the OCIO Internal Service Fund Balance was greater than 60 calendar days for cash expenses for normal operations incurred.

A similar finding has been noted in prior audits since 2015.

Repeat Finding: 2023-021

Questioned Costs: Unknown

Statistical Sample: No

Context: We noted the following:

Office of the Chief Information Officer (OCIO)

As noted in prior audits, the OCIO lacked adequate support for service rates charged. The Agency was in the process of updating its rates through a new methodology, but no changes were made for fiscal year 2024. In that year, the OCIO receipted $26,824,419 in Federal dollars for services performed for Federal programs. Of this amount, $12,871,044 was charged to Medicaid.

Print Shop

As noted in prior audits, the Print Shop lacked adequate support for service rates charged. The Agency was in the process of updating its rates through a new methodology, but no changes were made for fiscal year 2024. Receipts from sales for that year totaled $3,254,109.

Building Division

The rental rate charged to agencies for building space includes an allocation for security costs. We noted that neither the State Capitol Building (Capitol) nor the Governor's residence was allocated any costs for security, even though both locations have security. Because these locations were not allocated any security costs, Federal programs could be overcharged. Moreover, security costs to the Capitol and the Governor's residence are general costs of government and, therefore, not allowable. The fiscal year 2024 indirect allocations for security totaled $1,083,488.

OCIO Internal Service Fund Balance

Per the Agency's calculation, as of June 30, 2023, the OCIO Internal Service Fund Balance for allowable costs was $27.922 million; however, the allowable reserve was only $20.048 million, a difference of $7.874 million. The Agency has not completed its calculation for June 30, 2024; however, per the APA's review of the State accounting system, the fund balance has increased by over $40 million during State fiscal year 2024 and was significantly larger than the allowable reserve at June 30, 2024.

Cause: Inadequate procedures to ensure that rates are adequately supported, and the Internal Service Fund Balances do not exceed allowable thresholds.

Effect: Without adequate controls and procedures to ensure rates are equitable and based on actual costs, there is an increased risk that Federal programs or State agencies will be overcharged for services, and the Agency's internal service funds will exceed the allowable threshold per Federal regulations. When security costs are not allocated to all buildings in an equitable manner, moreover, the risk of Federal programs not being charged in accordance with Federal cost principles is increased.

Recommendation: We recommend the Agency review its allocation of security costs to ensure that such costs are allocated in an equitable manner to all activities that benefit from the services. Additionally, we recommend the Agency maintain adequate documentation to support charges and ensure rates are equitable and reflect the actual costs incurred for services. Lastly, we recommend the Agency implement procedures to ensure fund balances do not exceed the allowable threshold.

> **Management Response:** OCIO - The OCIO agrees with the finding as it is the result of rates calculated 18 months in advance of the period under review. DAS Materiel – Print Shop continues to work with software that was purchased to assist with developing rates. Work continues to capture costs and actual historical units sold. DAS Building - The methodology for the allocation for security (an Indirect Cost) is a management decision and there have been no changes in the allocation methodology.

APA Response: Regardless of any management business decision, security costs to both the Capitol and the Governor's residence remain, as noted above, general costs of government and, therefore, not allowable.

Finding 2024-030

Program: Various, including AL 10.542 – COVID-19 Pandemic EBT Food Benefits; AL 10.551 – Supplemental Nutrition Assistance Program; AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Reporting

Grant Number & Year: Various, including 2401NERCMA, FFY 2024

Federal Grantor Agency: Various, including U.S. Department of Agriculture and U.S. Department of Health and Human Services

Criteria: A good internal control plan requires adequate procedures to ensure the Schedule of Expenditures of Federal Awards (SEFA) is presented properly.

Title 45 CFR § 75.510(b) (October 1, 2023) and Title 2 CFR § 200.510(b) (January 1, 2024) state, in part, the following:

> *The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended . . . . At a minimum, the schedule must:*
>
> * * * *
>
> *(3) Provide total Federal awards expended for each individual Federal program . . . .*
>
> *(4) Include the total amount provided to subrecipients from each Federal program.*

Neb. Rev. Stat. § 81-1111(1) (Reissue 2014) states, in part, the following:

> *Subject to the supervision of the Director of Administrative Services, the Accounting Administrator shall have the authority to prescribe the system of accounts and accounting to be maintained by the state and its departments and agencies, develop necessary accounting policies and procedures, coordinate and approve all proposed financial systems, and manage all accounting matters of the state's central system.*

EnterpriseOne is the official accounting system of the State.

Condition: Several programs did not have expenditures or the amount provided to subrecipients reported accurately on the SEFA. We notified Administrative Services of the errors, and the SEFA was subsequently adjusted. A similar finding was noted in the prior audit.

Repeat Finding: 2023-022

Questioned Costs: None

Statistical Sample: No

Context: Administrative Services is responsible for managing the accounting matters of the State and certifies the data collection form for the Statewide Single Audit. Administrative Services compiles the SEFA from information provided by the individual agencies and submits it to the auditor. During our review, we noted the following:

The Department of Health and Human Services (DHHS) did not accurately report expenditures for several programs, including overreporting AL 93.566 by $1,154,638. DHHS also reported $20,605,059 under AL 10.551 that should have been under AL 10.542. If the latter adjustment had not been made, this would have resulted in a major program not being reported on the SEFA.

Sixteen programs for various State agencies needed correction. The total expenditures and amounts provided to subrecipients, as both originally reported and per the final SEFA, were as follows:

Original SEFA		**Final SEFA**	
Expenditures	Subrecipients	Expenditures	Subrecipients
$ 5,703,651,494	$ 1,277,069,078	$ 5,702,398,270	$ 1,310,834,535

Cause: Administrative Services lacked adequate procedures for ensuring the accuracy of amounts not obtained directly from the accounting system. Administrative Services established a specific account code for aid to subrecipients, but not all agencies utilized this account code.

Effect: Increased risk for the SEFA to be inaccurate, which could lead to Federal sanctions or programs not audited that should be.

Recommendation: We recommend Administrative Services improve procedures to ensure the SEFA is complete and accurate.

> **Management Response:** We will continue agency training, review of chart of accounts setup, review of object account usage, and working with State employees to help ensure the SEFA is accurate and complete.

DEPARTMENT OF EDUCATION

Finding 2024-031

Program: AL 10.553 – School Breakfast Program; AL 10.555 – National School Lunch Program; AL 10.556 – Special Milk Program for Children; AL 10.559 – Summer Food Service Program for Children; and AL 10.582 – Fresh Fruit and Vegetable Program – Reporting

Grant Number & Year: Various, including 243NE308N1199, FFY 2024; and 243NE377L1603, FFY 2024

Federal Grantor Agency: U.S. Department of Agriculture

Criteria: 2 CFR § 170, Appendix A I. (January 1, 2024) states, in part, the following:

a. Reporting of first-tier subawards.

Applicability. Unless you are exempt as provided in paragraph d. of this award term, you must report each action that equals or exceeds $30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency . . . .

2. Where and when to report.

i. The non-Federal entity or Federal agency must report each obligating action described in paragraph a.1. of this award term to http://www.fsrs.gov.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made.

Good internal control requires procedures to ensure all required reports are submitted on time.

2 CFR § 200.511 (January 1, 2024) requires the auditee to prepare a summary schedule of prior audit findings. Subsection (b)(2) of that same regulation states, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: Federal Funding Accountability and Transparency Act (FFATA) reporting for the Child Nutrition programs has not been completed since December 2020 as of January 13, 2025. A similar finding was noted in the prior audit. The Schedule of Prior Audit Findings states, "Required report should be submitted within the next 45 days."

Repeat Finding: 2023-024

Questioned Costs: None

Statistical Sample: No

Context: Per the Summary Schedule, the Agency stated that it would have the reporting completed within "45 days." We received the Summary Schedule from the Department of Administrative Services on July 31, 2024. However, when we reached out to the Agency on November 27, 2024, the Agency stated that it had not completed the reporting but planned to complete it by January 8, 2025. As of January 13, 2025, the reporting still had not been completed. For the fiscal year ended June 30, 2024, the Agency paid subrecipients from the Child Nutrition programs $144,225,430.

Cause: The Agency had not developed adequate procedures to complete the reporting requirements.

Effect: Without adequate procedures to ensure that FFATA reports are submitted in a timely manner, there is an increased risk of the State not complying with Federal regulations.

Recommendation: We recommend the Agency update its procedures and complete the FFATA reporting as soon as possible.

> **Management Response:** NDE submitted the required reports on time but the reports were rejected as the system noted errors with the report. NDE reached out to the Federal agency numerous times but was unable to get any assistance on how to correct the issue. Since NDE has been unable to get assistance from the Federal agency we have been working with others to identify solutions to the reporting errors.

Finding 2024-032

Program: AL 84.048 – Career and Technical Education – Basic Grants to States – Allowability

Grant Number & Year: V048A220027, FFY 2023

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 2 CFR § 3474.1 (January 1, 2024), the U.S. Department of Education adopted the OMB Uniform Guidance in 2 CFR part 200, except for 2 CFR § 200.102(a) and 200.207(a).

Per 2 CFR § 200.403 (January 1, 2024), allowable costs must be necessary, reasonable, and adequately documented.

2 CFR § 200.430(i)(1) (January 1, 2024) states, in part, the following:

> *Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
>
> * * * *
>
> *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*

Enclosure A of the "Letter to Chief State School Officers on Granting Administrative Flexibility for Better Measures of Success" (September 7, 2012) provides guidelines for local educational agencies (LEAs), using a substitute system for time-and-effort reporting. Enclosure A states, in relevant part, the following:

> *(2) Under the substitute system, in lieu of personnel activity reports, eligible employees may support a distribution of their salaries and wages through documentation of an established work schedule that meets the standards under section (3). An acceptable work schedule may be in a style and format already used by an LEA.*
>
> *(3) Employee schedules must:*
>
> > *a. Indicate the specific activity or cost objective that the employee worked on for each segment of the employee's schedule;*

b. Account for the total hours for which each employee is compensated during the period reflected on the employee's schedule; and

c. Be certified at least semiannually and signed by the employee and a supervisory official having firsthand knowledge of the work performed by the employee.

Good internal control requires adequate supporting documentation to ensure that expenditures are correct and allowable.

Condition: The Agency lacked documentation to support 3 of 11 aid payments tested.

Repeat Finding: No

Questioned Costs: $34,983 known

Statistical Sample: No

Context: We randomly selected 11 reimbursement payments to subrecipients for testing. We noted the following:

- One reimbursement to a community college included salaries and benefits for two employees for $23,583. Documentation to support the salaries and benefits was inadequate. The Agency provided time and effort certifications, stating that the employees worked 50% on the Career and Technical Federal program and 50% on a different program. However, no other documentation – such as an employee work schedule – was provided to support that this distribution was correct. The $23,583 paid for salaries and benefits are considered questioned costs.

- One reimbursement was to an Educational Service Unit (ESU). The ESU made payments to schools in order for the schools to reimburse its teachers for their costs for attending a conference and also paying the teachers a stipend for attending the conference. The payments to teachers were to include $120/night for hotels, $300 for registration fees, $265 for mileage, and $125/day as a stipend for each day the teachers attended the conference. However, documentation was not provided to support that the reimbursements/stipends went to all the teachers, or if the school should have kept the reimbursement if it paid for the hotels and registration fees. Additionally, documentation was lacking to support that all the teachers actually stayed at the hotel or that the school paid for the hotel. Lastly, documentation was not provided to support that the stipend amount was reasonable and approved by appropriate personnel. This resulted in questioned costs of $11,192.

- One reimbursement to a school included payments to teachers for attending a conference. One hundred and sixty dollars was paid to 13 teachers based on the U.S. General Services Administration per diem rates for meals and incidental expenses. However, per the conference agenda, lunch was provided for one of the days, so the amount paid per teacher should have been reduced to $144, but it was not. This resulted in questioned costs of $208.

Federal payment errors for the sample tested were $34,983. The total sample tested was $1,910,166, and aid payments for the fiscal year totaled $7,485,494. Based on the sample tested, the dollar error rate for the sample was 1.83% ($34,983/$1,910,166), which estimates the potential dollars at risk for fiscal year 2024 to be $136,985 (dollar error rate multiplied by population).

Cause: Lack of procedures to ensure all costs were adequately documented.

Effect: Without adequate supporting documentation, there is an increased risk that Federal awards could be used for unallowable costs.

Recommendation: We recommend the Agency improve procedures to ensure that payments are supported by adequate documentation.

> **Management Response:** The Nebraska Department of Education's Office of Career, Technical, and Adult Education provided emails which detailed the purpose for Sharri's work within the CTE program. The college provided the time and effort certification for the time period in question for the employee but the documentation from the college did not provide the actual work performed information.
>
> The Nebraska Department of Education's Office of Career, Technical, and Adult Education was able to provide most of this documentation related to the reimbursement for teachers attending the conference but was unable to collect the documentation from some of the schools within the ESU 4 Perkins consortium. ESU 4 was not able to provide a stipend policy, though they were able to provide meeting notes where the stipend policy was outlined ahead of time.

<u>Finding 2024-033</u>

Program: AL 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Reporting

Grant Number & Year: H126A220039, FFY 2022; H126A240039, FFY 2024

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 2 CFR § 3474.1 (January 1, 2024), the U.S. Department of Education adopted the OMB Uniform Guidance in 2 CFR part 200, except for 2 CFR § 200.102(a) and 200.207(a).

2 CFR § 200.302 (January 1, 2024) states, in part, the following:

> *(a) Each State must expend and account for the Federal award in accordance with State laws and procedures for expending and accounting for the State's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.*

EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it.

34 CFR § 361.60(a)(1) (July 1, 2023) states the following:

> *Except as provided in paragraph (a)(2) of this section, the Federal share for expenditures made by the State under the vocational rehabilitation services portion of the Unified or Combined State Plan, including expenditures for the provision of vocational rehabilitation services and the administration of the vocational rehabilitation services portion of the Unified or Combined State Plan, is 78.7 percent.*

Per 34 CFR § 76.707 (July 1, 2023), personal services performed by an employee of the State are obligated when the services are performed.

Good internal control and sound accounting practices require adequate policies and procedures to ensure that information included in Federal reports is correct and accurate.

Condition: The Agency lacked procedures to ensure that the unliquidated obligations, indirect costs, and administrative costs were reported accurately on the RSA-17 reports.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: We tested two RSA-17 reports submitted by the Agency. We noted the following:

Grant H126A240039, Quarter Ended March 31, 2024

- The Federal and Non-Federal Share of Unliquidated Obligations reported on lines 18 and 29 were \$2,905,268 and \$786,305, respectively. The amounts reported were not correct due to the following:
  - The Agency included the unliquidated indirect costs for the month of March 2024 twice, resulting in the amount reported being overstated by \$43,901 for the Federal Share and \$11,882 for the Non-Federal Share.
  - The Agency did not include the payroll costs for time worked from March 11, 2024, to March 24, 2024. Additionally, the Agency erroneously included the payroll costs for time worked from April 1, 2024, to April 7, 2024. This resulted in the amount reported being overstated by \$164,849 for the Federal Share and \$44,616 for the Non-Federal Share.
  - Lastly, the Agency did not provide adequate documentation to support the unliquidated amounts for contracts. Per the Agency, the amount was taken from proposals submitted by possible contractors; however, the Agency did not provide documentation to support those written commitments existed as of March 31, 2024.
- The amount reported on line 36g for Federal Share of Indirect Costs was not correct. The Agency reported that the Federal share of indirect costs was \$484,844. However, this was 100% of the total indirect costs recorded. Only \$381,573 should have been reported as the Federal share based on the 78.7% matching rate. Therefore, the amount reported was overstated by \$103,271.

Grant H126A220039, Quarter Ended September 30, 2023

- Line 37 Federal and Non-Federal Administrative Expenses was not adequately supported. The Agency reported \$1,606,807 of Federal and non-Federal administrative costs. The Agency did not set up business units or other accounts in the State's financial accounting system (EnterpriseOne) sufficiently to identify the administrative costs recorded for the vocational rehabilitation program. To determine the amount of administrative costs to report, the Agency ran a general ledger of all expenditures and manually identified the administrative costs based off the payee description and prior knowledge of transactions. However, transactions appear to have been excluded that should have been included as administrative expenses. Therefore, we were unable to verify that the amount reported was correct.

Cause: Inadequate review and documentation of amounts reported. Additionally, the Agency stated that there was an error in the quarter ended March 31, 2024, report that prevented the Agency from inputting the correct value for the Federal share of indirect costs. However, no documentation was provided to support this was the case.

Effect: Increased risk for errors and noncompliance with Federal requirements.

Recommendation: We recommend the Agency update its procedures to ensure that obligations and expenditures are being properly reported in accordance with reporting requirements.

Management Response: <u>Federal and Non-Federal Share of Unliquidated Obligations</u> -
The incorrect amounts reported for unliquidated cost March indirect costs, payroll, and contracts were due to an error when completing the report. An additional review from NDE Budget and Grant Management staff of unliquidated obligations will be included in future reports to ensure accuracy.

<u>Federal and Non-Federal Administrative Expenses was not adequately supported -</u>
The agency does set up business units or other accounts (subledgers, subsidiaries) in the State's financial accounting system (EnterpriseOne) to sufficiently identify administrative costs. Sub ledgers ERSO, ERTRANSI and subsidiaries 110, TRYLN, SRC, TRANSI were specifically set up separate administrative costs. These will be used to identify administrative costs for future reports.

APA Response: The subledgers and subsidiaries identified in the management's response were not used to identify administrative expenses when the Agency completed the RSA-17 report. The administrative expenses reported did not agree to the amount recorded in EnterpriseOne to these subledgers and subsidiaries for the grant.

<u>Finding 2024-034</u>

Program: AL 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Period of Performance

Grant Number & Year: H126A220039, FFY 2022

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 34 CFR § 76.707 (July 1, 2023), work performed by a contractor is obligated on the date the State "makes a binding written commitment to obtain the services."

Per 2 CFR § 3474.1 (January 1, 2024), the U.S. Department of Education adopted the OMB Uniform Guidance in 2 CFR part 200, except for 2 CFR § 200.102(a) and 200.207(a).

Per 2 CFR § 200.403(h) (January 1, 2024), costs "must be incurred during the approved budget period."

The Rehabilitation Service Administration Period of Performance for Formula Grant Awards FAQs (published March 21, 2017) states the following:

> *8. Can the total cost of a contract be obligated to a grant award if some of the contract services will be performed after the period of performance ends?*
>
> *Yes. If a contract is entered into during a period of performance, but some of the services will be performed after the period of performance ends (in other words, some services would be performed after the FFY of appropriation and the carryover year, if applicable, has ended), the contract would still constitute a valid obligation, as established by 34 CFR 76.707, for purposes of the period of performance in which it was incurred.*

Good internal control and sound accounting procedures require adequate policies and procedures to ensure that only those expenditures obligated within the period of performance are charged to the grant.

Condition: One of 25 expenditures tested was not obligated within the period of performance.

Repeat Finding: No

Questioned Costs: $2,586 known

Statistical Sample: No

Context: The Agency paid $2,586 to a provider for job search and placement services that occurred between August 15, 2023, to November 22, 2023. The Agency charged the payment to grant H126A220039, and costs were to be obligated by September 30, 2023, for this grant. The State did not make any written commitment to obtain or pay for these services until October 17, 2023, when the Agency signed an authorization form for said services. As the written commitment was not issued until after September 30, 2023, the payment was not allowed to be charged to the grant.

Total questioned costs from the random sample were $2,586. The total sample tested was $39,530, and the total sample population was $5,495,235. Based on the sample tested, the dollar error rate for the sample was 6.54% ($2,586/$39,530), which estimates the potential dollars at risk for fiscal year 2024 to be $359,388 (dollar error rate multiplied by the population).

Cause: The Agency lacked proper understanding of when costs should be considered obligated. The Agency reported that it completed the Plan for Job Development on September 3, 2023, and considered it obligated at that time. However, the authorization for the plan was not signed until October 17, 2023.

Effect: Without adequate procedures, there is increased risk that the Agency will improperly charge expenditures to the grant outside of its period of performance, resulting in noncompliance.

Recommendation: We recommend the Agency strengthen procedures to ensure that expenditures are charged to its grants within the period of performance.

> **Management Response:** The agency understands costs are considered obligated at the time of authorization. The case management system is programmed to assign the cost to the grant based on the start date of the service at the time of the obligation (authorization). The programming did not account for a situation when the obligation is created in a different federal fiscal year then the start date of the service.
>
> The obligation in question was made on 10/17/23 (FFY23) for a service that started on 8/15/23 (FFY22). The obligation is allowed to be charged to grant H126A220039, but should have been reported as an obligation to the carryover year (FY23) business unit for grant H126A220039, rather than an obligation to the year of appropriation (FFY22) business unit for grant H126A220039. The obligation cannot be charged to the H126A2300390 (FFY23) grant due to service being provided in FFY22.

APA Response: Grant H126A220039 had a period of performance end date of September 30, 2023. Any obligation made after this date, including the obligation made on October 17, 2023, would not be allowable to charge to this grant.

<u>Finding 2024-035</u>

Program: AL 84.425U – COVID-19 Education Stabilization Fund – American Rescue Plan – Elementary and Secondary School Emergency Relief Fund (ARP ESSER) – Reporting

Grant Number & Year: S425U210048, grant period ending 9/30/2024

Federal Grantor Agency: U.S. Department of Education

Criteria: 2 CFR § 170, Appendix A I. (January 1, 2024) state, in part, the following:

a. *Reporting of first-tier subawards.*

Applicability. Unless you are exempt as provided in paragraph d. of this award term, you must report each action that equals or exceeds $30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency . . . .

2. *Where and when to report.*

   i. *The non-Federal entity or Federal agency must report each obligating action described in paragraph a.1. of this award term to http://www.fsrs.gov.*

   ii. *For subaward information, report no later than the end of the month following the month in which the obligation was made.*

Good internal control requires procedures to ensure all subawards subject to Federal Funding Accountability and Transparency Act (FFATA) reporting are submitted on time.

Condition: FFATA reporting was not submitted for one of seven subawards/amendments tested.

Repeat Finding: 2023-028

Questioned Costs: None

Statistical Sample: No

Context: Per the usaspending.gov website, the Agency had reported 117 subawards/amendments obligated during the fiscal year ended June 30, 2024. We tested seven subawards/amendments. One of the amendments to a subaward was not reported in the FFATA Subaward Reporting Systems (FSRS) as of December 9, 2024. The Agency subsequently reported the amendment to FSRS on December 10, 2024, after we brought to its attention, which was 406 days late.

Transactions Tested	Subawards Not Reported	Subawards Not Reported Timely	Subawards Amount Incorrect	Subawards Missing Key Elements
7	1	0	0	0
Dollar Amount of Tested Transactions	**Subawards Not Reported**	**Subawards Not Reported Timely**	**Subawards Amount Incorrect**	**Subawards Missing Key Elements**
$ 1,026,490	$ 130,000	$ 0	$ 0	$ 0

Cause: Inadequate review and reporting procedures.

Effect: Without adequate procedures, there is an increased risk of noncompliance with Federal regulations.

Recommendation: We recommend the Agency review its procedures for FFATA reporting to ensure compliance with Federal requirements.

Management Response: NDE missed reporting this subaward which was corrected and submitted immediately after NDE became aware of the oversight.

GAME AND PARKS COMMISSION

Finding 2024-036

Program: AL 15.611 – Wildlife Restoration and Basic Hunter Education and Safety – Allowability & Subrecipient Monitoring

Grant Number & Year: F22AF01344-00, July 1, 2022, through June 30, 2025

Federal Grantor Agency: U.S. Department of the Interior

Criteria: For the Wildlife Restoration program, Title 50 CFR § 80.50(a)(6)(iii) (October 1, 2023) states, in part, "Grantees and subgrantees must follow the requirements at 2 CFR part 200 when acquiring equipment, goods, and services under an award[.]"

2 CFR § 200.332(d) (January 1, 2024) requires a pass-through entity to do the following:

> *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]*

2 CFR § 200.403 (January 1, 2024) requires costs to be necessary, reasonable, and adequately documented.

2 CFR § 200.430(i) (January 1, 2024) provides the following, in relevant part:

> *(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
>
> > *(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;*
> >
> > *(ii) Be incorporated into the official records of the non-Federal entity;*
> >
> > *(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);*
> >
> > ** * * **
> >
> > *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*
> >
> > *(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:*
> >
> > > ** * * **
> > >
> > > *(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.*

2 CFR § 200.431(b) (January 1, 2024) states, in relevant part:

> *The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:*
>
> *(1) They are provided under established written leave policies;*
>
> *(2) The costs are equitably allocated to all related activities, including Federal awards; and,*
>
> *(3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.*
>
> *(i) When a non-Federal entity uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment.*
>
> *(ii) The accrual basis may be only used for those types of leave for which a liability as defined by GAAP exists when the leave is earned. When a non-Federal entity uses the accrual basis of accounting, allowable leave costs are the lesser of the amount accrued or funded.*

2 CFR § 200.431(c) (January 1, 2024) states the following:

> *The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in §200.447); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.*

A good internal control plan requires procedures to ensure that salaries and wages, as well as other costs charged to subawards, are documented properly.

Condition: Adequate documentation was not on file to support a payment to a subrecipient.

Repeat Finding: No

Questioned Costs: $1,697 known

Statistical Sample: No

Context: We randomly selected 16 non-payroll documents to test. Our sample population included operating expenditures, capital outlay expenditures, and subrecipient reimbursements. One of 16 documents tested lacked adequate documentation to support that the costs were in accordance with Federal cost principles.

The Agency paid $17,268 to a subrecipient that submitted an invoice for lodging and travel costs, payroll, and indirect costs for one employee. The employee's base rate of $35.82 per hour for 378.5 hours worked on the grant was calculated according to the following: a pay rate of $24.76 per hour; a charge of 18% for paid time off; 22.6% for employer taxes and benefits; and 26.2% for indirect costs. However, the subrecipient provided no documentation, such as payroll records or bank statements, to support the payroll costs, totaling $17,110.

After the APA requested support, the Agency provided paystubs and detailed payroll records from the subrecipient's accounting system; however, based on the support provided, the wages, benefits, taxes, and indirect costs allocable to the grant totaled $15,413. As a result, we questioned the variance of $1,697 between the support provided and the amount charged to the grant for the payroll costs.

Federal payment errors noted for the sample tested were $1,697. The total Federal sample tested was $300,860, and the total sample population was $10,649,122. Based on the sample tested, the case error rate was 6.25% (1/16). The dollar error rate was 0.56% ($1,697/$300,860), which estimates the potential dollars at risk for fiscal year 2024 to be $59,635 (dollar error rate multiplied by the population).

Cause: Inadequate subrecipient monitoring procedures.

Effect: Without adequate subrecipient monitoring procedures and supporting documentation on file, there is an increased risk for not only misuse of Federal funds but also payments not complying with State and Federal requirements.

Recommendation: We recommend the Agency improve subrecipient monitoring to ensure both the allowability of costs and adherence to Federal regulations.

> **Management Response:** NGPC disagrees with the questioned costs identified by the APA. Our subrecipient policy includes the ability to ask for detailed records for any expense at any time. Accounting records, invoices, and paystubs were provided to substantiate the total invoice amount. The subrecipient has been audited and there were no issues with their financial systems. Explanations and calculations were provided to include the benefits and taxes paid out by the subrecipient, which matched the accounting records. Per their latest audit, these expenses are allocated on the basis of time and effort which complies with 2 CFR § 200.431(c). Performance reports were received and activity monitored by NGPC staff. NGPC works closely with the subrecipient which is considered a low-risk entity as demonstrated by the information provided for the audit.

APA Response: Documentation provided to the auditors was inadequate to support the full amount charged to the grant. Documentation was not provided to support that the paid time off charged to the grant was reasonable, and no support was provided for Federal and State unemployment taxes, workers' compensation costs, retirement plan fees, and other benefit costs.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2024-037

Program: AL 93.558 – Temporary Assistance for Needy Families; AL 93.566 – Refugee and Entrant Assistance; AL 93.568 – Low Income Home Energy Assistance (LIHEAP); AL 93.575 – Child Care and Development Block Grant; AL 93.658 – Foster Care Title IV-E; AL 93.659 – Adoption Assistance; AL 93.667 – Social Services Block Grant; AL 93.778 – Medical Assistance Program; AL 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – Allowable Costs/Cost Principles

Grant Number & Year: 2101NETANF, FFY 2021; 2301NERCMA, FFY 2023; 2401NERCMA, FFY 2024; 2301NELIEA, FFY 2023; 2301NECCDD, FFY 2023; 2301NEFOST, FFY 2023; 2401NEFOST, FFY 2024; 2401NEADPT, FFY 2024; 2301NESOSR, FFY 2023; 2401NESOSR, FFY 2024; 2405NE5ADM, FFY 2024; 202323S251443, FFY 2023

Federal Grantor Agency: U.S. Department of Health and Human Services and U.S. Department of Agriculture

Criteria: 45 CFR § 75.405(a) (October 1, 2023) and 2 CFR § 200.405 (January 1, 2024) state, in part, the following:

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

45 CFR § 75.403 (October 1, 2023) and 2 CFR § 200.403 (January 1, 2024) provide the following, in relevant part:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

** * * **

(g) Be adequately documented. See also §§ 75.300 through 75.309.

Per 45 CFR § 75.303 (October 1, 2023) and 2 CFR § 200.303 (January 1, 2024):

The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Title 45 CFR § 75.302 (October 1, 2023) and 2 CFR § 200.302 (January 1, 2024) require financial management systems of the State sufficient to permit preparation of required reports and permit the tracing of funds to expenditures adequate to establish the use of these funds were in accordance with applicable regulations.

Title 471 NAC 25, Attachment A, Claiming Issues, C. Offset of Revenues (eff. 10/4/2020), states, in part:

- *All applicable credits must be offset against claims for Medicaid funds. Applicable credits refer to those receipts or reduction of expenditure type transactions that offset or reduce expense items allocable to federal awards as direct or indirect costs;*

- *A program may not claim any federal match for administrative activities if its total cost has already been paid by the revenue sources above. A government program may not be reimbursed in excess of its actual costs, i.e., make a profit.*

- *The administrative costs incurred by DHHS to administer the School Based Admin program are: salaries, benefits, operating costs, and allocated costs (per the Nebraska Cost Allocation Plan). These costs are reported on the CMS-64.10 Base Line 29.*

- *DHHS will refund 50% of that fee to CMS and will be reported on form CMS 64-10 Base, Line 19.*

- *DHHS will subtract the amount received for the 3% fee from the total paid to the schools as a cost allocation adjustment and report the net amount CMS 64.10 Base form, Line 19. This will occur each quarter as part of the normal cost allocation adjustment process prior to running the final cost allocation module (distribution) in Enterprise One (NIS).*

Similar wording is found in the Medicaid School-Based Administrative Claiming Guide provided by the Centers for Medicare and Medicaid Services (May 2003), Section V ("Claiming Issues"), C. ("Offset Revenues"):

> *Certain revenues must offset allocation costs in order to reduce the total amount of costs in which the federal government will participate. To the extent the funding sources have paid or would pay for the costs at issue, federal Medicaid funding is not available and the costs must be removed from total costs . . . . The following include some of the revenue offset categories which must be applied in developing the net costs:*
>
> * * * *
>
> - *All applicable credits must be offset against claims for Medicaid funds. Applicable credits refer to those receipts or reduction of expenditure type transactions that offset or reduce expense items allocable to federal awards as direct or indirect costs.*
>
> - *A program may not claim any federal match for administrative activities if its total cost has already been paid by the revenue sources above. A government program may not be reimbursed in excess of its actual costs, i.e., make a profit.*

EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it.

Good internal control requires procedures to ensure that amounts charged to Federal funds are proper.

According to 45 CFR § 75.511(a) (October 1, 2023) and 2 CFR § 200.511(a) (January 1, 2024), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b) and 2 CFR § 200.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) and 2 CFR § 200.511(b)(1), adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) and 2 CFR § 200.511(b)(2), provide, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: Procedures to ensure journal entries and adjustments to the Public Assistance Cost Allocation Plan (PACAP) were not adequate, resulting in multiple Federal programs being overcharged. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as completed.

Repeat Finding: 2023-029

Questioned Costs: $1,405,085 known

AL #	Grant #	Questioned Costs (Federal Share)
93.558	2101NETANF	$ 106,148
93.566	2301NERCMA	$ 6,146
93.566	2401NERCMA	$ 7,923
93.568	2301NELIEA	$ 480,466
93.575	2301NECCDD	$ 83,171
93.658	2301NEFOST	$ 10,884
93.658	2401NEFOST	$ 192,618
93.659	2401NEADPT	$ 14,487
93.667	2301NESOSR	$ 40,119
93.667	2401NESOSR	$ 151,139
93.778	2405NE5ADM	$ 20,407
10.561	202323S251443	$ 291,577

Statistical Sample: No

Context: We selected 10 journal entries related to the PACAP. We noted the following:

- One journal entry to reconcile Supplemental Nutrition Assistance Program (SNAP) expenditures to the PACAP did not properly account for $54,344 paid to Equifax Workforce Solutions for employment verification and credit reporting services utilized by the SNAP. As a result, Federal funds were overcharged by $27,172 and are considered questioned costs.

- One journal entry moved $2,900,000 in expenses from cost center 25C20990 to cost center 25C21960 and 25C23001. Cost center 25C20990 is allocated to numerous Federal and State programs using program recipient counts to split up the costs. Meanwhile, cost center 25C23001 allocates 50% of the costs directly to Medicaid, and cost center 25C21960 is allocated to Economic Assistance programs using random moment time study (RMTS) results. Moving expenses between these cost centers caused amounts considered unallowable, or unsubstantiated, to be charged to Federal programs. As a result, the following programs were overcharged:

AL#	Program	Questioned Costs (Federal Share)
93.558	TANF	$ 106,148
93.566	Refugee Assistance	$ 6,146
93.568	LIHEAP	$ 480,466
93.575	Child Care	$ 83,171
93.658	Foster Care	$ 10,884
93.667	SSBG	$ 40,119
10.561	SNAP	$ 264,405

We also selected five adjustments made to the PACAP and noted the following:

- One adjustment was related to the Medicaid School-based Administration program. The Agency uses a contractor to determine the allowable Medicaid activities by school district. The Agency then makes payment to the schools for the Federal share of expenses. Schools are responsible for providing matching funds. However, the Agency does not make payment for the entire Federal share due. The Agency subtracts a 3% fee for administration. The Agency then essentially pays itself through a reconciliation journal entry. Below is the adjustment performed for the quarter ended December 31, 2023:

Total Claim	Federal Share	Matching	Schools Received	3% Fee
$ 2,707,096	$ 1,360,458	$ 1,346,638	$ 1,319,643	$ 40,814

  Administrative costs of the Agency are distributed through the PACAP to benefitting programs, and would include charges to Medicaid; therefore, the Federal portion of the 3% administration fee should be credited back to Medicaid; but was not. Therefore, we question the Federal share of $20,407 for the quarter tested.

- One adjustment was done to fix allocation errors made on the PACAP for the quarter ended September 30, 2023. There are 42 cost centers on the PACAP that are allocated each quarter based on various statistics. Of these 42 cost centers, 32 were allocated using incorrect statistics. When the Agency tried to correct these errors, multiple calculation errors were made, resulting in numerous undercharges and overcharges. As a result, the following programs were overcharged:

AL#	Program	Questioned Costs (Federal Share)
93.659	Adoption Assistance	$ 14,487
93.566	Refugee Assistance	$ 7,923
93.658	Foster Care	$ 192,618
93.667	SSBG	$ 151,139

Cause: Inadequate procedures to ensure that adjustments to the PACAP are proper and that journal entries are appropriate for each program.

Effect: Unallowable expenditures were charged to Federal funds and an increased risk for errors, fraud, and noncompliance with Federal regulations.

Recommendation: We recommend the Agency strengthen procedures to ensure adjusting entries are complete and accurate. We further recommend the Agency strengthen procedures to ensure compliance with Federal regulations.

Management Response:

Journal Entry out of 25C20990: Agency agrees. The repeat finding relating to the $2.9m Journal Entry is a repeat due to the JE having occurred QE 9/30/23 which is prior to the FY23 Audit Exit being distributed and prior to the corrective action plan having been completed. Corrective Action for this item was completed as part of the FY23 Corrective Action Plan in April 2024. It should be noted that the impact of this, along with most Cost Allocation impacts, also includes undercharges to Federal Grants. Net overcharge to Federal grants is approximately $300,000.

Allocation Errors in the PACAP: Agency agrees. There was a systemic issue with allocations in the 9/30/23 quarter caused by the vendor that used to process the Agency's cost allocation plan. This was the last quarter that the vendor performed services for the Agency. DHHS was in tandem setting up the new cost allocation system, which caused more constraints on staff, resulting in inadequate review of the vendor's work. It is noted that Federal undercharges also occurred, netting to an approximately $85,000 undercharge to Federal Grants. Since the new vendor was exclusively implemented, staff no longer have time constraints which affect their ability to perform adequate vendor reviews.

School-Based Admin: Agency disagrees that the Administrative Fee is being handled incorrectly, as the current process has been vetted and approved through CMS. The current process has been in effect since 2017 and has not been flagged by CMS during that time.

APA Response: While the APA acknowledges that some undercharges may have occurred, it would not be appropriate to net undercharges of one program with overcharges to another program. The Agency was unable to provide any documentation to support the Federal grantor approved the handling of the administrative fee.

Finding 2024-038

Program: AL 93.558 – Temporary Assistance for Needy Families; AL 93.563 – Child Support Services; AL 93.566 – Refugee and Entrant Assistance; AL 93.568 – Low Income Home Energy Assistance (LIHEAP); AL 93.575 – Child Care and Development Block Grant; AL 93.658 – Foster Care Title IV-E; AL 93.659 – Adoption Assistance; AL 93.667 – Social Services Block Grant; AL 93.767 – Children's Health Insurance Program; AL 93.778 – Medical Assistance Program; AL 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – Allowable Costs/Cost Principles

Grant Number & Year: 2101NETANF, FFY 2021; 2401NESCSS, FFY 2024; 2401NERCMA, FFY 2024; 2401NELIEA, FFY 2024; 2401NECCDD, FFY 2024; 2401NEFOST, FFY 2024; 2401NEADPT, FFY 2024; 2401NESOSR, FFY 2024; 2305NE3002, FFY 2023; 2405NE5ADM, FFY 2024; 202424S251443, FFY 2024

Federal Grantor Agency: U.S. Department of Health and Human Services and U.S. Department of Agriculture

Criteria: 45 CFR § 75.303 (October 1, 2023) and 2 CFR § 200.303 (January 1, 2024) state, in relevant part, the following:

The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

45 CFR § 75.403 (October 1, 2023) and 2 CFR § 200.403 (January 1, 2024) require costs to be necessary, reasonable, and adequately documented.

45 CFR § 75.302 (October 1, 2023) and 2 CFR § 200.302 (January 1, 2024) require financial management systems of the State sufficient to permit both preparation of required reports and tracing of funds to expenditures adequate to establish that the use of those funds was in accordance with applicable regulations.

45 CFR § 75.405(a) (October 1, 2023) and 2 CFR § 200.405(a) (January 1, 2024) state, in part, the following:

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

45 CFR § 75.430(i) (October 1, 2023) and 2 CFR § 200.430(i) (January 1, 2024) state, in relevant part, the following:

> *(5) For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of or in addition to the records described in paragraph (i)(1) of this section if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, "rolling" time studies, case counts, or other quantifiable measures of work performed.*
>
> > *(i) Substitute systems which use sampling methods (primarily for Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:*
> >
> > > *(A) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (i)(5)(iii) of this section;*
> > >
> > > *(B) The entire time period involved must be covered by the sample; and*
> > >
> > > *(C) The results must be statistically valid and applied to the period being sampled.*

Per the Public Assistance Cost Allocation Plan (PACAP), "Time and Effort Reporting means employee reporting of the amount of time they expend on specific programs and activities. Reporting is accomplished by coding time to specific programs or activities on the employee's time card."

Per the State of Nebraska's Work Instruction Document for Cost Allocation, Quarterly Statistics Gathering and Compilation, formatting the Time and Pay report used for labor hour allocations, includes, "Sort through the 'Hours' column removing any negative and 0 hours."

Good internal control requires procedures to ensure that amounts charged to Federal programs are proper.

Condition: The Agency did not properly charge Federal programs for 21 of 28 allocations tested. A similar finding has been noted since 2013.

Repeat Finding: 2023-030

Questioned Costs: $3,403,410 known

AL #	Grant #	Questioned Costs (Federal Share)
93.558	2101NETANF	$ 290,008
93.563	2401NESCSS	$ 58,801
93.566	2401NERCMA	$ 23,804
93.568	2401NELIEA	$ 576,570
93.575	2401NECCDD	$ 273,059
93.658	2401NEFOST	$ 79,950
93.659	2401NEADPT	$ 95,208
93.667	2401NESOSR	$ 151,879
93.767	2305NE3002	$ 22,341
93.778	2405NE5ADM	$ 412,164
10.561	202424S251443	$ 1,419,626

Statistical Sample: No

Context: We tested 28 PACAP allocations. We noted errors for 21 of 28 allocations tested, resulting in various programs undercharged or overcharged. We consider the overcharges to be questioned costs. We noted the following:

Time and Effort Report Allocations
Three of three cost allocations tested based on Time and Effort reporting were incorrect, resulting in questioned costs of $904,248.

- We tested the allocation of cost center 25C21940 Field Office Resource Development for the quarter ended December 31, 2023, which allocated $1,266,933 of administrative costs, based on Time & Effort reports. The statistics used to calculate this allocation were not calculated correctly by the Agency. Negative hours should have been removed, and the percentage of costs split between Medicaid and CHIP was incorrect. Additionally, the payroll costs for 74 employees were charged to the cost center; however, three of the employees' payroll costs should not have been charged to the cost center. The three employees included two Child and Family Services Specialist Supervisors (CFSSS) and a Program Specialist. The two CFSSS employees were, at one time, Resource Developers; however, when their roles changed, their pay source was not updated. The Program Specialist has been a Program Specialist since he was hired in April 2022. Two of the employees were noted as incorrect in the prior audit, but the Agency failed to update the system. As a result of these employees being charged to the Resource Development cost center instead of their appropriate cost centers, numerous programs were not charged correctly. Because of the error in allocation and the error in employee time coding, we questioned $27,988 costs for Foster Care.

- We tested the allocation of cost center 25C20680 LS [Legal and Regulatory Services] General Teams for the quarter ended June 30, 2024, which allocated $1,275,286 of administrative costs, based on Time & Effort reports. Because of the issues detailed below, we question all Federal share of costs for cost center 25C20680 and 25C20710 for the quarter, totaling $608,069.

    - The cost center was not allocated using the Federally approved Time and Effort method. The Agency provided, "Unfortunately, we didn't get a chance to update our PCAP to reflect the change on this allocation method. For this group, we have change [sic] the method from Time and Effort to Time Study."

    - The Agency's time study consisted of hours worked for 11 of the 52 employees coded to the cost center. The hours used were from three weeks (July 24, 2023, to August 11, 2023). This does not appear adequate, as only 11 employees for three weeks were included, and this method was not approved by the Federal grantor. A similar time study was used for cost center 25C20710 (LS Hearing Team) to allocate $263,134.

    - The allocation statistics the Agency calculated for cost center 25C20680 were used on cost center 25C20710, and the allocation statistics calculated for cost center 25C20710 were used on cost center 25C20680, causing major variances in how the costs were allocated.

    - A business unit included in cost center 25C20680 should have been coded to cost center 25C20710.

    - Two employees paid from cost center 25C20680 (an Internal Auditor and Office Technician) were not involved in the LS General Teams and should not have been paid from the cost center.

- We tested the allocation of cost center 25C20945 IST Fiscal Projects Administration for the quarter ended December 31, 2023, which was to allocate $524,480 of administrative costs, based on "a statistical analysis activity benefiting specific programs that IST Finance is responsible for processing." The PACAP contradicts itself, later listing the allocation method of this cost center as a "Time and Effort" statistic. During testing, we noted the cost center was using a statistic prepared by "analysis" prior to December 31, 2020, and the same numbers have been used since then. Because the statistic used is clearly outdated, we question the Federal share of the entire allocation, totaling $268,191.

Questioned costs by Program for Time and Effort Allocations are as follows:

AL #	Program	Questioned Costs (Federal Share)
93.558	TANF	$ 80,452
93.563	Child Support	$ 58,801
93.566	Refugee Assistance	$ 812
93.568	LIHEAP	$ 65,166
93.575	Child Care	$ 14,055
93.658	Foster Care	$ 73,194
93.659	Adoption Assistance	$ 1,880
93.667	SSBG	$ 23,031
93.767	CHIP	$ 11,549
93.778	Medicaid	$ 412,024
10.561	SNAP Administration	$ 163,284

RMTS Allocations
For five of five allocations tested based on Random Moment Time Study (RMTS) observations, the RMTS Summary report was not allocated correctly to the various State and Federal programs, resulting in $104,074 in Federal questioned costs. The following RMTS allocations were tested:

Allocation Tested	Total Allocated for Quarter Ended	
	December 31, 2023	June 30, 2024
Protection & Safety (P&S)	$ 14,802,948	$ 12,316,828
Economic Assistance	$ 7,770,823	$ 9,038,326
P&S IV-E and Non IV-E	$ 2,489,656	

- RMTS observations were not properly determined. We reviewed two quarters to determine if observations were correctly counted. The December quarter allocation included 3,613 activity observations, and the June quarter included 4,382 observations. We noted the following:

    - 23 RMTS observations were "reassigned" and coded to a response that was different from the original response. The original observation would have been charged to State funding; however, reassigning resulted in the observations being allocated to various Federal programs.

