



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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

December 17, 2025

Katie Thurber, Commissioner
Nebraska Department of Labor
550 South 16th Street
Lincoln, Nebraska 68509

Dear Commissioner Thurber:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska (State), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 17, 2025. In planning and performing our audit of the financial statements, we considered the State's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

In connection with our audit as described above, we noted certain internal control or compliance matters related to the activities of the Nebraska Department of Labor (Department) or other operational matters that are presented below for your consideration. These comments and recommendations, which have been discussed with the appropriate members of the Department's management, are intended to improve internal control or result in other operating efficiencies.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 Comment Number 1 (Unemployment Insurance Benefit Issues) to be a material weakness.

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 Comment Number 2 (Reoccurring Accounting Issues) to be a significant deficiency.

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

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

The following are our comments and recommendations for the year ended June 30, 2025.

1. Unemployment Insurance Benefit Issues

The Department paid \$107,466,760 in unemployment insurance (UI) benefits to 23,163 claimants between July 1, 2024, and June 30, 2025.

The Auditor of Public Accounts (APA) identified \$45,708 of questioned costs during testing procedures. The following table summarizes the questioned costs, which are explained in detail below:

	FY 2025 Questioned Costs
Random Sample Adjudication Issues	\$ 1,320
Claimants with Excessive Wages	\$ 25,770
Claimants with Excessive Benefits Paid	\$ 13,650
Improper Benefits Paid to State Employees	\$ 4,968
Total	\$ 45,708

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

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, and January 1, 2025), 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, and January 1, 2025) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

2 CFR § 200.302(a) (January 1, 2024, and January 1, 2025) requires states to expend Federal awards in accordance with state laws.

Random Sample Adjudication Issues

Our testing included a random sample of 40 payments, totaling \$18,372, and resulted in \$1,320 in questioned costs. Based on the sample tested, the dollar error rate for the sample was 7.18% (\$1,320/\$18,372), which estimates the potential dollars at risk for fiscal year 2025 to be \$7,716,113 (dollar error rate multiplied by the population).

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 1 of the 40 randomly selected claimants tested, the Department failed to adjudicate properly the most recent separating employer response. This case was reviewed by two separate adjudicators, neither of whom actually approved or denied benefits for the claimant.

Claimant	Claimant Response	Employer Response	Benefit Paid for Weeks Ended	FY 2025 Questioned Costs	Total Payments
#1	Fired/Discharged	Terminated/Fired	06/11/2025 - 06/30/2025	\$ 198	\$ 792

Neb. Rev. Stat. § 48-626(3) (Cum. Supp. 2024) requires the Department to adjudicate the claimant's separation from employment with his or her most recent insured employer.

The Employment and Training Administration (ETA) Handbook 301, 5th Edition (July 2005), page I-1, states, in relevant part, the following:

The determination of a claimant's eligibility for unemployment insurance (UI) benefits is a critical UI program function. When issues arise that may affect a claimant's past, present or future benefits, the adjudicator is responsible for determining the claimant's eligibility for those benefits. Such determinations may also affect an employer's liability for benefit charges, depending on the type of issue adjudicated. The adjudicator's work impacts the rights of both claimants and employers.

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.

Adjudication of Claimant Responses

The APA also found issues and questioned costs related to the Department's failure to adjudicate properly or verify information provided by the claimant. In both cases, the claimants were not completing required work searches.

Claimant	Claimant Response	Employer Response	Benefit Paid for Weeks Ended	FY 2025 Questioned Costs	Total Payments	Adjudication Issue
#2	Lack of Work / Layoff	Lack of Work / Layoff	8/24/2024 - 12/14/2024	\$ 546	\$ 8,959	The claimant did not complete the required work searches because he reported being a member in good standing with a labor union – which, per Department rules and regulations, would permit waiver of statutory work search requirements. However, the only documentation to support that the individual was in good standing with the union was for August 2023, almost one year earlier, and the Department failed to confirm that the claimant remained in good standing at the time of the application. The questioned costs include only the payment tested.
#3	Lack of Work / Layoff	Did not Respond	12/7/2024 - 06/14/2025	\$ 546	\$ 14,196	The claimant did not complete the required work searches because she reported to the Department anticipating being recalled to work by her employer. The employer did not respond to the separation information request, and the Department failed to perform other procedures to verify if the employer expected to recall the individual. The questioned costs include only the payment tested.
Totals			\$ 1,092	\$ 23,155		

Neb. Rev. Stat. § 48-627 (Reissue 2021) provides, 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.

The 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, union officials, 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.) Title 219 NAC 4.007 states, in relevant part, the following:

The Commissioner may waive the requirement that an applicant search for work if:

A. The applicant is attached to a regular job or industry;

B. The applicant is eligible for referral as a member in good standing in a labor union which has a union hiring hall.]

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 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 benefits paid on a claim are based on the wages reported within the claimant's base period. 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.

For 1 of the 40 randomly selected claims tested, actual wages did not agree to the base period wages used in the calculation for the claim. This subsequently resulted in incorrect Weekly Benefit Amounts (WBA) and Maximum Benefit Amounts (MBA).

Claimant	Original Base Period Wages	Correct Base Period Wages	FY 2025 Questioned Costs	Original WBA	Correct WBA	Description
#4	\$ 6,019	\$ 5,243	\$ 30	\$ 230	\$ 200	The claimant's base period originally included \$776 in wages that were not earned by her and instead were for other individuals. The employer of these other individuals had incorrectly reported these wages to the Department under the claimant's social security number. The adjudicator did identify this error when reviewing the claim; however, it was not corrected in the system, so the claimant's WBA was overstated by \$30, which then caused the MBA to be overstated as well. In total, the claimant was overpaid \$259 between the weeks ended 4/6/2024 and 7/27/2024. The questioned costs include only the payment tested.