    - Five observations were not included on the quarterly reports because these reports were created before all observations for the quarter were submitted.

    - Two observations were validated by a supervisor; however, they were reassigned to a different activity. The Agency was unable to provide an explanation for why these observations were reassigned after being validated.

  - One observation was not included on the quarterly report. The Agency was unable to identify which response was not included or why it was not included.

- The Agency did not properly allocate observations in accordance with the PACAP for 2 of the 83 activities in the quarter ended December 31, 2023, and 3 of the 76 activities in the quarter ended June 30, 2024:

  - One RMTS observation for the December quarter and 13 June quarter observations were to SNAP and AABD, which, per the PACAP, should be coded half to SNAP and half to State. The Agency incorrectly coded one-third to SNAP, one-third to State, and one-third to SSBG.

  - One June quarter observation was for TANF, Employment First, and SNAP. As this is coded to three activities, it should be split three ways, but the Agency allocated half to TANF and half to SNAP.

  - Per the PACAP, Child Protection Initial Assessment is allocated to Foster Care, Guardianship, and Adoption. For both quarters tested, there was an observation not split between all applicable programs.

- The P&S IV-E and Non-IV-E allocation for the quarter ending December 31, 2023, included expenses from two business units, totaling $2,466,426, that should have been included in the cost center for Case Management Training. As a result, Foster Care was undercharged, and Adoption and Guardianship were overcharged.

Questioned costs by Program for RMTS Allocations are as follows:

AL #	Program	Questioned Costs (Federal Share)
93.558	TANF	$ 1,620
93.566	Refugee Assistance	$ 434
93.568	LIHEAP	$ 11,133
93.575	Child Care	$ 2,880
93.659	Adoption Assistance	$ 47,046
93.667	SSBG	$ 34,046
93.778	Medicaid	$ 140
10.561	SNAP Administration	$ 6,775

Labor Hours Statistics
The PACAP includes 38 cost centers allocated to State and Federal programs through labor hours. Over $65 million in costs were allocated by labor hours during the 2024 State fiscal year. We tested six of these allocations, and all six allocations had errors. Below is a summary of allocations tested:

Cost Center	Quarter Ending	Amount Allocated
25C20960 IST Technical Services	December 31, 2023	$ 4,646,416
25C21910 Field Office Administration	December 31, 2023	$ 2,600,627
25C20280 HRD Human Resources	December 31, 2023	$ 1,531,700
25C20936 Service Area Field Office Rent	June 30, 2024	$ 1,829,713
25C20020 Central Services & Supplies	June 30, 2024	$ 1,307,179
25C21430 Children & Family Services Director’s Office	June 30, 2024	$ 765,025

We noted the following issues:

- The PACAP defines various labor hour (LH) statistics to be used to allocate costs. Labor hour statistics used were incorrect.
    - LH1 statistics should include all Agency hours *worked* (i.e., does not include paid leave) and exclude two-thirds of the labor hours from 24-hour facilities. The Agency did not remove negative hours and did not exclude two-thirds of the hours in the 24-hour facilities. LH1 also excluded hours from numerous cost centers that should have been included.
    - The LH2 statistic (LH1 hours excluding all hours worked in field offices and 24-hour facilities) incorrectly included hours from five field office cost centers, totaling 627,646 hours. Additionally, hours from two cost centers, totaling 119 hours, were improperly excluded.
    - The LH4 statistic (which is based on hours *paid*, including leave hours) did not remove negative hours and did not include leave pay type codes (such as civil leave, injury leave, and holiday leave). In addition, for one quarter tested, the Agency incorrectly applied the Medicaid match rate to the Medicaid hours, thus undercharging Medicaid and overcharging multiple Federal programs.
    - One cost center tested should have included labor hours for the division. The total hours used should have been 857,278, but the Agency failed to include three cost centers, totaling 10,065 hours. Additionally, one cost center with 1,036 hours was included twice.
- The Agency implemented new allocation software starting with the quarter ended December 31, 2023. Two of six allocations tested were not set up properly.
    - Human Resource Development costs should have been allocated to 169 benefiting cost centers but were only allocated to four cost centers.
    - LH4 statistics were not applied properly in the cost allocation software, resulting in three unrelated cost centers being overcharged, while not charging any costs to six of the cost centers that should have been included.

The errors noted above resulted in numerous misallocations, with many programs having undercharges and/or overcharges. Due to the intricacies of the PACAP allocations, we were unable to determine total questioned costs. However, we were able to identify the following overcharges that we consider to be questioned costs.

AL	Program	Federal Questioned Costs
10.561	SNAP Administration	$ 673,143
93.568	LIHEAP	$ 445,750
93.575	Child Care and Development Block Grant	$ 138,788
93.558	TANF	$ 123,341
93.667	SSBG	$ 64,271
93.566	Refugee Assistance	$ 16,120
93.767	CHIP	$ 10,792

Direct Allocations
For 1 of 10 direct allocations tested, the amount directly allocated to a final cost center or method of allocation was incorrect, based on the Federally approved Public Assistance Cost Allocation Plan (PACAP).

We tested the allocation of cost center 25C21795 (Protection and Safety New Worker training) for the quarter ending December 31, 2023, in the amount of $484,991, which is directly (i.e., 100%) allocated to Foster Care. We noted four business units mapped to the wrong cost center, which resulted in $26,802 questioned costs for Adoption Assistance.

Recipient Counts
The PACAP includes five cost centers allocated to State and Federal programs based on recipient counts per NFOCUS and MMIS reports. NFOCUS and MMIS are applications used to manage various programs such as SNAP, Child Care, TANF, and Medicaid. Over $28 million in costs were allocated using these counts during the State fiscal year 2024. We tested the allocations for three quarters and noted all three were incorrect because the recipient counts used in the allocations did not agree to support. We noted the following:

- The Agency did not maintain the detail for the recipients of Medicaid or the Children's Health Insurance Program (CHIP). The numbers used in the allocations for Medicaid and CHIP were maintained on a summary spreadsheet. The counts used for all three allocations tested, pulled from the summary spreadsheet, did not include Medicaid Expansion recipients in the count of Medicaid recipients, thus undercharging Medicaid for all three quarters tested and overcharging all other programs included in the allocation. Furthermore, when we requested detailed reports to support the numbers on the summary spreadsheet, the Agency was unable to provide detailed reports at the time of the allocation. Instead, the reports showed recipients for Medicaid and CHIP for December 2023, March 2024, and June 2024, as of September 2024. The detailed report did not agree to the summary spreadsheets.

- One cost center for the Expansion Call Center used outdated counts, dating back to at least the quarter ending December 31, 2020.

- Multiple other recipient counts were off due to clerical errors:

    - The counts for TANF Solely State Funded Plan were wrong for each quarter tested. The December, March, and June quarter counts included 0, 1,623, and 2,072 recipients when the supported number was 1,623, 1,832, and 1,985, respectively.

    - The March quarter counts for SNAP included 2,000 fewer recipients than what was supported.

    - The March quarter counts included an additional 26 recipients in AABD – State Supplement.

    - The June quarter counts included an additional 19 recipients for "DD SERVICE COORDINATION – State Only" and 1 additional recipient for Child Welfare that were unsupported.

We recalculated each quarter's allocation, based on the supported recipient counts available, and have the following questioned costs:

AL	Program	Federal Questioned Costs	
10.561	SNAP Administration	$	576,424
93.558	TANF	$	84,595
93.566	Refugee Assistance	$	6,438
93.568	LIHEAP	$	54,521
93.575	Child Care and Development Block Grant	$	117,336
93.658	Foster Care (Title IV-E)	$	6,756
93.659	Adoption Assistance	$	19,480
93.667	SSBG	$	30,531

Other
We tested the allocation of cost center 25C23823 iServe IAPD H971 – Shared, which allocated $13,523,554 in project costs. The iServe Nebraska Portal, which is an application for Nebraskans to apply for benefits from Federal and State programs, began implementation in July 2021, and went live in October 2023, replacing ACCESSNebraska. For the implementation phase of the project, the Agency allocated costs to only the following four programs: LIHEAP, TANF, SNAP, and Medicaid. However, there are other Federal and State programs that will utilize the iServe application. We reviewed documentation obtained in the prior year, including correspondence from the Agency's Federal contacts, which stated, "As long as SNAP, Medicaid, LIHEAP, and TANF are the only benefiting programs for the State's iServe Nebraska Portal project, the State may just include these four programs in the development of its cost allocation plan. If/when the State decides to add other Federal programs that will benefit from enhancements to the portal, it will need to revisit and adjust its cost allocation plan."

In addition to SNAP, Medicaid, LIHEAP, and TANF, other programs went live during the fiscal year, including Child Care, SSBG, Refugee Assistance, and various State programs. We noted the following:

- The SSBG program began implementation October 1, 2023, and went live April 1, 2024, but no costs were allocated to the program.

- The Refugee Assistance program began implementation on March 1, 2024, but no costs were allocated to the program.

- The allocation method had been updated by the Federal grantor as of October 1, 2023; however, the Budget Team was unaware of this update until our inquiry. The allocation now includes Child Care and some State-funded programs, such as Assistance to the Aged, Blind, or Disabled Program and State Disability Program. The new allocation was approved for the quarter ended December 31, 2023, and the Agency made adjustments to allocate those costs. However, the implementation date began in 2021 and, as noted in the prior audit, the Agency did not allocate any implementation costs to these programs.

  This does not agree with "APPENDIX D – Benefit Programs Associated With iServe Portal and iServe IBEEM Projects," which includes more benefitting programs than the allocation method used.

We were unable to determine questioned costs for the cost center. The total costs allocated from the iServe project for fiscal year 2024 are noted below.

Program	Fiscal Year 2024 Costs	Federal Share
Medicaid	$ 6,354,413	$ 5,718,972
SNAP	$ 6,354,413	$ 3,177,206
LIHEAP	$ 193,331	$ 193,331
TANF	$ 150,524	$ 150,524
Child Care	$ 307,800	$ 307,800
State Programs	$ 163,073	
Total	**$ 13,523,554**	**$ 9,547,833**

Cause: Inadequate procedures to ensure that allocations were adequately supported and calculated correctly.

Effect: Without adequate documentation to support the allocation of costs, there is increased risk of programs not being charged the proper amounts.

Recommendation: We recommend the Agency improve procedures to ensure that employee pay is recorded correctly in E1; system reports are set up correctly, and formatting instructions are followed; and costs are properly allocated and charged, based on supporting documentation.

Management Response:

Time and Effort: Agency partially agrees. A retroactive PACAP amendment has been submitted for the Legal cost center allocation method changes (from Time and Effort to Time Study). Note the change in allocation method is not materially different in that both methods are calculating hours spent in support of programs/activities. The time study consists of the hours of the Attorneys in each cost center (the referenced 11 staff). The additional staff that were not part of the time study are the support staff (Paralegals and admins) to the Attorneys, whose hours would be indicative of the hours spent on projects and activities by the Attorneys. The approved PACAP had already stated that the Time and Effort reporting was from the Attorneys (for Legal Hearings cost center, they are referred to as "Hearing Officers"). Federal undercharges did occur and incorporating them into the finding changes it from an overcharge of $608,000 to a net Federal overcharge of $41,000. Regarding the IST Fiscal Projects Admin cost center, Agency agrees that method was outdated and agrees to the questioned cost.

RMTS Allocations: Agency agrees. It should be noted that the Agency reassigned the cases due to having the knowledge that staff incorrectly selected the state-only response "Non-DHHS Activities", which is used for staff members who are temporarily reassigned off their current caseworker role and are performing activity unrelated to any of the work covered under the RMTS system vs. the intended "General Administration" activity.

Labor Hours Statistics: Agency Agrees. Significant Federal undercharges also occurred and will be netted with the Federal overcharges.

Recipient Counts: Agency Agrees. Significant Federal undercharges also occurred and will be netted with the Federal overcharges.

Other: Agency will continue to update the allocation of iServe in accordance with the most recent CMS approved Advanced Planning Documents.

APA Response: While the APA acknowledges that some undercharges may have occurred, it would not be appropriate to net undercharges of one program with overcharges to another program.

Finding 2024-039

Program: AL 93.778 - Medical Assistance Program; AL 93.959 - Block Grants for Prevention and Treatment of Substance Abuse; AL 93.767 - Children's Health Insurance Program; AL 93.575 – Child Care and Development Block Grant; AL 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – Allowable Costs/Cost Principles

Grant Number & Year: 2405NE5ADM, FFY 2024; 2305NE5ADM, FFY 2023; 23B1NESAPT, FFY 2023; 20242S251443, FFY 2024; 2301NECCDD; FFY 2023; 52305NE3002; FFY 2023

Federal Grantor Agency: U.S. Department of Health and Human Services and U.S. Department of Agriculture

Criteria: 45 CFR § 75.405(a) (October 1, 2023) and 2 CFR § 200.405 (January 1, 2024) state, in part, the following:

> *A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.*

45 CFR § 75.403 (October 1, 2023) and 2 CFR § 200.403 (January 1, 2024) provide the following, in relevant part:

> *Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*
>
> > *(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.*
> >
> > * * * *
> >
> > *(g) Be adequately documented. See also §§ 75.300 through 75.309.*

Per 45 CFR § 75.303 (October 1, 2023) and 2 CFR § 200.303 (January 1, 2024):

> *The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

45 CFR § 75.430(i) (October 1, 2023) and 2 CFR § 200.430(i) (January 1, 2024) require payroll expenses charged to Federal awards to be based on official records that accurately reflect the work performed.

Good internal control and sound accounting practices require policies and procedures to ensure that all payroll costs are properly recorded within the State accounting system and allocated to the proper funding source for activities performed.

Condition: The Agency did not have adequate procedures to ensure payroll charges were proper. A similar finding was noted in the prior audit. We also noted no attempt was made to recover apparently fraudulent payroll expenses.

Repeat Finding: 2023-031

Questioned Costs: $11,866 known

AL	Grant #	Questioned Costs (Federal Share)
93.778	2405NE5ADM	$ 857
93.778	2305NE5ADM	$ 7,780
93.959	23B1NESAPT	$ 2,963
10.561	202424S251443	$ 90
93.767	52305NE3002	$ 86
93.575	2301NECCDD	$ 90

Statistical Sample: No

Context: We tested 25 employee paychecks paid with Federal funds. Five of the 25 employees tested had payroll charged to the Substance Abuse and Prevention Block Grant (SAPTBG). We tested the May 1, 2024, paycheck for an Administrator. Payroll expenses were allocated 100% to the SAPTBG. However, the Agency could not provide documentation to show that 100% of the Administrator's time was working on projects related to the SAPTBG. Based on some of the job duties of the employee, it appeared some time could have been coded to the Community Mental Health Services grant. All payroll for the period was questioned. Federal SAPTBG payroll charges tested totaled $6,908, and we noted $2,963 in sampled questioned costs. Federal payroll charges for SAPTBG totaled $473,739.

We tested the January 24, 2024, paycheck for an IT Business Systems Analyst and noted the initial payroll expenses were split among several Economic and Assistance programs based on a time study that was effective during fiscal year 2022. Per the Fiscal Project Analyst, an updated study had not been done and should be done annually. The payroll expenses charged to the cost center were then allocated based on a time and effort study that had not been updated since at least September 2020. Payroll expenses charged to the Federal programs were questioned, and potential dollars at risk totaled over $5,000,000.

Program	Federal Payment Errors Noted in Sample	Federal Sample Tested	Dollar Error Rate	Total Population	Potential Dollars at Risk
Medicaid	$ 857	$ 7,152	11.98%	$ 36,115,954	$ 4,326,691
SAPTBG	$ 2,963	$ 6,908	42.89%	$ 473,739	$ 203,187
Child Care	$ 90	$ 4,763	1.89%	$ 5,719,098	$ 180,091
SNAP	$ 90	$ 1,132	7.95%	$ 7,338,387	$ 583,402
CHIP	$ 86	$ 434	19.82%	$ 197,728	$ 39,190
Totals	**$ 4,086**	**$ 20,389**		**$ 49,844,906**	**$ 5,332,561**

Additionally, we reviewed the disciplinary actions against employees during the fiscal year. One employee tested was terminated on September 26, 2023, for falsifying the number of overtime hours worked. While working remotely on Saturday and Sundays, the employee would work only 30-60 minutes; however, he would then claim 10 hours of overtime for both of those days. The Agency reviewed the employee's overtime hours reported to the supervisor, the KRONOS timecards, and time stamps of the work completed outside the employee's scheduled shifts for the timeframe of May 7, 2023, through August 11, 2023.

The employee reported and was paid for 469.5 overtime hours; however, the Agency determined the employee worked only 34.5 hours of overtime, a difference of 435 hours. The employee was paid $17,052 for overtime hours that were never worked in just a three-month timeframe. During fiscal year 2024, the Medicaid grant was overcharged $7,780 in apparently fraudulent payroll expenses for this employee. The employee was terminated, but no further action was taken against him. Moreover, no attempt was made to recover the amounts paid to the employee for the falsification of hours worked.

Cause: Inadequate policies and procedures for review and documentation of payroll expenses.

Effect: Without adequate documentation to support the allocation of costs, there is an increased risk of programs not being charged the proper amounts.

Recommendation: We recommend the Agency improve procedures to ensure that employee pay is recorded correctly in the State accounting system, and those costs are properly allocated and charged.

Management Response: Agency agrees.

Finding 2024-040

Program: AL 93.658 – Foster Care Title IV-E – Allowable Costs/Cost Principles

Grant Number & Year: 2401NEFOST, FFY 2024

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.405(a) (October 1, 2023) states, in part, the following:

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

45 CFR § 75.403 (October 1, 2023) provides the following, in relevant part:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

* * * *

(g) Be adequately documented. See also §§ 75.300 through 75.309.

Per 45 CFR § 75.303 (October 1, 2023):

The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Per the CAP's RMTS Time Study Design/Coding Structure:

[P]articipants are asked whether they are working on an activity that is client related. If they select "Yes" to this question, they are asked to identify the Case ID and type of case . . . .

Per the CAP's RMTS Survey Validation:

The contractor and the NE DHHS staff review subsample responses to ensure the activity selected matches the description provided. If the activity and description do not match, the participant is notified and the moment is considered invalid.

Title 45 CFR § 75.511(a) (October 1, 2023) and 2 CFR § 200.511(a) require the auditee to prepare a summary schedule of prior audit findings. Subsection (b)(2) of both regulations provides the following, as is relevant:

> *When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken.*

Good internal control and sound accounting practices require procedures to ensure that staff know how to complete accurate random moment time studies, which are used to allocate costs to Federal programs.

Condition: The Agency did not have adequate procedures to ensure payroll charges were proper. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as completed.

Repeat Finding: 2023-032

Questioned Costs: $25,554 known

Statistical Sample: No

Context: The Random Moment Time Study (RMTS) is conducted on an ongoing basis to provide data for the allocations of direct and indirect costs to various programs. The objective is to identify employee efforts directly related to programs administered by the Agency. We tested 40 validated RMTS surveys and noted that inadequate documentation was provided on 5 of 6 surveys charged to Foster Care IV-E (Federally funded).

Due to findings noted for the Foster Care program, we tested four additional RMTS surveys coded to Foster Care IV-E cases. We noted inadequate documentation was available for two Foster Care IV-E surveys.

For 7 of 10 surveys tested, the workers erroneously reported working on a Foster Care IV-E case when the survey should have been reported as Foster Care Non IV-E; therefore, Foster Care IV-E was overcharged.

Total known Federal payment errors, amount tested, error rate (amount of errors/amount tested), total dollars charged via RMTS, and potential dollars at risk (dollar rate multiplied by the population total dollars charged) are summarized below:

Program	Federal Payment Errors in Sample	Federal Sample Tested	Dollar Error Rate	Total Federal Funds Charged via RMTS in FY24	Potential Dollars at Risk
Foster Care	$ 25,554	$ 33,779	75.65%	$ 13,887,242	$ 10,505,699

Cause: The Agency's training of staff and supervisor reviews of RMTS surveys were not sufficient to ensure the surveys were accurately completed.

Effect: Random moment sampling is based on the laws of probability, which state, in essence, that there is a high probability that a relatively small number of random surveys will yield an accurate depiction of the overall characteristics of the population for which the sample was taken. If RMTS surveys are not accurate, there is an increased risk costs will be allocated incorrectly between programs.

Recommendation: We recommend the Agency improve procedures to ensure that random moment surveys are accurate and adequately reviewed.

Management Response: Agency agrees.

Finding 2024-041

Program: AL 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability & Subrecipient Monitoring

Grant Number & Year: 2101NETANF, FFY 2021

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.352 (October 1, 2023) requires a pass-through entity to do the following:

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward . . .

** * * **

(f) Verify that every subrecipient is audited as required by subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 75.501.

45 CFR § 75.403 (October 1, 2023) requires costs to be reasonable, necessary, determined in accordance with generally accepted accounting principles (GAAP), and adequately documented.

Per 45 CFR § 75.430(i), standards for documentation of personnel expenses:

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);

(iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;

** * * **

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards . . . [.]

Per 45 CFR § 75.431(c):

> *The cost of fringe benefits . . . must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.*

Per the subaward agreement, "Under this Subaward, DHHS shall only pay for actual and allowable costs."

Good internal control requires procedures to ensure State and Federal requirements are met.

Condition: Subrecipient monitoring procedures should be improved.

Repeat Finding: 2023-039

Questioned Costs: $1,701 known

Statistical Sample: No

Context: There were 17 subrecipients paid a total of $18,122,989 during the fiscal year. We tested one payment to one subrecipient. When the desk review did not maintain adequate documentation, we provided the Agency with the opportunity to obtain additional support from the subrecipient. The payment did not have adequate support for salaries and benefits. Time records did not reflect the total activity for employees, and fringe benefits were based on budgeted amounts instead of actual costs. After considering subsequent documentation received, $1,701 remained unsupported. The payment tested was $132,711, and we question $1,701. The subrecipient was paid $1,871,251 during the fiscal year.

We also noted this subrecipient should have had a Single audit submitted for the fiscal year ended June 30, 2022, by March 31, 2023, and a Single audit for the fiscal year ended June 30, 2023, submitted by March 31, 2024; however, neither had been submitted at the time of fieldwork on November 1, 2024.

Cause: Inadequate review procedures.

Effect: Noncompliance with Federal regulations and an increased risk for fraud or errors to occur.

Recommendation: We recommend the Agency improve procedures to ensure compliance with Federal regulations, including cost principles. We further recommend the Agency improve procedures to ensure that subrecipients have a Single audit completed and submitted as required.

> **Management Response:** The agency agrees with the finding.

<u>**Finding 2024-042**</u>

Program: AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Allowability & Eligibility

Grant Number & Year: 2401NERCMA, FFY 2024; 2301NERCMA, FFY 2023

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.303 (October 1, 2023):

The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Title 45 CFR § 400.53 (October 1, 2023) states the following:

(a) Eligibility for refugee cash assistance is limited to those who—

(1) Are new arrivals who have resided in the U.S. less than the RCA eligibility period determined by the ORR Director in accordance with § 400.211;

(2) Are ineligible for TANF, SSI, OAA, AB, APTD, and AABD programs;

(3) Meet immigration status and identification requirements in subpart D of this part or are the dependent children of, and part of the same family unit as, individuals who meet the requirements in subpart D, subject to the limitation in § 400.208 with respect to nonrefugee children; and

(4) Are not full-time students in institutions of higher education, as defined by the Director.

(b) A refugee may be eligible for refugee cash assistance under this subpart during a period to be determined by the Director in accordance with § 400.211.

Per the U.S. Department of Health and Human Services' Office of Refugee Resettlement (ORR) guidance published in the Federal Register on March 28, 2022, at 87 FR 17312:

In accordance with ORR regulations, the Director of ORR is announcing the expansion of the Refugee Cash Assistance (RCA) and Refugee Medical Assistance (RMA) eligibility period from 8 months to 12 months of assistance for participants whose date of eligibility for ORR benefits is on or after October 1, 2021.

45 CFR § 400.43 (October 1, 2023) states, in part, the following:

(a) An applicant for assistance under title IV of the Act must provide proof, in the form of documentation issued by the Immigration and Naturalization Service (INS), of one of the following statuses under the Act as a condition of eligibility:

(1) Paroled as a refugee or asylee under section 212(d)(5) of the Act;

(2) Admitted as a refugee under section 207 of the Act;

(3) Granted asylum under section 208 of the Act;

(4) Cuban and Haitian entrants, in accordance with requirements in 45 CFR part 401;

(5) Certain Amerasians from Vietnam who are admitted to the U.S. as immigrants pursuant to section 584 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1988 (as contained in section 101(e) of Public Law 100–202 and amended by the 9th proviso under Migration and Refugee Assistance in title II of the Foreign Operations, Export Financing, and Related Programs Appropriations Acts, 1989 (Public Law 100–461 as amended)); or

(6) Admitted for permanent residence, provided the individual previously held one of the statuses identified above.

Per 45 CFR § 400.66(e) (October 1, 2023), "The State agency may use the date of application as the date refugee cash assistance begins in order to provide payments quickly to newly arrived refugees."

Title 470 NAC 2-002 states, in part, the following:

> *Eligibility begins with the date of arrival in the United States, if the refugee meets all eligibility requirements. For asylees, victims of severe forms of trafficking, and Cuban and Haitian Parolees eligibility begins with the date of granted status. The time limit is applied to each refugee separately, not to the unit as a whole. If the refugee applies after the date of arrival in the United States, they may receive assistance for the remaining months of their eligibility period.*

Per Title 470 NAC 1-010, "Eligibility is redetermined at six months. Eligibility may be redetermined in less than six months to coordinate review dates for more than one program. An application is required as part of the eligibility review and to establish a new eligibility period."

Title 45 CFR § 400.2 (October 1, 2023) defines "refugee cash assistance" (RCA) as "cash assistance provided under section 412(e) of the Act to refugees who are ineligible for TANF [Temporary Assistance for Needy Families], OAA [Old Age Assistance], AB [Aid to the Blind], APTD [Aid to the Permanently and Totally Disabled], AABD [Aid to the Aged, Blind, and Disabled], or SSI [Supplemental Security Income]."

Title 45 CFR § 400.2 defines "refugee medical assistance" (RMA) as "(a) Medical assistance provided under section 412(e) of the Act to refugees who are ineligible for the Medicaid program . . . ."

Title 468 NAC 2-001 explains the eligibility requirements for Nebraska's TANF program, including, "(B) United States citizenship or alien status; (C) Nebraska residence; . . . (F) Age requirement for a dependent child; . . ."

Title 45 CFR § 401.2 (October 1, 2023) states the following:

> *For purposes of this part a Cuban and Haitian entrant or entrant is defined as:*
>
> > *(a) Any individual granted parole status as a Cuban/Haitian Entrant (Status Pending) or granted any other special status subsequently established under the immigration laws for nationals of Cuba or Haiti, regardless of the status of the individual at the time assistance or services are provided; and*
> >
> > *(b) Any other national of Cuba or Haiti*
> >
> > > *(1) Who:*
> > >
> > > > *(i) Was paroled into the United States and has not acquired any other status under the Immigration and Nationality Act;*
> > > >
> > > > *(ii) Is the subject of exclusion or deportation proceedings under the Immigration and Nationality Act; or*
> > > >
> > > > *(iii) Has an application for asylum pending with the Immigration and Naturalization Service; and*
> > >
> > > *(2) With respect to whom a final, nonappealable, and legally enforceable order of deportation or exclusion has not been entered.*

The Agency utilizes SAVE (Systematic Alien Verification for Entitlements) to determine an applicant's status. SAVE is an online service that allows Federal, State, and local benefit-granting agencies to verify a benefit applicant's immigration status or naturalized/derived citizenship. SAVE is administered by U.S. Citizenship and Immigration Services, a component of the U.S. Department of Homeland Security.

Good internal control requires procedures for maintaining SAVE documentation used to verify an applicant's status and ensure the applicant is not under an active order of deportation.

Condition: Refugee assistance payments were not in compliance with State and Federal requirements. A similar finding was noted in the prior audit.

Repeat Finding: 2023-040

Questioned Costs: $33,258 known ($16,281, 2301NERCMA; $16,977, 2401NERCMA)

Statistical Sample: No

Context: The Refugee Resettlement Program (RRP) helps refugees and other eligible newcomers achieve economic self-sufficiency, well-being, and successful integration in the United States. The RRP provides aid payments both directly to individuals who are deemed eligible for cash assistance (RCA) and medical assistance (RMA) through the managed care program. We randomly tested 25 aid payments: 15 to individuals who received RCA payments and 10 for RMA payments. We noted the following:

- For eight recipients tested, adequate documentation was not on file to support that the Agency had verified, using the SAVE system, that the individual was not under an active order of deportation prior to starting benefit payments. Verification was performed 2 to 30 months after benefits started. Additionally, one of these recipients was also missing proper immigration documentation to support eligibility for any RRP benefits and, as a result, we question costs of $1,712.

- One recipient tested, who was part of a family unit of four, received both RCA and RMA benefits, but qualified for Temporary Assistance for Needy Families (TANF). Therefore, the recipient should have been receiving benefits from TANF, not RRP benefits. For this recipient, we question costs of $7,557.

- Seven of 10 RMA recipients tested appear to have been eligible for Medicaid; however, their monthly capitation payments were paid by RRP. As a result, we question costs of $9,715.

- One recipient was enrolled in college courses at the time of her six-month renewal application in February 2024. We question payments, totaling $1,880, made to the recipient after declaration of student status.

- Four recipients tested received benefits after their 12-month eligibility period had ended, resulting in additional questioned costs of $825.

- We also tested 25 recipients to determine if the six-month benefit determination review was completed.

    - One recipient tested did not have a six-month review completed to redetermine eligibility. Additionally, the recipient should have been found ineligible to received RMA benefits, due to being past the 12-month eligibility period. The recipient entered the country on September 5, 2021. Therefore, her eligibility period would have expired August 31, 2022; however, she received RMA benefits from April 1, 2023, through March 1, 2024. Had an eligibility review been properly completed, it should have caught that this recipient was ineligible. Furthermore, the recipient's six family members also received benefits within these dates. One family member's RMA benefits ran from January 1, 2023, through March 1, 2024. As a result, we question costs of $8,918.

- One recipient received RMA benefits when she should have been eligible for Medicaid. We question costs of $2,651 for capitation payments paid by the Refugee grant instead of the Medicaid grant.

RRP aid expenditures for the fiscal year totaled $10,554,171. The Federal sample tested was $8,542, and Federal payment errors noted for the random sample tested were $3,191. The dollar error rate for the sample was 37.36% ($3,191/$8,542), which estimates the potential dollar risk for fiscal year 2024 to be $3,943,038 (dollar error rate multiplied by the population).

In addition to the $3,191 Federal questioned costs noted on the sample items tested, we also noted $30,067 of Federal questioned costs on other assistance payments on behalf of these recipients.

Cause: Ineffective controls. Written procedures are in place but not consistently followed.

Effect: Increased risk for loss or misuse of funds.

Recommendation: We recommend the Agency strengthen procedures to ensure payments are adequately supported and in accordance with State and Federal regulations. We further recommend the Agency ensure that SAVE documentation is maintained on file.

Management Response: The agency agrees with the finding.

<u>Finding 2024-043</u>

Program: AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Allowability & Subrecipient Monitoring

Grant Number & Year: 2401NERSSS, FFY 2024; 2301NERSSS, FFY 2023; 2201NERSSS, FFY 2022

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.352(d) (October 1, 2023) requires a pass-through entity to "Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved."

45 CFR § 75.302(a) (October 1, 2023) requires the State to have accounting procedures sufficient to allow for "the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."

45 CFR § 75.403 (October 1, 2023) requires costs to be reasonable, necessary, and adequately documented.

45 CFR § 75.405(a) (October 1, 2023) states the following:

> *A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:*
>
> *(1) Is incurred specifically for the Federal award;*
>
> *(2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*

(3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

45 CFR § 75.430(i)(1) (October 1, 2023) states, in part, the following:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . .

** * * **

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards . . . .

45 CFR § 75.431(c) (October 1, 2023) states the following:

The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in § 75.447); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.

45 CFR § 75.459 (October 1, 2023) states, in part, the following:

(a) Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-Federal entity, are allowable, subject to paragraphs (b) and (c) of this section when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government. In addition, legal and related services are limited under § 75.435.

(b) In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

(1) The nature and scope of the service rendered in relation to the service required.

(2) The necessity of contracting for the service, considering the non-Federal entity's capability in the particular area.

(3) The past pattern of such costs, particularly in the years prior to Federal awards.

(4) The impact of Federal awards on the non-Federal entity's business (i.e., what new problems have arisen).

(5) Whether the proportion of Federal work to the non-Federal entity's total business is such as to influence the non-Federal entity in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal awards.

(6) Whether the service can be performed more economically by direct employment rather than contracting.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities.

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

A good internal control plan requires procedures to ensure subrecipient expenditures are properly documented in accordance with Federal regulations, and payments apply to work performed under the subaward project description.

Condition: Subrecipient monitoring procedures were inadequate. A similar finding was noted in the prior audit.

Repeat Finding: 2023-041

Questioned Costs: $196,067 known ($154,992, 2201NERSSS; $21,296, 2301NERSSS; $19,779, 2401NERSSS)

Statistical Sample: No

Context: The Agency paid 15 subrecipients a total of $4,833,486 during the fiscal year ended June 30, 2024, for the program. Subrecipient reimbursement requests are submitted quarterly with a summarized invoice of costs incurred and a Budget Workbook showing expenses by category. However, for the audit period under review, the program did not have procedures to require source documentation, such as invoices and timesheets, at the time of reimbursement.

We randomly selected 12 payments to subrecipients for testing. The Agency stated that it was performing desk audits of all subrecipient invoices for Federal fiscal year 2024 reimbursements. However, we noted that 11 of 12 payments tested did not have adequate documentation on file to support costs were allowable and in accordance with Federal regulations. When Agency reviews were not sufficient, we gave the Agency the opportunity to obtain additional support from the subrecipient. We allowed the Agency three weeks to obtain support; however, adequate support was not always obtained.

We noted the following:

- Eight payments did not have adequate support for personnel costs.
    - For two payments, the subrecipient did not provide timesheets or time records.
    - For two payments, the subrecipient indicated it did not keep timesheets but had a spreadsheet of allocations. There was not adequate documentation to support these allocations were accurate or in accordance with Federal cost principles.

  - For one payment, the timesheets showed only the total hours worked for each day, failing to specify the program/activity upon which the employee was working.

  - For one payment, the timesheets were provided and noted the "Employee Name" and "Employee Signature" on the timesheet; but, per the subrecipient, these individuals were contractors and not employees. The subrecipient did not have any contractual agreements with the individuals that detailed the description of services, estimate of time required, or rate of compensation.

  - For one payment, the subrecipient did not provide a timesheet or certification to support the Executive Director's salary and benefits that were being charged to the grant.

  - For one payment, the subrecipient did not provide timesheets and was allocating payroll based on a budget estimate. This subrecipient also passed funding to its partners for payrolls costs, without obtaining timesheets and paystubs, even though the written Memorandums of Understanding (MOUs) required such documentation prior to fund distribution. Per the MOUs, "Invoices for expenses incurred each month should be submitted . . . with expenses summarized by line item (personnel, program expenses, etc.) . . . . Include itemized receipts, payroll reports, timesheets, and any other documentation necessary to show how funds were spent."

- Four payments did not have adequate support for non-personnel costs.

  - For three payments, documentation was inadequate to support the percentage of non-payroll expenses charged to the program, such as rent and utilities. Numerous charges were based on allocations that are allowable only if distributed using reasonable methods in accordance with relative benefits received. Support was inadequate to determine that the allocations were proper.

  - For one payment, training costs were paid for an employee of another subrecipient, and the charges were invoiced to the other subrecipient. Paying costs of another entity appears unreasonable.

- We also noted the following items, for which we did not question the costs.

  - For one payment, the subaward was for improving academic performance, improving the level of English language acquisition, and increasing parent participation; however, the subrecipient charged $20,513 for mental health therapists for refugee families. These costs were not in accordance with the purpose of the subaward; however, being allowable under the Federal grant, the costs are not questioned.

  - For one payment, printing and cleaning supplies were purchased by the subrecipient's Coordinator using his personal credit card and were sent to his personal residence. We did not question these costs; however, there is a greater risk for loss or fraud when purchases are not shipped directly to the business.

Federal payment errors for the sample tested were $196,067. The total sample tested was $465,546, and subrecipient payments for the fiscal year totaled $4,833,486. Based on the sample tested, the dollar error rate for the sample was 42.12% (196,067/$465,546), which estimates the potential dollars at risk for fiscal year 2024 to be $2,035,864 (dollar error rate multiplied by the population).

Cause: Inadequate procedures.

Effect: Without adequate subrecipient monitoring procedures, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations.

Recommendation: We recommend the Agency perform adequate subrecipient monitoring to ensure both the allowability of costs and adherence to Federal regulations.

Management Response: The agency agrees with the finding.

Finding 2024-044

Program: AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Reporting

Grant Number & Year: 2301NERSSS, FFY 2023

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 2 CFR § 170, Appendix A I. (January 1, 2024) states, in relevant part, the following:

(a) Reporting of first-tier subawards.

Applicability. Unless you are exempt as provided in paragraph d. of this award term, you must report each action that equals or exceeds $30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency . . . .

2. Where and when to report.

i. The non-Federal entity or Federal agency must report each obligating action described in paragraph a.1. of this award term to http://www.fsrs.gov.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made.

Good internal control requires procedures to ensure all subawards subject to Federal Funding Accountability and Transparency Act (FFATA) reporting are submitted on time.

Condition: FFATA reporting was not submitted for 1 of 11 subawards tested.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The Agency had 27 subawards obligated to 16 subrecipients during the fiscal year ended June 30, 2024. We tested 11 of the subawards (to three subrecipients), and one of those subawards was not reported as of January 6, 2025. The subaward should have been reported by June 30, 2024.

Transactions Tested	Subawards Not Reported	Subawards Not Report Timely	Subawards Amount Incorrect	Subawards Missing Key Elements
11	1	0	0	0
Dollar Amount of Tested Transactions	**Dollar Amount of Subawards Not Reported**	**Dollar Amount of Subawards Not Reported Timely**	**Dollar Amount of Subawards Amount Incorrect**	**Dollar Amount of Subawards Missing Key Elements**
$ 1,775,533	$ 606,010	$ 0	$ 0	$ 0

Cause: Procedures were not properly implemented to ensure that all subawards were reported as required.

Effect: Without adequate procedures, there is an increased risk that subawards will not be reported timely.

Recommendation: We recommend the Agency improve its procedures to ensure that all subawards are reported as required.

> **Management Response:** The agency agrees with this finding. The additional funds added in May did not get reported into the FFATA system. Furthermore, Renewal 4 signed in September reflected incorrect award information. The department has spoken with the grant manager and confirmed that the totals for the award listed in the state accounting system (E1) are correct.

<u>Finding 2024-045</u>

Program: AL 93.575 and 93.596 – CCDF Cluster; AL 93.575 – COVID-19 Child Care and Development Block Grant – Allowability & Eligibility & Matching

Grant Number & Year: 2301NETANF, FFY 2023; 2101NECDC6, FFY 2021; 2201NECCDD, FFY 2022; 2401NECCDF, FFY 2024; 2401NECCDM, FFY 2024; 2101NECCDF, FFY 2021

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 98.67 (October 1, 2023) states, in part, the following:

(a) Lead Agencies shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds.

* * * *

(c) Fiscal control and accounting procedures shall be sufficient to permit:

* * * *

(2) The tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the provisions of this part.

42 USC § 9858k(b) (1992) states, "With regard to services provided to students enrolled in grades 1 through 12, no financial assistance provided under this subchapter shall be expended for— (1) any services provided to such students during the regular school day[.]"

45 CFR § 98.55 (October 1, 2023) states the following:

(a) Federal matching funds are available for expenditures in a State based upon the formula specified at § 98.63(a).

(b) Expenditures in a State under paragraph (a) of this section will be matched at the Federal medical assistance rate for the applicable fiscal year for allowable activities, as described in the approved State Plan, that meet the goals and purposes of the Act.

To be eligible for services, 45 CFR § 98.20 (October 1, 2023) requires a child to be under 13 years of age, a citizen, and reside with a family whose income does not exceed 85% of the State's median income.

Title 391 NAC 1-002 defines "infant" and "toddler" for child care subsidies, as follows:

Ages of children:

1. Infant means a child age 6 weeks to 18 months;
2. Toddler means a child age 18 months to 3 years;
3. Preschool-age means a child age 3 or older who has not attended kindergarten; and
4. School-age means a child who attends kindergarten or above.

Title 392 NAC 2-004, states, in part, the following:

In order to receive Child Care Subsidy, the family must:

* * * *

(E) Have a child within the age limit. Child care is available for children age 12 or younger. Children who turn age 13 during their eligibility period remain eligible through the end of their eligibility period. Children age 18 or younger with special needs are eligible. The child's age must be verified in order to qualify for assistance[.]

Per Title 392 NAC 2-013.05, "If the individual is requesting child care for employment, the employment must have the potential to allow the individual to achieve or maintain economic self-sufficiency."

Title 392 NAC 3-001.02(D) requires the recipient and child care provider to ensure that the services are delivered as authorized.

Title 392 NAC 3-004.01(A) states the following:

The Department pays by attendance, not enrollment. Providers do not receive payment when the provider is on vacation, is ill, or is not providing care for some reason unrelated to the child or recipient.

Title 392 NAC 3-004.01(A)(i) states the following:

The provider may bill the full authorized amount for times that the child is absent on a scheduled day, up to five times per month.

Title 392 NAC 4-002 states, in relevant part, the following:

Before furnishing any service, each provider must sign an enrollment form agreeing:

(A) No payments will be made for child care provided to a child before the service authorization date;

(B) To provide service only as authorized, in accordance with the Department's standards;

* * * *

(E) To accept a rate which is reasonable, necessary, and does not exceed the amount charged to private-paying persons;

* * * *

(G) To retain authorizations, billing documents, and attendance records for four years to support and document all claims;

The Child Care Subsidy Provider Handbook (June 2023 revision), Section 5 ("Financial Matters"), states, in relevant part, the following:

> *You must complete an attendance calendar to accurately reflect the dates on which child care services were provided, as well as the exact number of hours of service provided. You should mark "A" on the calendars for children who are absent. Up to five absent days can be billed per child per month.*

Nebraska Department of Health and Human Services' Guidance Document for the Child Care Subsidy Program provides guidance for 392 NAC Chapter 3-004.01(A)(i) Payment for Absences as follows, "Absent days must be billed as 1 day unit per occurrence up to the maximum of 5 occurrences per month."

Nebraska Department of Health and Human Services' Guidance Document for the Child Care Subsidy Program has the following guidance for Title 392 NAC Chapter 2-011, Categories of Eligibility Based on Income:

> *The total amount of the sliding fee assessed will be based on 7% of the household's gross income for all of their children enrolled in the subsidy program. It will not vary with the number of children in care, the amount of care they need, or the type of care they choose to use. The sliding fee must be paid each month to the provider before the provider bills the Department, it covers the first dollars of payment, regardless of when service begins or ends.*

The Child Care Subsidy Provider Handbook (June 2023 revision) requires that, for providers other than child care centers, "[P]arents/caregivers must sign the calendar at the end of the billing period."

EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it.

Good internal control requires procedures to ensure that payments are in accordance with Federal and State requirements.

Condition: Child care payments did not comply with Federal and State requirements. A similar finding has been noted in our previous audit reports since 2007.

Repeat Finding: 2023-043

Questioned Costs: $605,874 known

Grant #	Federal Questioned Costs
2301NETANF	$ 9,168
2101NECDC6	$ 345,192
2201NECCDD	$ 8,690
2401NECCDF	$ 60,147
2401NECCDM	$ 41,512
2101NECCDF	$ 141,165

Statistical Sample: No

Context: We noted claims that lacked support and/or did not agree to support, services billed more than authorized, and duplicate claims charged, as detailed below.

Random Sample

We tested 25 child care claims paid with Federal funds. We noted 12 claims with errors. Some payments had more than one type of error.

- For two claims tested, there was a family fee co-pay required of $192 and $149 per month, respectively, but no such co-pay was deducted.
- For four claims tested, the providers billed for more hours and/or days than what was recorded on the child's attendance sheet:
  - One provider billed for 8 days and 2 partial days of child care, while the attendance sheet showed 5 days and 5 partial days of care.
  - One provider claimed 7 full days of care during the claim period; however, the attendance sheet provided did not detail the hours that the child was in the care of the provider. As such, the APA could not determine whether the claim was correct.
  - One provider billed 10 partial-days services; however, the attendance sheet showed only 4 partial-days and one full-day for this period.
  - One provider billed for 21 days, but the attendance sheet supported only 20 days.
- For two claims tested, the providers billed for services over the authorized amount.
  - One provider was authorized to provide child care during the time that both the mother and father were working. The provider claimed numerous days for care provided overnight; however, no documentation was on file to support that both parents were working overnight.
  - One provider was authorized 20 hours of child care a week; however, per the attendance sheet, two weeks during the month had 23 service hours per week.
- For six claims tested, the child care payment was incorrect because the rate was in excess of the private rates. Providers must accept a rate that is reasonable, necessary, and does not exceed the amount charged to private-paying persons.
  - One provider claimed $25/partial day but was only authorized to claim $18.33/partial day.
  - For two claims, the provider reported private rates of $75/week effective May 27, 2022, and $90/week effective May 2, 2024. Using an Agency-provided conversion table, this would result in a partial rate of $8.33-$10/partial day and $15-18/day. However, the provider was claiming $13.33/partial day and $24/day.
  - One provider reported a private rate of $40/day but was claiming $40.55/day, exceeding the private rate.
  - One provider reported its private weekly rate at $83. Using a DHHS-provided conversion table, this would result in $9.22/partial day. However, the provider was charging for $20.56/partial day.
  - One provider reported on its website a partial day private rate of $47 a week, which would result in a rate of $9.40/partial day. However, the provider was claiming $18 for a partial day.

Federal payment errors noted for the sample tested were $1,356. The total Federal sample tested was $10,518, and total child care Federal assistance claims for the fiscal year were $83,226,143. Based on the sample tested, the case error rate was 48% (12/25). The dollar error rate for the sample was 12.89% ($1,356/10,518), which estimates the potential dollars at risk for fiscal year 2024 to be $10,727,850 (dollar error rate multiplied by the population).

In addition to the $1,356 questioned costs noted on the sample items tested, we noted $2,027 of questioned costs on other line items of the claims reviewed, which resulted from missing and inaccurate documentation.

Excessive Units

The Nebraska Family Online Client User System (NFOCUS) application was used to automate benefit/service delivery and claim processing and payments for the Child Care program. Due to the volume of claims processed by the NFOCUS application, the Agency did not perform a review of each claim paid. Therefore, the Agency relied on edit checks within the system to review claims and deny or suspend claims that did not meet the criteria determined by the Agency.

As noted in Finding 2024-015, during testing of significant edit checks within the NFOCUS application, it was noted that the "UN" edit check ("Units too high for service dates and frequency") was incorrectly bypassed on claims submitted and interfaced through the Child and Family Services Provider online claims portal. Instead of applying a logical edit check to these claims, such as not exceeding the regular number days in one month (e.g., 31 days), the system only compared the claim to the service authorization to determine if adequate units were authorized.

We identified 642 claim lines paid with Federal funds, totaling $286,079, where the number of days or partial days billed exceeded the number of days in the service period.

We selected 24 claim lines, totaling $33,709, for review and noted 23 claim lines with errors as follows:

- The claims charged to Federal funds were "Version 1" of the claim. Sometimes an error is detected and a "Version 2" of the claim is created with an underpayment or overpayment. We noted 11 of the claim lines tested had a Version 2 and 10 of those had overpayments received or recouped. However, the overpayments collected and recouped are credited to the State General Fund, not Federal funds. The 11 claim lines totaled $16,420 and are considered Federal questioned costs. Errors noted included a claim that had 199 days billed for the month of July 2022, the overpayment was collected in December 2022 and credited to the State General Fund. In February 2024 the Agency moved the Version 1 claim to Federal funds, resulting in the Federal grant being overcharged. We also noted a claim that billed 100 partial days for a 19-day period. The error was discovered, and a Version 2 was created in December 2023, but in April 2024, the Agency moved the Version 1 claim to Federal funds, resulting in the Federal grant being overcharged.

- Twelve claim lines did not agree to the attendance records. One provider billed 25 to 64 partial days for 15-day service periods. Two providers billed 40 to 95 partial days for one month service periods. Per review of the attendance records, providers were overpaid $9,182 for these 12 claim lines, which are considered questioned costs.

Duplicate Claims

Child care claims are initially paid from State funds. Journal entries are then performed throughout the year to transfer costs to Federal funds. A detailed listing of claims accompanies these journal entries to show which claims are included in the amounts moved from State funds to Federal funds.

We reviewed the detailed claim listings for each journal entry completed during the fiscal year and found that duplicate claims were included in two journal entries completed on September 28, 2023. Both entries included 594 identical claims, totaling $141,165. These claims were charged to Federal funds twice, and $141,165 is considered questioned costs.

Additionally, we compared the detail claim listing to the claims charged to Federal funds in the prior fiscal year and found 1,144 claims that were used in both fiscal year 2023 and fiscal year 2024 journal entries, totaling $297,553, which are questioned costs.

Attestation Examination

The APA performed an attestation examination of the Nebraska Department of Health and Human Services Child Care NFOCUS Aid Payments for the period July 1, 2023, through March 31, 2024. All claims were initially paid with State General Funds. The APA reviewed the claims with findings to determine if the claims had been transferred and charged to Federal funds. We noted numerous issues with Federal questioned costs, totaling $138,171.

We noted the following related to claims paid with Federal funds:

Unusual Claims and Duplicate Billings

We tested a family in-home care provider that billed a high number of hours for the month. The provider did not provide the requested attendance calendar for January 2024 services. The provider billed 260 hours at a rate of $12 per hour for a total of $3,120. Child care was authorized for the client's self-employment, up to 60 hours per week. We were unable to determine if the payment was correct because no attendance calendar was provided; therefore, the entire claim was questioned. We also noted the 60 hours per week was authorized based on the client's declaration of working 12 hours a day, seven days a week. The client's reported income for this timeframe was $1,500 per month, which calculates to only $4.12 per hour, which is much less than the Nebraska minimum wage rate of $12 per hour. The client's income does not appear to meet the self-sufficiency requirement. Federal questioned costs totaled $3,120.

We noted overlapping of services as follows:

Three children were authorized child care for a maximum of 50 hours per week while the parent was working at U-Stop and participating with Employment First. Child care was authorized with two providers. The attendance calendars for both providers showed no overlapping hours; however, the providers exceeded the authorized 50 hours per week for four weeks in September 2023. The secondary provider billed times from 8:30 a.m. to 3:00 p.m. or 4:00 p.m., and the primary provider billed evening and some overnight hours. A comparison of attendance calendars revealed that the total hours between the two providers exceeded the authorization by 6 to 23.5 hours each week. Federal questioned costs totaled $1,027. See the following chart:

Week	Child	Primary Provider Hours	Secondary Provider Hours	Total Hours	Hours Over Authorization
9/2/23 - 9/9/23	1	28.75	27.5	56.25	6.25
	2	28.75	27.5	56.25	6.25
9/10/23 - 9/16/23	1	23.25	32.75	56	6
	2	23.25	36	59.25	9.25
	3	23.25	35.75	59	9
9/17/23 - 9/23/23	1	33	34	67	17
	2	33	34.75	67.75	17.75
	3	33	34.75	67.75	17.75
9/24/23 - 9/30/23	1	38.5	35	73.5	23.5
	2	38.5	35	73.5	23.5
	3	38.5	35	73.5	23.5

We analyzed the NFOCUS claims paid during the period from July 1, 2023, through March 31, 2024. During this analysis, we identified several claims where the provider appeared to double bill child care services for the same child during the same time period. The providers were able to double bill when two service authorizations for the child were open at the same time and by changing the rate of the service. There were also multiple instances where the provider billed for duplicate services by changing the rate billed. For example, one provider, Tender Loving Tots, billed services three times for the same child for the same time period. A child was authorized for preschool care at the daily rate of $46.51. Tender Loving Tots billed four daily units at the authorized daily rate of $46.51 for service dates of July 11, 2023, through July 14, 2023, for this child on claim 32347682. The provider also billed four daily units at $46.50 per daily unit on claim 83255070, line 2. Tender Loving Tots billed a third time for this child for the same period on the same claim. On line 5 of claim 83255070, the provider billed four days at $45 per daily unit. As long as the billed rate was lower than the authorized rate, NFOCUS did not reject the claim for double billing.

Service Dates	Service Type	Claim #	Units Billed	Rate	Amount
7/11 - 7/14	Preschool Care	32347682	4 Days	$ 46.51	$ 186.04
7/11 - 7/14	Preschool Care	83255070	4 Days	$ 45.00	$ 180.00
7/11 - 7/14	Preschool Care	83255070	4 Days	$ 46.50	$ 186.00

The following chart shows the number of duplicate claims reviewed and Federal questioned costs by provider:

Provider	# of Claims	Questioned Costs	Billing Issue
Tender Loving Tots	13	$ 4,585	A, B
Sprouting Minds Child Care	4	$ 3,876	A, B
Annie's Angels	2	$ 1,663	A
Totally Tots LLC	6	$ 426	A, B
Cuddles & Imaginations LLC	2	$ 412	A
Psalms 127:3 Magnet Ministry Inc	1	$ 895	A
Noah's Ark Daycare Center	1	$ 720	A
Kangaroo Court Learning Center	1	$ 408	B
Little Tots Preschool and Daycare Center	1	$ 378	B
Miranda's Blessings Daycare	1	$ 360	A

Note: Billing issue A designates the provider billed for services for a child for the same period under two service authorizations. Billing issue B designates the provider billed for a child for the same period under one service authorization but billed more than once by changing the rate billed.

<u>Incorrect Age Group</u>

We reviewed the claims for family home providers and child care centers for infant care services for children over the age of 18 months. We noted children over the age of 18 months with services paid at the infant rate.

We also reviewed the claims for child care centers for toddler care services for children over the age of 36 months. We noted children over the age of 36 months with services paid at the toddler rate. As the rates for infants are higher than toddler rates, and toddler rates are higher than preschool rates, it is important that services be paid at the proper rate based on a child's age.

The following are a few examples that we noted:

- A child who turned 19 months on September 18, 2023, continued to be paid at the infant rate for services through February 2024, resulting in questioned costs of $574.

- A child who turned 36 months on March 8, 2023, was paid at the infant rate for services from August 16, 2023, through December 2, 2023, and should have been paid at the preschool rate, resulting in overpayments of $538.

- A child over age five was paid at the toddler rate for services from June 16, 2023, through November 30, 2023, and should have been paid at the preschool rate, resulting in overpayments of $349.

- A child who turned 36 months on October 5, 2023, was paid at the toddler rate for February 2024 services and should have been paid at the preschool rate, resulting in an overpayment of $105.

<u>Other Issues</u>
We selected six licensed family home providers and six child care centers and requested all attendance records for one month. We noted claims not agreeing with attendance records; attendance records not being provided; billings at an improper rate; services billed in excess of services authorized; overlapping services; and parents' employment that did not appear to meet the requirement for self-sufficiency.

1. One family home provider billed full days for one child but should have billed partial days because the attendance record showed services from 4:00 p.m. to 6:00 p.m. (2 hours) each day, resulting in $66 questioned costs.

2. Next Generation Child Care and Preschool was paid $94,405 for February 2024 services. For one child, the attendance record showed service from 6:15 a.m. to 8:30 a.m. Per the parent, however, school began at 7:40 a.m., so it appears the time out of 8:30 a.m. is not accurate, resulting in $48 questioned costs.

3. Little Blazers Academy, located on North 61st Street in Omaha, Nebraska, and Little Blazers Academy II, located on West Dodge in Omaha, Nebraska, have the same owner. We question Federal costs of $2,703 for December 2023 services.

    - Services were billed for 18 children at both locations. For six of these children, the centers were billing partial days at each location when the total hours were less than five hours. For example, on multiple days, one child was claimed from 4:00 p.m. to 5:00 p.m. at one location and then from 5:30 p.m. to 6:30 p.m. at the second location. Each location billed for a partial day; however, only two hours of service were provided each day; therefore, it does not appear reasonable to bill for more than one partial day each day.

    - The attendance records for December, the month tested, were not provided for eight children, four of whom were paid with Federal funds. The attendance records provided were for September, not December, and were signed September 30, 2023. Also, the service authorization was exceeded for one child; for two children, the claim did not agree to the attendance records.

4. Sprouting Minds Childcare was paid $41,053 for November 2023 services, and we questioned costs of $14,133 – of which $4,309 was paid with Federal funds. We noted the following:

    - 19 children were billed and paid as an "absent" day on Thanksgiving and the Friday after Thanksgiving, even though the center was closed, and no children attended.

    - Attendance records were not provided for five children, and time records did not agree to the services billed for an additional five children.

- Services claimed exceeded service authorizations for 13 children.

- One child was billed both as a toddler and an infant for the same period and should have been billed only as a toddler.

5. International Day Care was paid $173,260 for November 2023 services – of which $132,328 was charged to Federal funds – and we question $111,609, an 84% dollar error rate. We noted the following:

   - 191 children were billed and paid as an "absent" day on Thanksgiving even though the center was closed, and no children attended.

   - One child billed was over age 13 and not eligible for services.

   - One child was billed as a toddler but was over the age of three at the time of service and should have been billed at the preschool rate.

   - One child was billed as an infant but was 35 months old at the time of service and should have been billed as a toddler.

   - Four families authorized for child care while a parent was working at the center billed for days after the parent was no longer working at the center.

   During our review of service authorizations, moreover, we noted that several children had a parent working at the daycare while the children attended. This is allowable if the parent is not working in the same room. However, of the 222 children paid for the month tested, 201 had a parent working at the daycare, and only 21 children did not. The 222 children were from 53 families, and 44 of those families had a parent working at the daycare. We asked the daycare to provide us with employment records for those parents. Most of the parents had income from International Day Care that was far less than the subsidies paid for child care services. For example, for one family, the parent earned $1,452 for the month, but child care payments totaled $6,353.

   Title 392 NAC 2-013.05 provides, "If the individual is requesting child care for employment, the employment must have the potential to allow the individual to achieve or maintain economic self-sufficiency." Based on a comparison of wages to child care subsidies, however, the employment with the daycare does not appear to have that potential. For the families with a parent working at the daycare, there was a total of $154,326 in child care payments, but the parents' gross salary from the daycare totaled only $64,163 – a discrepancy hardly reflective of employment arrangements conducive to economic autonomy.

   Many of these families had additional income from sources other than the daycare; however, child care subsidies still appeared unreasonable. In these cases, as illustrated by the examples below, parents working at the daycare in a capacity that failed to produce even the potential to "achieve or maintain economic self-sufficiency," contrary to the explicit regulatory language cited above, actually resulted in far greater child care costs than would have occurred had those working parents stayed at home and cared for the children themselves. The following cases are representative of why subsidies are not available for jobs that prove ultimately counterproductive in terms of the relatively low wages received in comparison to the resultant child care expenses to the State:

- One family with seven children had child care subsidies for the month of $5,945 plus paid a family fee of $465 per month, for total daycare costs of $6,410. This was a two-parent household, and one parent worked at the daycare and earned $1,386 for the month. The total gross income for the household was $6,647.97, which exceeds the cost of child care, but if the family was responsible for all daycare costs, it would leave less than $250 per month for rent, food, utilities, and other expenses. It would cost the family over $5,000 each month to have a parent working at the daycare; therefore, the employment does not appear to have the potential for self-sufficiency.

- Another family had child care subsidies for the month of $5,610, and the parent who worked at the daycare earned $1,323. The family had total gross monthly income of $4,192.16, which is still $1,417.84 less than child care costs, and if the family was responsible for all child care costs, it would cost the family $4,287 each month to have the parent working at the daycare. Therefore, the employment does not appear to have the potential for self-sufficiency.

It was also noted that seven families were receiving Temporary Assistance to Needy Families (TANF) and were required to work as a condition of that assistance. These seven families received child care subsidies of $24,850 for the month and were paid wages of $10,456 by the daycare. However, we did not question these costs because the individuals were required to work as a condition of receiving TANF. Excluding the TANF recipients, we questioned all other child care payments for families whose parents' wages from the child care center were less than the child care payments.

<u>Market Rate Survey and Subsidy Rates</u>
The 2023 child care subsidy rates, which became effective July 1, 2023, were established following a Market Rate Survey issued in June 2022 by the Buffet Institute at the University of Nebraska (Institute). This market rate survey was commissioned by the Agency pursuant to Neb. Rev. Stat. § 43-536 (Cum. Supp. 2022). The results of the survey were based on a provider response rate of 32.9% (946 providers); however, in calculating the half-day and full-day rates, the Institute used rate information from only 21% of respondents who indicated that they had a part-time and full-time rate schedule similar to the guidelines set by the Agency (partial day for 0 to 4 hours and 59 minutes and full-time for 5 hours to 9 hours and 59 minutes). As such, the rates were established based on rate information provided by only 6.9% of Nebraska's child care providers. The percentage of providers factored into the benefit calculation is so low because many providers responded that they did not have an equivalent half-day or full-day rate structure. Therefore, we question the reasonableness of the rates established pursuant to the market rate survey and whether it provides a clear picture of private market rates in the State.

Additionally, Nebraska regulations require that providers have an established private rate prior to receiving any subsidy payments. This is because the subsidy payment is not allowed to exceed the provider's private rate. However, as shown in the market survey results, many providers do not have such a rate structure and, therefore, do not have established half-day and full-day rates. In many cases, providers have a weekly rate. The Agency stated that it utilizes a weekly rate to daily/partial day rate conversion table, which was provided by the Institute. However, while this table is used to determine the equivalent rates, there is no written policy or guidance on when or how the table should be implemented, and no mention is made of these conversion tables in the market survey report.

<u>State Matching Claims</u>
States are required to match the Federal funds spent with the Federal Matching grant with State funded expenditures at the Federal Medical Assistance Percentage (FMAP) rate for the applicable fiscal year. Those State funding expenditures must be an eligible and allowable activity per the State Plan. The Agency

periodically performs journal entries to move child care claims to the applicable business unit to identify and track the State matching expenditures. During the fiscal year, the Agency moved $10,737,243 of child care claims paid with State General funds to the business units for State matching expenditures.

We tested 25 child care claims paid with State matching funds. We noted 10 claims with errors. Some payments had more than one type of error.

- For one claim tested, there was a family fee co-pay required of $203, but no such co-pay was deducted.

- For two claims tested, the attendance records were not provided.

- For five claims tested, the providers billed for more hours and/or days than what was recorded on the child's attendance sheet:

    - One provider billed for 4 full days and 25.25 hours of child care, while the attendance sheet showed 0 days and 18.75 hours of care.

    - One provider billed 13 partial days of service; however, the attendance sheet showed only 10 partial days.

    - Two providers billed an additional day compared to the attendance record.

    - One provider recorded full days of service from 6:00 a.m. to 9:00 a.m. and 4:00 p.m. to 6:00 p.m., for five hours of service. However, per the school calendar, classes began at 8:50 a.m. and ended at 4:05 p.m. The attendance sheet did not appear reasonable, as the child would still be at the child care provider when school started. If services were from 6:00 a.m. to 8:50 a.m. and 4:05 p.m. to 6:00 p.m., the provider would only be allowed partial days of service.

- For one claim tested, the provider billed care over the authorized amount. The provider was authorized 39 hours of child care a week; however, per the attendance sheet, the child received 43 hours for one week tested.

- For one claim tested, the attendance record was not signed by the parent, as required.

Payment errors noted for the sample tested were $1,397. The total sample tested was $9,396, and total child care matching claims for the fiscal year were $10,737,243. Based on the sample tested, the case error rate was 40% (10/25). The dollar error rate for the sample was 14.87% ($1,397/9,396), which estimates the potential dollars at risk for fiscal year 2024 to be $1,596,628 (dollar error rate multiplied by the population).

Cause: Ineffective review. The Agency does not have automated procedures to ensure attendance records agree to billing documents, service authorizations are not exceeded, and claims are in accordance with regulations. The edit check "Units too high for service dates and frequency" was incorrectly bypassed on claims submitted and interfaced through the Child and Family Services Provider online claims portal.

Effect: Ineffective review of claims increases the risk for errors, fraud, and misuse of State and Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure payments are allowable, adequately supported, and in accordance with State and Federal regulations. We further recommend the Agency ensure billing documents agree with attendance sheets, and services are only authorized as needed and only if the parents' employment has the potential for economic self-sufficiency. We also recommend the Agency implement procedures to ensure journal entries do not charge duplicate claims. Finally, we recommend the Agency take the necessary action to recover the overpayments.

Management Response: Management agrees.

Finding 2024-046

Program: AL 93.575 and 93.596 – CCDF Cluster – Special Tests and Provisions

Grant Number & Year: Various, including 2401NECCDF, FFY 2024

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 98.41 (October 1, 2023), the State must have requirements to protect the health and safety of children, including the prevention and control of infectious diseases, building and physical premises safety, and health and safety training.

Per 391 NAC 3-005.09A and NAC 4-005.09A:

> *The Department will make a fire inspection referral when: . . . 2. Every two years following the initial fire inspection[.]*

Per 391 NAC 3-005.09B:

> *The Department will make a sanitation inspection referral when: . . . 2. Every two years following the initial sanitation inspection . . . [.]*

391 NAC 1-005.02 provides the following:

> *The Department will conduct an unannounced inspection each year to assess compliance with licensing regulations.*

A good internal control plan requires adequate documentation to be maintained to support compliance with health and safety requirements.

Condition: The Agency did not have adequate procedures in place to ensure health and safety requirements were met for child care providers. A similar finding has been noted in prior audits since 2017.

Repeat Finding: 2023-044

Questioned Costs: Unknown

Statistical Sample: No

Context: Child care centers and family child care homes are subject to health and safety requirements. Each type of provider is subject to separate but similar State regulations. We tested 26 child care providers subject to health and safety requirements. We noted the following:

- One family home child care provider did not have the required annual inspection completed. The last annual inspection was performed on February 25, 2022. The Agency attempted to conduct unannounced reviews on November 8, 2023, and November 11, 2023, but the child care provider was not home. In December 2023, the Agency emailed the provider and tried contacting the provider by phone twice; however, a response was not received. No annual inspection was completed in 2023, and no inspection for 2024 has been completed as of the end of fieldwork on November 8, 2024. No disciplinary actions have been taken against the provider.

- One child care center tested did not have a sanitation inspection. The Agency made a referral for a sanitation inspection on December 5, 2023; however, as of November 8, 2024, no inspection was completed.

- Five of 21 child care centers tested did not have a fire inspection within the last two years:

#	Date of Last Fire Inspection	Months Overdue as of June 30, 2024
1	11/15/2021	7
2	11/17/2021	7
3	11/9/2021	7
4	5/26/2021	13
5	None Provided	*

*The child care center was located in a school, and the Agency does not make referrals to School-Age-Only Centers located in a school.

Cause: Depending on the city or county, the Agency relies on local fire departments or the State Fire Marshal to conduct fire inspections for child care centers. The Agency makes a referral to the fire department when an inspection is due, but the Agency does not pay for these inspections and cannot control the timing of the inspections.

Effect: Without adequate procedures to ensure health and safety requirements are met, there is an increased risk of noncompliance with Federal regulations and the possibility of children being cared for in unsafe facilities.

Recommendation: We recommend the Agency implement procedures to ensure all health and safety requirements are met for child care centers.

Management Response: Management partially agrees.

APA Response: The Agency is the recipient of the Federal funds and is, therefore, ultimately responsible to ensure that fire and sanitation inspections are performed. Without such inspections, there is an increased risk of children being cared for in unsafe facilities.

Finding 2024-047

Program: AL 93.575 – COVID-19 Child Care and Development Block Grant – Period of Performance

Grant Number & Year: 2101NECDC6, FFY 2021

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 98.60(d) (October 1, 2023):

The following obligation and liquidation provisions apply to States and Territories:

(1) Discretionary Fund allotments shall be obligated in the fiscal year in which funds are awarded or in the succeeding fiscal year. Unliquidated obligations as of the end of the succeeding fiscal year shall be liquidated within one year.

Per the Federal Notice of Award for 2101NECDC6, "ARP CCDF Discretionary funds must be obligated by September 30, 2023, and liquidated by September 30, 2024."

According to 45 CFR § 75.511(a) (October 1, 2023), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

A good internal control plan requires procedures to ensure compliance with Federal regulations.

Condition: Expenditures were charged to the American Rescue Plan Act (ARPA) grant after the period of performance. A similar finding was noted in the prior audit. The Summary Schedule of Prior Findings lists the status as complete.

Repeat Finding: 2023-045

Questioned Costs: $9,321,777 known

Statistical Sample: No

Context: ARPA Child Care and Development Fund (CCDF) Discretionary funds must be obligated by September 30, 2023, and liquidated by September 30, 2024.

Expenditures for the ARPA grant included two journal entries for claims originally paid with State funds from October 2023 through March 2024, which is after the obligation period.

Journal Entry Date	Amount	Original Claims Paid
April 11, 2024	$ 4,420,245	October 2023 – December 2023
June 3, 2024	$ 4,901,532	January 2024 – March 2024

During our random sample of child care claims, we tested two claims charged to the ARPA grant per the Journal Entry dated June 3, 2024. The eligibility period, service dates, and original paid date for those two claims are as follows:

#	Eligibility Period	Service Dates	Original Paid Date
1	12/1/23 - 11/30/24	2/1/24 - 2/29/24	3/7/24
2	3/1/24 - 2/28/25	3/4/24 - 3/15/24	3/21/24

Clearly, there was no obligation to pay these claims as of September 30, 2023, as services had not been provided, and the family had not been determined eligible for those service dates.

Cause: The Agency had verbal discussions with the Federal grantor and believed, based on those discussions, that the expenditures were allowable.

Effect: Noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve procedures to ensure expenditures charged are within the allowed time period.

> **Management Response:** Management partially agrees. The Agency has worked with Federal Partners on period of performance and were in agreeance with them on what is allowable. We understand that most conversations were verbal, however, the Federal Partners did not see any issues with our definition of obligations, which some of these claims fall into.

<u>Finding 2024-048</u>

Program: AL 93.575 – COVID-19 Child Care and Development Block Grant – Allowability & Period of Performance

Grant Number & Year: 2101NECCC5, FFY 2021; 2101NECDC6, FFY 2021

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 98.67 (October 1, 2023) states, in part, the following:

(a) Lead Agencies shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds.

* * * *

(c) Fiscal control and accounting procedures shall be sufficient to permit:

* * * *

(2) The tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the provisions of this part.

The Frequently Asked Questions (FAQs) for the Business and Child Care Partnership Grant Program (https://dhhs.ne.gov/Documents/BCCG-FAQs.pdf) includes, in part, the following:

I. 1. The goal of the Business and Child Care Partnership grant program is to increase child care capacity throughout the state of Nebraska.

* * * *

II. 12. Applicants must expend grant funds by July 31, 2023.

* * * *

> *II. 14. [N]ew child care programs need to be licensed and operating by December 31, 2023.*
>
> * * * *
>
> *II. 15. Grant recipients are required to remain open and caring for children for three (3) years after their awarded date or from the date of license, whichever is later. Closing the business before three years have passed may require the grant recipient to pay back all or a prorated portion of their award.*
>
> * * * *
>
> *III. 4. To be eligible to apply, you will need to be increasing your license capacity . . .*
>
> * * * *
>
> *IV. 2. Note that projects must be completed by December 31, 2023.*

Per the Federal Notice of Award for 2101NECCC5, "CRRSA funds must be obligated by September 30, 2022, and liquidated by September 30, 2023." Per the Federal Notice of Award for 2101NECDC6, "ARP CCDF Discretionary funds must be obligated by September 30, 2023, and liquidated by September 30, 2024."

The Child Care Stabilization Program Frequently Asked Questions (FAQs) for Round 3 (https://dhhs.ne.gov/Documents/CCSG-FAQ-English.pdf) includes, in part, the following:

> *4. A licensed child care provider (CCC, FCCHI, FCCHII, PRE, and SAOC) is considered eligible to apply if they became licensed between May 10, 2022 and April 21, 2023 OR has been funded in a previous stabilization grant round and has expanded their current license capacity since previous award . . . . Applicants who, at the time of submission of application, are not trained in Prepare to Care, certified in pediatric first aid and CPR . . . will have 60 days to submit proof of training[.]*
>
> * * * *
>
> *34. Providers who accept the Stabilization Grant payment agree to stay licensed, opened, and actively watching children for a minimum of 12 months from the issue date of the payment.*

The Grant Payment Survey Frequently Asked Questions for the Inflation Remittance Support payments (https://dhhs.ne.gov/Child%20Care%20Documents/Grant%20Payment%20Survey%20FAQs_Aug_2023.pdf) states, in part, the following:

> *5. If you do not complete the Grant Payment Survey by September 30, 2023, you will not be eligible to receive the funding.*
>
> * * * *
>
> *9. You agree to stay licensed, open, operational and actively caring for children for a minimum of 12 months from the issue date of the grant payment.*

Good internal control requires procedures to ensure that State and Federal requirements are met. Good internal control also requires procedures to ensure amounts awarded are adequately supported.

Condition: The Agency did not have adequate procedures to ensure that funds paid to child care providers were spent properly and complied with State and Federal requirements. In addition, payments were charged after the period of performance. A similar finding was noted in the prior audit.

Repeat Finding: 2023-046

Questioned Costs: $5,185,690 known

Grant #	Questioned Costs
2101NECCC5	$5,012,952
2101NECDC6	$172,738

Statistical Sample: No

Context: The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (Public Law 116-260), signed into law on December 27, 2020, and the American Rescue Plan Act (ARPA) of 2021 provided states with supplemental child care funds to build the supply of child care, retain a skilled work force, and support the stability of the child care sector.

Business and Child Care Partnership Grants
The Agency awarded various grants to child care providers, including the Business and Child Care Partnership Grant (BCC). The purpose of the BCC grants was to help individuals and organizations create new child care programs and enable existing licensed child care programs to increase their license capacity.

During fiscal year 2023, a total of $23,303,985 in BCC grants were paid to 125 recipients. Payments were made to grant recipients beginning in March 2023. The Agency paid 19 additional facilities $3,397,763 in BCC grants during fiscal year 2024. Recipients had until December 31, 2023, to spend the funds. Additionally, new child care programs needed to be licensed and operating by December 31, 2023, and projects to increase capacity by existing child care programs were to be completed by December 31, 2023.

On October 30, 2024, after our request, the Agency provided a listing of BCC grant recipients that had not increased their licensed capacity as of December 31, 2023. The Agency stated it was working with providers that did not meet the December 31, 2023, requirement on a case-by-case basis. The Agency had not requested any funds to be returned by noncompliant providers as of October 30, 2024. We reviewed the listing and identified 21 child care providers that had not increased their capacity or were not licensed and operating as of November 20, 2024. These providers were paid $3,892,270 in BCC grant payments. This included $2,646,489 in fiscal year 2023 payments made from March 2023 through June 2023 and $1,245,781 in payments made during fiscal year 2024 in August 2023. All of these payments are questioned.

		Licensed Capacity per Roster		
Name of Child Care Provider	**Grant Amount**	**As of 9/29/22**	**As of 11/20/24**	**As of 1/3/25**
24/2 Child Care Center Inc *	$ 228,943	75	75	75
Aleah's Childcare, LLC	$ 12,750	10	**	**
Alice's Angels Childcare, LLC *	$ 55,980	10	10	10
Because I Love You *	$ 7,100	10	10	10
Blessed Are They Learning Center	$ 113,703	10	**	**
C.R.E.A.T.E. Child Enrichment Center LLC *	$ 548,775	35	35	35
Carrie's Christian Love Daycare *	$ 82,645	12	12	12
Clarkson Christian Daycare *	$ 49,570	45	45	45
Generation Z Learning Center *	$ 134,370	58	58	58
Golden Child Development Center *	$ 186,295	50	50	50
J's Nest Childcare owned by Jordan Wintz	$ 13,600	****	****	****
Patty's Child Care Center – (4110 S 13th Street, Omaha)	$ 677,900	***	***	***
Sprouting Minds Maple *	$ 527,558	180	180	190
Tiny Treasure Daycare *	$ 7,300	10	10	10
Fiscal Year 2023 Total	**$ 2,646,489**			

		Licensed Capacity per Roster		
Name of Child Care Provider	**Grant Amount**	**As of 9/29/22**	**As of 11/20/24**	**As of 1/3/25**
Children's Development Connection *	$ 315,568	113	113	115
Over the Rainbow *	$ 145,132	45	45	45
Santiago, Maria M *	$ 11,500	10	10	10
SM F Street Inc (Sprouting Minds – Atlas Plaza) *	$ 212,866	175	175	179
SM Pacific Street LLC (Sprouting Minds – Pierce Street) *	$ 214,588	170	170	170
SM West Center Inc (Sprouting Minds – South 192nd Ave)*	$ 135,674	160	160	165
Sprouting Minds Childcare (Cumberland Drive) *	$ 210,453	180	180	184
Fiscal Year 2024 Total	**$ 1,245,781**			
Total Payments with no Increased Capacity through 2024	**$ 3,892,270**			

* *These child care facilities were licensed and operating as of January 3, 2025.*
** *These child care facilities were closed prior to November 20, 2024.*
*** *No license has been issued for this child care facility as of January 3, 2025.*
**** *Child care facility opened after September 29, 2022, and closed before November 20, 2024.*

Additionally, grant recipients were required to remain open for three years after the grant award date or from the date of the licenses, whichever was later. Three of these recipients closed their facilities well before the required three-year deadline. As stated above, the Agency has not requested the providers to return all or any portion of the BCC grant. Additional details on the three grant recipients are below:

- J's Nest Childcare is owned by Jordan Wintz. Wintz received a Provisional Family Child Care Home I license on November 1, 2022. Per court records, a complaint was filed on February 2, 2023, against Jordan Wintz for a Class IIA Felony of Theft by Deception. On January 1, 2024, the charge was amended to Unauthorized Use of a Financial Transaction Device, also a Class IIA Felony. On March 1, 2024, Wintz was found guilty of the amended charge and, on May 17, 2024, she was sentenced to 48 months of probation, 48 days in jail, and restitution of $27,217 to Midwest Bank, which was paid in full as of May 17, 2024. J's Nest Childcare's license was revoked on November 7, 2024.

- Two providers requested their license be closed. Aleah's Childcare's license was closed on November 4, 2024, and the license for Blessed Are They Learning Center was closed on November 8, 2024.

Additionally, we tested payments to five facilities, totaling $1,414,825, which received payments during fiscal year 2024. We requested the application, award notification, spending reports, and supporting documentation for expenditures. We noted the following:

- Four of the facilities tested had the same owner. None of the four facilities increased capacity by December 31, 2023, and had still not increased capacity as of November 20, 2024. None of the spending reports provided agreed to the grant award. For example, the spending reports included thousands of dollars for staff wages even though the Agency did not award any funds for staff wages. We further noted only $27,585 expenditures of the $773,581 awarded were adequately supported. Copies of checks were provided for several expenditures, but no invoice or contract was provided to support what the expenditure was for, or that it was allowable for the grant. In addition, several amounts were not supported at all. All four facilities tested had an application dated in May 2023, which is after the period of performance for the Federal grant. The Federal grant was required to be obligated by September 30, 2022. All payments for these facilities are questioned in the table above, as obligated after the period of performance, capacity not increased, and inadequate support for expenditures.

Facility	Awarded and Paid	Expenditures Supported
Sprouting Minds Pacific Street	$ 214,588	$ 4,365
Sprouting Minds Childcare	$ 210,453	$ 11,039
Sprouting Minds F Street	$ 212,866	$ 4,397
Sprouting Minds West Center	$ 135,674	$ 7,784

- We also tested one facility that was paid $641,244. Sufficient documentation was on file to support the expenditures; however, the Agency was unable to provide the award notification. This was a new program that was not licensed by December 31, 2023; but a provisional license was issued on May 14, 2024. The recipient had an application that was dated May 4, 2023, which is after the period of performance for the Federal grant. The Federal grant was required to be obligated by September 30, 2022. Therefore, we question $641,244.

We tested two additional providers listed as increased capacity and reviewed the applications and documentation of how the grant funds were spent. As a result, we question an additional $479,438, as follows:

Kids Express LLC
Kids Express LLC (Kids Express) received a BCC grant of $54,186 on August 14, 2023. The application for Kids Express was completed on July 8, 2023, which is after the period of performance for the Federal grant. The Federal grant was required to be obligated by September 30, 2022. The $54,186 payment is questioned. We also identified several additional issues with the application, grant award and expenditures, as follows.

- The BCC application provided the address of 7410 Mercy Road in Omaha as the physical address for the new child care program. The center was projected to be licensed and operating by October 15, 2023. Kids Express did not receive a license for this location but received a provisional license at 5352 South 136th Street in Omaha.

- The grant was awarded based on quotes and estimates provided for the location of 7410 Mercy Road; however, the expenses were for the 5352 South 136th Street location. Therefore, the expenses did not agree to the grant award notification, as follows.

Funding Category	Amount Awarded	Amounts Expended
Minor Renovations & Repairs	$ 17,347	$ 10,490
Equipment Expenses	$ 8,089	$ 14,040
Health and Safety Items	$ 4,200	$ 199
Program Supplies	$ 9,500	$ 9,998
Mortgage/Rent	$ 2,000	$ 18,275
Insurance/Utilities	$ 890	$ 3,511
Vehicle Purchase	$ 11,160	$ 0
Professional Fees	$ 1,000	$ 372
Totals	**$ 54,186**	**$ 56,885**

- The Agency previously performed an audit of the expenses to support the full grant payment. Based on the audit, the Agency allowed $56,885 in expenses, which covered the full grant award amount. We also completed an analysis of the expenses identified above and determined that the invoices provided by Kids Express did not adequately support $27,046 of the grant funds spent. For example, a $10,490 invoice for playground equipment included the total only and no description of what equipment was purchased. Two invoices for a washer and dryer, and signage, totaling

$7,714, did not include the vendor's name, date purchased, or any payment information. Additional support for expenses appeared to be an estimate or quote and not the actual paid invoice. There were several Walmart receipts that did not include the date of purchase or payment method, and some of these receipts included the purchase of cat litter and groceries; however, the center was not operating when the groceries were purchased.

- Kids Express was issued a Provisional Child Care Center license at the 5352 South 136th Street location on November 1, 2023. The center was licensed for 76 kids. Per a local news report from April 15, 2024, Kids Express was not yet open, but should begin accepting children in two weeks, April 29, 2024. Kids Express was not operational by the December 31, 2023, deadline.

- Kids Express did not remain open for three years after the license was issued on November 1, 2023. Subsequent to the audit period on August 5, 2024, the property owner of the space leased by Kids Express filed a complaint in District Court. Per the complaint, the parties entered into a lease agreement on August 16, 2023, and Kids Express failed to pay monthly installments or rent and other amounts due under the lease. As of July 30, 2024, there was a total outstanding amount due of at least $65,421. Kids Express owed monthly rent and operating expenses for November 1, 2023, through August 1, 2024. On August 19, 2024, an Order of Restitution granted the property owner immediate possession and restitution of the premises at 5352 South 136th Street. On November 25, 2024, an Order for Default Judgment was filed in the sum of $78,754 plus interest. The Agency noted the provider closed due to not obtaining enough children to care for and other personal issues. The Agency did not request the center return all or a portion of the grant funds.

Subsequent to the audit period, Kids Express was paid $37,422 on August 30, 2024, for a Targeted Workforce Supplemental (TWS) payment. Providers who received the BCC grant were eligible to apply for this subgrant and were required to complete a TWS survey by September 30, 2023. Grant amounts were determined based on the number of new child care slots the child care program created. Kids Express was no longer operating the center at the time of payment.

Patty's Child Care Center Inc.
Patty's Child Care Center received payments for two locations. One was an existing center at 4102 South 13th Street in Omaha (Patty's Child Care Center 2) and the other was a new center to be opened at 4110 South 13th Street in Omaha. We requested support for the funds spent at both locations. We noted the following:

4102 South 13th Street:
On May 5, 2023, Patty's Child Care Center 2 was awarded $709,205 to increase the center's capacity from 100 to 120 by December 31, 2023. The center did not increase capacity until June 28, 2024, when the license was increased to 110. We requested documentation of expenses made to support the $548,020 awarded for the funding category of minor repairs and renovations. Invoices provided did not support the full amount awarded. The center provided invoices for only $449,720 of the $548,020 grant award. Of the $449,720 expended for minor repairs and renovations, we determined only $122,768 of expenses were allowable, resulting in $425,252 in questioned costs. In addition to the $98,300 support not provided, see examples below of other questioned items:

- The grant award allowed $24,200 for the repair of sidewalks and steps; however, the invoice for concrete totaled $100,045 and was for the playground area and did not include sidewalks or steps.

- An estimate for updates to the inside of the daycare was provided by a vendor dated May 15, 2023. It included plumbing, electrical updates, patching drywall, painting, window replacement, floor replacement, updates to the HVAC system, replacement of tile in the bathroom and kitchen, door hardware, and ceiling tile replacement. However, the invoices provided for these items were from a different vendor. There was a total of 16 invoices, totaling, $186,475, from the vendor. The invoices included a total price for the service, but there was no itemized breakdown of materials or labor, and no cancelled check or proof of payment for the invoices was provided.

- An estimate was provided by a vendor for purchasing and installing turf. The estimate was for $80,163, and the Agency approved this amount as part of the grant award. The invoice from the vendor dated July 1, 2023, was for $120,595. Not only did the square footage of the turf increase, but the costs to install also increased.

4110 South 13th Street:
Patty's Child Care Center owns a building at 4110 South 13th Street, where it wanted to open a new facility with a proposed license capacity of 186. Patty's Child Care Center was awarded a BCC grant for this location, totaling $677,900. This included $450,000 awarded for the Program Supplies funding category. We requested documentation to support the expense made for this funding category.

Patty's Child Care Center provided invoices for program supplies, totaling $465,590. These invoices included $52,537 for concrete work and $30,356 for turf installation that were not included in the grant application and were not approved as part of the grant award. Additionally, a playground quote dated April 3, 2023, was from one vendor, and the invoice provided for the expense was from a different vendor. No license has been issued for this location, and the entire BCC grant award amount was questioned, as noted in the chart above.

Stabilization Grants
Section 2201 of the American Rescue Plan Act (ARPA) of 2021 provided states supplemental discretionary Federal funding to help more families afford child care and to improve the quality of child care for all children. The Agency paid $575,572 in Round 3 stabilization subgrants to eligible child care providers during fiscal year 2024.

We tested one Round 3 payment, totaling $167,738, to Kiddie Academy of Gretna. To be eligible for the Round 3 payment, the provider had to have become licensed between May 10, 2022, and April 21, 2023, and had to be trained in the Agency's Prepare to Care program and be certified in pediatric first aid and CPR. Additionally, the provider was obligated to stay licensed, open, and actively watching children for a minimum of 12 months from the issue date of the payment. The payment amount was determined by the Agency's grant funding formula. The funding formula included a base amount awarded to providers based on their licensed capacity, as well as additional funding for those providers who served children from families with low incomes. We found several issues with this aid payment.

- The Agency could not provide documentation to verify that the provider completed the Prepare to Care training and was certified in pediatric first aid and CPR.

- We were unable to recalculate the payment amount using the Agency's funding formula, and the Agency was unable to provide support on how the payment amount was determined.

- Kiddie Academy of Gretna did not remain licensed and open for 12 months after the payment date. The payment was issued on July 5, 2023, and the provider's license was closed on April 29, 2024.

The payment of $167,738 is questioned. In response to our inquiry about the provider closing, the Agency stated it would send a letter to the provider asking how the funds were spent and the reason why it closed.

Inflation Remittance Support
The Agency also offered an Inflation Remittance Support Payment to child care providers who were previously awarded a child care stabilization grant. The Agency provided eligible providers instructions on how to apply and a link to complete the grant survey, which had to be completed by September 30, 2023. The providers certified that the program maintained the same license number submitted at the time of their initial application, and the program must have been open and actively caring for children at the time the survey was submitted and at the time of payment. Providers were also required to stay licensed, open, operational, and actively caring for children for a minimum of 12 months from the date of the grant payment. Two grant payments tested did not follow these requirements.

- A Family Child Care Home II provider received a $2,500 grant payment on March 5, 2024; however, the program did not stay open for the required 12 months, as it closed on August 9, 2024. The $2,500 payment is questioned. Per the Agency, a letter was sent to the provider asking for a receipt of all expenses and an explanation for why the program closed.

- For another payment, the survey was submitted by the provider on October 10, 2023, after the September 30, 2023, deadline. Per the Agency, the survey instructions and link were sent to the wrong address; therefore, it gave the provider extra time to complete the survey. The ARP CCDF Discretionary funds must be obligated by September 30, 2023. The $2,500 grant payment is questioned.

Federal payment errors noted for the Inflation Remittance Support sample tested were $5,000. The total sample tested was $32,500, and the total Inflation payments for the fiscal year were $7,072,500. The Inflation payment dollar error rate for the sample was 15.38% ($5,000/$32,500), which estimates the potential dollars at risk for fiscal year 2024 to be $1,087,851 (dollar error rate multiplied by the population).

Cause: Inadequate control procedures.

Effect: Noncompliance with Federal regulations. Additionally, a lack of adequate supporting documentation increases risk of payments not being made in accordance with State and Federal requirements, leading to a loss of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure that payments are adequately supported and in accordance with State and Federal requirements. We further recommend the Agency take steps to recover funding that was not spent properly or granted to providers whose capacity did not increase or did not remain open, as required.

Management Response: Management agrees.

Finding 2024-049

Program: AL 93.658 – Foster Care Title IV-E – Allowability

Grant Number & Year: 2201NEFOST, FFY 2022

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Good internal control requires procedures to ensure journal entries are reasonable, accurate, and not duplicated.

45 CFR § 75.403 (October 1, 2023) provides the following, in relevant part:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

** * * **

(g) Be adequately documented.

45 CFR § 75.303 (October 1, 2023) states, in part, the following:

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition: The Agency did not have adequate procedures to ensure journal entries were proper.

Repeat Finding: No

Questioned Costs: $1,003,954 known

Statistical Sample: No

Context: During our review of journal entries, we tested a transaction dated June 21, 2024, that included $1,003,954 in Federal charges to the 2022 grant related to a prior-period adjustment. However, these costs had previously been charged to the grant on a journal entry dated September 22, 2022. As a result, the costs were charged twice, and we question the $1,003,954 in Federal charges.

Cause: Inadequate review procedures. The Agency attempted to reconcile the grant costs reported to the accounting system but missed that a journal entry had already been completed for one of the adjustments.

Effect: Increased risk for errors to occur and not be detected.

Recommendation: We recommend the Agency improve procedures to ensure transactions are proper.

Management Response: The agency agrees with the finding.

<u>Finding 2024-050</u>

Program: AL 93.658 – Foster Care Title IV-E; AL 93.658 – COVID-19 Foster Care Tile IV-E – Allowability & Eligibility

Grant Number & Year: 2301NEFOST, FFY 2023; 2401NEFOST, FFY 2024

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.403 (October 1, 2023), costs must be necessary, reasonable, and adequately documented.

Per 45 CFR § 75.303(a) (October 1, 2023), the Agency must do the following:

> *Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

45 CFR § 75.302(a) (October 1, 2023) states the following:

> *Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non- Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.*

Per 42 USC § 671(a)(20)(A), for a state to be eligible for adoption assistance, the state must have a plan that "provides procedures for criminal records checks, including fingerprint-based checks of national crime information databases (as defined in section 534(f)(3)(A) of title 28), for any prospective foster or adoptive parent before the foster or adoptive parent may be finally approved for placement of a child[.]"

Title 395 NAC 3-003.08(A)(iv) (*Eff. 6/29/2022*) states, in relevant part, the following:

> *The applicant and all other members of the household 18 years of age and older will submit background checks prior to licensing. Each individual living in the home on whom a background check will be performed will sign the authorization form granting the Licensing Agent permission to perform the background checks and obtain the results. The authorization must include all previous known names, including maiden names and aliases . . . The following background checks will be conducted:*
>
> * * * *
>
> *(5) State-level criminal history; and*
>
> *(6) Fingerprint-based National Criminal History Check.*

Title 392 NAC 4-002 (*Eff. 9/15/2020*) states, in relevant part, "Before furnishing any service, each provider must sign an enrollment form agreeing: (A) No payments will be made for child care provided to a child before the service authorization date; (B) To provide service only as authorized, in accordance with the Department's standards;" and "(G) To retain authorizations, billing documents, and attendance records for four years to support and document all claims[.]"

The Child Care Subsidy Provider Handbook (June 2023 revision), Section 5 ("Financial Matters"), states, in relevant part, "You must complete an attendance calendar to accurately reflect the dates on which child care services were provided, as well as the exact number of hours of service provided." (pg. 32)

Title 45 CFR § 75.511(a) (October 1, 2023) requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The Agency did not have adequate documentation on file to support that payments were in accordance with Federal and State regulations. The Summary Schedule of Prior Audit Findings states the corrective action is completed.

Repeat Finding: 2023-048

Questioned Costs: $681 known (2301NEFOST, $352; 2301NEFOST-COVID-19, $9; 2401NEFOST, $319; 2401NEFOST-COVID-19, $1)

Statistical Sample: No

Context: We tested 25 Foster Care claims for maintenance. Foster Care maintenance payments include payments to foster parents and payments to licensed child care providers for child care when work responsibilities preclude foster parents from being at home. We noted the following:

- For two claims tested, the Agency was unable to obtain the child care attendance calendars from the providers. With no attendance calendars, we were unable to verify that the payment amounts were accurate, resulting in questioned costs of $657.

- For one claim tested, the provider billed 12 days of child care, while the attendance calendar for the child showed only 11 days of child care. Also, the provider was authorized to provide 40 hours of child care per week, but one week billed 55 hours of care. We questioned costs of $24.

- For one claim, there was no documentation of a fingerprint-based background check performed for an adult residing in the foster care household.

Federal payment errors noted in the sample were $681. The Federal sample tested was $10,391, and the total Federal maintenance payments during the year were $5,998,283. Based on the sample tested, the dollar error rate was 6.55% ($681/10,391), which estimates the potential dollars at risk for fiscal year 2024 to be $392,888 (dollar error rate multiplied by population).

Cause: Employee oversight; inadequate procedures to ensure documentation was on file.

Effect: When adequate support is not on file, there is an increased risk of both noncompliance with State and Federal requirements and improper payments.

Recommendation: We recommend the Agency implement procedures to ensure that adequate documentation is maintained to support that expenditures are allowable and in accordance with State and Federal regulations.

> **Management Response:** The agency agrees with this finding. Bullet Point 3: The department reached out to the home to get a fingerprint check completed but learned that the individual in question had already moved out on 1/16/25. The department is unable to complete the check now.

<u>Finding 2024-051</u>

Program: AL 93.659 – Adoption Assistance – Allowability & Eligibility

Grant Number & Year: 2401NEADPT, FFY 2024

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.403 (October 1, 2023), costs must be necessary, reasonable, and adequately documented.

Per 45 CFR § 75.303(a) (October 1, 2023), the Agency must do the following:

> *Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

45 CFR § 75.302(a) (October 1, 2023) states the following:

> *Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non- Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.*

Title 392 NAC 4-002 (*Eff. 9/15/2020*) states, in relevant part, "Before furnishing any service, each provider must sign an enrollment form agreeing: (A) No payments will be made for child care provided to a child before the service authorization date; (B) To provide service only as authorized, in accordance with the Department's standards;" and "(G) To retain authorizations, billing documents, and attendance records for four years to support and document all claims[.]"

The Child Care Subsidy Provider Handbook (June 2023 revision), Section 5 ("Financial Matters"), states, in relevant part, "You must complete an attendance calendar to accurately reflect the dates on which child care services were provided, as well as the exact number of hours of service provided." (pg. 32)

Condition: The Agency did not have adequate documentation on file to support that Adoption Assistance payments were in accordance with Federal and State regulations.

Repeat Finding: No

Questioned Costs: $350 known

Statistical Sample: No

Context: We tested 25 assistance claims and noted the following:

- For one claim, the Agency was unable to obtain the child care attendance calendar from the provider. With no attendance calendar, we were unable to verify that the payment amount was accurate, resulting in questioned costs of $105.

- For one claim, the provider billed 22 days of child care, while the attendance calendar for the child showed only 11 days, resulting in questioned costs of $245.

Federal payment errors noted in the sample were $350. The Federal sample tested was $9,968, and the total Federal assistance payments during the year were $27,200,378. The dollar error rate was 3.51% ($350/9,968), which estimates the potential dollars at risk for fiscal year 2024 to be $954,733 (dollar error rate multiplied by population).

Cause: Employee oversight; inadequate procedures to ensure documentation was on file.

Effect: When adequate support is not on file, there is an increased risk of both noncompliance with State and Federal requirements and improper payments.

Recommendation: We recommend the Agency implement procedures to ensure that adequate documentation is maintained to support that expenditures are allowable and in accordance with State and Federal regulations.

Management Response: The agency agrees with this finding.

<u>Finding 2024-052</u>

Program: AL 93.659 – Adoption Assistance – Level-of-Effort & Reporting

Grant Number & Year: 2301NEADPT, FFY 2023

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: A good internal control plan requires procedures to ensure reports are accurate and complete and reconcile to the accounting system. EnterpriseOne is the official accounting system of the State.

45 CFR § 75.302 (October 1, 2023) states, in part, the following:

(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non- Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also §75.450.

(b) The financial management system of each non-Federal entity must provide for . . . (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements . . . .

Per Instructions for Completion of Form CB – 496:

***Line 10. Reporting Period - Expenditures of Adoption Savings On Post-Adoption or Post-Guardianship Services (from line 8 amount)** – This line consists of the actual title IV-E agency expenditures (without federal matching funds) of calculated cumulative adoption savings for the purposes of providing post-adoption or post-guardianship services. . . .*

***Line 11. Reporting Period - Expenditures of Adoption Savings On Services for Children At Risk of Foster Care (from line 8 amount)** – This line consists of the actual title IV-E agency expenditures (without federal matching funds) of calculated cumulative adoption savings for the purposes of providing services to support positive permanent outcomes for children at risk of entering foster care. . . .*

***Line 12. Reporting Period - Expenditures of Adoption Savings On Other Title IV-B or Title IV-E Allowable Services (from line 8 amount)** – This line consists of the actual title IV-E agency expenditures (without federal matching funds) of calculated cumulative adoption savings for the purposes of providing title IV-B or title IV-E allowable services other than those specified for reporting on lines 10 and 11 of this Part. . . .*

Title IV-E agencies are required to enter into an adoption assistance agreement with the prospective adoptive parents of any child who meets specified criteria by applying differing, and less restrictive, program eligibility criteria. This results in some number of children who, under previously applied program eligibility criteria, would not have been determined as Title IV-E eligible, but who will now be determined as Title IV-E eligible for adoption assistance. Each Title IV-E agency is required to calculate and spend an amount equal to any savings in Title IV-E agency expenditures as a result of applying the differing program eligibility criteria for a Federal fiscal year for services permitted under Title IV-B or IV-E. These non-Federal funds are referred to as "adoption savings." The State is required to spend an amount equal to any adoption savings in State expenditures for a fiscal year for any services that may be provided under Title IV-B or IV-E.

Per 42 USC § 673(a)(8)(D)(ii), "Any State spending required under clause (i) shall be used to supplement, and not supplant, any Federal or non-Federal funds used to provide any service under part B or this part."

Title 45 CFR § 75.511(a) (October 1, 2023) requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The Agency did not have adequate procedures to ensure Federal Financial Reports (FFRs) were accurate. Adoption Savings reported were not in accordance with Level-of-Effort requirements. The Summary Schedule of Prior Audit Findings states the corrective action is completed.

Repeat Finding: 2023-049

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested the FFRs for the quarters ended December 2023 and June 2024. We also tested Part 4 of the September 2023 report for the Annual Adoption Savings Calculation and Accounting Report. We noted the following:

- Line 10 Expenditures of Adoption Savings on Post-Adoption or Post-Guardianship Services was reported as $9,684,007 but only had support for $9,555,098.

- Line 12 Expenditures of Adoption Savings on Other Title IV-B or IV-E Allowable Services reported $638,161, but $470,913 of these expenditures should not have been included. These expenditures were paid with Federal funds and State matching funds and, therefore, are not allowable uses of Adoption Savings.

- Line 11 Expenditures for Children at Risk of Foster Care was reported as $1,078,475 but was overstated $136,305 due to including expenditures paid with Federal funds.

- Line 13 Total Expenditures of Calculated Adoption Savings was overstated by $736,127 due to the errors noted on Lines 10-12.

Cause: Inadequate review.

Effect: Increased risk for errors and noncompliance with Federal requirements.

Recommendation: We recommend the Agency implement procedures to ensure Federal reports are accurate and reconcile to the accounting system.

Management Response: The agency agrees with this finding.

Finding 2024-053

Program: AL 93.778 – Medical Assistance Program; AL 93.778 – COVID-19 Medical Assistance Program – Allowability

Grant Number & Year: 2305NE5MAP, FFY 2023; 2405NE5MAP, FFY 2024

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.302 (October 1, 2023), each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. Per 45 CFR § 75.403 (October 1, 2023), costs must be reasonable, necessary, and adequately documented.

Title 471 NAC 15-003.02(H) requires that the provider perform the personal assistance services noted on the service plan, accurately document services provided in the EVV (Electronic Visit Verification) system, and confirm that services were received as authorized according to Agency procedures.

Title 471 NAC 15-005.02(A) states that the provider can provide services to only one client at a time, and services will not be paid unless performed during the actual hours noted in the EVV system.

Title 471 NAC 15-005.01(A) states that the provider will comply with all EVV billing requirements.

Per the "Service Definition" provided in the Personal Care Service Handbook, "Personal Care is a service of the HCBS Waiver for Aged and Adults and Children with Disabilities (AD) and Traumatic Brain Injury (TBI) which provides needed assistance with Activities of Daily Living (ADLs) health-related tasks or Instrumental Activities of Daily Living (IADLs) provided in a participant's home and other community settings."

A good internal control plan requires procedures to ensure services provided agree to the service needs assessment or individual support plan and service authorization.

Section 1903(l)(5)(A) of the Social Security Act states the following:

> *The term "electronic visit verification system" means, with respect to personal care services or home health care services, a system under which visits conducted as part of such services are electronically verified with respect to –*
>
> *(i) the type of service performed;*
> *(ii) the individual receiving the service;*
> *(iii) the date of the service;*
> *(iv) the location of service delivery;*
> *(v) the individual providing the service; and*
> *(vi) the time the service begins and ends.*

Public Law 114-255, § 12006 (December 13, 2016) ("21st Century Cures Act") provides, as is relevant, the following:

> *(a) In general. Section 1903 of the Social Security Act (42 U.S.C. 1396b) is amended by inserting after subsection (k) the following new subsection:*
>
> *"(l)(1) Subject to paragraphs (3) and (4), with respect to any amount expended for personal care services or home health care services requiring an in-home visit by a provider that are provided under a State plan under this title (or under a waiver of the plan) and furnished in a calendar quarter beginning on or after*

January 1, 2019 (or, in the case of home health care services, on or after January 1, 2023), unless a State requires the use of an electronic visit verification system for such services furnished in such quarter under the plan or such waiver, the Federal medical assistance percentage shall be reduced—

''(A) in the case of personal care services—

"(i) for calendar quarters in 2019 and 2020, by .25 percentage points;
"(ii) for calendar quarters in 2021, by .5 percentage points;
"(iii) for calendar quarters in 2022, by .75 percentage points; and
"(iv) for calendar quarters in 2023 and each year thereafter, by 1 percentage point[.]

Neb. Rev. Stat. § 28-512 (Reissue 2016) creates the offense of "theft by deception." That statute says the following, in relevant part:

A person commits theft if he obtains property of another by deception. A person deceives if he intentionally:

(1) Creates or reinforces a false impression, including false impressions as to law, value, intention, or other state of mind; but deception as to a person's intention to perform a promise shall not be inferred from the fact alone that he did not subsequently perform the promise; or

(2) Prevents another from acquiring information which would affect his judgment of a transaction; or

(3) Fails to correct a false impression which the deceiver previously created or reinforced, or which the deceiver knows to be influencing another to whom he stands in a fiduciary or confidential relationship[.]

Further, Neb. Rev. Stat. § 28-911 (Reissue 2016) prohibits "abuse of public records," as follows:

(1) A person commits abuse of public records, if:

(a) He knowingly makes a false entry in or falsely alters any public record; or

(b) Knowing he lacks the authority to do so, he intentionally destroys, mutilates, conceals, removes, or impairs the availability of any public record; or

(c) Knowing he lacks the authority to retain the record, he refuses to deliver up a public record in his possession upon proper request of any person lawfully entitled to receive such record; or

(d) He makes, presents, or uses any record, document, or thing, knowing it to be false, and with the intention that it be taken as a genuine part of the public record.

(2) As used in this section, the term public record includes all official books, papers, or records created, received, or used by or in any governmental office or agency.

(3) Abuse of public records is a Class II misdemeanor.

Condition: During testing of personal assistance service (PAS) and personal care service claims, we noted the following:

- Services provided lacked adequate supporting documentation. This included providers being able to submit claims without the verification of the location where the services were provided.

- Services billed exceeded the number of hours authorized.

- PAS and personal care services appeared to be claimed at the same time the provider was working at another job or was no longer providing services for the client, resulting in apparently fraudulent billings and payments.

- The caregivers for two clients were incarcerated at the time of service and could not have provided the services.

- The PAS and other employment hours exceeded 24 hours in one day for one client, which is not possible.

- The PAS and personal care providers had the ability to edit the billable start and end times in the EVV system.

- The Agency authorized a PAS provider to perform services for three clients, totaling up to 85 hours a week, which is unreasonable.

- A PAS provider did not declare all income earned when applying for assistance.

Similar findings have been noted in prior audits since 2014.

Repeat Finding: 2023-050

Questioned Costs: $98,008 known

Grant	Questioned Costs (Federal Share)
2305NE5MAP	$ 346
2305NE5MAP COVID-19	$ 15
2405NE5MAP	$ 97,623
2405NE5MAP COVID-19	$ 24

Statistical Sample: No

Context: The Agency offers PAS (assistance with hygiene mobility, housekeeping, etc.) to Medicaid recipients with disabilities and chronic conditions. The services to be provided are based on individual needs and criteria that must be determined in a written service needs assessment (SNA). The Agency also offers personal care services under the Aged and Disabled (AD) Waiver to recipients with disabilities. These services enable the participants to carry out tasks that they are unable to perform because of their disabilities. The services provided are based on individual needs and criteria that are documented in the individual support plan and service authorization.

The Agency implemented an electronic visit verification (EVV) system for PAS and personal care providers in January 2021, as required by Section 12006(a) of the 21st Century CURES Act, passed by Congress in 2016. The EVV system electronically captured and verified provider visit information, and providers were required to submit claims to the Agency electronically through this application.

We judgmentally selected four providers and a PAS/personal care agency based on high total dollars and units for testing and two PAS providers from the prior year audit with findings who received payments during fiscal year 2024. For those providers, we selected one week of claims for testing. We also randomly selected five PAS and ten waiver payments for testing.

Due to the numerous issues identified with the billings, we expanded testing for several of the providers. In addition to the billing issues identified for the weeks tested, we noted three of these providers had outside employment that conflicted with the PAS hours billed. We also identified billings submitted for two employees who no longer worked for the PAS agency. We identified $5,640 in potentially fraudulent payments made to the providers during fiscal year 2024. In addition to the potentially fraudulent payments, we noted $92,368 in Federal payment errors related to other issues, resulting in total Federal questioned costs of $98,008.

Questioned Costs			
Provider #	**Federal Share**	**State Share**	**Total**
1*	$ 88,289	$ 62,374	$ 150,663
2*	$ 6,188	$ 4,371	$ 10,559
3*	$ 1,636	$ 1,097	$ 2,733
4	$ 33	$ 24	$ 57
5	$ 452	$ 319	$ 771
6*	$ 499	$ 352	$ 851
7	$ 402	$ 284	$ 686
8	$ 20	$ 14	$ 34
9	$ 81	$ 57	$ 138
10	$ 281	$ 199	$ 480
11	$ 127	$ 89	$ 216
Totals	**$ 98,008**	**$ 69,180**	**$ 167,188**

*Amounts include potentially fraudulent payments.

The Federal share of PAS and AD Waiver claims paid for the fiscal year totaled $6,282,331 and $170,743,608, respectively. Payments tested and questioned costs for each are as follows:

	Federal Share Payments Tested	**Federal Share Questioned Costs**
PAS – Provider 1	$ 8,770	$ 8,672
PAS – Other Providers	$ 28,806	$ 9,311
AD Waiver - Provider 1	$ 92,009	$ 79,617
AD Waiver – Other Providers	$ 1,343	$ 408

The following information describes issues noted with each provider:

Provider #1
Murray's Blessings LLC (Murray's Blessings) is an agency that employed caregivers to provide PAS and personal care assistance for multiple clients. Murray's Blessings received $87,857 in PAS payments and $921,160 in personal care payments during the fiscal year, for a total of $1,009,017. We initially selected one week of claims to test, from April 28, 2024, through May 4, 2024, for all clients. Six clients received PAS and 16 clients received personal care services during this week. Services for 18 of 22 clients were not completed through a device using Global Positioning System (GPS) verification. The caregiver for five of the clients was unknown because the forms listed only "Murray's Blessings Admin" as the caregiver, and there were mileage variances for visits that were completed using GPS devices. Due to the numerous issues identified with the initial week tested, we reviewed an additional seven weeks of PAS and personal care services for the period of May 5, 2024, through June 22, 2024. We identified similar issues. The following is a summary of the issues identified for the eight-week period.

Client 1
No personal care visits from April 28, 2024, through May 18, 2024, used a device with GPS verification. According to payroll records provided by Murray's Blessings, the caregiver (caregiver A) for this client received his last check on April 30, 2024. Additionally, county court records noted that the caregiver was

arrested on April 29, 2024, for possession of a firearm by a prohibited person, terroristic threats, and use of a firearm to commit a felony. The caregiver was in custody during the entire time that services for Murray's Blessings submitted billings were supposedly provided. All visits were questioned as potential fraud, as this caregiver could not have performed these services. Previously, the caregiver served time in a Nebraska prison for State drug offenses from June 2013 through May 2019. In June 2017, while serving time for these State offenses, the caregiver was charged with committing Federal offenses. The caregiver was found guilty and on July 2, 2018, was sentenced to seven years in Federal prison for participating in a racketeering conspiracy involving acts of violence, including attempted murder and assaults, witness tampering, and drug distribution. The sentence was later reduced to 71 months. The caregiver was no longer in Federal prison as of October 5, 2023.

<u>Client 2</u>
No PAS visits completed from April 28, 2024, through June 22, 2024, used a device with GPS verification. According to payroll records provided by Murray's Blessings, the caregiver (caregiver B) for this client received her final paycheck on April 23, 2024, prior to these visits. Additionally, county court records noted the caregiver was in jail from June 3, 2024, until June 5, 2024, and could not have provided the services billed on June 3, 2024. All visits were questioned as potential fraud because services do not appear to have been provided by this caregiver. An arrest warrant was issued for the caregiver on May 30, 2024, for delivery of a controlled substance. The warrant was served on June 3, 2024, at the jail. The caregiver was taken into custody on June 3, 2024, for a pretrial violation in another case filed on April 11, 2024, for possession of a controlled substance.

<u>Client 3</u>
All of the personal care visits for this caregiver had starting and ending mileage variances. Based on the GPS coordinates, the visits started at either the caregiver's home or the home of another client receiving personal care services from another agency. All visits ended at the caregiver's home, raising doubt that the visits were provided as billed. Additionally, the client was authorized to receive 25 hours of service per week, and the provider exceeded the service authorization all eight weeks by 0.5 to 3.75 hours. Due to these variances, all claims were questioned.

<u>Client 4</u>
The SNA authorized 31.5 PAS hours of services each week. The provider exceeded the SNA for seven of eight weeks, ranging from 2.5 to 38.25 hours over the authorization. Four visits were not completed through a device using GPS. For the remaining visits, GPS was utilized; however, there were mileage variances for each visit, and only one visit appears to have had an end location at the client's home. The client in this case was the caregiver's parent. The majority of the visits started and ended at the caregiver's home per the captured GPS coordinates. Seven visits occurred overnight. Other beginning or ending locations included a daycare center attended by the caregiver's child and also a plasma donation center. All claims for this client are questioned due to the various issues identified.

<u>Client 5</u>
This client was authorized to receive 70 hours of personal care each week. There were two caregivers for this client. All visits completed by Antoinette Murray, the owner of Murray's Blessings, were from 4:00 p.m. to 12:00 a.m., and GPS verification was not used. The second caregiver used GPS; however, there were mileage variances for each visit. Per the GPS coordinates, the caregiver clocked in at her home for all visits but one. The starting location for the other visit was a retirement home that was not where the client lived. The majority of the visits ended at the caregiver's home or at the home of the caregiver's parents. The caregivers exceeded the service authorization for six of eight weeks, ranging from 2 to 10 hours over the authorization. All claims were questioned due to these issues.

Client 6

The client was authorized to receive 60 hours of personal care services each week between two agencies. For Murray's Blessings, seven visits were not completed using a GPS device, and they included a duplicate claim on June 22, 2024. Due to the duplicate billing, the service authorization was exceeded by 4.5 hours. Additionally, the second agency billed 10 hours on this day – for a total of 27.5 hours of care provided in a day, which is impossible.

Client 7

Six visits were completed that did not use a GPS device and, therefore, are questioned. One visit completed with a GPS device had a start time of 2:57:00 p.m. to 2:57:58 p.m. The billable start time was changed to 9:00 a.m. The client was authorized for 42 personal care hours each week. The caregiver exceeded the service authorization by 4.25 hours for one week.

Other Clients

For 18 additional clients (13 personal care and 5 PAS), no visits over the eight-week period were completed through a device using GPS verification. All claims were questioned. Additional billing issues were identified for these claims, as follows:

- The caregiver for six personal care clients and two PAS clients was noted as "Murray's Blessings Admin" for all or some of the visits, so the caregiver remains unknown.

- Overlapping and duplicate services were paid for three personal care clients, as detailed in the following table:

Client #	Date	Start Time	Stop Time	Hours Billed	Caregiver
8	5/20/24	9:00 a.m.	3:30 p.m.	6.5	Murray's Blessings Admin
8	5/20/24	10:00 a.m.	8:00 p.m.	10	Caregiver C
8	5/21/24	9:00 a.m.	3:30 p.m.	6.5	Murray's Blessings Admin
8	5/21/24	10:00 a.m.	8:00 p.m.	10	Caregiver C
8	5/22/24	9:00 a.m.	3:30 p.m.	6.5	Murray's Blessings Admin
8	5/22/24	10:00 a.m.	8:00 p.m.	10	Caregiver C
8	5/23/24	9:00 a.m.	3:30 p.m.	6.5	Murray's Blessings Admin
8	5/23/24	10:00 a.m.	10:00 p.m.	12	Caregiver C
8	5/27/24	9:00 a.m.	3:30 p.m.	6.5	Murray's Blessings Admin
8	5/27/24	11:00 a.m.	9:00 p.m.	10	Caregiver C
8	5/28/24	9:00 a.m.	3:30 p.m.	6.5	Murray's Blessings Admin
8	5/28/24	11:00 a.m.	9:00 p.m.	10	Caregiver C
8	5/29/24	9:00 a.m.	3:30 p.m.	6.5	Murray's Blessings Admin
8	5/29/24	11:00 a.m.	9:00 p.m.	10	Caregiver C
8	5/30/24	9:00 a.m.	3:30 p.m.	6.5	Murray's Blessings Admin
8	5/30/24	11:00 a.m.	9:00 p.m.	10	Caregiver C
9	5/23/24	7:00 a.m.	5:00 p.m.	10	Caregiver D
9	5/23/24	7:00 a.m.	3:00 p.m.	8	Caregiver D
10	5/10/24	9:00 a.m.	1:00 p.m.	4	Murray's Blessings Admin
10	5/10/24	9:00 a.m.	12:00 p.m.	3	Murray's Blessings Admin
10	5/15/24	3:00 p.m.	10:00 p.m.	7	Caregiver E
10	5/15/24	3:00 p.m.	11:00 p.m.	8	Caregiver E

- The caregiver for one personal care client received family support services and supervised visitation for a child who was removed from the home. Four family support visits and one visitation service overlapped with services performed by the caregiver. All personal care visits were logged from 9:00 a.m. to 4:30 p.m., and the family support and visitation services started at 4:00 p.m. Consequently, overlapping services occurred from at least 4:00 p.m. to 4:30 p.m.

The following table summarizes the questioned costs for each client during the eight-week period:

Client #	Program	Total Hours Billed	Hours Billed with No GPS Verification	Hours Billed That Exceeded the Authorization	Federal Questioned Costs
1	Personal Care	90	90	15	$ 1,521
2	PAS	110	110	0	$ 872
3	Personal Care	210	0	10	$ 3,549
4	PAS	361.25	28	119.75	$ 2,862
5	Personal Care	519.25	264	51.5	$ 8,775
6	Personal Care	307.5	78.5	4.5	$ 1,327
7	Personal Care	217.5	30	4.25	$ 680
8	Personal Care	422	422	81	$ 7,132
9	Personal Care	474	474	58	$ 8,011
10	Personal Care	407.75	407.75	50.5	$ 6,891
11	Personal Care	304	304	4	$ 4,664
12	Personal Care	150	150	18	$ 2,535
13	Personal Care	360.25	40	.75	$ 689
14	Personal Care	357	357	0	$ 6,033
15	Personal Care	300	300	0	$ 5,070
16	Personal Care	215	215	5	$ 3,634
17	Personal Care	120	120	0	$ 2,028
18	Personal Care	312	312	0	$ 5,273
19	Personal Care	320	320	16	$ 5,408
20	Personal Care	164.75	152	18.75	$ 2,582
21	Personal Care	175	175	28	$ 2,958
22	Personal Care	50.75	50.75	0	$ 857
23	PAS	202	202	29.75	$ 1,600
24	PAS	120	120	0	$ 951
25	PAS	165	165	0	$ 1,307
26	PAS	70	70	0	$ 139
27	PAS	42	42	5.25	$ 333
28	PAS	89.25	76.75	6.5	$ 608
Totals		**6,636.25**	**5,075.75**	**526.5**	**$ 88,289**

Per the Nebraska Secretary of State's website (https://sos.nebraska.gov/), Murray's Blessings was established on June 1, 2022. The agreement with the Agency for the provision of PAS and personal care services began on August 5, 2022. Prior to the establishment of Murray's Blessings, Ms. Murray was an individual PAS provider, beginning on August 13, 2013. Ms. Murray was also a license-exempt child care subsidy provider from November 13, 2015, through November 1, 2017, when her agreement was terminated for not providing attendance calendars, not billing according to service authorizations, and double billing. A $6,468 overpayment was established on October 14, 2017, due to the billing issues. A $1,617 recoupment was applied toward the balance in December 2017, and Ms. Murray made two $50 payments towards the overpayment balance in March 2018. The Agency wrote off the remaining debt of $4,751 in May 2024.

The child care subsidy program did not approve another agreement with Ms. Murray due to this overpayment and her subsequent failure to make full restitution. Given her history of billing problems, as well as a substantial overpayment, the Agency's decision to approve a Medicaid agreement with Ms. Murray appears questionable. Nevertheless, the Agency did not require Ms. Murray to repay the overpayment balance prior to consideration of a new personal care agreement. It is evident, based on the PAS and personal care findings, that billing problems have continued. Further, on August 25, 2023, the Agency met with Ms. Murray to complete the annual Medicaid provider renewal. The worker explained to Ms. Murray that the caregivers must clock in and out using the EVV system. No changes occurred, however, as the majority of the Murray's Blessings caregivers continued to neglect using, either intentionally or otherwise, a GPS device to clock in and out.

Provider #2
This provider was authorized a total of 27.75 hours of service per week for one client. For the week tested of April 14, 2024, through April 20, 2024, the provider billed 148.25 hours of service. The provider exceeded the SNA by 120.5 hours, more than four times the number of hours authorized. During this week, the provider billed multiple 24-hour visits using the GPS verification method. The provider lived with the client, making it convenient to clock in the morning of one day and then clock out the next morning and then repeat the process with no GPS mileage variances. From January 28, 2024, through April 7, 2024, the provider exceeded the SNA for an additional 11 weeks, ranging from 17.75 to 91.25 hours over the SNA. Beginning on May 6, 2024, the SNA was increased to 37 hours of service per week, and the provider continued to exceed the SNA by 0.5 to 17.75 hours per week through June 22, 2024.

Not only was the number of hours billed excessive and unreasonable, but also the provider was employed full-time with a financial technology company. We obtained the provider's employment records and compared the PAS billings to those employment records for a three-month period from February 2024 through April 2024. The provider generally worked for the other employer from 8:00 a.m. to 4:30 p.m., Monday through Friday, which conflicted with the hours being billed for personal assistance services. We identified 55 days during which PAS hours billed overlapped with times that the provider was recorded as having been working for the other employer. Based on employment records, the provider appears to have worked remotely; however, PAS hours would not be allowed during the time the provider was working another job. We questioned 338.5 hours as potential fraud, totaling $4,577 (Federal share $2,682 and State share $1,895). Below are examples of the overlapping hours identified:

Financial Technology Company			EVV Visit Form and Claim		
Date	**Start Time**	**End Time**	**Start Time**	**End Time**	**Hours Billed**
2/20/24	7:57 a.m.	4:31 p.m.	8:22 a.m.	2:39 p.m.	6.25
2/26/24	7:57 a.m.	4:35 p.m.	8:47 a.m.	3:42 p.m.	7
3/21/24	7:57 a.m.	4:31 p.m.	8:19 a.m.	8:04 p.m.	11.75

We noted that 11 of the PAS visits from February 2024 through April 2024 were not completed using a device with GPS verification, and 30 visits were billed overnight. Due to the apparent fraudulent billings, excessive hours, visits completed overnight, and some visits not being completed using a GPS device, we questioned all claims paid from February 2024 through April 2024. This resulted in additional questioned costs of $3,506.

This individual became a PAS provider on August 17, 2023, and began the outside employment on October 30, 2023. The provider had three children noted in the household and was receiving Supplemental Nutrition Assistance Program (SNAP) and Medicaid benefits at the time the PAS agreement was signed. On January 30, 2024, the provider submitted a renewal application for SNAP and declared income from only the PAS payments and reported working only 2-3 hours per week. Subsequent to the audit period, the provider applied for child care benefits on August 14, 2024, and declared only the income from the outside employer. The provider told the Agency worker that the PAS employment ended on August 20, 2024; however, the provider continued to receive PAS payments. The provider was evidently not only overbilling PAS services but also being deceitful when applying for public assistance.

Provider #3
For the initial week tested, the provider was authorized a total of 38.5 hours per week for one client. The provider exceeded the SNA by 10.25 hours for the week. Additionally, from June 2, 2024, through June 8, 2024, the provider did not follow the SNA when billing for tasks provided. The SNA included some services to be provided every day of the week, but services were billed on only five days. For example, the client was authorized for meal preparation assistance for seven days, but the provider performed services on only five days. We considered the hours charged for meal preparation on two days overbilled. We also noted the provider exceeded the frequency for some services authorized. For example, the client was authorized to shop for food once a week, but the provider billed this service on five days. Additionally, we noted the client attended county court on June 6, 2024, at 10:30 a.m., and the provider billed from 8:00 a.m. – 4:00 p.m. on that day. Per Title 471 NAC 15-004.02(B)(ii), accompanying the client to court is not an allowable service for PAS.

Due to the issues noted for the initial week tested, we reviewed additional weeks. From July 1, 2023, through March 1, 2024, the provider performed PAS services for three individuals. In addition to the 38.5 hours authorized for the first client, the provider was authorized to provide PAS services for two clients who lived in the same home. The SNA authorized 26 hours and 21 hours of PAS services for these two clients for a total of 85.5 hours each week for the three clients. The provider billed over the SNA for an additional 25 weeks reviewed. There were 128.5 hours overbilled. We also questioned three visits that were not completed through a GPS device.

This provider not only billed over the authorization, recording up to 95 PAS hours worked in a week, but also worked full-time for a rental management company. We obtained the employment records for the provider and compared the PAS billings to those records for a three-month period from October 22, 2023, through December 16, 2023. We identified 29 days during which PAS hours billed overlapped with times that the provider was recorded as having been working at the rental management company. In determining overlapping hours, we did not factor in any travel time that may have occurred between the client homes and the provider's place of employment; therefore, the possibility of additional fraudulent payments exist. On several days, the PAS hours and employment hours exceeded 24 hours, which is impossible.

We questioned 62.75 hours of personal assistance services as potential fraud, totaling $848 ($510 Federal Share and $338 State share). The majority of the visits were completed through a device using GPS; therefore, another individual appears to have aided the provider in falsely claiming that personal assistance services were performed, as the provider could not have been in two places at once. Based on case file documentation, the first client lived with the provider, and those evening hours billed for this client overlapped with the provider's other employment hours. The table below contains examples of the overlapping of hours:

Management Company Time Record			**EVV Visit Form and Claim Documentation**		
Date	**Start Time**	**End Time**	**Start Time**	**End Time**	**Hours Billed**
12/1/23	4:03 p.m.	9:01 p.m.	5:10 p.m.	10:55 p.m.	5.75
12/10/23	5:51 p.m.	5:55 a.m. on 12/11/23	6:00 p.m.	11:30 p.m.	5.5
12/12/23	10:26 p.m.	5:58 a.m. on 12/13/23	6:27 p.m.	11:28 p.m.	5

Other billing issues were identified as well. On several occasions, for instance, the provider changed the start and/or end times of the visit. The claim form in the EVV system included the scheduled start time, the actual service start time, and the billable service start time. The provider was allowed to edit the billable start and end times verified through a GPS device, which resulted in duplicate billings and overlapping times billed between clients. There were other instances of the provider changing the time, so that there would be no overlapping of times between clients and the provider's outside employment. The ability to edit the billable start and stop times recorded in the EVV system, with no secondary review, places doubt on whether the service was performed as billed. Below are some examples:

Date	Client #	GPS Start	GPS End	Billable Start	Billable End
11/25/2023	2	6:28 a.m.	12:05 p.m.	*	*
11/25/2023	3	12:05 p.m.	4:34 p.m.	11:30 a.m.	4:30 p.m.
12/1/2023	2	6:25 a.m.	11:24 a.m.	*	*
12/1/2023	3	2:00 p.m.	7:30 p.m.	11:30 a.m.	4:55 p.m.
12/1/2023	1	5:10 p.m.	10:55 p.m.	*	*
12/2/2023	2	7:02 a.m.	11:23 a.m.	*	*
12/2/2023	3	4:24 p.m.	4:28 p.m.	11:30 a.m.	4:30 p.m.
12/2/2023	1	6:15 p.m.	10:59 p.m.	*	*

*The provider did not edit the times for these services.

It is unreasonable for the Agency to authorize a provider to perform services for three clients for up to 85 hours a week. With those hours alone, the provider would have to average more than 12 hours per day for 7 days a week. After adding in the hours worked at the outside employment, the provider would have been working over 20 hours a day. We noted also that the provider received Medicaid benefits during the fiscal year. The provider signed a Medicaid renewal application on September 14, 2023, and reported only the income at the rental management company. The provider did not disclose the income made through PAS, which averaged out to be $3,186 for both July and August 2023. PAS payments made to the provider during the fiscal year totaled $52,900. The Agency had access to this information, so it is questionable how this income was not discovered and included in determining Medicaid eligibility. Additional questioned costs for the provider totaled $1,126.

Provider #4
The provider double billed a service on June 17, 2024. The visit form on June 17, 2024, had a clock-in time of 1:31 p.m. and a clock-out time of 6:48 a.m. on June 18, 2024. It appears that the provider may have forgotten to clock out. Upon crossing from one day to another, the visit generated two claim forms in the EVV system. The first claim had an end time of 11:59 p.m., and the second claim form had the start time of midnight or 24:00 on the next day. In this case, the provider changed the billable start and end times for both claims and was able to double bill 4.25 hours.

First Claim		**Second Claim**	
6/17/2024	**6/17/2024**	**6/18/24**	**6/17/24**
GPS Time	Billable Time	GPS Time	Billable Time
1:31 p.m. – 11:59 p.m.	2:35 p.m. – 6:46 p.m.	12:00 a.m. – 6:48 p.m.	2:32 p.m. – 6:47 p.m.

The provider was authorized 31 hours per week for one client. The provider exceeded the SNA by three hours for the week tested. Questioned costs totaled $33.

Provider #5
This provider was authorized 26.25 hours per week for one client. The provider exceeded the SNA by 25 hours for the initial week tested from April 14, 2024, through April 20, 2024. This included billing 21.75 hours on April 16, 2024.

For the week tested, the provider did not follow the SNA when billing for tasks provided. The SNA included some services to be provided every day of the week, but services were billed on only five days. For example, the client was authorized for assistance with medication administration three times a day for seven days, but the provider performed services on only five days. We also noted the provider exceeded the frequency for some services. For example, the client was authorized to have cleaning done once a week, but the provider billed this service on five days.

We reviewed an additional eight weeks of claims and noted the provider billed over the SNA for an additional five weeks. Hours that exceeded the SNA ranged from 1.5 to 21 hours. Questioned costs for the provider totaled $452.

Provider #6
This provider was authorized a total of 66.75 hours of service per week for two clients. For the week tested of May 12, 2024, through May 18, 2024, no visits were completed using a GPS device that captured the location of the visits. We questioned the entire claim, totaling $499.

This provider was tested in the prior year with similar issues. Potential fraud was also identified, as the provider billed PAS hours that overlapped with her employment hours as a student bus driver and with other court-related activities. A law enforcement raid was conducted at the provider's home on December 2, 2022, and her child was removed after Fentanyl and firearms were discovered there. The provider's agreement closed on June 15, 2023; however, the Agency received a referral on January 17, 2024, for the provider to perform personal assistance services for a client, and a new provider agreement was signed on January 30, 2024. The Agency was notified of the prior year billing issues on January 22, 2024.

The Agency established overpayments for PAS hours billed that exceeded the service authorization; however, no PAS overpayments were established for those hours billed that overlapped with other employment hours and court-related activities. The provider began providing services again on January 30, 2024, and, according to quarterly employment records, the provider was also employed as a student bus driver. We inquired with the Agency in July 2024 to determine what action had been taken against the provider, and we were informed that preparation was underway to terminate the provider. On September 3, 2024, the Agency sent a letter to the provider terminating her from participation as a Medicaid provider due to the billing issues identified from the prior year audit. The provider appealed the termination, and on November 27, 2024, the Agency received the final order from the hearing officer affirming the Agency's actions, and the provider's agreement was terminated as of November 27, 2024.

We obtained the provider's timecard records from the employer and compared the employment records to the EVV visit forms for the week of May 12, 2024, through May 18, 2024. We identified four days during the week in which PAS hours billed overlapped with times the provider was working as a student bus driver. In determining overlapping hours, we did not factor in any travel time that may have occurred between the clients' homes and the provider's place of employment. Additionally, we compared only one week of records; therefore, the possibility of additional fraudulent payments exists. We questioned seven hours of personal assistance services as potential fraud, totaling $95 ($56 Federal share and $39 State share). It is concerning that the Agency signed a new agreement with the provider on January 30, 2024, after the potential fraud was disclosed and after the Agency had established $2,062 in overpayments for billing hours over the SNA. It is unreasonable for the Agency to have allowed the provider to submit billings that did not comply with EVV guidelines in order for the provider to "pay back" the overpayments for previous billing errors. From January 30, 2024, through June 30, 2024, the provider was paid $13,317, and payments from July 1, 2024, through December 2, 2024 totaled $21,475.

Subsequent to the audit period, the provider was charged with six felony counts in county court, including four counts of possession with intent to distribute an exceptionally hazardous controlled substance, one count of manufacturing, distributing, or possession with intent to distribute a controlled substance with a firearm, and one count of failure to affix a tax stamp – the last two charges noted arising from the law enforcement raid conducted on December 2, 2022.

Provider #7
This provider was authorized to provide personal assistance services for three clients for a total of 77.75 hours per week. During the week tested, from June 9, 2024, through June 15, 2024, we noted that the provider did not complete the visit through a device using GPS for four visits, totaling 19 hours. There were also mileage variances ranging from 0.3 to 2.3 miles for six of the visits that involved two of the clients. Four visits for Client 1 did not start or end at that client's home. Two of these visits started and ended at Client 2's home. The other two visits started at a medical facility and ended at Client 2's home. All four of these visits are questioned because the client was not authorized for services to be performed outside the home, and it is unknown if the provider was ever at Client 1's home to provide services. The ending location of two visits for Client 2 were at the same medical facility where the visits started for Client 1.

The provider also edited the beginning and ending billable times of one visit completed on June 10, 2024. The provider clocked in at 11:02:27 a.m. and clocked out at 11:02:53 a.m. using a GPS device. The provider changed the start time to 6:00 a.m. and the end time to 11:00 a.m. These hours are questioned because it is unknown if the provider was at the client's home providing services beginning at 6:00 a.m.

Additionally, the provider did not follow the SNA for Client 3. The SNA included some services to be performed every day of the week, but these services were not performed daily, if at all, even though the provider billed as though the tasks were being completed. For example, the client was authorized for a bath seven times per week, but the provider did not record that this service was provided during the week. For other services, the provider billed for more days than allowed. For example, the client was authorized for removal of trash three times during the week, but the provider billed for removal of trash five times. We considered the hours charged for the additional two times to be overbilled. Questioned costs for the provider totaled $402.

It should be noted this provider was tested in the prior year with similar issues noted. This provider was identified as working full-time at a home health care company where hours claimed for PAS likely overlapped with hours worked at the home health care company. The provider has continued not to follow EVV guidelines or the SNA.

<u>Random Sample Testing</u>
We also randomly selected five PAS and ten Aged and Disabled Waiver lines of coding for testing. We noted issues with two of the five PAS claims tested. The two waiver claims with errors were for personal care services. The Federal payment errors for personal care waiver claims totaled $127 for the sample. The total sample tested was $1,343, and the total population for the Federal share of Aged and Disabled Waiver claims for the fiscal year totaled $170,743,608. Based on the sample tested, the dollar error rate for the sample was 9.46% ($127/$1,343). We also noted $281 of personal care questioned costs outside of the sample. We noted $101 out-of-sample questioned costs for two of five PAS claims.

Random PAS Testing
Provider #8
The SNA authorized 21 PAS hours per week for the client. The provider exceeded the SNA by 2.5 hours for the week tested, which resulted in $20 out-of-sample questioned costs.

Provider #9
The SNA authorized 18.75 PAS hours per week for the client. Three of the six visits, totaling 10.25 hours, did not use GPS verification and are questioned. This resulted in $81 in out-of-sample questioned costs. The provider also exceeded the SNA by 2 hours for the week tested.

Additionally, the services provided did not agree to the SNA. The SNA included some services to be performed every day of the week; however, the provider performed services on only six days of the week. For example, the client was authorized for meal preparation services three times per day for seven days, but the provider performed services on only six days, so we considered the hours charged for three meal preparation services overbilled. There were 3.25 hours overbilled for not following the SNA. There are no additional questioned costs, as 10.25 hours were questioned for not completing visits with a GPS device.

Random Personal Care Testing
Provider #10
The client was authorized for up to 112 hours per week of personal care services provided by the client's parents. Parent 1 was authorized up to 24 hours, and Parent 2 was authorized for up to 88 hours. We identified issues with Parent 2's claims on the day tested; therefore, we reviewed all of the visit forms and claims data for a two-week period from November 5, 2023, through November 18, 2023, for both providers.

For 17 of 66 visit forms completed, the parents did not use the GPS verification method to clock in and out of the visit. This included three visits by Parent 1 and 14 visits by Parent 2. None of the 11.5 hours billed on November 6, 2023, used the GPS verification. This resulted in $268 Federal share questioned costs. Additionally, there were mileage variances between the scheduled start and end locations compared to the GPS captured start and end locations. There were mileage variances for all visits for Parent 2 that utilized GPS verification. Mileage variances ranged from 0.7 to 7.4 miles.

There were seven instances of visits overlapping based on the GPS location of the visit and time billed. As an example, on the date tested, Parent 1 billed a visit from 5:58 a.m. to 7:29:27 a.m. at the client's and parents' home. Parent 2 began a visit from 7:29:50 a.m. at a location that was 5.6 miles from the home. The client could not have been at both locations at 7:29 a.m. Essential shopping was not an activity performed on any of these visits; therefore, the client was required to be with the provider in order to bill. This resulted in $13 Federal share questioned costs.

We also noted that both providers had other full-time employment. Parent 2 worked for a county government. The majority of the personal care hours billed by Parent 2 were from 7:30 a.m. to 12:30 p.m., which would fall within the normal work hours of 8:00 a.m. to 4:30 p.m. for the county. We obtained the work records for Parent 2, which noted the total hours worked each day and leave used. Parent 2 was an exempt employee and not required to track start and end times for each day. Per the supervisor, Parent 2 is fully remote with only occasional hours at the office for meetings. Therefore, we were unable to determine if any employment hours overlapped with hours worked for the county. The total number of hours worked between the county employment hours and personal care hours appear unreasonable, as they ranged from 15.75 to 16.50 hours per day. Based on the county personnel policy manual, employment with the county is the primary employment, and other outside employment cannot be performed while on duty with the county.

There were also 12 instances of the parents logging out early or late in the EVV system, and it is unknown where the visits began or ended. In these cases, the parents billed according to the scheduled visit times and not actual hours recorded by GPS. We were unable to determine if there were any questioned costs.

Provider #11
For another provider payment, no EVV visit form or record was found for the service date tested. The provider billed seven hours for personal care services on December 20, 2023. There is no documentation to support that the services occurred, resulting in $127 in Federal share questioned costs. Additionally, the client was authorized for 47 hours of personal care services per week. The provider billed 48.25 hours of services for the week tested, exceeding the authorization by 1.25 hours.

EVV System Requirements
The Federal 21st Century Cures Act of 2016 mandates the use of an EVV system for personal care services or home health care services requiring an in-home visit by a provider. The Federal regulations require the EVV system to verify electronically the time the service begins and ends, the location of service delivery, the individual providing the service, the type of service performed, the date of the service, and the individual receiving the service. The Agency implemented the EVV system in January 2021 for PAS and personal care providers.

The Agency's regulations were updated in June 2022, requiring providers to comply with all applicable billing requirements for the EVV system. The regulations also state that Medicaid would not pay for services that were not performed during the actual hours noted by the provider in the EVV system. The Agency allowed a 10% threshold for circumstances such as the provider forgetting to clock in and out, no internet connection, or GPS issues.

The Agency has not effectively enforced these regulations, as evident by the continued PAS findings noted since 2022.

Subsequent to the audit period, the Agency issued Provider Bulletin 24-16 on July 10, 2024. The bulletin notified PAS and Home and Community-Based Service (HCBS) providers of changes to the EVV system in response to continued noncompliance with Federal and State regulations regarding the 21st Century Cures Act. In addition to no longer allowing providers to submit manual claims, the changes included non-payment of EVV claims if: a) the provider did not use GPS location services during the visit or an approved alternative method; or b) the mileage variance of the scheduled location was not within the GEO-FENCE radius. These changes were to become effective on August 14, 2024.

On August 6, 2024, the Nebraska Association of Service Providers (NASP) filed a complaint in the Lancaster County District Court on behalf of PAS and HCBS providers, claiming that implementation of these changes was "unduly burdensome and harsh" and would have an adverse impact on the providers in the state if the Agency would not accept manually adjusted claims for times when the employee forgot to clock in or out, if the scheduled visit location changed, or there was a technical issue preventing the capture of the geolocation.

On August 12, 2024, the Agency paused the implementation of the EVV system changes and extended that date to January 8, 2025. In communicating the pause, the Agency encouraged providers to comply with applicable State and Federal regulations; however, the Agency did not require such compliance, thereby allowing providers to continue to circumvent the controls put in place to prevent fraud, waste, and abuse of the program – issues that have been identified since the implementation of the EVV system. On October 2, 2024, NASP filed a motion to dismiss its complaint. Regardless, the Agency will have allowed providers multiple years to become fully compliant with State and Federal regulations, a clear violation of the 21st Century Cures Act.

As illustrated in the findings above, the manual adjustment or editing of visit start and end times in the EVV system allows the provider to manipulate the visit data, making it difficult, if not impossible, to determine if the service was provided to the client as billed. The providers were able to double bill services and clock in and out at their own homes or other locations with no consequences for the resulting mileage variances.

Cause: Procedures were inadequate to prevent and/or detect errors.

Effect: An inadequate review of PAS and personal care claims increases the risk of services provided not being in accordance with the recipient's needs, as well as a risk of services being billed but not provided. There is a significant risk for fraud or abuse to occur and not be detected. State and Federal funds appear to have been misspent.

Recommendation: We recommend the Agency implement procedures to ensure payments are allowable, adequately supported, and in accordance with State and Federal regulations. We further recommend the Agency immediately discontinue paying claims that are not in accordance with EVV/GPS requirements. Additionally, because this comment gives rise to concerns regarding possible violations of State statute, we are forwarding the information herein to the Nebraska Attorney General for further review.

Management Response: Management agrees. The findings were largely consistent with the nature of the findings from prior year. The department uses system generated reports to identify providers who are not using the system as intended, specifically focused on non-compliance with using GPS, to send education letters to try to modify provider behavior/compliance. If they do not modify behavior (most end up doing so) then they are referred to Program Integrity who then tries to educate one last time with consequences articulated as to what will occur if no action is taken, then if none is taken PI can sanction, up to and including termination. This has led to reduction in visits not fully compliant with GPS from over 23% in January of 2023, to under 9% in October of 2024. This is in addition to the automated system controls which will be implemented shortly, as noted in the corrective action plan.

Finding 2024-054

Program: AL 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including 2405NE5MAP, FFY 2024

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 42 CFR § 447.253(b)(1)(i) (October 1, 2023) provides the following:

> *The Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers to provide services in conformity with applicable State and Federal laws, regulations, and quality and safety standards.*

According to 42 CFR § 447.253(g) (October 1, 2023), "The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers."

The Nebraska Medicaid State Plan, Attachment 4.19-D (Audits), says the following:

> *The Department will perform at least one initial desk audit and may perform subsequent desk audits and/or a periodic field audit of each cost report. Selection of subsequent desk audits and field audits will be made as determined necessary by the Department to maintain the integrity of the Nebraska Medicaid. The Department may retain an outside independent public accounting firm, licensed to do business in Nebraska or the state where the financial records are maintained, to perform the audits. Audit reports must be completed on all field audits and desk audits.*

American Institute of Certified Public Accountants (AICPA) Professional Standards AU-C Section 520.07 states, "If analytical procedures performed in accordance with this section identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, the auditor should investigate such differences by a. inquiring of management and obtaining appropriate audit evidence relevant to management's responses and b. performing other audit procedures as necessary in the circumstances."

A good internal control plan requires desk audits to include a testing sample of expenses to supporting documentation.

Condition: Desk audit procedures could be improved. A similar finding was noted in the prior audit.

Repeat Finding: 2023-052

Questioned Costs: Unknown

Statistical Sample: No

Context: The APA selected 21 of 201 facilities to review desk audits of the fiscal year 2023 cost reports. Seven of 21 desk audits tested did not have adequate support to verify large variances. The contractor compared costs from the prior year to the current year and did request verbal explanations; however, appropriate audit evidence was not obtained to verify the explanations. For example:

- For one facility, Total Nursing Services Direct Care Costs increased by 35% from $1,100,667 to $1,478,888. The facility explained that all employees received a cost-of-living increase of 5% and a yearly raise increase. The explanation was accepted with no support obtained. However, this does not satisfactorily explain a 35% increase in costs.

- For another facility, Nursing Purchased Services – Direct Care increased by $1,961,780 (156%), and Total Nursing Direct Care Costs increased by $1,933,563 (57%). The provider explanation was that the increase in purchased services is supported by a corresponding net decrease in Direct Care nursing services. However, Direct Care nursing decreased by only $45,675. Also, Plant Costs salaries increased by $139,181 (62%), and the provider's explanation for that increase was not supported.

In neither example did the contractor obtain any underlying invoices to determine if the increased costs for supplies and services were accurate, nor any documentation to support that the number of direct staff had decreased. Additionally, looking at variances alone would not support that expenses are accurate and not misstated from year to year.

The total Federal share of nursing facility expenditures during fiscal year 2024 was over $290 million.

Cause: The contract does not require the accounting firm to obtain underlying support for expenses.

Effect: When facilities do not have adequate desk audits performed, there is an increased risk for submitted cost reports to contain errors or fraud.

Recommendation: We recommend the Agency ensure desk audits provide reasonable assurance that nursing facility cost reports are accurate.

> **Management Response:** Management agrees. In a previous audit finding of the FY2022 Cost Reports, it was determined that the Department should require more information for the Desk Review process. The Department started requiring nursing facilities to include the General Ledger reports along with the Cost Reports and additional documentation; however, by this time the FY2023 Cost Reports had already been completed – therefore, there was insufficient time between the prior finding and completion of the FY2023 cost reports to incorporate the Desk Review process change. Facilities were required to provide the General Ledger reports for the FY2024 Cost Report. Additionally, the Department intends to expand its testing for large variances and to obtain supporting materials from the facilities.

Finding 2024-055

Program: AL 93.778 – Medical Assistance Program; AL 93.767 – Children's Health Insurance Program (CHIP) – Special Tests and Provisions

Grant Number & Year: All open, including 2405NE5MAP, FFY 2024; 2405NE5021, FFY 2024

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per Title 42 CFR § 455.104(b)(4) (October 1, 2023), the State Medicaid Agency must require the disclosing entity to provide the following disclosures:

The name, address, date of birth, and Social Security Number of any managing employee of the disclosing entity (or fiscal agent or managed care entity).

Per 42 CFR § 455.101 (October 1, 2023):

Managing employee means a general manager, business manager, administrator, director, or other individual who exercises operational or managerial control over, or who directly or indirectly conducts the day-to-day operation of an institution, organization, or agency[.]

Per the Medicaid Provider Enrollment Compendium (MPEC) (3/22/21) Section 1.4.1C:

There are not exceptions to the managing employee disclosure requirement. To the extent any individual meets the definition of "managing employee" under §455.101, their information is required to be disclosed.

MPEC Section 1.4.1C states further the following:

However, if a non-profit entity has managing employees, to the extent these individuals meet the definition of "managing employee" under § 455.101; they would have to be disclosed as such. In addition, as discussed further below, entities, including non-profit entities, that are organized as corporations must provide disclosures regarding their officers and directors . . . . If a corporation has, for instance, a Director of Finance who is not a member of the board of directors, he/she would not need to be disclosed as a director/board member. However, as discussed in section C., below, to the extent he/she meets the definition of "managing employee" under § 455.101; he/she would have to be disclosed as a "managing employee."

Per 42 CFR § 455.436 (October 1, 2023), the State Medicaid Agency must do the following:

(a) Confirm the identity and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of Federal databases.

(b) Check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the Excluded Parties List System (EPLS), and any such other databases as the Secretary may prescribe.

(c)(1) Consult appropriate databases to confirm identity upon enrollment and reenrollment; and

(2) Check the LEIE and EPLS no less frequently than monthly.

45 CFR § 75.303(a) (October 1, 2023) requires the Agency to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Good internal control requires procedures to ensure that all required disclosures are provided.

Condition: Four of 25 providers tested did not include disclosure requirements for managing employees. A similar finding was noted in the prior audit.

Repeat Finding: 2023-053

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested screening and enrollment for 25 Medicaid/CHIP providers. We noted four providers failed to disclose any managing employee. Therefore, no screenings for managing employees were performed for these four providers.

Cause: The Agency relies on each provider's disclosure to be complete, true, and accurate. The provider is allowed to complete the enrollment process even if an owner or managing employee is not disclosed.

Effect: Without adequate procedures to ensure providers are screened, and disclosures are complete, there is an increased risk of provider ineligibility, which could result in unallowable costs or potential harm to patients.

Recommendation: We recommend the Agency obtain disclosures and screen providers as required by Federal regulations.

> **Management Response:** Management agrees. Starting in January of 2024, the Department has received reports from Maximus that lists the agency, owner(s), and managing employee(s) that were listed in PDMS. On July 1, 2024, a ticket was deployed in the enrollment system that would require an owner (when applicable) and managing employee on the application to move forward with the enrollment. It was set to have a "hard stop" which would prevent enrollment without the required information in the enrollment/revalidation process if not completed.
>
> If a provider were to attempt to leave both owners and managing employees blank: a message will pop up that says "Ownership or control interest in the disclosing entity or in any subcontractor in which the disclosing entity has direct or indirect ownership of 5% or more is required when applicable. You are required to supply your managing employees."
>
> If a provider lists managing employees but no owners: there is a notice that pops up saying "You have indicated there are no Owners of this provider entity associated with your enrollment, please verify this is correct before continuing." They will keep the option to move forward with no owners.
>
> If they list owners but not a managing employee, the provider will receive the message "Managing Employees are required". They can only cancel and remain on the page. They must supply a managing employee or cancel their enrollment/revalidation.
>
> If the provider supplies a minimum of one owner and one managing employee, they will not get an error or pop up and they will be able to continue. This ticket was deployed within the enrollment system on July 1, 2024. Not knowing the entities that did not have managing employees listed, we are unable to determine if they were providers that had not gone through their revalidation this year, or prior to the release of that ticket. However, no providers will have been able to complete the enrollment process without listing an owner and/or managing employee since July 1, 2024.

Finding 2024-056

Program: AL 93.778 – Medical Assistance Program; AL 93.767 – Children's Health Insurance Program (CHIP) – Special Tests and Provisions

Grant Number & Year: All open, including 2405NE5MAP, FFY 2024; 2405NE5021, FFY 2024

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 42 CFR § 438.3(m) (October 1, 2023):

> *The contract must require MCOs [managed care organizations], PIHPs [prepaid inpatient health plans], and PAHPs [prepaid ambulatory health plans] to submit audited financial reports specific to the Medicaid contract on an annual basis. The audit must be conducted in accordance with generally accepted accounting principles and generally accepted auditing standards.*

A good internal control plan requires policies and procedures to ensure that mandatory financial audits are completed in accordance with Federal regulations.

Condition: The MCO and PAHP audited financial reports for year ended December 31, 2023, were not conducted in accordance with generally accepted accounting principles (GAAP).

A similar finding was noted in the prior audit.

Repeat Finding: 2023-054

Questioned Costs: Unknown

Statistical Sample: No

Context: Nebraska Total Care, Inc., Community Care Health Plan of Nebraska, Inc., United Healthcare of the Midlands, Inc., and MCNA Insurance Company had audits performed in accordance with generally accepted auditing standards; however, the financial statements were not in accordance with GAAP. The financial statements for the MCOs were prepared using "accounting practices prescribed or permitted by the Nebraska Department of Insurance, which is a basis of accounting other than U.S. generally accepted accounting principles." The PAHP audit was prepared using "accounting practices prescribed or permitted by the Texas Department of Insurance . . . ." The Department of Insurance has adopted the Statement of Statutory Accounting Principles (SSAP) found in the National Association of Insurance Commissioners' (NAIC) manual.

Cause: The MCO and PAHP audited financial reports were completed for the Nebraska Department of Insurance, which did not require the audit to be conducted in accordance with GAAP. Amendments to the contract effective January 1, 2024, now require the financial audits to be conducted in accordance with GAAP.

Effect: When the financial audits completed by the MCOs and PAHP are not conducted according to GAAP, the Agency is not in compliance with Federal regulations, and there is an increased risk for fraud or errors.

Recommendation: We recommend the Agency require the MCO and PAHP financial audits to be conducted in accordance with GAAP.

Management Response: Management agrees. As part of a prior year finding, we amended MCO contracts to require GAAP (generally accepted accounting principles) Audits to be performed beginning with contract period CY24 forward.

<u>Finding 2024-057</u>

Program: AL 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: 2405NE5MAP, FFY 2024

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Title 42 CFR § 455.1 (October 1, 2023) sets forth requirements for a State fraud detection and investigation program, including a method to verify whether services reimbursed by Medicaid were actually furnished to beneficiaries. The Agency's Program Integrity (PI) and Special Investigations Units (SIU) perform these functions.

Per 42 CFR § 455.14 (October 1, 2023):

If the agency receives a complaint of Medicaid fraud or abuse from any source or identifies any questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation.

The Nebraska Medicaid State Plan, Section 4.5 (Medicaid Agency Fraud Detection and Investigation Program), states, "The Medicaid agency has established and will maintain methods, criteria and procedures that meet all requirements of 42 CFR 455.13 through 455.21 and 455.23 for prevention and control of program fraud and abuse."

Under PI's Policies and Procedures:

Full investigations

- *Each month, investigators will review their cases and use their professional judgment to determine the prioritization of their active cases. The following guidelines will be considered in this review:*
    - *The investigation of a provider for termination due to a finding on annual or monthly screening is a HIGH priority*
    - *Client health & safety influences the priority of a case*
    - *Definitive interpretation of regulations influences the priority of a case*
    - *Cases in the preliminary investigation phase are of a moderate priority*

PI's Policies and Procedures also include the following under the Surveillance and Utilization Review Subsystem (SURS) Quarterly Sample Selection & Review Procedures:

At the end of each calendar quarter, [a contractor] runs the Advantage Suite SURS reports . . . Effective with the reports received in January 2008, a minimum of three provider and three recipient cases will be opened from the SURS Ranking Reports sometime during the calendar quarter of January 1, 2008 – March 31, 2008 and for each quarter thereafter unless notified otherwise.

Per Section V.O. ("Program Integrity") of the contract between the State of Nebraska and each of the three Heritage Health Managed Care Organizations (MCOs):

O.2. The MCO must pursue the recovery of overpayments identified as FWA after receiving permission from NMPI and reflect the recovery on the encounter record and other reports used for rate setting. In the event that the MCO does not pursue all recoveries, MLTC will pursue them and collect the money.

A good internal control plan requires procedures to ensure that cases are reviewed, and adequately collected on, and appropriate dispositions are made in a timely manner.

Title 42 CFR § 433.320(a)(1) (October 1, 2023) states the following:

> *(1) The agency must refund the Federal share of overpayments that are subject to recovery to CMS through a credit on its Quarterly Statement of Expenditures (Form CMS-64).*

Title 45 CFR § 75.511(a) (October 1, 2023) requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: For 2 of the 20 PI cases tested, there was a lack of documentation to support that the cases were being worked timely. Additionally, policies and procedures to identify potential cases are not being followed, and an overpayment was not properly reported. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings listed the status as completed.

Repeat Finding: 2023-055

Questioned Costs: $23,120 known

Statistical Sample: No

Context: PI is tasked with, among other things, investigating cases of potential provider fraud in the Medicaid Program. Cases received are delegated to investigators who track their activity notes and documentation in one central Investigative Case Management system (ICM). Substantial cases with a large amount of money that may be due back will be referred to the Attorney General's Medicaid Fraud and Patient Abuse Unit (MFPAU). In cases that are not referred and accepted by MFPAU, PI can sanction a provider, request a refund, provide education, and/or terminate the provider from the Medicaid Program.

We tested 20 PI cases and noted the following:

- One case opened in April 2023 was referred by a Managed Care Organization (MCO) for a provider potentially overbilling for Mental Health services and other "red flags," including possible billing for therapy services provided to a household member, providing services through an unregistered business, not following proper diagnostic methods, and not complying with other required services through provider agreement with local Drug Court. The first investigator ran a background check on the provider and contacted the Nebraska Department of Labor, which stated there were no records of the provider using the social security number provided. That investigator left in October 2023, and the case was reassigned. The second investigator was contacted by the MCO in December 2023, requesting the provider to be removed from the network. From January 2024 to July 2024, the only updates on the case were notes indicating that the investigation was ongoing. The Agency could not provide support to show what the investigator had done in those six months to further the case. Communication was made to the other two MCOs in July 2024, requesting any additional information they may have on the provider. As of October 2024, at the time of field work, the case was still open, and the investigator was waiting for guidance on what to do next.

- A case was referred to PI in November 2023 by a Managed Care Organization (MCO) for a provider potentially overbilling for medical services. The MCO's investigative team found claims were not supported due to upcoding of the evaluation and management services, duplicate claims, and no records being provided for 69 claim lines. The MCO identified an overpayment, totaling $15,491, and requested approval to seek reimbursement. The MCO cannot seek reimbursement without

State approval, as it could interfere with other investigations that may be occurring. From January 2024 to October 2024 (at the time of field work), the only actions taken on the case were background checks on the providers and searches for other businesses owned by the providers. We asked the Agency if any other documentation was available to show what actions had been taken on the case. The Agency indicated there was no other information on the case, and there is "no standard timing for requesting vetting information from the other two MCOs when a case originates with an MCO."

Furthermore, we noted that PI was not following current policies and procedures for identifying potential fraud, waste, and abuse. Its policies and procedures indicated it would review the statewide SURS report quarterly and "a minimum of three provider and three recipient cases will be opened from the SURS Ranking Reports." Beginning January 2023, no cases were opened from the SURS report. This was noted in our prior audit, and the Agency indicated it would be updating its policies and procedures; however, this was not completed as of June 2024. The Agency noted during our current audit that the SURS reporting mechanism was not functioning as designed, so it will be searching for a replacement fraud abuse detection system and will use other methods to identify potential fraud, waste, and abuse.

In addition, we noted one of four overpayments tested was not properly reported.

- In November 2020, PI started a project to analyze the MCO for dental services for excessive reimbursements. The initial overpayment was calculated at $237,633; however, in July 2023, a settlement was reached between PI and the MCO for $52,308. It was noted in the case that this amount was all Federal dollars and should be returned as such. The refund was received in August 2023 and reported on the quarter ended September 30, 2023, CMS-64 report. However, the refund was reported as $23,120 State and $29,188 Federal funds. The $23,120 not included in the Federal portion is considered questioned costs.

Cause: The Agency did not follow proper procedures, including supervisor reviews of cases, to ensure Medicaid cases were properly and timely worked. The PI unit is understaffed. Clerical error by Finance staff in reporting overpayment.

Effect: When potential fraud cases are not adequately and timely pursued, there is an increased risk for misuse of funds and potential harm to individuals receiving services.

Recommendation: We recommend the Agency strengthen procedures to ensure cases are properly and timely reviewed, and appropriate dispositions are made. We further recommend the Agency strengthen procedures to ensure overpayments are accurately reported.

Management Response: Management partially agrees. For the two cases listed, these cases should have been worked in a timelier manner.

For the reporting of cases using exception reporting, the reports developed by the Department's contractor for Fraud Abuse Detection reporting were consistently found to be inaccurate. Program Integrity leadership found that the reports were presenting false positives for cases. During this time frame, the Program Integrity team was addressing cases identified through the previous findings related to EVV and was working on other ways to identify providers that were different from their peers.

APA Response: No cases were opened from the exception reports, and the Agency did not have alternate policies in place during the fiscal year.

Finding 2024-058

Program: AL 93.778 – Medical Assistance Program; AL 93.767 – Children's Health Insurance Program (CHIP) – Allowability & Eligibility

Grant Number & Year: 2305NE5MAP, FFY 2023; 2405NE5MAP, FFY 2024; 2305NE3002, FFY 2023

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 42 CFR § 435.1009(a) (October 1, 2023) states, in part, the following:

> *FFP is not available in expenditures for services provided to—*
>
> > *(1) Individuals who are inmates of public institutions as defined in § 435.1010[.]*

Per NE DHHS Medicaid Eligibility 477-000-002 (03/07/2023):

> *A redetermination of eligibility for continued Medicaid benefits must be completed every twelve (12) months.*
>
> * * * *
>
> *The completed renewal form and necessary verifications shall be returned within thirty (30) days of the date the renewal form was sent.*

477 Nebraska Administrative Code (NAC) 19.004(E) states the following:

> *Children age 18 or younger who do not meet income limits for Medicaid are eligible for Children's Health Insurance Program (CHIP) if their household income is equal to or less than 213% of the Federal Poverty Level (FPL) and the children are not covered by creditable health insurance[.]*

477 NAC 3-007.01 states, in part, "The completed renewal form and necessary verifications shall be returned within 30 days of the date the renewal form was sent."

482 NAC 1-002.36 (July 29, 2020) defines a Managed Care Organization (MCO) as an "organization that has or is seeking to qualify for a comprehensive risk contract to provide services to managed care enrollees."

42 CFR § 438.806(c) (October 1, 2023) states, in part, "FFP is not available in an MCO contract that does not have prior approval from CMS . . . ."

42 CFR § 438.3(a) (October 1, 2023) states, in part, "CMS must review and approve all MCO, PIHP, and PAHP contracts, including those risk and nonrisk contracts . . . ."

42 CFR § 438.4(b) (October 1, 2023) requires, "Capitation rates for MCOs, PIHPs, and PAHPs must be reviewed and approved by CMS as actuarially sound."

Good internal control requires policies and procedures to ensure that recipients meet eligibility requirements, and reviews are completed in accordance with State and Federal regulations. Good internal control also requires contracts and rates to be approved before implemented.

Condition: Managed care capitation rates were implemented prior to Federal approval. In addition, procedures should be improved to ensure payments for managed care are allowable, and recipients are eligible.

Repeat Finding: No

Questioned Costs: $10,777 known

AL#	Grant	Federal Questioned Costs
93.778	2305NE5MAP	$ 4,322
93.778	2405NE5MAP	$ 5,765
93.767	2305NE3002	$ 690

Statistical Sample: No

Context: We tested 40 Medicaid managed care claims and 25 CHIP managed care claims. We noted the following:

Unapproved Rates
Managed care claims tested for April 2024 services used calendar year 2024 contract rates prior to the required Federal approval. Upon further review, it was noted that all payments for services starting with January 2024 were made using the unapproved 2024 rates.

Per support from the Agency, certified actuarial letters dated September 29, 2023, and other documentation required to be submitted to CMS for approval was submitted in an email dated December 21, 2023, 10 days prior to the beginning effective date of the MCO contracts and 83 days after actuarial rates were certified.

Managed Care payments from January 2024 through June 2024 using unapproved rates totaled $1.29 billion.

Program	Federal Share	State Share	Total
Medicaid	$ 846,074,338	$ 374,769,399	$ 1,220,843,737
CHIP	$ 49,438,196	$ 20,173,457	$ 69,611,653

Medicaid
Three of 40 claims tested were not in compliance with regulations.

- Payments were made for an incarcerated individual. A review and determination of eligibility did not occur for the Medicaid recipient, and no verifications were collected for over a 12-month period between January 2023 and April 2024. This was evidently because the recipient of the Medicaid benefits was incarcerated between January 4, 2023, and March 28, 2024, during which time no verification of household composition and living situation was verified. As a result, we question $625 for the payment tested and $8,276 for additional payments during the period of incarceration.

- NFOCUS narratives showed that a renewal form was requested to be completed by the recipient on January 12, 2023; however, due to the State of Emergency declaration, the verifications and form requested due date was extended to February 11, 2024. The recipient failed to provide the renewal form or the verifications requested by the due date. The case should have been closed 30 days (March 12, 2024) after the renewal forms and verification were due, which would have been prior to the budget date of April 1, 2024. The case was not closed until June 4, 2024, resulting in questioned costs of $396 for the payment tested and additional questioned costs of $791 for May and June 2024.

- One case was reviewed on July 31, 2020, and not again until September 9, 2023. This is over three years between reviews, and no redetermination of eligibility occurred in the Medicaid Program.

Federal payment errors noted in the sample were $1,021. The Federal sample tested was $18,816, and the total Federal Managed Care expenditures during the fiscal year were $1,766,039,418. Based on the sample tested, the case error rate was 7.50% (3/40). The dollar error rate was 5.43% ($1,021/$18,816), which projects the potential dollars at risk for fiscal year 2024 to be $95,895,940 (dollar error rate multiplied by population). Out- of-sample questioned costs totaled $9,067.

<u>CHIP</u>
For 1 of 25 claims tested, the recipient did not meet age requirements to be eligible for the CHIP program, and the incorrect rating region was used for capitation payment rates. Additionally, Medicaid renewal/verification processes were not followed.

The budget used for the Medicaid recipient was created in March 2021, when the recipient was 18 or younger. This budget was extended through June 2024 due to the State of Emergency. A renewal notice was sent to the recipient on April 10, 2024, and an incomplete renewal form was received on July 15, 2024. The case should have been closed 30 days (May 10, 2024) after the renewal forms and verification were due. Had the renewal and redetermination occurred, the recipient would have been ineligible for the CHIP program due to the recipient being over 18 years of age. However, capitation payments were made in June, July, and August 2024, for a total of $670 Federal questioned costs outside of the sample.

Because of the lack of renewal verifications, the address information for the recipient was for Region 2, even though the recipient's address information had been updated to Region 1. This resulted in a Federal overpayment of $20.

Federal payment errors noted in the sample were $20. The Federal sample tested was $4,282, and the total Federal managed care expenditures during the fiscal year were $97,464,908. Based on the sample tested, the case error rate was 4% (1/25). The dollar error rate was 0.47% ($20/$4,282), which projects the potential dollars at risk for fiscal year 2024 to be $458,085 (dollar error rate multiplied by population). Out-of-sample questioned costs totaled $670.

Cause: The Agency indicated that the 2024 rates were paid prior to approval, as the contract had substantive changes, and the Agency believed using the 2024 rates would result in smaller adjustments than if the 2023 rates were used. Claim errors due to inadequate review.

Effect: Noncompliance with Federal regulations and increased risk for fraud or errors.

Recommendation: We recommend the Agency implement MCO contracts and rate changes only after approval from the Federal grantor. We further recommend the Agency strengthen procedures to ensure recipients are eligible, and payments are proper.

> **Management Response:** Management agrees. As noted, due to significant program changes at the start of the reprocured managed care contracts January 1, 2024, such as carving in dental services, the Department made a calculated decision to pay the actuarily developed capitation rates for rate cells, prior to receiving approval from CMS. The Department otherwise follows our standard process of waiting for CMS approval prior to paying updated rates for subsequent rating periods.

<u>Finding 2024-059</u>

Program: AL 93.959 – Block Grants for Prevention and Treatment of Substance Abuse – Level of Effort

Grant Number & Year: B08TI084658, FFY 2022

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Good internal control requires procedures to ensure Maintenance of Effort (MOE) requirements are met.

45 CFR § 96.30(a) (October 1, 2023) requires the following:

> *Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.*

45 CFR § 96.134(a) (October 1, 2023) states the following:

> *With respect to the principal agency of a State for carrying out authorized activities, the agency shall for each fiscal year maintain aggregate State expenditures by the principal agency for authorized activities at a level that is not less than the average level of such expenditures maintained by the State for the two year period preceding the fiscal year for which the State is applying for the grant. The Block Grant shall not be used to supplant State funding of alcohol and other drug prevention and treatment programs.*

45 CFR § 96.124(c) (October 1, 2023) requires the State to expend the Block Grant on treatment services for pregnant women and women with dependent children no less than an amount equal to the amount expended by the State for fiscal year 1994.

"A Primer on Maintenance of Effort Requirements" (2020), issued by the Substance Abuse and Mental Health Services Administration (SAMHSA), states the following, as is relevant:

> *A state MUST provide accurate MOE figures every year. Otherwise, it risks a reduction in its award following the period of noncompliance.*
>
> * * * *
>
> *States must use a consistent methodology to calculate spending in base and subsequent years so that the expenditure data reflect the same fund sources from year to year. States must use generally accepted accounting principles.*
>
> * * * *
>
> *Examples of state fund sources that can be included in the SABG state MOE calculations are:*
>
> * * * *
>
> *Medicaid match funds (the state's share of covered services in state Medicaid programs; this does not include the federal share of covered services)*

Condition: The Agency lacked adequate documentation to support that Maintenance of Effort (MOE) requirements were met.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: We tested the State MOE and the MOE for Expenditures for Services to Pregnant Women and Women with Dependent Children (Women's Set-Aside) for State fiscal year 2023, which was reported on December 1, 2023.

The required State MOE was $24,756,036, and the Agency reported $31,213,508 of expenditures. Included in reported expenditures was $7,004,989 of Medicaid Matching funds. The detail of Medicaid Matching provided totaled only $6,552,612. In addition, the detail provided was not expenditures paid directly from the State accounting system and did not agree to the State's financial report. Nebraska operates a managed care program for Medicaid, and the State pays a per-member, per-month capitation fee to the managed care contractor. The Agency performed a query of substance use disorder services paid by the managed care contractors and estimated the State General funded portion based on the beneficiary's enrollment information at the time of service. The Agency believes that, since the capitation payments are determined by an actuarial model that has a basis in paid claims experience, the method used is a reasonable proximation. Although this method appears consistent with the prior year, it was not described in the report and did not have formal, written approval from the Federal grantor.

The required Women's Set-Aside was $753,713, and the Agency reported $2,038,637. We noted the following issues:

- The expenditures reported included $1,669,738 of Medicaid funds, which, as noted above, are not expenditures paid directly by the State.

- The Medicaid expenditures included both State and Federal Medicaid funds, but Federal Medicaid funds are not an allowable source of funds to include.

- The Agency used alcohol/drug services by providers that served exclusively women; however, the Agency did not ensure those women were either pregnant or had dependent children. We selected 10 individuals included in the detail of claims, and 6 of those were neither pregnant nor had dependent children.

Given the inadequate support for the Medicaid dollars used, the Agency appears to have failed to maintain expenditures at the base amount for Women's Set-Aside services.

Cause: Inadequate procedures and employee turnover.

Effect: Without adequate procedures, there is an increased risk for errors or unallowable expenditures to be reported.

Recommendation: We recommend the Agency obtain written approval from the Federal grantor for the methodology used to report MOE expenditures. We further recommend the Agency ensure that MOE requirements are both met and accurately reported, and only allowable categories of expenditures are utilized.

Management Response: Management agrees.

Finding 2024-060

Program: AL 93.959 – Block Grants for Prevention and Treatment of Substance Abuse – Allowability & Subrecipient Monitoring

Grant Number & Year: B08TI085820, FFY 2023

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Good internal control requires procedures to ensure costs are reasonable, necessary, allowable, and in accordance with Federal requirements.

45 CFR § 75.352(d) (October 1, 2023) requires the Agency to do the following:

> *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.*

45 CFR § 96.30(a) (October 1, 2023) states the following:

> *Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.*

Condition: Subrecipient monitoring procedures should be improved.

Repeat Finding: No

Questioned Costs: $9,141 known

Statistical Sample: No

Context: The Agency paid 10 subrecipients a total of $7,089,404 during the fiscal year. We tested one payment to each of the seven largest subrecipients and noted the following:

Region IV Behavioral Health System was paid $647,025 during the fiscal year, and we selected a payment for $42,625. Of this amount, $9,141 was for services provided by Region IV, and $33,484 was for services provided by contractors of Region IV. The Agency performed a sampling of expenditures for Region IV; however, documentation was inadequate to support that personnel costs were related to the grant or prevention activities or women's set-aside activities. Timesheets did not indicate the grant or activities upon which the employees worked. In addition, indirect costs were reimbursed, but the subaward agreement did not allow indirect costs. The Agency provided a spreadsheet to indicate how the Region allocated personnel time, but documentation was inadequate to support that the allocations were appropriate and in accordance with the time study results and methodology. In addition, the time study results provided were from July 2022, and the Region utilized an even earlier time study to allocate the costs. As a result, we question costs of $9,141.

Cause: Inadequate procedures and employee turnover.

Effect: Without adequate procedures, there is an increased risk for errors or fraud to occur and not be detected.

Recommendation: We recommend the Agency improve subrecipient monitoring procedures to ensure that costs are allowable and in accordance with the grant and subaward terms and conditions.

Management Response: Management agrees.

DEPARTMENT OF LABOR

Finding 2024-061

Program: AL 17.225 – Unemployment Insurance (UI) – State – Allowability & Eligibility

Grant Number & Year: N/A

Federal Grantor Agency: U.S. Department of Labor

Repeat Finding: 2023-056

Questioned Costs: $40,983 known

Statistical Sample: No

Summary: Audit Finding 2024-021, included in Part II of this report, relates to both the financial statements and Federal awards.

The APA performed a random sample of benefit payments and tested payments to State employees, individuals with high wages, and other payments. Our procedures revealed adjudication issues, improper payments to claimants, and other issues.

The APA randomly selected 40 claimant benefit payments. The total sample tested was $17,624, and questioned costs for payments tested were $2,983. Total benefit payments for the fiscal year ended June 30, 2024, were $87,552,659. Based on the sample tested, the dollar error rate for the sample was 16.93% ($2,983/$17,624), which estimates the potential dollars at risk for fiscal year 2024 to be $14,822,665 (dollar error rate multiplied by population).

We noted additional questioned costs during testing, totaling $38,000.

A similar finding was noted in the prior audit.

Recommendation: We recommend the Agency implement procedures to prevent the payment of improper UI benefits by ensuring compliance with applicable State and Federal requirements. At a minimum, those procedures should ensure the following: 1) proper adjudication actions – including wage crossmatches, investigations into suspect separation from employment information, and separation information requests being sent to employers – are undertaken; and 2) neither ineligible State employees nor other ineligible claimants receive benefit payments.

> **Management Response:** As part of our ongoing commitment to the accuracy of benefit payments, we plan to take additional steps in our effort to reduce improper payments. We will continue refining our processes to reduce errors. We acknowledge that there are areas where continued improvement is necessary, and we are committed to working to address these issues. We will also continue to monitor performance and make adjustments as needed. NDOL stressed the importance of quality this year and has been making changes to its review process to catch and prevent errors earlier.

Finding 2024-062

Program: AL 17.225 – Unemployment Insurance (UI) – State – Reporting

Grant Number & Year: N/A

Federal Grantor Agency: U.S. Department of Labor

Criteria: Per 2 CFR § 2900.4 (January 1, 2024), the U.S. Department of Labor adopted the OMB Uniform Guidance as its policies and procedures for financial assistance administration.

Per 2 CFR § 200.302(a) (January 1, 2024):

> *[T]he state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.*

The ETA Handbook 401 (5th Edition) (August 16, 2017) states the following, in relevant part:

> *c. Line 12. Penalty/Interest. Enter in columns C and D the net collections of penalty, interest, and fines deposited during the month if transferred to the UTF.*
>
> * * * *
>
> *g. Line 36. FECA Net Federal Benefits – UCX. Enter in columns C and F the net Federal portion of unemployment compensation paid to former members of the armed services from funds in the benefit payment account. The total payments should be adjusted for refunds deposited during the month, credits and recharges, and cancellations and reissuances and exclude EUC08 benefits. Report in column F all benefits paid, including amounts transferred to the IRS for Federal income tax withholding, regardless whether paid from the state account in the UTF or the state benefit payment account.*
>
> * * * *
>
> *s. Line 46. FECA Net Benefit Payments-UCFE. Enter in columns C and F net benefit payments made during the month to former Federal civilian (including postal) employees, excluding EUC 2008, with funds from the FEC account. Report in column F all benefits paid, including amounts transferred to the IRS for Federal income tax withholding, regardless whether paid from the state account in the UTF or the state benefit payment account.*

Good internal control requires adequate procedures to ensure reports are complete and accurate.

Condition: During testing of the ETA 2112 reports, we noted the following:

- For three reports tested, a reconciliation of the ending balance per the report to the bank statement for each account was not completed.

- For two reports tested, amounts reported either could not be traced to supporting documentation or used the inaccurate amounts from the supporting documentation provided.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The ETA 2112 Report is a monthly summary of transactions in the State unemployment insurance fund, which consists of the Clearing Account, Unemployment Trust Fund (UTF) Account, and Benefit Payment Account. Agency controls over the ETA 2112 report include completing a reconciliation of the ending balance per the report to the bank statement for each account. For the three months the APA tested, a reconciliation was completed by the Agency; however, the ending balances per the report did not agree to the reconciled bank account balances. See the table below for a summary of the variances noted. After this issue was brought to the Agency's attention, the Agency restated all 12 reports for fiscal year 2024.

	October 2023	February 2024	May 2024
Account	**Benefit**	**Benefit**	**Trust**
Ending Report Balance	$ 1,025,057	$ 2,441,699	$ 549,243,266
Ending Reconciled Account Balance	$ 948,672	$ 2,267,150	$ 549,243,307
Variance	$ 76,385	$ 174,549	$ (41)

In addition to testing the Agency's reconciliations, the APA performed detailed testing of two monthly ETA 2112 reports. During this review, the following issues were noted:

<u>October 2023</u>

- The beginning benefit account balance did not agree to the ending benefit account balance from the September 2023 report, resulting in the beginning balance being overstated by $39,217.
- Total benefit disbursements and Net UI Benefit disbursements were understated by $37,168, as the Agency had backed out re-issued payments for the month.
- The ending benefit account balance did not agree to the reconciled ending benefit bank account balance, due to the issues noted above, resulting in the ending balance being overstated by $76,385.
- Clearing account Penalty/Interest deposits reported were amounts charged during the month, not amounts collected. This resulted in Penalty/Interest deposits being understated by $13,747 and Net UI Contributions being overstated by $13,747.

The first three errors noted were corrected by the Agency with a reissued report on July 12, 2024, after we questioned the Agency about the amounts reported. The fourth error noted was not corrected.

<u>February 2024</u>

- The beginning benefit account balance did not agree to the ending benefit account balance from the January 2024 report, resulting in the beginning balance being overstated by $140,808.
- Total benefit disbursements and Net UI Benefit disbursements were understated by $33,826, as the Agency had backed out re-issued payments for the month. Additionally, these items were overstated by $85, as the Agency had manually adjusted February 2024 outstanding checks in order to have the ending balance agree to their reporting software.
- The ending benefit account balance did not agree to the reconciled ending benefit bank account balance, due to the issues noted above, resulting in the ending balance being overstated by $174,549.

- UCX and UCFE benefit disbursements were reported net of Federal and State withholdings when these amounts should have been included. This resulted in UCX disbursements being understated by $1,006, UCFE disbursements being understated by $2,495, and Net UI Benefit disbursements being overstated by $3,501.

- January 2024 outstanding checks were not adjusted for January 2024 activity on the benefit account reconciliation, resulting in the beginning balance being understated by $13,209 and Net UI Benefits disbursements being overstated by $13,209. This error was not corrected by the Agency when the reports were reissued.

The first three errors noted were corrected by the Agency with a reissued report on July 12, 2024, after we questioned the Agency about the amounts reported. The fourth and fifth errors noted were not corrected.

Additionally, for both months tested, it was noted that the Daily Payment Register Summary was used to report the amount of disbursements by program. However, the Daily Payment Register Summary does not account for cancellations, which caused certain program disbursements to be overstated, such as UCFE, and Net UI Benefits to be understated.

Cause: Inadequate review and reporting procedures.

Effect: Without adequate procedures, there is an increased risk of inaccurate amounts being reported for unemployment insurance programs.

Recommendation: We recommend the Agency implement procedures to ensure that amounts reported for unemployment insurance programs are accurate. These procedures should ensure the following: 1) accurate reconciliations between the ending balances on the reports and supporting documentation are completed; 2) duplicate payments for the various programs are accounted for to ensure proper reporting; 3) amounts reported on the 2112 report can be traced to supporting documentation; and 4) amounts reported on the 2112 report are in line with Federal and State guidelines.

Management Response: NDOL agrees that incorrect values were taken from reports, and that the reconciliation and review process was not sufficient.

<u>Finding 2024-063</u>

Program: AL 17.225 – Unemployment Insurance (UI) – Admin – Allowability

Grant Number & Year: UI347272055A31, grant period 4/1/2020 to 6/30/2024; UI370762155A31, grant period 9/1/2021 to 8/31/2024; UI386582255A31, grant period 4/1/2022 to 3/31/2024; UI393342355A31, grant period 10/1/2022 to 12/31/2025; UI395462355A31, grant period 1/1/2023 to 9/30/2024; 23A60UR000043, grant period 1/1/2023 to 9/30/2024

Federal Grantor Agency: U.S. Department of Labor

Criteria: Per 2 CFR § 2900.4 (January 1, 2024), the U.S. Department of Labor adopted the OMB Uniform Guidance as its policies and procedures for financial assistance administration.

2 CFR § 200.405 (January 1, 2024) states the following, in relevant part:

a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

* * * *

d) Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

2 CFR § 200, Appendix VII, subsection (E)(1) (January 1, 2024), states the following:

Indirect cost rates will be reviewed, negotiated, and approved by the cognizant agency on a timely basis. Once a rate has been agreed upon, it will be accepted and used by all Federal agencies unless prohibited or limited by statute.

2 CFR § 200, Appendix VII, subsection (F)(3) (January 1, 2024), states the following:

In certain situations, governmental departments or agencies (components of the governmental unit), because of the nature of their Federal awards, may be required to develop a cost allocation plan that distributes indirect (and, in some cases, direct) costs to the specific funding sources. In these cases, a narrative cost allocation methodology should be developed, documented, maintained for audit, or submitted, as appropriate, to the cognizant agency for indirect costs for review, negotiation, and approval.

Sound accounting practices require the indirect costs to be allocated based on a reasonable basis and, when required, per an approved cost allocation plan.

Condition: The Agency did not allocate indirect costs in accordance with its approved cost allocation plan.

Repeat Finding: No

Questioned Costs: $26,393 known

Grant #	Questioned Costs
UI347272055A31	$ 831
UI370762155A31	$ 821
UI386582255A31	$ 14
UI393342355A31	$ 22,972
UI395462355A31	$ 39
23A60UR000043	$ 1,716

Statistical Sample: No

Context: Per the Agency's indirect cost allocation plan, which was approved for the period July 1, 2021, to June 30, 2022, and provisionally approved through June 30, 2024, indirect costs were to be allocated based on direct labor hours allocated monthly. For the State fiscal year ended June 30, 2024, the Agency planned to submit an indirect cost allocation plan where each month's costs would first be allocated to each Federal program Assistance Listing by the prior year's total direct expenses, and then be allocated within each Federal program Assistance Listing by direct labor hours to each Federal grant. However, as this indirect cost allocation plan had not yet been approved, the Agency should have continued to allocate costs based on the plan that was provisionally approved and adjusted once the plan had been approved. Additionally, the Agency's plan to allocate costs based on prior year expenses does not appear reasonable, and using a basis that considers more current information would be more reasonable.

During the fiscal year, the Agency charged $3,099,014 to Unemployment Insurance from allocated indirect costs. We tested an entry that allocated $194,430 to the Unemployment Insurance program. Based on our recalculation, we determined that only $168,037 should have been allocated to the Unemployment Insurance program, a variance of $26,393.

Cause: The Agency developed and used a new cost allocation plan for State fiscal year 2024 without approval from its cognizant Federal agency.

Effect: When costs are not allocated based on the approved indirect cost allocation plan, Federal programs will not be allocated correctly, which could result in improper payments.

Recommendation: We recommend the Agency allocate costs in accordance with its approved cost allocation plan.

> **Management Response:** NDOL agrees that the cost allocation plan requires approval from the Federal authority. The process as described in the finding was designed to establish a weighted factor to prevent over allocation of indirect costs to smaller federal grant programs. The factor was supposed to be updated every month rather than determined and set for an entire year.

Finding 2024-064

Program: AL 17.225 – Unemployment Insurance (UI) – State – Special Tests

Grant Number & Year: N/A

Federal Grantor Agency: U.S. Department of Labor

Criteria: Per 2 CFR § 2900.4 (January 1, 2024), the U.S. Department of Labor adopted the OMB Uniform Guidance as its policies and procedures for financial assistance administration.

20 CFR § 616.8(f)(2) (April 1, 2024) states the following:

> *Except as provided in paragraphs (c)(2), (f)(3), and (f)(5) of this section, each such charge shall bear the same ratio to the total benefits paid to the Combined-Wage Claimant by the paying State as the claimant's wages transferred by the transferring State bear to the total wages used in such determination. Each such ratio shall be computed as a percentage, to three or more decimal places.*

Neb. Rev. Stat. § 48-652 (Cum. Supp. 2024) states the following:

> *(3)(a) Each experience account shall be charged only for benefits based upon wages paid by such employer. No benefits shall be charged to the experience account of any employer if:*
>
> *(i) Such benefits were paid on the basis of a period of employment from which the claimant (A) left work voluntarily without good cause, (B) left work voluntarily due to a nonwork-connected illness or injury, (C) left work voluntarily with good cause to escape abuse as defined in section 42-903 between household members as provided in subdivision (1) of section 48-628.13, (D) left work from which he or she was discharged for misconduct connected with his or her work, (E) left work voluntarily and is entitled to unemployment benefits without disqualification in accordance with subdivision (3), (5), or (11) of section 48-628.13, or (F) was involuntarily separated from employment and such benefits were paid pursuant to section 48-628.17[.]*

Good internal controls require procedures to ensure that employers are properly charged, or not charged, for benefit payments made to claimants that have separated from them.

Condition: For two claims tested, the base period employers on the claims were not properly charged according to State statute or Federal regulation.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: For Claim #1, the claimant was originally found to have been discharged for misconduct from the base period employer. This ruling was subsequently reversed upon appeal by the claimant. The Agency failed to charge the employer for $12,850 of benefit payments on the claim, until notified by the APA, at which time the employer was correctly charged.

For Claim #2, the claim was a Combined Wage Claim (CWC), in which there were base period employers from Nebraska and Texas. On a CWC, employers are to be charged proportionately to wages paid in the base period by the employers from each state. In the claim tested, the Nebraska employer had paid 48.38% of the base period wages, while the Texas employer had paid 51.62%. It was found that the employers were not charged proportionately to the wages paid in the base period and that the total charges on the claim did not agree to total payments on the claim. This resulted in the Nebraska employer being overcharged by $991 and the Texas employer being undercharged by $1,409.

Employer State	% of Base Period Wages	Expected Charges	Actual Charges	Variance
Nebraska	48.38%	$ 2,276	$ 3,267	$ 991
Texas	51.62%	2,428	1,019	(1,409)
Totals	**100.00%**	**$ 4,704**	**$ 4,286**	**$ (418)**

Cause: Adjudication errors, and the system was not set up properly to charge employers correctly for Combined Wage Claims.

Effect: When adjudication errors are made and system errors occur, there is an increased risk of benefit payments being incorrectly charged, or not charged, to the base period employers.

Recommendation: We recommend the Agency implement procedures to ensure that employer charging is correctly updated subsequent to appeal determinations and that the Agency corrects known system issues.

> **Management Response:** We understand the importance of ensuring that employer charging is correctly updated following appeal determinations. We are committed to improving the accuracy and timeliness of these updates. We are actively working with the vendor to prioritize the required system updates, and in the interim, we will continue to monitor and adjust our processes to minimize any impact on employer charging accuracy.

<u>Finding 2024-065</u>

Program: AL 17.225 – Unemployment Insurance (UI) – State – Special Tests

Grant Number & Year: N/A

Federal Grantor Agency: U.S. Department of Labor

Criteria: Neb. Rev. Stat. § 48-652 (Supp. 2023) states, in relevant part, the following:

> *(3)(a) Each experience account shall be charged only for benefits based upon wages paid by such employer. No benefits shall be charged to the experience account of any employer if:*
>
> *(i) Such benefits were paid on the basis of a period of employment from which the claimant (A) left work voluntarily without good cause, (B) left work voluntarily due to a nonwork-connected illness or injury, (C) left work voluntarily with good cause to escape abuse as defined in section 42-903 between household members as provided in subdivision (1) of section 48-628.13, (D) left work from which he or she was discharged for misconduct connected with his or her work, (E) left work voluntarily and is entitled to unemployment benefits without disqualification in accordance with subdivision (3), (5), or (11) of section 48-628.13, or (F) was involuntarily separated from employment and such benefits were paid pursuant to section 48-628.17[.]*
>
> ** * * **
>
> *(d) Benefits <u>paid to an eligible individual</u> shall be charged against the account of his or her most recent employers within his or her base period[.]*

(Emphasis added.)

Neb. Rev. Stat. § 48-664 (Reissue 2021) provides the following:

> *Any employer, whether or not subject to the Employment Security Law, or any officer or agent of such an employer or any other person who makes a false statement or representation knowing it to be false, or who knowingly fails to disclose a material fact, to prevent or reduce the payment of benefits to any individual entitled thereto, to obtain benefits for an individual not entitled thereto, to avoid becoming or remaining subject to such law, or to avoid or reduce any contribution or other payment required from an employer under sections 48-648 and 48-649 to 48-649.04, or who willfully fails or refuses to make any such contributions or other payment or to furnish any reports required under the Employment Security Law or to produce or permit the inspection or copying of records as required under such law, shall be guilty of a Class III misdemeanor. . . . When an unemployment benefit overpayment occurs, in whole or in part, as the result of a violation of this section by an employer, the amount of the overpayment recovered shall not be credited back to such employer's experience account.*

Title 221 NAC Chapter 3-004 provides that employers have 10 days to respond to the Separation Information Request.

Title 219 NAC Chapter 15-001 provides the following:

> *Pursuant to Neb. Rev. Stat. §48-631 and §48-607, the Commissioner or the Commissioner's designee may redetermine a previous monetary or non-monetary determination if (1) there is an error in computation or identity, (2) pertinent wages not previously considered have been newly discovered, or (3) benefits have been allowed or denied or the amount fixed based upon misrepresentations of fact. When deciding if a redetermination should be made, the following definitions shall provide guidelines:*
>
> > *A. "Error in computation". Erroneous information based on omission, misconception, or mathematical error with a resultant consequence of altering claimant eligibility.*
> >
> > *B. "Error in identity". The identity of a specific individual or employer as claimed or asserted which does not meet the condition of being the same as described.*
> >
> > *C. "Newly discovered wages". Wages for an individual relevant to their eligibility which have not been previously known or incorrectly reported and documented.*

D. "Misrepresentation of fact". An indication by words or other conduct by a person(s) to another that, under the circumstances, amounts to an assertion by words or other conduct not in accordance with the facts, and that if accepted leads the mind of the person relying thereon to an understanding other and different from that which actually exists. Misrepresentation can occur either ignorantly or intentionally[.]

Good internal controls require procedures to ensure the following: 1) employers are properly charged, or credited, for unemployment benefits; 2) overpayments are established according to State statute and Federal regulation; and 3) overpayments are established in a timely manner by Agency staff after discovery by the Benefit Accuracy Management (BAM) team.

Condition: During our testing, we noted the following issues regarding overpayments:

- For seven overpayments established, the employers on the claim were not properly charged or relieved of charging for benefits overpaid to claimants.
- For three overpayments, the overpayments were not established consistent with written procedures in statute and regulations.
- One overpayment was not established in a timely manner after discovery by BAM staff.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The table below outlines the overpayments tested, the amount of each overpayment, the week endings during which the overpayments occurred, the amount each employer was charged for these weeks, and the amounts credited to their accounts after the overpayments were established. In each case, we noted that the amount credited to the employer's account was incorrect based on the amount overpaid and State statute.

Overpayment	Amount	Employer	Weeks Ended	Amount Charged	Amount Credited	Correct Amount to Credit	Variance
#1	$ 38	#1	5/20/23	$ 329	$ 329	$ -	$ 329
		#2	5/20/23	$ 185	$ (329)	$ 38	$ (367)
#2	$ 3,965	#3	3/25/23 - 5/6/23, 5/20/23	$ 4,088	$ 4,088	$ 3,941	$ 147
		#4	4/29/23	$ 24	$ 24	$ 24	$ -
#3	$ 3,990	#5	2/15/20, 3/21/20 - 6/20/20	$ 3,990	$ 4,522	$ 3,990	$ 532
#4 (**Note 1**)	$ 70	#6	9/24/22	$ 326	$ 326	$ 52	$ 274
#5 (**Note 1**)	$ 588	#7	2/24/24 - 3/9/24	$ 132	$ -	$ 132	$ (132)
#6	$ 31	#8	11/13/21	$ -	$ 31	$ -	$ 31
#7	$ 1,542	#9	8/12/23 - 8/26/23	$ 1,542	$ 1,542	$ -	$ 1,542
Totals				**$ 10,616**	**$ 10,533**	**$ 8,177**	**$ 2,356**

Note 1: The Correct Amount to Credit does not agree to the Overpayment amount, as the original charges included amounts charged to Pool Accounts. These have no effect on employer charging and are not shown above.

For overpayments #1 through #6, the overpayment amount should have been credited to the employers' accounts. However, the credits were not appropriately applied to the employers' accounts due to system and employee errors when applying the credits. For overpayment #7, the employer's account should not have been credited as the overpayment was due to the employer's untimely response to the separation information request. However, the Agency still credited the employer's account.

Additionally, we noted the following regarding improper credits to employer accounts.

Overpayment #1 was established in conjunction with two other overpayments, one for week ended (W.E.) April 29, 2023, for $73 and another for W.E. May 27, 2023, for $514. Employer #1 was originally charged a total of $721 for W.E.s April 29, 2023, and May 20, 2023, and received a full credit for these charges, when only a $73 credit was received. Thus, Employer #1 was improperly credited an additional $319. Employer #2 should have received total credits of $552 but was instead charged an additional $207 during these weeks. Therefore, along with the amount in the table, an additional $392 was charged improperly.

For Overpayment #2, the APA noted that Employer #3 was also credited for all additional payments made on the claim, not merely for the W.E.s put into overpayment. This resulted in an additional $9,252 that was incorrectly credited to the employer's account.

On Overpayment #4, Employer #6 was credited all charges that had been made against the account for the claim, a $8,997 total. The amount credited was greater than total overpayments established on the claim of $906. Due to this, Employer #6 incorrectly received additional credits of $7,376.

For Overpayment #6, all payments on the claim had previously been credited to the employer's account due to the claimant's base period being incorrect. Due to this, Employer #8 had already received the $31 credit due to them by the overpayment tested.

In addition to the incorrect employer charging errors, the following three overpayments were incorrectly established by the Agency.

Overpayment	Weeks Overpaid	Amount Established	Correct Amount to Establish	Variance
#8	1/14/23 - 3/4/23	$ 3,712	$ -	$ 3,712
#9	6/26/2021	$ 321	Unknown	Unknown
#2	3/25/23 - 5/6/23, 5/20/23	$ 3,965	$ 4,164	$ (199)

In addition to the charging errors noted above for Overpayment #2, it was noted that the overpayment established by the Agency was incorrect. The Agency did not correctly consider the wage amounts reported by the claimant's employer, resulting in the overpayment established being understated by $199.

Overpayment #8 was established by the Agency on November 7, 2023. This had occurred because the claimant's base period wages were redetermined after an earlier overpayment was established on the claim due to the claimant not reporting all wages earned to the Agency. When asked by the APA why the claimant's base period wages were redetermined, the Agency stated that the earlier overpayment was caused by fraud; thus, the wages were cancelled in the base period. This was incorrect as, per 219 NAC 15, a claimant's base period may only be redetermined if there is evidence to show that the initial base period was incorrect. As no evidence of this could be provided, the claimant's base period should not have been redetermined, and Overpayment #8 should not have been established.

Overpayment #9 was established after the Agency received a wage audit from the claimant's employer on July 12, 2021, that stated the claimant earned $431 in wages during the period. However, the Agency had also received a separate wage audit from the same employer on July 6, 2021, which stated the claimant only earned $162 during the period. There was no documentation available to support how the Agency determined which wage amount was the correct one to consider when establishing the overpayment. Additionally, when sent a notice of the overpayment establishment on November 18, 2021, the claimant responded to the Agency on November 22, 2021, claiming not to have worked for this employer during that period. The Agency did not consider the claimant's response when establishing the overpayment.

Finally, during testing of the Benefits Accuracy Measurement (BAM) Investigations completed in fiscal year 2024, it was noted that the BAM investigator had obtained documentation showing the claimant was overpaid $980 for weeks ending February 17, 2024, and March 2, 2024. BAM completed review of the claim on May 6, 2024, and communicated the overpayment to the Benefits team to establish the overpayment. As of testing on August 9, 2024, an overpayment has yet to be established for this issue.

Cause: Adjudication errors and the system not properly set up to charge employers correctly.

Effect: Without adequate procedures to ensure employer charging is correct, and overpayments are established in a timely manner or properly according to written procedures, there is an increased risk of not only benefit payments being incorrectly charged, or not charged, to the base period employers but also noncompliance with Federal and State regulations.

Recommendation: We recommend the Agency implement procedures to ensure the following: 1) employer accounts are properly charged or relieved of charges when overpayments are established; 2) overpayments are established in compliance with Federal and State regulations; and 3) overpayments are established in a timely manner after discovery by the BAM team.

> **Management Response:** We are committed to ensuring that employer accounts are properly charged or relieved of charges when overpayments are identified. We recognize the importance of addressing overpayments promptly to maintain the integrity of the UI system. We have established procedures to address the timely establishment of overpayment and their impact on charging.

MILITARY DEPARTMENT

Finding 2024-066

Program: AL 12.401 – National Guard Military Operations and Maintenance (O&M) Projects – Cash Management & Reporting

Grant Number & Year: Appendices – W91243-22-2-1001, FFY 2022; W91243-23-2-1001, FFY 2023; W91243-24-2-1001, FFY 2024; W91243-24-2-1021, FFY 2024; W91243-24-2-1024, FFY 2024

Federal Grantor Agency: U.S. Department of Defense

Criteria: Per 2 CFR § 1128.100 and 2 CFR § 1128.200 (January 1, 2024), the Department of Defense adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements set forth at 2 CFR parts 200.302, 200.303, and 200.305.

Per 2 CFR § 200.303 (January 1, 2024):

> *The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

Title 2 CFR § 200.302 (January 1, 2024) requires financial management systems of the State sufficient to permit preparation of required reports and permit the tracing of funds to expenditures adequate to establish the use of these funds were in accordance with applicable regulations. EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it.

Title 2 CFR § 200.305(a) (January 1, 2024) states, in part, "For states, payments are governed by Treasury-State Cash Management Improvement Act (CMIA) agreements and default procedures codified at 31 CFR part 205 . . . ."

National Guard Policy (NG Policy) 5-1, National Guard Grants and Cooperative Agreements, Section 11-5, Advance Payment Method, Section (5), states, in part, "[T]he grantee agrees to minimize the time elapsing between the transfer of funds from the U.S. Treasury and their disbursement by the State. (no more than 45 days)." Grants and agreements Policy Letter (GCAPL) 20-02 AQ-A Policy (February 4, 2020) turned NGR 5-1 into NG Policy 5-1. It generally maintained the principles and operational aspects of NGR 5-1, except as provisions of the document were adjusted in the AQ-A Policy. The AQ-A Policy did not make any changes to the 45-day requirement found in NGR 5-1.

The instructions for OMB Standard Form 270 (REV. 1/2016) include the following for line 11a:

> *Enter program outlays to date (net of refunds, rebates, and discounts), in the appropriate columns. For requests prepared on a cash basis, outlays are the sum of actual cash disbursements for goods and services, the amount of indirect expenses charged, the value of in- kind contributions applied, and the amount of cash advances and payments made to subcontractors and subrecipients.*

A good internal control plan would include procedures to ensure the time between the drawdown of Federal funds and disbursements are minimized and in compliance with National Guard regulations.

Condition: The Agency was not in compliance with the Federal cash management requirements during the fiscal year and did not properly report program outlays on the OMB Standard Form (SF) 270. A similar finding was noted in the prior audit.

Repeat Finding: 2023-057

Questioned Costs: None

Statistical Sample: No

Context: We tested five drawdowns of Federal funds to support the Agency's operations. We tested to determine whether the Agency had expended the cumulative amounts drawn down for the awards tested within the required timeframe and noted the following:

- Three drawdowns were not in compliance with NG Policy 5-1. Cumulative drawdowns for two of the draws tested were expended 49 and 62 days after the drawdown of Federal funds. Cumulative draws for the other draw tested had yet to be fully expended as of January 7, 2025.

  The table below provides a summary of the three draws:

	Award	Draw Receipt Date	Total Draws as of Draw Receipt Date	Cash on hand at 45 days	# of Days to spend Total Draws
1	W91243-22-2-1001 (SAG 132)	5/14/2024	$ 18,712,237	$ 600,628	N/A*
2	W91243-23-2-1001 (SAG 132)	5/14/2024	$ 13,353,316	$ 34,433	62
3	W91243-24-2-1024	5/22/2024	$ 2,582,300	$ 44,049	49

**As of January 7, 2025, 238 days after drawing down funds, the Agency has not fully expended the cumulative amount drawn down under this award.*

- For five of five SF-270s tested, the Agency did not properly report total program outlays on the OMB SF-270 report. The Agency reported the total drawdowns for the program to date, rather than actual cash disbursements, as total program outlays. The variance between what was reported and what should have been reported ranged from an underreporting of $265,642 to an overreporting of $660,608, with a net total overreporting of expenditures by $1,090,090 for the five reports tested.

Cause: Inadequate procedures for estimating fund needs for the upcoming month. Regarding SF-270 reporting, the Agency has stated it agrees with the finding; however, it has yet to implement corrective action.

Effect: The Agency is not in compliance with Federal cash management and reporting requirements, which could result in sanctions. Additionally, there is an increased risk for the loss of Federal funding.

Recommendation: We recommend the Agency ensure the amount of time between the Federal draw and the disbursement of funds by the State is minimized and in compliance with National Guard requirements. We also recommend the Agency report total program outlays in compliance with Federal requirements.

> **Management Response:** The Agency agrees with the finding. The drawdown timeline is a partial result of the variances in federal reimbursement functionalities and the advance state requirement function. The agency has reduced the Average # of Days to spend Total Draws by 23 for those draws in which drawdown timing was reported, indicating a general improvement over the prior year finding.

Finding 2024-067

Program: AL 21.023 – COVID-19 Emergency Rental Assistance – Allowability & Eligibility

Grant Number & Year: ERAE1185, grant period ending 9/30/2025

Federal Grantor Agency: U.S. Department of the Treasury

Criteria: Title III, Subtitle B, Section 3201(f)(2), of the American Rescue Plan Act, 2021, Pub. L. No. 117-2 (March 11, 2021) states the following:

> *ELIGIBLE HOUSEHOLD. – The term ''eligible household'' means a household of 1 or more individuals who are obligated to pay rent on a residential dwelling and with respect to which the eligible grantee involved determines that—*
>
> *(A) 1 or more individuals within the household has--*
>
> *(i) qualified for unemployment benefits; or*
>
> *(ii) experienced a reduction in household income, incurred significant costs, or experienced other financial hardship during or due, directly or indirectly, to the coronavirus pandemic;*
>
> *(B) 1 or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability; and*
>
> *(C) the household is a low-income family (as such term is defined in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)).*

Low-income family is defined in 42 U.S.C. § 1437a(b)(2)(A) as follows:

> *[F]amilies whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families . . . .*

Per 2 CFR § 1000.10 (January 1, 2024), the U.S. Department of the Treasury adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements set forth in 2 CFR part 200.

Per 2 CFR § 200.303 (January 1, 2024):

> *The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

Question 4 of the Frequently Asked Questions (FAQ) guidance document (Revised March 5, 2024), issued by the U.S. Department of the Treasury, for the Emergency Rental Assistance program, states, in relevant part, the following:

> *If a written attestation without further verification is relied on to document the majority of the applicant's income, the grantee must reassess the household's income every three months, by obtaining appropriate documentation or a new self-attestation.*

Question 5 of the FAQ guidance document states, in relevant part, the following:

> *Grantees must obtain, if available, a current lease, signed by the applicant and the landlord or sublessor, that identifies the unit where the applicant resides and establishes the rental payment amount. If a household does not have a signed lease, documentation of residence may include evidence of paying utilities for the residential unit, an attestation by a landlord who can be identified as the verified owner or management agent of the unit, or other reasonable documentation as determined by the grantee. In the absence of a signed lease, evidence of the amount of a rental payment may include bank statements, check stubs, or other documentation that reasonably establishes a pattern of paying rent, a written attestation by a landlord who can be verified as the legitimate owner or management agent of the unit, or other reasonable documentation as defined by the grantee in its policies and procedures.*

Question 7 of the FAQ guidance document states, in relevant part, the following:

> *For both ERA1 and ERA2, other expenses related to housing include relocation expenses (including prospective relocation expenses), such as rental security deposits, and rental fees, which may include application or screening fees. It can also include reasonable accrued late fees (if not included in rental or utility arrears), and Internet service provided to the rental unit . . . . All payments for housing-related expenses must be supported by documentary evidence such as a bill, invoice, or evidence of payment to the provider of the service.*

Good internal control requires procedures to ensure that adequate supporting documentation is obtained and utilized during the application review process. Good internal control also requires procedures to ensure compliance with Federal regulations.

Condition: Procedures were inadequate to ensure that households were eligible and that the payment amounts were correct. A similar finding was noted in the prior audit.

Repeat Finding: 2023-058

Questioned Costs: $12,343 known

Statistical Sample: No

Context: We tested 27 assistance payments. We noted the following:

- For four payments, adequate income verification was not performed.
    - For one payment, the application stated that there was only one adult in the household. However, a second adult was included on the lease agreement. The Agency failed to verify whether a second adult was included in the household; thus, income verification was also not performed on the second adult. This resulted in questioned costs of $2,730.
    - For two payments, at least one member from each household attested on the application that the household member did not have income. Subsequent payments were made for rent three months after the attestation. The Agency did not reassess the household's income, nor obtain a new self-attestation as required per the FAQ. This resulted in questioned costs of $3,525.
    - For one payment, the applicant was married but did not include the spouse on the application. The Agency considered only the applicant's income when determining eligibility. However, income documentation on file for both the applicant and the spouse would result in the applicant being ineligible. The Agency did not verify whether the spouse should have been included in the household. This resulted in questioned costs of $3,540.
- For 10 payments, the payment amount was incorrect.
    - For one payment, the Agency calculated a payment amount of $1,285; however, after reviewing the lease, we calculated an amount of $1,161, a difference of $123.
    - For eight payments, we did not agree with the amount paid for late fees. For rent paid for future months, it was the Agency's policy to pay the late fee if the payment was approved after the 15th of the previous month. For example, if the Agency approved a rental payment for the month of May 2024 on April 16, 2024, the Agency would also pay a late fee for

May 2024. However, per review of the actual date paid, the late fees paid were either excessive or should not have been paid at all. Additionally, in some cases, the Agency calculated the late fee by taking the monthly rent amount multiplied by 10%. However, this also resulted in the amount of late fees paid being excessive per the lease agreement. In total, we questioned $425 in excessive late fees.

- For one payment, the Agency paid future rent for three months, totaling $3,000, on May 7, 2024. However, the tenant moved after the first month. The Agency did not start to attempt to collect the overpayment of $2,000 until January 10, 2025. The $2,000 overpayment is considered questioned costs.

Federal payment errors for the sample tested were $12,343. The total sample tested was $68,482, and assistance payments for the fiscal year totaled $11,541,538. Based on the sample tested, the dollar error rate for the sample was 18.02% ($12,343/$68,482), which estimated the potential dollars at risk for fiscal year 2024 to be $2,079,785 (dollar error rate multiplied by the population).

Cause: Inadequate procedures to ensure all income was verified, and self-attestations of income were obtained every three months. Inadequate procedures to ensure the payment amount was correct.

Effect: Increased risk of loss or misuse of funds and noncompliance with Federal guidelines.

Recommendation: We recommend the Agency strengthen policies and procedures to ensure applicants are eligible for assistance, and payment amounts are reasonable and proper.

Management Response: NEMA will work with NIFA to strengthen policies and procedures and provide additional guidance to Nelnet agents to ensure applicants are eligible for assistance and payment amounts are reasonable and proper. Regarding late fees, we will consider a change to the existing policy and review recommended changes.

<u>Finding 2024-068</u>

Program: AL 21.023 – COVID-19 Emergency Rental Assistance – Reporting

Grant Number & Year: ERAE1185, grant period ending 9/30/2025

Federal Grantor Agency: U.S. Department of the Treasury

Criteria: Per 2 CFR § 1000.10 (January 1, 2024), the U.S. Department of the Treasury adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements set forth in 2 CFR part 200.

2 CFR § 200.302(a) (January 1, 2024) states, in relevant part, the following:

[T]he state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

The Emergency Rental Assistance Program (ERA 2) Reporting Guidance (Revised January 3, 2024), issued by the U.S. Department of the Treasury, states, in part, the following:

> *Each ERA2 Recipient must report the cumulative number of unique ERA2 participant households that were paid any dollar amount for at least one of the following: rent, rental arrears, utilities/home energy costs, utility/home energy arrears, or other expenses related to housing, between the date of receipt of the ERA2 award and the end of the current reporting period, by the following ranges of household income levels:*
>
> *i. Less than 30% of area median income (#)*
> *ii. Between 30% and 50% of area median income (#)*
> *iii. Between 50% and 80% of area median income (#)*

A good internal control plan requires procedures to ensure that all required information is reported accurately and supported by underlying data.

Condition: For two of two quarterly reports tested, figures reported for unique participant households at certain income levels did not agree to supporting documentation.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: For the quarters ended March 31, 2024, and June 30, 2024, ERA 2 quarterly compliance reports, the Agency reported a cumulative number of unique households of 862 and 1,940, respectively. We noted during testing that the cumulative number of unique households, once split between different ranges of household income levels, did not agree with the Agency's supporting documentation.

The tables below show the differences between the reported households and the actual households.

Quarter Ended March 31, 2024			
Household Income Level	**Per Report**	**Actual**	**Variance**
Less than 30% of AMI	502	428	74
Between 30% and 50% of AMI	271	262	9
Between 50% and 80% of AMI	68	161	(93)
Other Participants	21	11	10
Total	862	862	-

Quarter Ended June 30, 2024			
Household Income Level	**Per Report**	**Actual**	**Variance**
Less than 30% of AMI	1,183	980	203
Between 30% and 50% of AMI	544	563	(19)
Between 50% and 80% of AMI	172	382	(210)
Other Participants	41	15	26
Total	1,940	1,940	-

Cause: Inadequate review of supporting documentation.

Effect: Without adequate procedures to ensure reports contain accurate information, there is increased risk of noncompliance with Federal regulations.

Recommendation: We recommend the Agency implement procedures to ensure figures reported in the ERA 2 quarterly compliance reports are accurate and agree to supporting documentation.

Management Response: A vendor supplied report was found to contain an error in the way summary AMI data was accumulated.

Finding 2024-069

Program: AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Allowability

Grant Number & Year: SLFRP1965, March 3, 2021, through December 31, 2024

Federal Grantor Agency: U.S. Department of the Treasury

Criteria: 31 CFR § 35.6(b) (July 1, 2023) states, in relevant part, the following:

A recipient may use funds to respond to the public health emergency or its negative economic impacts if the use meets the criteria provided in paragraph (b)(1) of this section or is enumerated in paragraph (b)(3) of this section; provided that, in case of a use of funds for a capital expenditure under paragraph (b)(1) or (b)(3) of this section, the use of funds must also meet the criteria provided in paragraph (b)(4) of this section. Treasury may also articulate additional eligible programs, services, or capital expenditures from time to time that satisfy the eligibility criteria of this paragraph (b), which shall be eligible under this paragraph (b).

(1) Identifying eligible responses to the public health emergency or its negative economic impacts.

(i) A program, service, or capital expenditure is eligible under this paragraph (b)(1) if a recipient identifies a harm or impact to a beneficiary or class of beneficiaries caused or exacerbated by the public health emergency or its negative economic impacts and the program, service, or capital expenditure responds to such harm.

(ii) A program, service, or capital expenditure responds to a harm or impact experienced by an identified beneficiary or class of beneficiaries if it is reasonably designed to benefit the beneficiary or class of beneficiaries that experienced the harm or impact and is related and reasonably proportional to the extent and type of harm or impact experienced.

* * * *

(3) Enumerated eligible uses: Responses presumed reasonably proportional. A recipient may use funds to respond to the public health emergency or its negative economic impacts on a beneficiary or class of beneficiaries for one or more of the following purposes unless such use is grossly disproportionate to the harm caused or exacerbated by the public health emergency or its negative economic impacts:

* * * *

(ii) Responding to the negative economic impacts of the public health emergency for purposes including:

* * * *

(D) Assistance to tourism, travel, hospitality, and other impacted industries for programs, services, or capital expenditures, including support for payroll costs and covered benefits for employees, compensating returning employees, support for operations and maintenance of existing equipment and facilities, and technical assistance[.]

31 CFR § 35.6(c) (July 1, 2023) states the following:

> *Providing premium pay to eligible workers. A recipient may use funds to provide premium pay to eligible workers of the recipient who perform essential work or to provide grants to eligible employers that have eligible workers who perform essential work, provided that any premium pay or grants provided under this paragraph (c) must respond to eligible workers performing essential work* ***<u>during the COVID–19 public health emergency</u>****. A recipient uses premium pay or grants provided under this paragraph (c) to respond to eligible workers performing essential work during the COVID–19 public health emergency if:*
>
> *(1) The eligible worker's total wages and remuneration, including the premium pay, is less than or equal to 150 percent of the greater of such eligible worker's residing State's or county's average annual wage for all occupations as defined by the Bureau of Labor Statistics' Occupational Employment and Wage Statistics;*
>
> *(2) The eligible worker is not exempt from the Fair Labor Standards Act overtime provisions (29 U.S.C. 207); or*
>
> *(3) The recipient has submitted to the Secretary a written justification that explains how providing premium pay to the eligible worker is responsive to the eligible worker performing essential work during the COVID–19 public health emergency (such as a description of the eligible workers' duties, health, or financial risks faced due to COVID–19, and why the recipient determined that the premium pay was responsive despite the worker's higher income).*
>
> *[Emphasis added]*

31 CFR § 35.3 (July 1, 2023) defines "premium pay," in relevant part, as follows:

> *Premium pay means an amount of up to $13 per hour that is paid to an eligible worker, in addition to wages or remuneration the eligible worker otherwise receives, for all work performed by the eligible worker during the COVID–19 public health emergency. Such amount may not exceed $25,000 in total over the period of performance with respect to any single eligible worker.*

H.J. Res 7 (2023) states the following:

> *Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That, pursuant to section 202 of the National Emergencies Act (50 U.S.C. 1622), the national emergency declared by the finding of the President on March 13, 2020, in Proclamation 9994 (85 Fed. Reg. 15337) is hereby terminated.*
>
> *Approved April 10, 2023.*

Additionally, the "Final Rule" was released by the U.S. Department of the Treasury on January 6, 2022.

The Final Rule, Section II. Eligible Uses, A. Public Health and Negative Economic Impacts, 1. General Provisions: Structure and Standards, a. Standards for Identifying a Public Health or Negative Economic Impact, Standards: Designating a Negative Economic Impact, states the following, in relevant part:

> *(Page 4344) First, there must be a negative economic impact, or an economic harm, experienced by an individual or a class. The recipient should assess whether, and the extent to which, there has been an economic harm, such as loss of earnings or revenue, that resulted from the COVID-19 public health emergency. A recipient should first consider whether an economic harm exists and then whether this harm was caused or made worse by the COVID-19 public health emergency.*
>
> ** * * **
>
> *Second, the response must be designated to address the identified economic harm or impact resulting from or exacerbated by the public health emergency. In selecting responses, the recipient must assess whether, and the extent to which, the use would respond to or address this harm or impact.*

> * * * *
>
> *Responses must be reasonably designed to benefit the individual or class that experienced the negative economic impact or harm. Uses of funds should be assessed based on their responsiveness to their intended beneficiary and the ability of the response to address the impact or harm experienced by that beneficiary.*
>
> *Responses must also be related and reasonably proportional to the extent and type of harm experienced.*

The Final Rule, Section II. Eligible Uses, A. Public Health and Negative Economic Impacts, 4. General Provisions: Other, a. Public Sector Capacity and Workforce, states the following, in relevant part:

> *(Page 4386) The final rule allows for an expanded set of eligible uses to restore and support public sector employment. Eligible uses include hiring up to a pre-pandemic baseline that is adjusted for historic underinvestment in the public sector, providing additional funds for employees who experienced pay cuts or were furloughed, avoiding layoffs, providing worker retention incentives, and paying for ancillary administrative costs related to hiring.*
>
> * * * *
>
> *The final rule provides two options to restore pre-pandemic employment, depending on recipient's needs. Under the first and simpler option, recipients may use SLFRF funds to rehire staff for pre-pandemic positions that were unfilled or were eliminated due the pandemic without undergoing further analysis. Under the second option, the final rule provides recipients an option to hire above the pre-pandemic baseline, by adjusting the pre-pandemic baseline for historical growth in public sector employment over time, as well as flexibility on roles for hire.*
>
> * * * *
>
> *To pursue the second option, recipients should undergo the analysis provided below. In short, this option allows recipients to pay for payroll and covered benefits associated with the recipient increasing its number of budgeted full-time equivalent employees (FTEs) up to 7.5 percent above its pre-pandemic employment baseline, which adjusts for the continued underinvestment in state and local governments since the Great Recession.*
>
> * * * *
>
> *Funds may be used to maintain current compensation levels, with adjustments for inflation, in order to prevent layoffs that would otherwise be necessary. Recipients must be able to substantiate that layoffs were likely in the absence of SLFRF funds and would be substantially due to the public health emergency or its negative economic impacts (e.g., fiscal pressures on state and local budgets) and should document their assessment.*
>
> * * * *
>
> *Funds may be used to provide worker retention incentives, which are designed to persuade employees to remain with the employer as compared to other employment options. Recipients must be able to substantiate that the employees were likely to leave employment in the absence of the retention incentive and should document their assessment.*
>
> * * * *
>
> *All worker retention incentives must be narrowly tailored to need and should not exceed incentives traditionally offered by the recipient or compensation that alternative employers may offer to compete for the employees. Further, because retention incentives are intended to provide additional incentive to remain with the employer, they must be entirely additive to an employee's regular rate of wages and other remuneration and may not be used to reduce or substitute for an employee's normal earnings. Treasury will*

presume that retention incentives that are less than 25 percent of the rate of base pay for an individual employee or 10 percent for a group or category of employees are reasonably proportional to the need to retain employees, as long as the other requirements are met.

The Final Rule, Footnote 230 states the following, in relevant part:

(Page 4379) Ultimately, recipients must comply with the eligible use requirements and any other applicable laws or requirements and are responsible for the actions of their subrecipients or beneficiaries.

Per 2 CFR § 1000.10 (January 1, 2024), "[T]he Department of the Treasury adopts the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, set forth at 2 CFR part 200."

2 CFR § 200.303 (January 1, 2024) states, in relevant part, the following:

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Per 2 CFR § 200.403 (January 1, 2024), costs must be necessary and reasonable for the performance of the Federal award. Costs must also be adequately documented.

Good internal control and sound business practices require procedures for ensuring that: 1) grants issued to beneficiaries are reasonable and proportional to the harm identified; 2) premium pay is paid to only eligible individuals; 3) expenditures are adequately supported; and 4) all expenditures are for allowable purposes.

2 CFR § 200.511(a) (January 1, 2024) requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The State lacked procedures to ensure that:

- Grants issued to beneficiaries for worker retention and incentives were used for such purposes.
- Premium pay paid to eligible individuals was for work performed during the COVID-19 public health emergency.
- Grants to beneficiaries were proportional to the negative economic harm incurred.
- Funds used for behavioral healthcare programs were adequately documented.

A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2023-061

Questioned Costs: $512,698 known

Statistical Sample: No

Context: We randomly selected 40 payments to test. We also judgmentally selected 16 payments and 10 journal entries to test. We noted the following:

Payments to Nursing Facilities and Assisted-Living for Employee Retention and Recruitment
Nebraska Legislative Bill (LB) 1014 (2022), section 28, appropriated $15,000,000 from the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) grant to the Department of Health and Human Services (DHHS) for State fiscal year 2024 to be paid out to Medicaid-certified nursing facilities. The funds were to be used to provide supplemental incentive payments for direct care staff members employed at the nursing facilities. DHHS paid out $15,000,000 to Medicaid-certified nursing facilities during State fiscal year 2024.

LB 1412 (2024), section 24, appropriated $1,499,657 in CSLFRF funds to DHHS to be used to issue payments to rural assisted-living facilities. Per DHHS, these funds were intended to be used for employee retention and recruitment programs at the facilities. DHHS paid out $1,499,657 to assisted-living facilities during State fiscal year 2024.

During testing of a random sample of 40 CSLFRF expenditures, we tested four payments made to Medicaid-certified nursing facilities, totaling $383,409. We asked for documentation of how DHHS ensured that the payments were used for allowable employee retention and recruitment programs, and for any documented assessments that were required by the Final Rule for worker incentive programs. According to DHHS, the funds were paid out in accordance with the requirements of LB 1014. Additionally, DHHS obtained signed attestations from all nursing facilities that received funds in which the facility attested that it is aware that funds provided can only be used to enhance employee recruitment and retention and that funds were used for said purpose. No other procedures were performed by DHHS to ensure that the nursing facilities were using the funds for eligible recruitment and retention purposes and DHHS failed to provide documentation supporting any of the assessments required by the CSLFRF Final Rule. Given the lack of procedures to support that funds were being used for allowable purposes, all four payments of the $383,409 tested are considered questioned costs.

Additionally, we judgmentally selected one payment to an assisted living facility pursuant to LB 1412, section 24, totaling $54,464. Similar to the nursing facility payments tested, DHHS intends to have each assisted-living facility sign an affidavit attesting that the assisted-living facility is aware that funds provided can only be used to enhance employee recruitment and retention and that funds were used for said purpose. No other procedures were performed or planned to be performed. Therefore, the $54,464 payment tested is considered a questioned cost.

We also noted that one nursing facility did not receive its proportional allocation of $131,839. Instead, that amount was split among the other nursing facilities that received payments.

Assistance to the State Fair
LB 1014, section 52, appropriated $20,000,000 to the Department of Environment and Energy (DEE) from the CSLFRF grant to be used to provide wastewater and drainage system updates at the State fairgrounds. The State Fair Board received a grant of $20,000,000, and we judgmentally selected one payment to the State Fair Board, totaling $798,092.

Of the $20,000,000 grant, $14,705,610 was for stormwater and sewer infrastructure, and $5,294,390 was for aid to tourism due to experiencing negative economic harm due to the COVID-19 public health emergency. Of the $5,249,390, however, the documentation on file only supported negative economic harm experienced of $4,539,525. Therefore, the grant award is not proportional to the harm experienced. As of June 30, 2024, only $1,396,267 of the portion for aid to tourism had been paid to the State Fair Board; therefore, we did not question costs.

Payments to Schools, Child Care Providers, and Health Care Providers for Employee Premium Pay
LB 1014, section 15, appropriated $10,000,000 to the Nebraska Department of Labor (NDOL) to be administered and distributed by NDOL through the recommendation of the Nebraska Worker Training Board. A portion of the $10,000,000 was being used for premium pay to teachers, child care providers, and nurses. NDOL paid out $5,277,250 to recipients for premium pay during the fiscal year.

During our testing of a random sample of 40 CSLFRF payments, we tested four payments to recipients for premium pay, totaling $669,500. As part of NDOL's procedures for reviewing requests for premium pay, NDOL had the entity provide the details of the employees that the premium pay was meant to benefit including name, hire date, and pay rate. NDOL had no procedures to verify the information submitted by the recipients to ensure that the employees met the eligibility requirements of 31 CFR § 35.6. Additionally, we noted that NDOL did not have any procedures in place after payments were issued to recipients to ensure that the premium pay was actually paid out to the employees they were intended to benefit. We asked NDOL to reach out to the recipients and subsequently provide us with underlying documentation for a selection of employees from the recipient. We noted that the employee information provided by the recipient was sufficient to determine eligibility and verify that individual employees received the premium pay that NDOL approved for them.

However, for the four payments tested, we noted that premium pay was paid to 44 employees that were not hired until after the COVID-19 public health emergency ended or a few days prior to when the public health emergency ended on April 10, 2023. Premium pay paid to these individuals totaled $71,500, of which $70,250 was in-sample, and $1,250 was out-of-sample. The $71,500 is considered questioned costs.

Behavioral Healthcare Programs
LB 1014, section 24, appropriated $10,000,000 to DHHS to be distributed to local health departments for one-time infrastructure needs and any other costs including testing, personal protective equipment, and other preventative measures to combat the COVID-19 virus. We judgmentally selected one payment made pursuant to this purpose, totaling $367,699.

Of the $367,699 tested, $3,325 was for backstage passes and zoo memberships purchased from the Henry Doorly Zoo. Per DHHS, these passes and memberships were used by program participants and employees of the local health department to facilitate non-traditional therapy methods, such as animal therapy and physical activity for the program participants. DHHS provided a list of 11 participants that supposedly used the passes and memberships; however, adequate documentation was not provided to support that those were the individuals that actually used the passes and memberships. We consider the $3,325 to be questioned costs.

Total questioned costs from the random sample were $453,659. The total sample tested was $15,192,612, and the total sample population was $186,386,848. Based on the sample tested, the dollar error rate for the sample was 2.99% ($453,659/$15,192,612), which estimates the potential dollars at risk for fiscal year 2024 to be $5,572,967 (dollar error rate multiplied by the population).

Cause: Inadequate procedures to ensure that grants to nursing and assisted-living facilities were used for allowable purposes, to ensure that premium pay was only paid to individuals employed during the COVID-19 public health emergency, and to obtain adequate documentation to verify that grants made were reasonably proportional to the negative economic harm experienced.

Effect: Without adequate supporting documentation and review procedures, there is an increased risk that Federal awards could be used for unallowable costs.

Recommendation: We recommend the State strengthen procedures for ensuring that all Federal funds are used for intended and allowable purposes.

Management Response:

Department of Health and Human Services
DHHS agrees with the finding regarding payments to nursing facilities and assisted-living for employee retention and recruitment.

DHHS does not disagree with APA's characterization of the Behavioral Health Care program administered by Douglas County Health Department. However, DHHS provided the membership IDs purchased and contact details, including name, phone, email, and address, for every parent or guardian and the age of their minor children who participated in this behavioral health program. To the Department's knowledge, APA did not follow up with any of these contacts.

Department of Environment and Energy
NDEE management in coordination/conjunction with the Department of Administrative Services Budget Team revisited the State Fair Board tourism loss calculation, taking the APA's assessment into consideration. We agree with the APA's assessment and recalculation of tourism loss in the amount of $4,539,525.

Department of Labor
Premium pay is additional hourly compensation paid to eligible workers in addition to their regular hourly wages for the heightened risk they faced during the COVID-19 pandemic as defined under the CSLFRF.

It may be called "Premium Pay" in the NDOL Guidance document, but the payments were for "recruitment and retention" of workers which are not subject to the time restrictions of the declaration of the COVID-19 emergency. The 12-31-2024 obligation date applies to recruitment and retention grants.

Teacher Recruitment and Retention Grant ("TRRG") awards will fund premium pay as part of a strategy to support recruitment and retention of educators in high-demand positions.

Nursing Recruitment and Retention Grant ("NRRG") awards will fund premium pay as part of a strategy to support recruitment and retention of healthcare workers in high-demand positions. Premium pay will target registered nurses (RNs), licensed practical nurses (LPNs), and certified nursing assistants (CNAs) working in eligible practice settings. NRRG award recipients will be healthcare institutions and healthcare systems, and these recipients will commit to provide training and professional development to support the retention of the healthcare workers eligible for premium pay. NRRG funds will be used to make lump sum payments of premium pay wages of $2,500.00 to RNs, $1500 to LPNs, and $1000 to CNAs in eligible positions who remain employed as of January 9, 2024.

APA Response: The health department is a subrecipient of DHHS. It is DHHS's responsibility to ensure that subrecipients comply with the requirements of the Federal program. Adequate documentation, such as attestation forms or sign-in sheets, were not provided to support that the zoo memberships and passes were actually used by those individuals for the behavioral health program.

The guidance document that the NDOL provided to the APA referred to these payments as "premium pay." Under the CSLFRF Final Rule, the use of CSLFRF funds for the purposes of employee retention and recruitment requires, among other things, the recipient to be able to substantiate that employees were likely to leave in the absence of the retention incentive or that funds were used only to rehire roles that became vacant due to the COVID-19 pandemic or up to an adjustment pre-pandemic baseline. No documentation of such an analysis was provided to the APA.

Finding 2024-070

Program: AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Reporting

Grant Number & Year: SLFRP1965, March 3, 2021, through December 31, 2024

Federal Grantor Agency: U.S. Department of the Treasury

Criteria: 31 CFR § 35.3 (July 1, 2023) defines "obligation" as the following:

[A]n order placed for property and services and entering into contracts, subawards, and similar transactions that require payment.

31 CFR § 35.6(b)(4) (July 1, 2023) states, in relevant part, the following:

A recipient, other than a Tribal government, must prepare a written justification for certain capital expenditures according to Table 1 to paragraph (b)(4) of this section. Such written justification must include the following elements:

(i) Describe the harm or need to be addressed;

(ii) Explain why a capital expenditure is appropriate; and

(iii) Compare the proposed capital expenditure to at least two alternative capital expenditures and demonstrate why the proposed capital expenditure is superior.

Table 1 to Paragraph (b)(4)

If a Project has total expected Capital Expenditures of:	***and the use is enumerated in (b)(3), then***	***and the use is not enumerated in (b)(3), then***
Less than $1 Million	*No Written Justification required*	*No Written Justification required*
Greater than or equal to $1 Million, but less than $10 Million	*Written Justification required but recipients are not required to submit as part of regular reporting to Treasury*	*Written Justification required and recipients must submit as part of regular reporting to Treasury.*
$10 Million or More	*Written Justification required and recipients must submit as part of regular reporting to Treasury*	

2 CFR § 200.302(a) (January 1, 2024) states, in relevant part, the following:

[T]he state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions[.]

Good internal control and sound business practices require policies and procedures to ensure that all Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) reporting requirements are met, including the maintenance of written justification on file for projects with expected capital expenditures of more than $1 million and that written justification is submitted to the Treasury, as required, for projects with expected capital expenditures of $10 million or more.

2 CFR § 200.511(a) (January 1, 2024) requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The Department of Administrative Services (DAS) was responsible for preparing the Quarterly Project and Expenditure Reports. DAS lacked procedures to ensure that CSLFRF obligations and expenditures were reported accurately on the Quarterly Project and Expenditure Reports, or written justification was accurately submitted or on file for projects with expected capital expenditures.

A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2023-062

Questioned Costs: None

Statistical Sample: No

Context: We tested the quarters ended December 31, 2023, and June 30, 2024, Project and Expenditure reports. We selected 10 of 93 projects from the quarter ended December 31, 2023, report and 10 of 96 projects from the quarter ended June 30, 2024, report to test. We noted the following:

<u>Current and Cumulative Obligations Reported</u>
Nine of the projects tested did not have current obligations or cumulative obligations reported correctly, as shown in the following table.

Quarter Ended Tested	Project Description	Cumulative Obligations Reported	Current Period Obligations Reported	Actual Cumulative Obligations	Actual Current Period Obligations	Cumulative Obligations Difference	Current Period Obligations Difference
Dec. 2023	University Rural Healthcare Education	$ 50,000,000	$ 42,242,191	$ 50,000,000	$ -	$ -	$ 42,242,191
Dec. 2023	Assistance to Unemployed or Underemployed Workers	$ 5,493,500	$ -	$ 6,493,500	$ -	$ (1,000,000)	$ -
Dec. 2023	Loan Repayment for Healthcare Workers	$ 4,902,142	$ -	$ 4,846,862	$ -	$ 55,280	$ -
Dec. 2023	Nursing Scholarships	$ 2,509,609	$ 363,225	Unknown	Unknown	Unknown	Unknown
June 2024	UNMC BHECN	$ 23,430,528	$ -	$ 25,500,000	$ -	$ (2,069,472)	$ -
June 2024	Various State Colleges Projects	$ 2,934,164	$ 240,793	$ 8,000,000	$ -	$ (5,065,836)	$ 240,793
June 2024	Law Enforcement Center	$ 47,000,000	$ -	$ 4,498,994	$ 148,754	$ 42,501,006	$ (148,754)
June 2024	Wastewater Project	$ 1,781,875	$ 21,940	$ 2,173,432	$ 373,432	$ (373,432)	$ (351,492)
June 2024	Private Reverse Osmosis	$ 1,200,000	$ 681,143	Unknown	Unknown	Unknown	Unknown

For the Nursing Scholarships and Private Reverse Osmosis projects, the obligations consisted of multiple different awards to individuals. When testing some of the awards, we noted that the date the State was reporting the awards as obligated did not agree to the date that the awards were signed. For example, one award tested was reported as obligated in December 2023, but it was not actually signed until January 2024. Therefore, we were unable to determine the amount that should have been reported as obligations.

During testing of the projects above, we also noted the following errors in the obligations reported.

Quarter Ended Tested	Project Description	Cumulative Obligations Reported	Current Period Obligations Reported	Actual Cumulative Obligations	Actual Current Period Obligations	Cumulative Obligations Difference	Current Period Obligations Difference
Dec. 2023	University Building Technology	$ 165,200	$ -	$ 10,000,000	$ -	$ (9,834,800)	$ -
Sept. 2023	Teacher Recruitment	$ 3,995,000	$ -	$ 3,995,000	$ 3,902,500	$ -	$ (3,902,500)
Sept. 2023	Nursing Recruitment	$ 4,000,000	$ 4,000,000	$ 4,000,000	$ -	$ -	$ 4,000,000

Additionally, the PH EMS Ambulance project reported $0 in current period obligations on the quarter ended September 30, 2023, report. However, we reviewed two awards that were reported as obligated in April 2023 but were not actually signed until July 2023. Therefore, the current period obligations for September 2023 were understated.

<u>Current and Cumulative Expenditures Reported</u>
Three of the projects tested did not have cumulative or current period expenditures reported correctly.

Quarter Ended Tested	Project Description	Cumulative Expenditures Reported	Current Period Expenditures Reported	Actual Cumulative Expenditures	Actual Current Expenditures Obligations	Cumulative Expenditures Difference	Current Period Expenditures Difference
Dec. 2023	PH EMS Ambulance	$ 3,712,493	$ 1,713,978	$ 3,788,462	$ 1,713,978	$ (76,032)	$ -
Dec. 2023	Loan Repayment for Healthcare Workers	$ 1,938,330	$ 416,625	$ 1,884,528	$ 392,917	$ 53,802	$ 23,709
June 2024	Shovel Ready	$ 76,860,103	$ 175,000	$ 76,804,119	$ 175,000	$ 55,984	$ -

For the Loan Repayment for Healthcare Workers project, $53,802 should have been reported under the ARPA Administration project, of which $23,709 was current period expenditures.

Additionally, during our testing of the projects above, we noted that the cumulative expenditures reported for projects administered by the State Colleges System were overstated by $6,999 as of June 30, 2024.

<u>Capital Expenditures</u>
Four projects either did not properly report expected capital expenditures, or the required written justification was not on file.

- Long-Term Housing Security – Affordable Housing – The State reported expected capital expenditures of $750,000 as of June 30, 2024, for this project and included no written justification in the quarterly report. Per the Department of Economic Development (DED), the State agency administering the project, all $39.4 million of CSLFRF funds obligated under the project are expected to be used for capital expenditures. Based on this valuation, written justification would have been required to be submitted to the Treasury and kept on file. Per DED, no written justification had been completed for the project, and nothing was submitted to the Treasury.

- PH EMS Ambulance – The State reported no expected capital expenditures for this project. The project uses CSLFRF grant funds to reimburse licensed EMS services for partial costs of acquiring new ambulances. Per discussion with DHHS, all costs recorded under this project should be expected capital expenditures. DHHS treated each subaward under the project separately when determining if written justification was required. As no single subaward was for $1 million or more, DHHS had not documented any written justification.

- Medical Facilities for Disproportionately Impacted Communities – The State reported no expected capital expenditures for this project, which is solely for the design and construction of a new clinic. Per discussion with DED, the agency administering the project, the project should have had $2,000,000 of expected capital expenditures. DED also stated that no written justification had been completed for the project.

- New Law Enforcement Training Center – The State reported expected capital expenditures of $47,000,000 for this project. The written justification was submitted with the quarterly report; however, the written justification did not include a comparison of the proposed capital expenditure to at least two alternatives and demonstrate why the proposed expenditure was superior, as required by Federal regulations.

- Additionally, during testing we noted that the Food Security project reported expected capital expenditures of $3,967,469; however, no written justification was on file for the project. DHHS treated each subaward under the project separately when determining if written justification was required. As no single subaward was for $1 million or more, DHHS had not documented any written justification.

Cause: Individual agencies were responsible for reporting to DAS what should be reported on the Quarterly Project and Expenditure Report. Not all information reported by the agencies was accurate, and the State was not determining obligations in accordance with Federal definitions in several instances.

Effect: Without adequate procedures, there is increased risk that the quarterly project and expenditure reports will be materially misstated, and required written justification will not be on file.

Recommendation: We recommend the Agency strengthen procedures to ensure that all quarterly project and expenditure reports are complete and accurate, and any required written justification is maintained on file or submitted to the Treasury as required.

Management Response: Each quarter DAS pulls actual expenditures during the reporting period and sends to each agency for their reconciliation. Each agency submits its obligations and reconciled expenditures which are inputted into the US Treasury portal. DAS is working with agencies to ensure all funds are obligated as of December 31, 2024.

Finding 2024-071

Program: AL 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) – Subrecipient Monitoring

Grant Number & Year: 4616-DR-NE, declared September 6, 2021; 4420-DR-NE, declared March 21, 2019; 4641-DR-NE, declared February 23, 2022; 4662-DR-NE, declared July 27, 2022; 4521-DR-NE, declared April 4, 2020

Federal Grantor Agency: U.S. Department of Homeland Security

Criteria: 2 CFR § 200.332 (January 1, 2024) states, in relevant part, the following:

> *All pass-through entities must:*
>
> * * * *
>
> *(f) Verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501.*

2 CFR § 200.501(b) (January 1, 2024) states, in relevant part, the following, "A non-Federal entity that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted in accordance with § 200.514 . . . ."

A good internal control plan includes procedures to ensure subrecipient audits are reviewed timely.

Condition: The Agency did not ensure subrecipients obtained Single audits. A similar finding was noted in the prior audit.

Repeat Finding: 2023-063

Questioned Costs: None

Statistical Sample: No

Context: We selected three subrecipients for testing that would have required a Single audit based on the amount of funds received from the Agency during the subrecipient's previous fiscal year. One of the three subrecipients received $12,604,747 in disaster grant funds passed through the Agency during the subrecipient's fiscal year 2023, but did not submit a Single audit and the Agency had not followed up with the subrecipient.

Cause: Employee oversight. The subrecipient returned a certification stating that they did not require a Single audit, and the Agency failed to verify the certification was proper.

Effect: Without adequate monitoring procedures, there is an increased risk that Federal awards could be used for unallowable costs.

Recommendation: We recommend the Agency implement procedures to ensure subrecipient audits are obtained and reviewed timely.

> **Management Response:** Military (NEMA) agrees with the finding and has implemented the corrective action plan.

PUBLIC SERVICE COMMISSION

Finding 2024-072

Program: AL 21.029 – COVID-19 Coronavirus Capital Projects Fund – Subrecipient Monitoring

Grant Number & Year: CPFFN0183, grant period ending December 31, 2026

Federal Grantor Agency: U.S. Department of the Treasury

Criteria: Per 2 CFR § 1000.10 (January 1, 2024), the U.S. Department of the Treasury adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements set forth at 2 CFR part 200.

2 CFR § 200.201(b)(1) (January 1, 2024) states the following, in relevant part:

> *The Federal awarding agency or pass-through entity may use fixed amount awards if the project scope has measurable goals and objectives and if adequate cost, historical, or unit pricing data is available to establish a fixed amount award based on a reasonable estimate of actual cost.*

On May 17, 2023, the U.S. Department of the Treasury issued the SLFRF and CPF Supplementary Broadband Guidance, which states the following, in relevant part:

> *Treasury further clarifies that a subaward that otherwise meets the requirements of 2 CFR 200.201(b) may be considered a fixed amount subaward even if: 1) the recipient uses its discretion to impose a cost-sharing or match requirement on the subrecipient; or 2) the recipient requires ISPs to submit evidence of costs. More specifically, subawards that provide for a maximum payment amount that is calculated based on a reasonable estimate of actual cost (see 2 CFR 200.201(b)(1)) will be considered fixed amount subawards even if the subaward agreement also provides that payments to the ISP subrecipient will be limited to actual costs after review of evidence of costs.*

Good internal controls require procedures to ensure that fixed amount subawards are based on a reasonable estimate of actual costs. This would include tracing budgeted costs to historical costs for similar projects, unit pricing data, or other documentation.

Condition: For all four subrecipients tested, the Agency did not obtain adequate documentation to support that the subrecipients' fixed amount subawards were based on a reasonable estimate of actual costs.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency awarded an initial amount of $61,345,287 to 18 subrecipients for broadband infrastructure projects. The Agency considered the subawards to be fixed amount subawards. We tested all the subawards issued to four subrecipients, which totaled $12,774,913. The Agency did not have adequate documentation on file to support that the fixed amount of the subaward was based on a reasonable estimate of actual costs. Documentation on file included a project budget, business plan, technical capability, and a funding breakdown. However, none of the costs included in this documentation was traced to historical costs for similar projects, unit pricing data, or other documentation.

The Agency's procedures include obtaining documentation for all costs actually incurred by the subrecipients when the project is completed. However, none of the projects were completed as of June 30, 2024, so the Agency had not yet obtained additional documentation.

Total payments to subrecipients during the fiscal year ended June 30, 2024, were $24,426,287.

Cause: Inadequate procedures to verify that the amount of the subaward was based on a reasonable estimate of actual costs.

Effect: Without procedures in place to ensure the fixed amount of the subaward is based on a reasonable estimate of actual costs, there is an increased risk Federal funds disbursed could exceed a justifiable amount.

Recommendation: We recommend the Agency improve its procedures to include tracing estimated costs of a project to historical costs for similar projects, unit pricing data, or other documentation.

> **Management Response:** As a threshold issue, we would note that the referenced supplemental guidance issued by the Treasury on May 17, 2023, stating that these should be considered fixed priced awards even though there is a review of actual costs prior to full reimbursement, came after our first round of applications were filed, budgets reviewed, and applications cured.
>
> Modified procedures were put into place for the second round of applications, which occurred after the supplemental guidance was issued. However, we feel the review of submitted budgets for the first round of applications that was conducted by PSC staff, assessed the reasonableness of costs presented using historical experience based on the scope of the project, geography/terrain, and type of technology used for deployment. Applicants based their budgets on prior experience with broadband deployments in similar project areas, which relied on practical knowledge and reasonable estimates. In cases where costs appeared to be outliers, staff would inquire for further explanations and justifications. This process reflects our commitment to ensuring that the funding requests were based on reasonable estimates of actual costs in that first round of applications. We concede that portion of review was not initially fully documented, however we have already implemented processes to better document this going forward.
>
> Additionally, we would mention with traditional Fixed Price Awards, awardees are paid the original budget amount with no reconciliation to actual costs. The Treasury nontraditional fixed price awards allow for reimbursements to not exceed actual costs, which we feel eliminates any opportunity for unjust enrichment. There is a complete review of actual costs done at project completion and subrecipients will only be reimbursed for allowable, actual incurred costs up to the award amount. In the unlikely event that support already advanced exceeds the final review of actual costs, awardees are required to repay those amounts as outlined in the grant agreement.

APA Response: The U.S. Department of the Treasury requires recipients to follow Uniform Guidance, which requires fixed amount subawards to be based on adequate cost, historical, or unit pricing data. The U.S. Department of the Treasury further clarified in its supplemental guidance dated May 17, 2023, that subawards can be considered fixed amount subawards if the subaward otherwise met the requirements of 2 CFR § 200.201(b). Documentation was not provided to support that the subawards met those requirements.

DEPARTMENT OF TRANSPORTATION

Finding 2024-073

Program: AL 20.509 – Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring

Grant Number & Year: NE-2021-11-00, Performance End FFY 2024; NE-2023-030-00, Performance End October 30, 2025; NE-2024-006-00, Performance End December 31, 2026

Federal Grantor Agency: U.S. Department of Transportation

Criteria: Per 2 CFR § 1201.1 (January 1, 2024), the U.S. Department of Transportation adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements set forth at Title 2 CFR part 200.

2 CFR § 200.403 (January 1, 2024) requires costs to be reasonable, necessary, and adequately documented.

A good internal control plan requires procedures to be in place to ensure compliance with Federal and State requirements.

2 CFR § 200.332(d) (January 1, 2024) requires the pass-through entity to do the following:

Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

2 CFR § 200.430(i)(1) (January 1, 2024) states the following, in relevant part:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

* * * *

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards . . . .

Per 2 CFR § 200.405(a) (January 1, 2024), "A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received."

2 CFR § 200.442(a) (January 1, 2024) states the following:

Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions, are unallowable. Fund raising costs for the purposes of meeting the Federal program objectives are allowable with the prior written approval of the Federal agency.

Condition: The Agency lacked adequate documentation to support that payments were for allowable activities and in accordance with allowable cost principles.

A similar finding was noted in the prior audit.

Repeat Finding: 2023-065

Questioned Costs: $4,905 known

Grant	Federal Questioned Costs
NE-2021-011-00	$ 2,470
NE-2023-030-00	$ 1,451
NE-2024-006-00	$ 984

Statistical Sample: No

Context: During the fiscal year, the Agency paid 64 subrecipients a total of $12,622,391. We selected five payments to subrecipients for testing. The Agency performed financial reviews for subrecipients; however, the reviews tested did not always include all necessary supporting documentation. When additional documentation was needed, we provided the Agency with the opportunity to obtain additional support from the subrecipient; however, adequate support was not always obtained or able to be provided.

Subrecipient	Amount Tested	Questioned Costs
1	$ 18,413	$ 32
2	$ 192,647	$ 822
3	$ 87,928	$ 130
4	$ 68,786	$ 1,451
5	$ 20,254	$ 2,470

We noted the following:

- Two subrecipients tested did not have adequate support for all personnel charges. One individual tested was reimbursed at the non-operating rate but should have been reimbursed at the operating rate. Another individual's personnel costs were based on budgeted amounts.

- Fuel costs for one subrecipient did not agree with invoices.

- One subrecipient did not properly report revenues collected, resulting in an overcharge of the Federal reimbursement.

- All five subrecipients tested had capital or non-operating costs that were not adequately supported. Costs allocated between programs were not adequately supported, travel costs did not appear reasonable, and fundraising costs of $100 were charged.

Cause: Procedures were not adequate to ensure costs were in accordance with Federal requirements.

Effect: Increased risk for errors or misuse of funds.

Recommendation: We recommend the Agency improve procedures to ensure expenditures are allowable and in accordance with Federal regulations.

Management Response: NDOT acknowledges the audit findings related to subrecipient monitoring and cost allowability under the grant funding. We will continue to ensure compliance with regulations and are committed to improving our internal controls to prevent recurrence of similar findings.

AUDITEE SECTION

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NEBRASKA

Good Life. Great Service.

DEPT. OF ADMINISTRATIVE SERVICES

Corrective Action Plan

The State of Nebraska Administrative Services respectfully submits the following corrective action plans for the fiscal year ended June 30, 2024. The corrective action plans were prepared by the State agency noted.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

The accompanying schedule of prior audit findings is reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs.

If the U.S. Department of Health and Human Services has questions regarding the corrective action plans or status of prior audit findings please contact Philip Olsen at (402) 471-0600 or Philip.Olsen@nebraska.gov.

Sincerely yours,

Philip J. Olsen
State Accounting Administrator

Philip J. Olsen, CPA
Administrator
Department of Administrative Services | STATE ACCOUNTING
P.O. Box 94664
Lincoln, Nebraska 68509-4664
1526 K Street, Ste. 190
Lincoln, Nebraska 68508
OFFICE 402-471-2581
das.nebraska.gov

II. Findings Relating to the Financial Statements:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2024-001

Significant Annual Comprehensive Financial Report (ACFR) Preparation Issues

Corrective Action Plan: DAS has updated procedures to ensure the majority of the issues noted will not be repeated in the future. DAS will also continue to work with agencies to reduce errors and repeat findings.

Contact: Philip Olsen

Anticipated Completion Date: November 2025

Finding 2024-002

Repeat Accounting Weaknesses for the Unemployment Insurance Fund

Corrective Action Plan: State Accounting will work closely with NDOL to ensure accounting records are recorded properly in the accounting system, and reconciliation procedures are accurately performed.

Contact: Philip Olsen

Anticipated Completion Date: August 2025

Finding 2024-003

Capital Asset Accounting Errors

Corrective Action Plan: DAS will continue to train and work with agencies to prevent and correct capital asset reporting errors.

Contact: Philip Olsen

Anticipated Completion Date: Ongoing

Finding 2024-004

EnterpriseOne Timesheets

Corrective Action Plan: Under federal law, exempt employees do not need to track their hours.

Contact: Philip Olsen

Anticipated Completion Date: N/A

Finding 2024-005

Changes to Vendor and Banking Information

Corrective Action Plan: DAS revised its W-9 form to include agency review and approver sign-off.

Contact: Philip Olsen

Anticipated Completion Date: November 2024

BOARD OF EDUCATIONAL LANDS AND FUNDS

Finding 2024-006

Accounting Issues

Corrective Action Plan: The Board will accrue any tax return credits each year on the ACFR Accrual Response Form. The Board will reconcile supporting documentation with the General Ledger to aid in accurate reporting in the Accounting System. Upon receipt of the Treasury Warrant the Board will request supporting documentation from the Department of Revenue to identify any variances.

The Board will continue to update and review procedures to identify any data entry errors when creating the Land Valuation Reporting documentation.

Contact: Kelly Jo Lambert

Anticipated Completion Date: Ongoing, as the property tax policies are continuously updated.

August 2025 and thereafter.

DEPARTMENT OF CORRECTIONAL SERVICES

Finding 2024-007

Lack of Inventory Valuation Procedures

Corrective Action Plan: NDCS agrees physical counts of inventory should be performed. NDCS has scheduled physical count inventories for Cornhusker State Industries, and such will occur on a regular basis. Further, the detailed inventory listing will be generated as of the fiscal year-end and verified that those amounts reconcile to the accounting system.

Contact: Melissa Languis, Controller

Anticipated Completion Date: June 30, 2025 and On-going

Finding 2024-008

Capital Asset Errors

Corrective Action Plan: NDCS accounting strives to be as accurate as possible. Procedures have been reviewed with applicable team members to ensure costs are recorded properly and timely, acquisition dates are accurate, adequate supporting documentation is maintained, and invoices are paid in a timely manner.

Contact: Melissa Languis, Controller

Anticipated Completion Date: February 28, 2025

Finding 2024-009

Missing Fiscal Year 2023 Accrual and Review of Revenues

Corrective Action Plan: Again, NDCS accounting strives to be as accurate as possible. Procedures have been reviewed with applicable team members and that the accounting reports are reviewed to ensure accuracy.

Contact: Melissa Languis, Controller

Anticipated Completion Date: February 28, 2025 and On-going

DEPARTMENT OF EDUCATION

<u>Finding 2024-010</u>

Multiple Financial Statement Adjustments

Corrective Action Plan: The Department is dedicating resources bi-weekly to update procedures, re-train staff, and develop additional technology verifications to ensure complete and accurate accrual coding.

Contact: Jen Utemark

Anticipated Completion Date: June 30, 2025

<u>Finding 2024-011</u>

Special Education Program Noncompliance and Accrual

Corrective Action Plan: The language NDE proposed which was ultimately included and passed did not clearly identify the continued intent of the bill to require NDE to pay out the entire appropriation. NDE has worked with the Governor's office to correct the language adopted in LB 583 so that it clearly requires the full appropriation to be used for Special Education Reimbursement. NDE will make the necessary journal entry to move the funds as needed to the Education Future Fund in future years.

Contact: Bryce Wilson

Anticipated Completion Date: May 2025

DEPARTMENT OF ENVIRONMENT AND ENERGY

Finding 2024-012

Accounting Errors

Corrective Action Plan: Nebraska Department of Environment and Energy (NDEE) staff will work with DAS throughout the ACFR (Annual Comprehensive Financial Report) data collection and reporting process from July 1 of any given state fiscal year into August/September of the same period. NDEE staff will begin documenting and updating the ACFR SRF (and agency-wide) accrual amounts after the amounts are reviewed using agreed upon criteria, starting July 1 of any given state fiscal year. Accrual supporting documentation will continue to be reviewed, similar to prior years. The review will continue throughout July, August and possibly September. The criteria used during accrual review has been updated to better reflect state of Nebraska (NDEE) obligations at year end closing June 30 of any given state fiscal year. These changes will continue through all state fiscal year-end and ACFR reports until updates or changes are necessary. Further specifying, ACFR Accrual Reporting item 9 (Intergovernmental Receivable), amounts of Federal reimbursements due on Federal program expenditures will be reviewed at fiscal year-end by Fiscal/Accounting staff and reported appropriately.

Contact: Kevin Stoner – 402-471-4214
Jerad Jelinek – 402-471-4222

Anticipated Completion Date: Implemented immediately, ongoing in year-end closeout operations until updated or changed as needed

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2024-013

Multiple Financial Statement Adjustments

Corrective Action Plan: The Department has continued to develop, assess, and improve upon internal procedures, which has led to a significant reduction of repeat errors and adjustments needed for the financial statements. Two of the largest adjustments were one-time errors which encompassed roughly 60% of the adjustments reported. The Department has processes in place to ensure errors are not repeated in the future. In addition, the Department will continue to work closely with the Department of Administrative Services – State Accounting Division to ensure accurate reporting.

Contact: Heather Arnold

Anticipated Completion Date: September 30, 2025

Finding 2024-014

Other Errors in Financial Reporting

Corrective Action Plan: The Department will continue to develop, assess, and improve upon internal procedures, which has led to a significant reduction of repeat errors. In addition, the Department will continue to work closely with the Department of Administrative Services – State Accounting Division to ensure accurate reporting.

Contact: Heather Arnold

Anticipated Completion Date: September 30, 2025

Finding 2024-015

NFOCUS Edit Checks and Override of Service Authorizations

Corrective Action Plan: N-FOCUS implemented changes for the UN edit – Units too high for service dates and frequency. The Child Care Duplicate Billing project included work front requests: 950651 (implemented 1-12-2025), 950652 (implemented 12-18-2024, 919900 (implemented 1-15-2025), 1002700 (defect fix implemented 1-30-2025), enhancement request 99171 (planned completion date 4-13-2025). These requests updated claim validation edits in used by the claims portal as well as updates to service authorizations and reports. These only addressed the Child Care program. The issue for the other programs remains. Workfront Request 851100 was written to address the other programs and still Pending and has not been scheduled for implementation.

The RM Edit – "Bug in claim validation code for creating status reason RM" is documented in Workfront # 700854 is in pending status and has not been scheduled for implementation.

Contact: Suzanne Langner

Anticipated Completion Date: December 15, 2025

Finding 2024-016

User Access

Corrective Action Plan: The Department is implementing a new process for the annual N-FOCUS user access validation. An existing N-FOCUS user access report will be used to create an electronic list. Supervisors and business sponsors will use this list to review the need for user access and determine if it is at the appropriate level. The supervisor will indicate that the person's access has been reviewed and verified and include the service ticket number if the access is removed or changed. This process is planned to start in February 2025 and replace the need for the supervisor to maintain the original checklist or for the business sponsor to maintain a validation email.

Annual Security Awareness Training will continue to stress the need for supervisors and business sponsors to notify the DHHS Help Desk in a timely manner for terminations or any changes required to user access.

The DHHS Help Desk is conducting a review to identify duplicative mainframe accounts and will more fully evaluate requests for new accounts and terminations to ensure that a new account is required prior to creation of the account and that all accounts associated with individuals are properly removed.

Contact: Mark Nelson

Anticipated Completion Date: March 1, 2025

Finding 2024-017

Lack of MMIS to MDR Reconciliation and Extract Criteria Issue

Corrective Action Plan: The Department acknowledges the importance of ensuring controls are in place to ensure appropriate claims are invoiced to drug labelers and that a secondary reconciliation process exists. The Department has implemented a separate MMIS to MDR reconciliation process, which provides a file output of claims that potentially should or should not be sent to MDR for invoicing. The reports are now available for the DHHS team. These reports are reviewed by the Rates and Reimbursement Administrator in conjunction with various MDR program members to confirm whether errors occurred in sending proper claims to the MDR system. This process is in its early stages and DHHS is committed to ensuring it is an effective control plan in completing a separate reconciliation process. Additionally, the noted negative paid claims were removed by the MDR business rules. The Department will work with IST technical team to put in a system change request to fix this issue with the MMIS to MDR extract. This will ensure negative paid claims are not included in the outbound file to MDR.

Contact: Danny Vanourney

Anticipated Completion Date: June 30, 2025

DEPARTMENT OF INSURANCE

Finding 2024-018

Excess Liability Fund Adjustments

Corrective Action Plan: The Department will perform an internal review of the outside actuarial report upon its receipt and will notify State Accounting if modifications are necessary after review.

Contact: Roy Machamire, Chief Actuary

Anticipated Completion Date: November 30, 2025

INVESTMENT COUNCIL

Finding 2024-019

Issues with the Transition to Northern Trust

Corrective Action Plan: A custodian bank transition is initiated when there are considerable advantages in doing so. Throughout the transition to Northern Trust, staff worked diligently to ensure all assets were transitioned correctly, and appropriate accounts, reports, and access were created. The Council is committed to working with and holding Northern Trust accountable to continue to provide great client service, timely issue resolution, a flexible online technology platform and user-friendly customized solutions.

Internal procedures have already been updated to incorporate Northern Trust processes. We do not anticipate the need for another transition for many years as the transition to Northern Trust has gone well. Predicting future transition procedures is challenging due to the continuous evolution of technology and the variability of processes from bank to bank. In the event a future transition becomes necessary, we will review and update current procedures and implement new ones as needed, collaborate with both the legacy and new custodian to reconcile/document the transition of assets, and work closely with state agencies to help meet reporting deadlines.

Contact: Ellen Hung, State Investment Officer

Anticipated Completion Date: Not applicable

DEPARTMENT OF LABOR

Finding 2024-020

Reoccurring Accounting Errors

Corrective Action Plan: The Department has developed processes for entering and reviewing daily entries that previously did not exist or were overly complicated and difficult to understand. The Department also implemented transaction level reconciliations which tie source documents to accounting entries. Further, the Department has focused on understanding the drivers of these accounts. In doing so, the Department is developing improved reconciliations that will ensure that funds are properly booked to the appropriate account. The Department will consult with State Accounting for any challenging reconciliations for ACFR account balances.

Contact: Rea Easton

Anticipated Completion Date: 09/15/2025

Finding 2024-021

Unemployment Insurance Benefit Issues

Corrective Action Plan: The Department has implemented several corrective actions across key areas. In response to adjudication errors, the Department has provided additional training to adjudicators, emphasizing the review of employer responses, separation information requests, and claimant response in line with ETA requirements. Furthermore, we have refined our review process to enhance the accuracy of wage data verification and overpayment establishment. The Department has implemented an auto-establishment process for overpayments, which is expected to improve timeliness and accuracy. Additionally, we have prioritized the investigation of crossmatches, including those involving state employees, and are providing training to increase staff capacity to handle these cases. We are continuing to work with our vendor to improve the accuracy of wage crossmatch processing. While some discrepancies, such as incorrect wage reporting by employers, are outside the Department's control, we continue to monitor and refine our processes to prevent similar errors. Overall, the Department remains focused on continuous improvement and ensuring that only eligible claimants receive benefits.

Contact: Andi Bridgmon

Anticipated Completion Date: 09/30/2025

PUBLIC EMPLOYEES RETIREMENT SYSTEMS

Finding 2024-022

Deferred Compensation Plan Issues

Corrective Action Plan: Agency public servants have updated procedures to make sure that information from the custodial bank is properly recorded. NPERS Controller has discussed the issues with NPERS public servants to make sure that public servants have a good understanding of documenting financial information into E1.

Contact: teresa.zulauf@nebraska.gov

Anticipated Completion Date: March 31, 2025

RACING AND GAMING COMMISSION

Finding 2024-023

Gaming License Fee Accrual

Corrective Action Plan: Create a process to keep a accurate record of the yearly payment from Authorized Gaming Operator.

Contact: Account/Finance Manager Rita Pracht

Anticipated Completion Date: The new process is implemented by December 31,2024.

DEPARTMENT OF REVENUE

Finding 2024-024

Financial Statement Errors

Corrective Action Plan: The Department of Revenue (DOR) places a high value on accurate financial statements. We have already worked with State Accounting regarding the reclassifications of custodial funds. The DOR will continue to work with State Accounting to ensure that the custodial funds are classified correctly. The DOR will also more closely review the July, August and September's receivables and payables so that year-end accruals are reported properly to State Accounting.

Contact: James Jehorek

Anticipated Completion Date: 09/30/2025

DEPARTMENT OF TRANSPORTATION

Finding 2024-025

Capital Asset Issues

Corrective Action Plan: NDOT will establish and meticulously document the capital asset reconciliation process to ensure that the capital asset values recorded in NDOT's systems align precisely with those in the state's accounting system. Additionally, NDOT will conduct thorough reviews of the no-cost integrity reports within the accounting system to verify that all costs are accurately assigned. To ensure accuracy and accountability, the reconciliation will undergo comprehensive review by both the Budget and Finance Manager and the Chief Financial Officer prior to submission.

Contact: Lily Kathee/Jenessa Boynton

Anticipated Completion Date: August 31st, 2025

Finding 2024-026

Year-End Financial Information Errors

Corrective Action Plan: NDOT will continue to expand team involvement in the preparation, review, and oversight of information generated for the Annual Comprehensive Financial Report. NDOT will ensure thorough, documented review and approval of reported accruals by both the Budget and Finance Manager and the Chief Financial Officer. Furthermore, prior to submitting the accrual response form to DAS State Accounting, NDOT will collaborate closely with DAS State Accounting to review and resolve any questions regarding the accuracy of the submitted information.

Contact: Lily Kathee/Jenessa Boynton

Anticipated Completion Date: August 31st, 2025

SUPREME COURT

Finding 2024-027

Expenditures Recorded in the Wrong Fiscal Year

Corrective Action Plan: The Supreme Court has given clear instruction and established a practice of recording all prior year expenditures throughout the fiscal year.

Contact: Eric Asboe, eric.asboe@nejudicial.gov, 402-326-9215

Anticipated Completion Date: Plan implemented prior to 2/20/25.

WORKERS' COMPENSATION COURT

Finding 2024-028

Premium Tax Collection Coding Error

Corrective Action Plan: The Court created a journal entry for Fiscal Year 2024 within the "Revenue - Taxes" series and described the revenue as insurance assessments. The Court also informed the Audit Manager that the Court will update its procedures to reflect this new plan for categorizing the assessment "amounts" it receives in future years.

Since the statutes within the Workers' Compensation Act don't describe these amounts as "taxes", please understand that the Court is only agreeing to change the accounting coding for these transactions for purposes of the State's financial statements, but it isn't agreeing that these amounts are "taxes" for any other purpose.

We understand the Auditor's finding to be made only in the context of these accounting transactions, and want to make sure you're aware the Court's response is limited to this purpose, too.

Contact: Deb Bandiola, Business and Human Resources Manager
Email: dbandiola@newcc.gov
Phone: 402-471-6463

Anticipated Completion Date: June 28, 2024

III. Findings Relating to Federal Awards:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2024-029

Program: Various, including AL 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Corrective Action Plan: OCIO - To resolve the identified overcharge and reduce the Internal Service Fund Balance, OCIO conducted an 8 month no-bill period from December 2023 through June 2024. During this time OCIO customer agencies would have seen a significant reduction in charges and OCIO's fund balance significantly decreased. In addition, a full and thorough review of all OCIO rates was conducted. This review resulted in the decrease in any mainframe related rates by 30% from the previous years (State FY2021 and FY2022). DAS Materiel – The Print Shop will have the new rates developed and effective July 1, 2025, the beginning of the new biennium.

Contact: OCIO - Noah Finlan; Materiel, Print Shop, Internal Service – Ann Martinez.

Anticipated Completion Date: OCIO - Corrective action has already been taken and the fund balance is currently below the allowable threshold permitted. As of September 30, 2024, the fund balance was approximately $10 million dollars. Rates have been adjusted to be more in line with actual expenditures for FY2025. Print Shop – July 1, 2025.

Finding 2024-030

Program: Various, including AL 10.542 – COVID-19 Pandemic EBT Food Benefits; AL 10.551 – Supplemental Nutrition Assistance Program; AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Reporting

Corrective Action Plan: State Accounting will continue to work with State agencies on correct coding and business unit setup to reduce agency errors.

Contact: Philip Olsen

Anticipated Completion Date: Continuous review performed.

DEPARTMENT OF EDUCATION

Finding 2024-031

Program: AL 10.553 – School Breakfast Program; AL 10.555 – National School Lunch Program; AL 10.556 – Special Milk Program for Children; AL 10.559 – Summer Food Service Program for Children; and AL 10.582 – Fresh Fruit and Vegetable Program – Reporting

Corrective Action Plan: NDE has been able to identify and correct the reporting errors and has begun working to submit all the required reports immediately.

Additionally, FFATA reporting procedures will be updated and a monthly calendar reminder set each month to ensure the reports are submitted in a timely fashion.

Contact: Kayte Partch / Kayte.partch@nebraska.gov

Anticipated Completion Date: April 30, 2025

Finding 2024-032

Program: AL 84.048 – Career and Technical Education – Basic Grants to States – Allowability

Corrective Action Plan: The Nebraska Department of Education's Office of Career, Technical, and Adult Education will carry out the following actions to improve procedures to ensure that all payments are supported by adequate documentation:

Provide ongoing technical assistance to subrecipients and NDE staff to ensure they are familiar with and fully informed on the documentation necessary to process reimbursement for all types of expenditures.

Ensure all subrecipients have a stipend policy in writing.

Conduct regular desk audits to ensure subrecipients are adhering to all applicable state and federal laws and regulations.

Contact: Katie Graham, Sydney Kobza, Teri Sloup

Anticipated Completion Date: June 2025

Finding 2024-033

Program: AL 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Reporting

Corrective Action Plan: Instructions for completing the RSA-17 report have been updated to ensure unliquidated obligations for indirect costs are correctly reported, and the correct payroll periods are included with the appropriate supporting documentation. Unliquidated obligations will not include contract amounts unless the contracts have been completed. As noted above, administrative costs will be reported using the sub ledgers/subsidiaries already set up in E1.

Contact: Cathy Callaway

Anticipated Completion Date: Done

Finding 2024-034

Program: AL 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Period of Performance

Corrective Action Plan: A validation will be added into the case management system (QE2) that prevents an obligation from being created in a federal fiscal year with a service start date in a previous federal fiscal year.

Contact: Cathy Callaway

Anticipated Completion Date: April 1, 2025

Finding 2024-035

Program: AL 84.425U – COVID-19 Education Stabilization Fund – American Rescue Plan – Elementary and Secondary School Emergency Relief Fund (ARP ESSER) – Reporting

Corrective Action Plan: The Federal government is overhauling the FFATA reporting process completely so NDE is working to train on the new process to ensure that all required subawards are reported going forward.

Contact: Lane Carr

Anticipated Completion Date: June 2025

GAME AND PARKS COMMISSION

Finding 2024-036

Program: AL 15.611 – Wildlife Restoration and Basic Hunter Education and Safety – Allowability & Subrecipient Monitoring

Corrective Action Plan: NGPC will continue to work closely with our subrecipients. We will review subrecipient monitoring procedures and determine documentation that can be provided to meet the intent of federal regulations.

Contact: Eli Kass

Anticipated Completion Date: July 1, 2025

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2024-037

Program: AL 93.558 – Temporary Assistance for Needy Families; AL 93.566 – Refugee and Entrant Assistance; AL 93.568 – Low Income Home Energy Assistance (LIHEAP); AL 93.575 – Child Care and Development Block Grant; AL 93.658 – Foster Care Title IV-E; AL 93.659 – Adoption Assistance; AL 93.667 – Social Services Block Grant; AL 93.778 – Medical Assistance Program; AL 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – Allowable Costs/Cost Principles

Corrective Action Plan: This was the first audit cycle of the new Cost Allocation system. DHHS will create a checklist of items for the new system that will be reviewed prior to completion of the quarterly cost allocation compilation. This checklist will address specific issues presented during this audit cycle.

Contact: Patrick Werner

Anticipated Completion Date: 6/30/2025

Finding 2024-038

Program: AL 93.558 – Temporary Assistance for Needy Families; AL 93.563 – Child Support Services; AL 93.566 – Refugee and Entrant Assistance; AL 93.568 – Low Income Home Energy Assistance (LIHEAP); AL 93.575 – Child Care and Development Block Grant; AL 93.658 – Foster Care Title IV-E; AL 93.659 – Adoption Assistance; AL 93.667 – Social Services Block Grant; AL 93.767 – Children's Health Insurance Program; AL 93.778 – Medical Assistance Program; AL 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – Allowable Costs/Cost Principles

Corrective Action Plan:

Time and Effort: Agency has submitted retroactive PACAP amendment (complete). For the IST Fiscal Projects Admin cost center, a time study will no longer be utilized, and the hours will be treated as General IST Administration without direct grant allocations.

RMTS Allocations: Agency has clarified with staff what the "Non-DHHS Activities" selection pertains to (complete).

Labor Hours Statistics: This was the first audit cycle of the new Cost Allocation system. DHHS will create a checklist of items for the new system that will be reviewed prior to completion of the quarterly cost allocation compilation. This checklist will address specific issues presented during this audit cycle.

Recipient Counts: This was the first audit cycle of the new Cost Allocation system. DHHS will create a checklist of items for the new system that will be reviewed prior to completion of the quarterly cost allocation compilation. This checklist will address specific issues presented during this audit cycle.

Contact: Patrick Werner

Anticipated Completion Date: 6/30/2025

Finding 2024-039

Program: AL 93.778 - Medical Assistance Program; AL 93.959 - Block Grants for Prevention and Treatment of Substance Abuse; AL 93.767 - Children's Health Insurance Program; AL 93.575 – Child Care and Development Block Grant; AL 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – Allowable Costs/Cost Principles

Corrective Action Plan: The entire payroll process is being reviewed and changes will be made.

Contact: Heather Arnold

Anticipated Completion Date: 12/30/2025

Finding 2024-040

Program: AL 93.658 – Foster Care Title IV-E – Allowable Costs/Cost Principles

Corrective Action Plan: Program will review training manual and update as necessary. The Agency will also communicate the importance of utilizing the master case file to correctly determine survey selections.

Contact: Patrick Werner

Anticipated Completion Date: 6/30/2025

Finding 2024-041

Program: AL 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability & Subrecipient Monitoring

Corrective Action Plan: The agency will develop a monitoring plan to utilize for subrecipient monitoring.

Contact: Matt Thomsen

Anticipated Completion Date: 7/31/2025

Finding 2024-042

Program: AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Allowability & Eligibility

Corrective Action Plan: The department will retrain staff on OEA requirements to run SAVE and provide documentation in NFOCUS. The department will also provide reeducation on status verification documentation requirements.

Contact: Sara Bockelman

Anticipated Completion Date: 12/31/2025

Finding 2024-043

Program: AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Allowability & Subrecipient Monitoring

Corrective Action Plan: The Refugee Resettlement Program is implementing a personnel report requirement for all subrecipients. According to federal guidelines, personnel reports will show the time allocated to grants and the percentage related to all grants and include the corresponding timesheets or time records.

Contact: Sara Bockelman

Anticipated Completion Date: 10/1/2025

Finding 2024-044

Program: AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Reporting

Corrective Action Plan: The department has drafted an amendment to correct the award information from the renewal. This has gone out for signature this month. The missing FFATA report has been reported into the FSRS system. The department has recently updated the FFATA procedures to ensure this does not happen again in the future.

Contact: Sarah Kurz

Anticipated Completion Date: 02/28/2025

Finding 2024-045

Program: AL 93.575 and 93.596 – CCDF Cluster; AL 93.575 – COVID-19 Child Care and Development Block Grant – Allowability & Eligibility & Matching

Corrective Action Plan: In response to previous concerns identified with this process, edits were made in December 2024 to the child care billing portal which now suspends claims submitted by providers with multiple service authorizations, duplicated claims, incorrect age categories, and claims with high hours billed. The Agency will review daily reports of these suspensions and take appropriate actions. Resource Developers (RD) will increase initial and annual billing trainings with child care subsidy providers and assist them with any billing needs they have. The RD supervisor will review a percentage of new and renewed enrollments targeting provider rates.

Duplicate Claims: The department will work with the ACF to adjust the support for claims that were inadvertently duplicated in our journal entry. We revised our process in 2024 to ensure that we do not tag the same claims again for federal claiming. There was an issue with our database that helped us identify already claimed entries; it was not functioning correctly. This issue has been identified and resolved. The journal entries in question were made before the implementation of the updated process.

Contact: Nicole Vint; Snita Soni

Anticipated Completion Date: 6/30/2025

Finding 2024-046

Program: AL 93.575 and 93.596 – CCDF Cluster – Special Tests and Provisions

Corrective Action Plan: An inspection of the Family Child Care Home I license was completed for 2024 on December 13, 2024. The following procedure will be followed in cases in which Children's Services Licensing inspectors are unable to conduct an inspection of a licensed provider.

Whenever a Child Care Inspection Specialist (CCIS) attempts to conduct a Provisional to Operating, annual, or semi-annual inspection to a Family Child Care Home I or II, Child Care Center, School Age Only Center, or Preschool and the child care/preschool facility is not open, the CCIS must follow this procedure.
CCIS will:

- Leave his/her business card in/on/under the door of the child care program

- Before leaving the child care facility, call the licensee and leave a message asking the licensee to contact the CCIS within five (5) working days
- If no contact from the licensee within five working days, send a letter or email giving the licensee fifteen calendar days from date of letter/email before further action is initiated. Copy Child Care Licensing Supervisor (CCLS) on letter.
- Inform CCL Supervisor if no contact from licensee after fifteen calendar days from date of letter.
- If licensee contacts CCIS within five working days of attempt to conduct inspection, or within fifteen calendar days from date of letter, CCIS identifies days/times in the following weeks the licensee will be available to conduct an unannounced inspection and conducts the inspection.
- If the licensee does NOT contact CCIS within fifteen calendar days of the date of the letter, Children's Services Licensing will pursue a Disciplinary Notice of Suspension of the license. The licensee will have fifteen business days to respond to the Notice of Suspension prior to the Suspension becoming effective.

The Notice of Suspension will be withdrawn if the licensee:

1. Contacts the Department prior to the effective date of the Suspension;
2. Explains why s/he did not respond to the phone call and letter;
3. Agrees to an unannounced inspection; and
4. Is available when the CCIS conducts the inspection.

When the licensee does not contact the Department in time for an inspection to be conducted prior to the effective date of the suspension, the licensee should be advised to appeal the Notice of Suspension. When the licensee does not contact the Department until after the effective date of the suspension and does not appeal, the license will be suspended.

Through the SFM, DHHS will have further communication with the delegated authorities to clarify the expectations and timeframes for fire inspections in child care programs. Through the Nebraska Department of Environment and Energy (NDEE) Agency, DHHS will have further communication with the delegated authorities to clarify the expectations and timeframes for sanitation inspections in child care programs. DHHS will continue to implement policies and procedures for file reviews by CCSL and fire and sanitation inspection referrals. DHHS will continue to complete the statutory child care inspection requirements. DHHS continue to explore statutory, regulatory and/or contract options to place more accountability on the licensee and referred agencies for maintaining current fire and sanitation approvals.

In 2025, DHHS will continue to communicate with SFM, NDEE, and delegated authorities regarding expectations and timeframes for fire and sanitation inspections. DHHS Child Care Inspection Specialists conduct inspections that occur annually at a minimum and which address regulatory requirements that address a healthy and safe child care environment. If serious fire and sanitation concerns are observed at any inspection that may endanger the health and safety of children in care, DHHS will work with the appropriate authority to request an immediate inspection. SFM, NDEE, or delegated authorities always respond timely to these requests. DHHS is establishing quarterly meetings with SFM, NDEE, and delegated authorities to review overdue routine inspections, address issues, and collaborate on best practices. Quarterly meetings have been established with NDEE as of January 2025. DHHS will have a Program Specialist create a report specifically for tracking overdue fire and sanitation inspections by the months they have been overdue, which will allow SFM, NDEE, and delegated authorities to prioritize those outstanding routine inspections. DHHS will explore entering into a contract with SFM, NDEE and delegated authorities to pay for timely fire and sanitation inspections and services contingent on available funding.

Contact: Matthew Hayden; Lindsy Braddock

Anticipated Completion Date: 7/1/2025

Finding 2024-047

Program: AL 93.575 – COVID-19 Child Care and Development Block Grant – Period of Performance

Corrective Action Plan: The Agency will work with Federal Partners to determine allowability of these claims.

Contact: Heather Arnold

Anticipated Completion Date: 6/30/2025

Finding 2024-048

Program: AL 93.575 – COVID-19 Child Care and Development Block Grant – Allowability & Period of Performance

Corrective Action Plan: The Agency is in the process of developing a subrecipient monitoring tool to ensure effective controls and processes for uniform oversight of subawards across the program. Additionally, the Agency had not conducted an internal audit of programs supported by American Rescue Plan Act (APRA) funds at the time of this audit. The program is in the process of preparing and completing the audit to assess and strengthen compliance measures and ensure these funds are utilized appropriately. Future audits and reviews will be conducted periodically to ensure ongoing oversight and adherence to regulations.

Contact: Nicole Vint

Anticipated Completion Date: 6/30/2025

Finding 2024-049

Program: AL 93.658 – Foster Care Title IV-E – Allowability

Corrective Action Plan: The agency will update the grant reconciliation process to include steps to review journal entries on the general ledger prior to moving costs to grant to ensure journal entries are proper. The cost in question will also be removed from the grant.

Contact: Ann Murphy

Anticipated Completion Date: 02/28/2025

Finding 2024-050

Program: AL 93.658 – Foster Care Title IV-E; AL 93.658 – COVID-19 Foster Care Tile IV-E – Allowability & Eligibility

Corrective Action Plan: Resource Developers (RD) will increase initial and annual billing trainings with child care subsidy providers and assist them with any billing needs they have.

Contact: Bryan Gilliland

Anticipated Completion Date: 06/30/2025

Finding 2024-051

Program: AL 93.659 – Adoption Assistance – Allowability & Eligibility

Corrective Action Plan: Resource Developers (RD) will increase initial and annual billing trainings with child care subsidy providers and assist them with any billing needs they have.

Contact: Bryan Gilliland

Anticipated Completion Date: 06/30/2025

Finding 2024-052

Program: AL 93.659 – Adoption Assistance – Level-of-Effort & Reporting

Corrective Action Plan: The Agency updated the FFR procedures/instructions to include steps to review Level-of-Effort requirements, to ensure that reported amounts are in accordance with the requirements. This will help ensure Federal Financial Reports (FFRs) are accurate. The reported amounts have been updated. The corrective action is completed.

Contact: Ann Murphy

Anticipated Completion Date: 02/28/2025

Finding 2024-053

Program: AL 93.778 – Medical Assistance Program; AL 93.778 – COVID-19 Medical Assistance Program – Allowability

Corrective Action Plan: The Department has been actively working with program, technology, and the EVV vendor to implement system controls to address the deficiencies identified in this and prior year's findings. The Department has two system change releases scheduled, the first in February 2025 and the second in late June 2025 to implement additional system improvements.

Contact: Jeremy Brunssen

Anticipated Completion Date: 7/1/2025

Finding 2024-054

Program: AL 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: The Department updated procedures in July 2024 to obtain General Ledger data from nursing facilities with their FY2024 Cost Report. Additionally, the Department is expanding testing for large cost variances and will request additional substantiating documentation from the impacted nursing facilities.

Contact: Jerry Vanderbeek

Anticipated Completion Date: 3/31/2025

Finding 2024-055

Program: AL 93.778 – Medical Assistance Program; AL 93.767 – Children's Health Insurance Program (CHIP) – Special Tests and Provisions

Corrective Action Plan: System changes were implemented with the Provider Screening Vendor on July 1, 2024, which require disclosure requirements for managing employees.

Contact: Melinda Abbott

Anticipated Completion Date: 12/6/2024

Finding 2024-056

Program: AL 93.778 – Medical Assistance Program; AL 93.767 – Children's Health Insurance Program (CHIP) – Special Tests and Provisions

Corrective Action Plan: The corrective action has already been completed. MCO contracts were amended, effective with the contract period beginning January 1, 2024, to include provision(s) which require audited financial reports with GAAP.

Contact: Jeremy Brunssen

Anticipated Completion Date: 12/6/2024

Finding 2024-057

Program: AL 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: Program Integrity staff will continue to attempt to update cases at least every 30 days when case totals are at or below 25 and every 45 days when higher than 25. Trainings and regular conversations emphasize the need for descriptive narrative entries. As a result, the narrative entries will be more descriptive of the status of the case.

For the exception reporting, the team continues to work on developing alternatives to using the reports in the Fraud Abuse Detection System.

Concerning the misreported check, Program Integrity staff will give the Financial Team accurate information about collected refunds.

The Department will ensure reports are accurate and make any necessary adjustments.

Contact: Anne Harvey, Heather Arnold

Anticipated Completion Date: 6/30/2025

Finding 2024-058

Program: AL 93.778 – Medical Assistance Program; AL 93.767 – Children's Health Insurance Program (CHIP) – Allowability & Eligibility

Corrective Action Plan: The Department will ensure established, standard protocol are followed and ensure rate approvals are obtained from CMS prior to updating capitation rates for rating periods. Additionally, the MLTC Eligibility Policy Unit will review user guides that contain business processes where the noted errors occurred. The intent is to review the user guides from the lens of the findings and update them for clarity if deemed necessary. User guides are reviewed and updated as needed as requirements change from changes in program, state, or federal law. Eligibility Operations supervisory chain for the caseworker assigned to the case noted in the finding will follow up with the individual staff members who made the errors to ensure they understand the policies going forward. Eligibility Policy will coordinate with eligibility operations supervisor on these follow-ups.

Contact: Jeremy Brunssen

Anticipated Completion Date: 6/30/2025

Finding 2024-059

Program: AL 93.959 – Block Grants for Prevention and Treatment of Substance Abuse – Level of Effort

Corrective Action Plan: Agency will work with SAMHSA to document approval of the methodology used to report MOE expenditures.

Contact: Patrick Werner

Anticipated Completion Date: 6/30/2025

Finding 2024-060

Program: AL 93.959 – Block Grants for Prevention and Treatment of Substance Abuse – Allowability & Subrecipient Monitoring

Corrective Action Plan: Agency will update the audit manual for subrecipient monitoring and will communicate time study requirements to the Regions.

Contact: Erica Ziemann

Anticipated Completion Date: 6/30/2025

DEPARTMENT OF LABOR

Finding 2024-061

Program: AL 17.225 – Unemployment Insurance (UI) – State – Allowability & Eligibility

Corrective Action Plan: For wage crossmatches, we are providing additional training to more staff so they can effectively handle these tasks. We are also optimizing the crossmatch system to better detect potential fraud. NDOL has emphasized the importance of thoroughly reviewing separation information requests during the adjudication process. If we identify any issues, they are addressed on an individual basis. Additionally, we review separation information as part of our internal quality control process to ensure consistent and thorough evaluation. Additional BIU staff were trained on quarterly wage crossmatches by 12/31/2024.

Contact: Andi Bridgmon

Anticipated Completion Date: September 2025

Finding 2024-062

Program: AL 17.225 – Unemployment Insurance (UI) – State – Reporting

Corrective Action Plan: NDOL has reviewed the federal directions associated with the report in question and has an increased understanding of the report requirements. NDOL has developed a better understanding of reports related to benefits paid, reissued, cancelled, and recouped. NDOL can reconcile the timing of benefits drawn, benefits paid, benefits failed, benefits reissued to that activity in bank statements. NDOL is developing a reconciliation process for the timing of recouped benefits, and that activity on bank statements. NDOL will be able to accurately report benefits paid by relevant source, netted for any cancelled or recouped amounts in accordance with reporting guidelines, and directly traceable to supporting documentation.

Contact: Rea Easton

Anticipated Completion Date: September 2025

Finding 2024-063

Program: AL 17.225 – Unemployment Insurance (UI) – Admin – Allowability

Corrective Action Plan: NDOL has reviewed the current cost allocation plan with the Federal authority and received conditional approval for changes beginning in state fiscal year 2025.

Contact: Rea Easton

Anticipated Completion Date: Completed

Finding 2024-064

Program: AL 17.225 – Unemployment Insurance (UI) – State – Special Tests

Corrective Action Plan: Work with vendor to implement system changes needed. Continuous process improvement of adjudication is ongoing.

Contact: Andi Bridgmon

Anticipated Completion Date: December 2025

<u>Finding 2024-065</u>

Program: AL 17.225 – Unemployment Insurance (UI) – State – Special Tests

Corrective Action Plan: We continue to refine our processes to ensure that overpayments are established promptly and in accordance with all applicable regulations. We will continue to monitor the implemented procedures and make improvements as necessary to ensure that overpayments are established and processed accurately and timely. We are working with our vendor to correct the system issues related to charging.

Contact: Andi Bridgmon

Anticipated Completion Date: December 2025

MILITARY DEPARTMENT

Finding 2024-066

Program: AL 12.401 – National Guard Military Operations and Maintenance (O&M) Projects – Cash Management & Reporting

Corrective Action Plan: The Agency is meeting with State Budget Office to discuss and review options for better separating future federal funding by fiscal year. This will allow for better tracking and transparency of drawdown times. Further, the Agency is aware of the finding for Award W91243-22-2-1001 (SAG 132) and currently reconciling all line items in the Award Program and year to determine and action on return of appropriate federal funding.

Contact: Lauren Hargreaves

Anticipated Completion Date: Ongoing

Finding 2024-067

Program: AL 21.023 – COVID-19 Emergency Rental Assistance – Allowability & Eligibility

Corrective Action Plan:

- Additional guidance will be provided to Nelnet reviewers, specifically regarding households with no income that need to be verified every 90 days and households with more than one adult in the home.
- Additional guidance will be provided to Nelnet reviewers regarding applicant communication such as move outs, relocations, payment concerns, etc.
- NEMA will work with NIFA and will continue to pursue any payments that should be returned due to tenant vacating rental unit.
- NEMA will advise NIFA and will implement any recommended changes to late fee policy.

Contact: Erv Portis, Impala Carey, NEMA

Anticipated Completion Date: 28 March, 2025

Finding 2024-068

Program: AL 21.023 – COVID-19 Emergency Rental Assistance – Reporting

Corrective Action Plan: On February 3, 2025, the vendor system report was corrected. A review of summary AMI data will be reconciled to detailed data to ensure subsequent reports are correct.

Contact: Philip Olsen – DAS Accounting Administrator

Anticipated Completion Date: February 2, 2025

Finding 2024-069

Program: AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Allowability

Corrective Action Plan: DHHS has implemented a process to obtain signed legal affidavits from all recipients attesting to using the employee retention and recruitment funds in accordance with state and federal law. Additionally, the department subsequently requested and received supporting documentation of expenditures from all samples selected by the APA, supporting allowable use of the funds distributed. The Department will request documentation of expenditures for SFY25 payments made under this program for a sample of recipients for final payments received as part of LB1014 in SFY25.

The State Fair Board contract with NDEE is ongoing and the change in the calculated tourism loss amount will result in tourism loss section and Clean Water (all other) section contractual revisions (offsetting adjustments). No additional impact or follow up action noted.

Contact: Philip Olsen

Anticipated Completion Date: January 31, 2025

Finding 2024-070

Program: AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Reporting

Corrective Action Plan: As of the reporting period ended September 30, 2024, changes requested by agencies to obligations or expenditures have been updated. DAS will obtain the written justification for capital expenditures for the projects identified.

Contact: Philip Olsen

Anticipated Completion Date: January 31, 2025

Finding 2024-071

Program: AL 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) – Subrecipient Monitoring

Corrective Action Plan: NEMA has implemented a process, effective immediately, to review the information submitted by subrecipient organizations regarding their 2 CFR Single Audit Certification. Responses will be cross-referenced with our own records of Federal funds passed through NEMA to the subrecipient. Any subrecipient responding that it was not required to conduct a single audit will prompt NEMA to validate against payment data. Any subrecipient's noncompliance will be followed up by NEMA staff.

Contact: Erv Portis

Anticipated Completion Date: February 11, 2025

PUBLIC SERVICE COMMISSION

Finding 2024-072

Program: AL 21.029 – COVID-19 Coronavirus Capital Projects Fund – Subrecipient Monitoring

Corrective Action Plan: Prior to the second round of CPF awards, the department created a standardized "Budget Template" that has been incorporated into the grant application process. This tool allows for a more robust documented review of reasonable and estimated costs. The updated budget process has already been applied to the 2024 Capital Projects Fund awards. The Commission has a standardized reimbursement template that further strengthens this process by allowing us to compare verified actual costs to the originally budgeted costs. The implementation of this enhanced process allows us to build a documented dataset of historical project data and associated costs, which will continue to expand as new awards are made and reimbursement requests reflecting actual costs are received.

Contact: Carrie Gans

Anticipated Completion Date: Completed

DEPARTMENT OF TRANSPORTATION

Finding 2024-073

Program: AL 20.509 – Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring

Corrective Action Plan:

- NDOT will continue to enhance its financial review procedures to ensure that all subrecipients provide adequate supporting documentation for expenditures, including personnel charges and cost allocations.
- Training sessions will continue to be conducted for subrecipients to reinforce compliance requirements related to allowable costs, proper documentation, and cost allocation methods.
- Revised internal procedures will clarify expectations for travel costs, fuel charges, personnel reimbursements, and revenue reporting to prevent improper charges to the grant.
- Assigning audit staff to conduct periodic sampling throughout the year enhances our ability to ensure costs are properly supported, adapt to necessary changes, and effectively communicate updates to our subrecipients.

Contact: Jodi Gibson

Anticipated Completion Date: NDOT appreciates the audit's recommendations and remains committed to ensuring compliance with Federal requirements through strengthened internal controls and enhanced subrecipient oversight. This will be an ongoing and continual effort to address anticipated compliance requirements and evolving state and federal regulations.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2023-001 Since 2007	Administrative Services ACFR Preparation Issues	**Status**: Ongoing **Reasons for Recurrence:** DAS gathers accrual information from 73 separate State agencies. A majority of errors noted are from agency prepared accruals. **Partial Corrective Action Taken:** DAS has met directly with the leadership of agencies with audit findings to assist with correcting errors and reducing repeat findings. **Corrective Action Planned:** DAS will continue to work with State agencies to reduce errors and repeat findings.
2023-002 Since 2020	Administrative Services Unemployment Insurance Fund Issues	**Status**: Ongoing **Reasons for Recurrence:** UI accounting errors. **Partial Corrective Action Taken:** DAS has worked with NDOL to post corrective entries. DAS has reviewed established reconciliations and reporting procedures that will reduce errors. **Corrective Action Planned:** DAS will continue to assist NDOL as they refine procedures to ensure reporting accuracy.
2023-003 Since 2020	Administrative Services E1 Timesheets	**Status**: Ongoing **Reasons for Recurrence:** System limitations. **Partial Corrective Action Taken:** Timesheet images are maintained in EnterpriseOne until the payroll is processed. The electronic data is maintained in EnterpriseOne indefinitely. **Corrective Action Planned:** Under federal law, exempt employees do not need to track their hours.
2023-004 Since 2020	Administrative Services Changes to Vendor and Banking Information	**Status**: Ongoing **Reasons for Recurrence:** DAS has not yet implemented a vendor portal solution. **Partial Corrective Action Taken:** Changes to a vendor/payee require prior banking information be provided for verification. **Corrective Action Planned:** DAS is working to revise its W-9 form to include agency review and approval sign-off. DAS is working with a vendor that can provide vendor self-service.
2023-005	Attorney General Settlement Revenue	**Status:** Corrected

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2022-007	Correctional Services Lack of Adherence to Legislative Bill and Federal Regulations	**Status**: NDCS does not agree with the finding. NDCS believes they were allowable expenses under the federal regulations for the program. No further action is necessary.
2023-006	Economic Development Incorrect Fiscal Year for Expenditures	**Status**: Corrected **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** N/A **Corrective Action Completed:** DED acknowledged that some transactions were entered into the incorrect fiscal year. DED has since updated its procedures so that all P9 transactions are recorded in the correct fiscal year. DED now exports all expenses submitted from its grant management system, Amplifund, as backup for the draw down. If the exported data shows expenses for the previous fiscal year, DED will P9 those expenses.
2023-007	Education Incorrect Accounts Payable	**Status**: Meeting regularly. **Reasons for Recurrence:** Manual review. **Partial Corrective Action Taken:** Updating spreadsheets to include formula and multiple review aspects. **Corrective Action Planned:** Updated process, reducing manual process and risks.
2023-008	Education QE2 Change Management	**Status**: Completed **Reasons for Recurrence**: Did not have a policy or process to document testing of QE2 code changes. **Partial Corrective Action Taken:** We now have a policy and a process to document testing of changes. **Corrective Action Planned**: Done
2023-009 Since 2004	Health & Human Services Multiple Financial Statement Adjustments	**Status**: In Process **Reasons for Recurrence:** Human error **Partial Corrective Action Taken:** Processes continuing to be improved. **Corrective Action Planned:** Ongoing process improvements.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2023-010 Since 2019	Health & Human Services Other Errors in Financial Reporting	**Status**: In Process **Reasons for Recurrence:** Human error **Partial Corrective Action Taken:** Processes continuing to be improved. **Corrective Action Planned:** Ongoing process improvements.
2023-011 Since 2022	Health & Human Services MMIS to MDR Reconciliation and Interface Issues	**Status**: In Process **Reasons for Recurrence:** Still enhancing process. **Partial Corrective Action Taken:** Set of reports created to identify FFS/Encounter claims that should/should not be included in the data extract. **Corrective Action Planned:** Still meeting to develop a proper cadence and review method.
2023-012 Since 2022	Health & Human Services User Access	**Status**: In Process **Reasons for Recurrence:** Still enhancing process. **Partial Corrective Action Taken:** Role based training completed. **Corrective Action Planned:** Automation of process.
2023-013 Since 2020	Labor Accounting Issues	**Status**: In process **Reasons for Recurrence:** Poor historic understanding of Treasury accounting. **Partial Corrective Action Taken:** NDOL has worked with State of Nebraska Dept of Admin Services State Accounting to post corrective entries. Improved understanding of vendor reports and information has led to improvement of existing processes. NDOL has instituted monthly reconciliations of all Treasury accounting activity from E1 back to the source documentation. NDOL has discovered or gained access to reports from the vendor that were previously unknown improving the accuracy of the treasury accounting. Treasury processes have been streamlined, and preventative checks established. Unwieldy processes have been divided into smaller more practical processes. DAS Accounting has continued as a willing partner in the improvement of existing and establishment of new processes. **Corrective Action Planned:** NDOL will continue to refine processes to ensure accounting accuracy.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2023-014 Since 2020	Labor Unemployment Insurance Benefit Issues	**Status**: Completed **Corrective Action Planned:** Adjudication of Employer Responses The Department acknowledges the findings in the Adjudication of Employer Responses. The Department has been working to improve its quality and has coached the adjudication team on ETA requirements for follow-up with employers. Separation issues as a cause of improper payment decreased from 6.245% in FY2022 to 3.173% in FY 2023. The Department continues to work on improving its quality and continues to coach the adjudication team on the ETA requirements for follow-up with employers. The Department also continues to review the quality of staff adjudication on a monthly basis. Issues Regarding Separation Information Requests The Department continues to work extensively with their vendor to address and resolve the issues related to separation information requests. The Department has also revised its adjudication process to manually address these issues pending the vendor completion of the needed corrections. The Department worked extensively with their vendor to address and resolve the issues related to separation information requests. The vendor has implemented changes to the Separation Information Requests process. In addition, the Department continues to manually address these issues through their adjudication process and through the monthly review of adjudication quality. Untimely Follow-up of Employer Information The Department acknowledges the overpayment should have been established in a timelier manner, but timely processing the employer information would not have impacted the overpayment amount. All information regarding the ineligible week was received after payment had been made. The Department was able to recover the overpaid amount in full. The Department has increased staff in its Benefit Integrity Unit and is working with the unit and individuals to properly prioritize workloads and more timely address known issues on claims. The Department has increased their staff in the Benefit Integrity Unit and has prioritized their workload to be able to more timely address known issues on claims. Claimants with Excessive Wages Issues The Department acknowledges the findings related to claimants with excessive wage issues. The one-time error addressed in the Claimants with Excessive Wages for Claimant #1 will be brought to the appropriate individual's attention and they will be provided with the necessary guidance and support. For Claimant #2, the

		Department will pursue other legal remedies, due to the extraordinary level of non-cooperation of the employer, to compel compliance by the employer so it can be determined if benefits were fraudulently claimed. This was a one-time error as stated in the corrective action plan. <u>Improper Benefits Paid to State Employees</u> The Department acknowledges the findings related to the benefits paid to state employees. The Department has or will take the appropriate steps for correction. An overpayment has been established for the full amount for both Claimant #1 and Claimant #3. For Claimant #2, an overpayment has been established and the claimant will be referred for prosecution. The Department has prioritized the review of Improper Benefits Paid to State Employees. <u>Wage Crossmatch Issues</u> The Department acknowledges that 11 of the wage crossmatches identified in the audit were due to a vendor identified error, which has since been addressed. For the remaining two claims, investigations set as expected, employer responses were received, and overpayments were established within the statutorily allowed timeframe. 11 of the identified errors were a one-time error as stated in the corrective action plan. The remaining 2 were handled as expected.

STATE OF NEBRASKA
Summary Schedule of Prior Audit Findings

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2023-015 Since 2022	Military Accounting Errors	**Status**: Completed
2023-016	Natural Resources Water Sustainability Fund Reimbursements	**Status**: Corrected **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** Implemented corrective actions immediately when notified of change in accounting practices. **Corrective Action Planned:** Accounting team members examine all incoming requests for reimbursement service dates to ensure reimbursements are accounted for and posted in the correct fiscal year.
2023-017	NPERS Financial Statement Error	**Status**: Completed. **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** The issue was a journal entry that was related to the transfer of assets from Empower to Ameritas. On the documentation provided to NPERS, it was listed as a disbursement of member accounts when actually it was a transfer of assets. When the error was found in our audit of the Deferred Compensation Plan, there was not an adjustment to the financial statements. When the State Auditors worked on the ACFR, it was discovered that an adjustment was not completed. Staff has been monitoring the information from Empower and asking questions if this is an actual transfer of assets or a distribution of monies to the member. **Corrective Action Planned:** NPERS has reviewed its procedures and worked with staff to understand the importance of properly recording the financial activity of the Agency.
2023-018	Revenue Incorrect Coding of Tax Receipts	**Status**: Corrected
2023-019	Revenue ACFR Preparation Issues	**Status**: Errors are from FY 2022/2023, and the corrective action plan will resolve errors for the FY 2023/2024. **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** N/A **Corrective Action Planned:** Revenue will prepare the accruals as recommended by the APA in August when we prepare the FY24 ACFR information.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2023-020 Since 2021	Transportation Year-End Financial Information Errors	**Status**: In Process **Reasons for Recurrence:** Staff resignation and lack of additional review. **Partial Corrective Action Taken:** Controller Division drafted Standard Operating Procedure (SOP) for the ACFR process. **Corrective Action Planned:** NDOT will include additional teammates in the preparation, review, and oversight of the information generated for the ACFR. In addition, prior to submission of the accrual response form to DAS State Accounting, NDOT will review with DAS State Accounting questions related to the accuracy of the information to be submitted.

FINDINGS RELATING TO FEDERAL AWARDS:

Nebraska Department of Administrative Services

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-021 Since 2015	Various, 93.778, 93.563 Allowable Costs	**Status**: Ongoing **Reasons for Recurrence:** Timing of rate setting. **Partial Corrective Action Taken:** Methods and rates are being updated for the 2026 – 2027 biennium. **Corrective Action Planned:** The OCIO is currently setting rates for the fiscal year 2026 - 2027 biennium. We are developing standard operating procedures for each rate that is set and charged to customer agencies. In addition, more in-depth documentation will be maintained to justify costs to be recovered and stored in an accessible location for future review. The Print Shop is utilizing a rate setting methodology to develop and substantiate rates at the individual service line level for the fiscal year 2026 – 2027 biennium.
2023-022 Since 2015	Various, 93.558, 93.575, 93.596 Reporting	**Status**: Ongoing **Reasons for Recurrence:** Agency errors reported through State Accounting. **Partial Corrective Action Taken:** DAS has improved communication with State Agencies on accurately reporting SEFA amounts. **Corrective Action Planned:** State Accounting will continue to work with State agencies on correct coding and business unit setup to reduce agency errors.

Nebraska Department of Correctional Services

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-020	21.027 Allowability	**Status**: NDCS does not agree with the finding. NDCS believes they were allowable expenses under the federal regulations for the program. No further action is necessary.

Nebraska Department of Economic Development

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-023	14.228 Reporting	**Status**: Corrected **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** N/A **Corrective Action Completed:** DED has changed its FFATA reporting procedure to ensure that the FFATA information is reported in FSRS within the required timeframe. The FFATA reporting process was previously a special condition in its subaward agreement to the release of funds. The timeframe for completing special conditions often takes months, which was beyond the deadline for reporting FFATA information to FSRS. DED changed its procedure to require that the awardee submit the FFATA information to DED at the time the awardee executes a subaward agreement. Now nothing can proceed and move forward in the award workflow until DED receives the FFATA information. DED program staff is notified of completion of the FFATA information by the awardee. The FFATA information is now given to the Finance Team when the subaward agreement is executed which gives the Finance Team adequate time to submit the information to FSRS. All DED's staff that manage federal grants now use this FFATA procedure.

Nebraska Department of Education

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-021	84.010 Allowability/ Subrecipient Monitoring	**Status**: Meeting regularly. **Reasons for Recurrence:** Manual process. **Partial Corrective Action Taken:** Reviewing process. **Corrective Action Planned:** Provide technical assistance training.
2023-024	10.553, 10.555, 10.556, 10.559, 10.582 Reporting	**Status**: In Progress **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** Coordination among the Data Management and Grants Management teams have been initiated to resolve the issue of missing business units needed to successfully complete this reporting requirement. **Corrective Action Planned:** Required report should be submitted within the next 45 days.

Nebraska Department of Education (Continued)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-025	10.555 Allowability	**Status**: Completed **Corrective Action Planned:** The AR in question was reviewed and the $1,061.80 overclaim was collected and processed on February 14, 2024. Annually, the Nutrition Services Program Specialists will hold a day-long training to prepare for Administrative Reviews. In Spring 2024, the team held a team meeting to cover this item specifically, including to remind the staff that form S-1 that contains claim consolidation information to identify errors and overclaims must be completed for every AR. The annual training will include a review of review components, including the requirement to review and validate the claim submitted for the review month. To support completion of this requirements, Program Specialists are required to report any fiscal action findings in the AR Review Summary: SY-2023-24-Administrative-Review-Summary-4-1-24.xlsx (live.com). Finally, the FNS640 is populated based on the completion of required review components' answers; each year, in March, May, and July, the FN640 for the most recent ARs is reviewed to ensure every AR completed in the most recent cycle has information populated for columns B3-3E, columns B3-3Ea, columns B3-3Eb, and columns B3-3Ec.
2023-026	84.027, 84.173, 84.425D, 84.425U Subrecipient Monitoring	**Status**: Meeting regularly. **Reasons for Recurrence:** Reimbursement review is a cumbersome and manual process. **Partial Corrective Action Taken:** Updating reimbursement review process and technology to assist. Set to launch October 2024. **Corrective Action Planned:** Updating NDE reimbursement review process to align with USED Federal guidance and compliance.

Nebraska Department of Education (Concluded)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-027	84.287 Subrecipient Monitoring	**Status**: Meeting regularly. **Reasons for Recurrence:** Reimbursement review is a cumbersome and manual process. **Partial Corrective Action Taken:** Updating reimbursement review process and technology to assist. Set to launch October 2024. **Corrective Action Planned:** Updating NDE reimbursement review process to align with USED Federal guidance and compliance.
2023-028	84.425U Reporting	**Status**: Meeting regularly. **Reasons for Recurrence:** Manual process with substantial data. **Partial Corrective Action Taken:** Updating process and review points. **Corrective Action Planned:** Updating process to meet required reporting.

Nebraska Department of Health and Human Services

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-029	93.558, 93.563, 93.568, 93.575, 93.658, 93.778, 10.561 Allowable Costs	**Status**: Completed
2023-030 Since 2013	Various, 93.778 Allowable Costs	**Status**: In Process **Reasons for Recurrence:** Staff turnover **Partial Corrective Action Taken:** Procedures have been updated. **Corrective Action Planned:** HR working on new onboarding process that will speed up and standardize process to a greater extent.
2023-031	93.268, 93.323, 93.558, 93.563, 93.778 Allowable Costs	**Status**: In Process **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** Ongoing discussion with involved parties to complete RPAs timely and accurately. **Corrective Action Planned:** See above.

Nebraska Department of Health and Human Services (Continued)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-032 Since 2021	10.561, 93.658, 93.659 Allowable Costs	**Status**: Completed **Reasons for Recurrence:** Staff turnover
2023-033 Since 2014	93.069, 93.889 Allowability/ Subrecipient Monitoring	**Status**: Completed **Reasons for Recurrence:** Staff turnover
2023-034 Since 2021	93.069, 93.889 Matching/ Reporting	**Status**: In Process **Reasons for Recurrence:** Human error **Partial Corrective Action Taken:** Public Health has completed steps to ensure match is substantiated. **Corrective Action Planned:** Contacting Federal Partners to make necessary reporting adjustments.
2023-035 Since 2021	93.323 Allowability/ Subrecipient Monitoring	**Status**: In Process **Reasons for Recurrence:** Human error **Partial Corrective Action Taken:** Working with subrecipients to gather full source documentation. **Corrective Action Planned:** Continue to work with subrecipients to ensure source documentation is collected.
2023-036 Since 2022	93.558 Allowability/ Eligibility	**Status**: In Process **Reasons for Recurrence:** Human error **Partial Corrective Action Taken:** Began work on new process to ensure only eligible claims are charged to grant. **Corrective Action Planned:** Continue to improve process to ensure compliance with Federal requirements.
2023-037 Since 2022	93.558 Allowability/ Eligibility	**Status**: Completed **Reasons for Recurrence:** Human error
2023-038 Since 2022	93.558 Reporting	**Status**: Completed **Reasons for Recurrence:** Human error

Nebraska Department of Health and Human Services (Continued)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-039	93.558 Allowability/ Subrecipient Monitoring	**Status**: In Process **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** Guidance has been provided to subrecipients. **Corrective Action Planned:** Continued efforts to create a program focused monitoring tool.
2023-040	93.566 Allowability/ Eligibility	**Status**: In Process **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** SAVE Quality Quick Tip has been developed and training has occurred. **Corrective Action Planned:** NEARS is reviewing RRP cases to ensure this requirement is met.
2023-041	93.566 Allowability/ Subrecipient Monitoring	**Status**: In Process **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** 100% audit is being performed for one year to ensure proper documentation. **Corrective Action Planned:** Continue to audit subrecipients for one year to ensure compliance.
2022-032 Since 2021	93.568 Eligibility	**Status:** In Process **Reasons for Recurrence:** Human error **Partial Corrective Action Taken:** We are currently working with our federal partners regarding some of the guidance that is being updated. **Corrective Action Planned:** Changes are still being made to the LIHEAP Desk Aid.

Nebraska Department of Health and Human Services (Continued)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-042 Since 2021	93.568 Reporting	**Status**: In Process **Reasons for Recurrence:** Federal Partners advised submitting information that was available. **Partial Corrective Action Taken:** Workfront request was submitted January 2024. **Corrective Action Planned:** Continue to ensure the work is being done to have request completed by implementation date.
2023-043 Since 2007	93.575, 93.596 Allowability/ Eligibility	**Status**: Completed **Reasons for Recurrence:** Timing of audit.
2023-044 Since 2017	93.575, 93.596 Special Tests	**Status**: In Process **Reasons for Recurrence:** Human error **Partial Corrective Action Taken:** Communication between agencies. **Corrective Action Planned:** Continued implementation of policies and procedures for file reviews.
2023-045 Since 2016	93.575 Period of Performance	**Status**: Completed **Reasons for Recurrence:** Timing of audit
2023-046	93.575 Allowability	**Status**: In Process **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** Working with current vendor to provide requested documentation after contract expires. **Corrective Action Planned:** See above.
2022-037 Since 2021	93.575, 93.596 Special Tests	**Status**: In process **Reasons for Recurrence:** Agency partially agreed with finding. **Partial Corrective Action Taken:** DHHS has created guidance document regarding the timeliness of investigations of the Child Care Subsidy Program. **Corrective Action Planned:** Internal review still needs to be completed on the guidance and then it will be presented to investigations staff.

Nebraska Department of Health and Human Services (Concluded)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-047	93.658 Reporting	**Status**: Completed
2023-048	93.658 Allowability	**Status**: Completed
2023-049	93.659 Reporting	**Status**: Completed
2023-050 Since 2014	93.778 Allowability	**Status**: In Process **Reasons for Recurrence:** Procedures were not adequate to prevent and/or detect errors. **Partial Corrective Action Taken:** Working with vendor and IS&T to implement system changes. **Corrective Action Planned:** Finalizing change order with vendor for highest priority findings.
2023-051 Since 2017	93.778 Allowability/ Eligibility	**Status**: In Process **Reasons for Recurrence:** Human error **Partial Corrective Action Taken:** Training and corrective actions for individual staff involved completed. **Corrective Action Planned:** User guides and training materials are being finalized.
2023-052 Since 2017	93.778 Special Tests	**Status**: Completed **Reasons for Recurrence:** Timing of audit
2023-053 Since 2019	93.767, 93.778 Special Tests	**Status**: Completed **Reasons for Recurrence:** Vendor management
2023-054 Since 2021	93.778 Special Tests	**Status**: Completed **Reasons for Recurrence:** Contract management
2023-055 Since 2022	93.778 Special Tests	**Status**: Completed **Reasons for Recurrence:** Staff turnover

Nebraska Department of Labor

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-056 Since 2020	17.225 Allowability/ Eligibility	**Status:** In Process **Corrective Action Plan:** The Department has worked with its vendor to implement changes to the wage crossmatch process. The Department has increased the size of its Benefit Integrity Unit and implemented further fraud prevention tools. The Department is working with the unit and individuals to properly prioritize workloads. The Department continues to work extensively with their vendor to address and resolve the issues related to separation information requests. The Department has also revised its adjudication process to manually address issues related to separation information requests pending the vendor completion of the needed corrections. The Department been working to improve its quality and has coached the adjudication team on ETA requirements for follow-up with employers. The Department also implemented a new work model in consultation with a vendor. Since implementing the new process, the Department has met first payment timeliness and nonmonetary determination timeliness for October, November, and December 2023 and January 2024. Separation issues as a cause of improper payment decreased from 6.245% in FFY 2022 to 3.173% in FFY 2023, and overall improper payment rate for FFY is down from 16.014% to 14.862%. The BIU team has increased their staff. The Department has also made changes to the wage crossmatch process. We are continuing to review the wage crossmatch process to ensure we properly prioritize the workload.
2022-048	17.225 Special Tests	**Status**: In process **Reasons for Recurrence:** The UI tax system currently tracks the amounts owed by individual employers and issues an ETA 581 report which lists aggregated employer liability data on quarterly basis. That aggregated data can be reviewed within the UI tax system on an employer, by employer basis. The Agency recognizes a desire for the Tax System to provide a specific report that can be run at any time and provide Tax Contribution Receivables. NDOL is working with the software vendor to provide additional employer liability reporting capabilities. **Corrective Action Planned:** The Agency is working with the vendor to better identify and report amounts in the Tax Systems. The Department is working with its vendor to create an accurate list of all contributions receivables.

Nebraska Military Department

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-057 Since 2019	12.401 Cash Management/ Reporting	**Status**: Ongoing **Reasons for Recurrence:** The drawdown timeline is a partial result of the variances in federal reimbursement functionalities and advance state requirement functionalities. The State Services Support Division has simultaneously been prioritizing workloads due to staffing shortages persistent through the first quarter end of fiscal year 2023-2024. Due to nature of Nebraska being an “Advance” state for Cooperative Agreement Federal Funding. 45-day expenditures requested. **Partial Corrective Action Taken:** State Services and Support Division (SSSD) has increased monitoring of SF270 functions more closely has previously identified and planned. **Corrective Action Planned:** Report program outlays on all 270s (not present on 23/25)
2022-051 Since 2021	21.023 Allowability/ Earmarking	**Status**: The Military Department does not agree with this finding. The State as the Grantee was able to demonstrate that the administrative costs are related to the delivery of the program in a timely fashion and is aligned with the US Treasury Guidance. Vendor performance was monitored through twice-weekly status meetings, bi-weekly executive status briefings with executives across multiple agencies, bi-weekly Executive Steering Committee meetings, and review of detailed invoices. All these procedures led to the first year of the ERAP program coming in $1.6 million under the contractual amount. The State has state complied with the procurement standards set forth in 2 CFR 200.317-200.327, including expected contract provisions, key programs assumptions, and not to exceed thresholds.
2023-058 Since 2021	21.023 Allowability/ Eligibility/ Period of Performance	**Status**: Ongoing **Reasons for Recurrence:** Inadequate review. **Partial Corrective Action Taken:** Coordination with the contractor is ongoing. Audit findings are shared and revised as training and management attention was discussed. There are many checks and balance steps that continue to be discussed and revised on a weekly basis during call in monitoring and reporting session. **Corrective Action Planned:** Weekly performance reviews and discussions are being conducted to monitor.

Nebraska Military Department (Concluded)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-059 Since 2022	21.026 Subrecipient Monitoring	**Status**: Completed
2023-060	21.026 Allowability	**Status**: Completed
2023-061	21.027 Allowability/ Subrecipient Monitoring	**Status**: Completed
2023-062	21.027 Reporting	**Status**: Completed
2023-063	97.036 Subrecipient Monitoring	**Status**: Ongoing **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** Subrecipient Monitoring is in place; Agency is contracting with Deloitte for regular review. **Corrective Action Planned:** See above
2023-064	97.036 Reporting	**Status**: Completed

Nebraska Department of Transportation

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-056	20.205 Subrecipient Monitoring	**Status**: In Progress **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** Local Assistance Division has worked with Legal to draft a supplement agreement which includes all required information. **Corrective Action Planned:** New supplemental agreements will be generated and issued for current active projects.

Nebraska Department of Transportation (Continued)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-065 Since 2013	20.509 Allowability/ Subrecipient Monitoring	**Status**: In Process **Reasons for Recurrence:** Need for more thorough training with subrecipients. **Partial Corrective Action Taken:** NDOT recently updated the Invoicing Reimbursement Acceptable Documentation Requirement Guidelines. These guidelines offer comprehensive instruction, best practices, and a clearer definition of allowable expenses for subrecipients. The updated guide was distributed to subrecipients in February 2024. Over the next six months, NDOT plans to conduct additional training sessions through opportunities such as the monthly Transit Manager meetings, on-site visits, or webinars with subrecipients. The objective is to ensure a thorough understanding of required documentation and the identification of eligible federal reimbursement expenses. To assist with transit subrecipient monitoring, NDOT management has designated an internal auditor within the Transit Section. The auditor's focus will be assessing reimbursement documentation, reviewing time studies, evaluating cost allocation plans, developing risk assessment, and helping to intensify monitoring efforts over all subrecipients. NDOT is also in the process of improving and updating the invoice review process to provide consistency for reviewing and approving invoices to enhance accuracy within the Transit Section. Additionally, NDOT has established a dedicated unit "Financial Oversight" within the Transit Section solely focusing on Subrecipient reimbursements. The four staff members in this unit will report directly to Financial Aid Administrator III, this oversight will enhance the quality checks and consistency among subrecipient reimbursements. The Financial Oversight unit will continue to evaluate and refine the operations to ensure federal regulation and required documentation is in place prior to any subrecipient reimbursement. **Corrective Action Planned:** NDOT Transit has revised the reimbursement guidelines for subrecipients, clarifying allowed expenses and required documentation. Over the next 6-12 months, NDOT will conduct training sessions with subrecipients and collaborate with internal auditors on compliance matters. The establishment of the "Federal "Oversight" unit within the Transit Section aims to improve monitoring, consistency, and compliance with federal requirements for all subrecipients.

Nebraska Department of Transportation (Concluded)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2023-066	20.509 Subrecipient Monitoring	**Status**: Completed **Corrective Action Planned:** NDOT updated the supplemental agreement template to include the Federal Award Identification information, including Federal award date and subaward period of performance start and end dates. A draft template has been provided to the APA. Current 5311 agreements are effective July 1, 2024, to June 30, 2025, when additional supplemental agreements are needed, the updated template which includes FAIN information will be provided to the subrecipients.