Neb. Rev. Stat. § 48-626 (Cum. Supp. 2024) provides guidance for calculating the total benefit based on the lesser of twenty-six times the weekly benefit or one-third of the wages of each employer per calendar quarter of the base period. Neb. Rev. Stat. § 48-624 (Reissue 2021) also provides guidance on calculating the weekly benefit amount.

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.

Claimants with Excessive Wages

The APA tested five claimants who received over \$340,000 in wages during the period July 1, 2024, through June 30, 2025, and an additional five claimants who received over \$75,000 in wages and received over \$6,000 in unemployment benefits during the period.

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

Claimant	FY 2025 Wages	FY 2025 Questioned Costs	Description of Issue
#1	\$ 409,911	\$ 8,190	The claimant separated from her employer in January 2025 and received benefits from January 2025 through June 2025. The claimant reported a \$150,000 severance payment from her employer. The Department failed to review the reported severance payment, nor was any attempt made to contact the claimant or the employer regarding it. Had the severance been applied properly to the claim, the claimant would not have been eligible to receive benefits until May 2025. The claimant was paid \$8,190 for the weeks ended 1/25/2025 to 5/3/2025, which is considered questioned costs.
#2	\$ 378,989	\$ 3,384	The claimant separated from his employer in February 2025 and received benefits from March 2025 to April 2025. The claimant reported receiving \$137,057 in severance pay from his employer upon separation. The Department used an incorrect separation date of 7/15/2024 when applying the severance pay. Had the severance been applied properly to the claim, the claimant would not have been eligible to receive benefits until the week ending 4/26/2025. The claimant was paid \$3,384 for the weeks ended 3/15/2025 to 4/19/2025, which is considered questioned costs.
#3	\$ 105,572	\$ 14,196	The claimant separated from his employer on 6/4/2024. The employer reported that the claimant was discharged for violating a reasonable and known policy. The Department's adjudicator determined that the employer had not provided evidence of the separation being due to misconduct in connection with the work. Therefore, the adjudicator did not assess any disqualification. However, the adjudicator did not actually contact the employer to verify that no additional information was available. Consequently, the separation was adjudicated improperly because the misconduct was not investigated appropriately, and the employer was not given an opportunity to refute the information. The claimant received a total of \$14,196 in benefits during fiscal year 2025 for the claim, which is considered questioned costs.
Totals	\$ 894,472	\$ 25,770	

Neb. Rev. Stat. § 48-628.02 (Reissue 2021) provides, 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;

(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.

(Emphasis added.) 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.

* * * *

(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 ETA Handbook 301, 5th Edition (July 2005), page V-11, states 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 ETA Handbook 301, 5th Edition (July 2005), page V-13, states 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 to ensure that unemployment benefits are paid properly to claimants in accordance with State statute and Federal regulations.

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

Claimants with Excessive Benefits Paid

The APA summarized the total UI benefits received by claimants during the fiscal year ended June 30, 2025. The APA then selected five individuals who had received more than \$15,000 in total benefits for the fiscal year. The total amount of benefits paid to these five individuals was \$111,178.

For one of the five individuals tested, the total benefits paid to the claimant appeared unreasonable based on the type of unemployment benefit and amount received.

Claimant	FY 2025 Total Benefits	FY 2025 Questioned Costs	Description of Issue
#1	\$ 27,846	\$ 13,650	The claimant was separated from his employer in June 2024. The employer responded that the separation had been due to elimination of the claimant's position. The claimant received \$14,196 in regular unemployment insurance benefits during fiscal year 2025. Once those benefits were exhausted, he was eligible for and could receive up to an additional 26 weeks of unemployment benefits because he had provided a class schedule showing that he was enrolled in a training program. However, there was no documentation of current class schedules or grades for completed classes, which would demonstrate that the claimant was still enrolled and making satisfactory progress through the training program. The claimant received \$13,650 in the additional benefits for the 25 weeks ended 12/21/2024 to 6/7/2025, which is considered questioned costs.

Neb. Rev. Stat. § 48-628.17 (Reissue 2021) allows an individual to receive an additional 26 weeks of benefits if he or she was “involuntarily separated from employment as a result of a permanent reduction of operations” and is “enrolled and making satisfactory progress” in a training program.

Title 225 NAC 1.007 allows the Commissioner to disqualify a claimant’s approved training program “if the claimant does not regularly attend the classes of the program or receives notice of unsatisfactory progress from the training institution.” Furthermore, Title 225 NAC 1.008 requires the claimant to “promptly notify his or her regular claims office in writing if he or she discontinues regular attendance of the training program or receives notice of unsatisfactory progress from the training institution.” Finally, per Title 225 NAC 1.006, a claimant “shall be ineligible to receive additional training payments during the period of any break in training of thirty or more days.”

A proper system of internal controls requires procedures for obtaining documentation of a claimant’s continued enrollment and progress in an approved training program to ensure that he or she is remaining eligible to receive additional unemployment benefits.

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

Improper Benefits Paid to State Employees

The APA compared a list of UI benefit claimants to the State’s employee management system to identify State of Nebraska (State) employees who had also received UI benefits during the fiscal year ended June 30, 2025. 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 13 State employees who received UI benefits for weeks they were also employed with the State. We selected five of those employees to test further. During fiscal year 2025, the Department paid improper unemployment benefits to three of the five State employees tested. All three claimants, as shown in the table below, failed to report all wages earned for weeks that they claimed benefits.

Claimant	Wages per State Accounting System	FY 2025 Benefits Paid	APA-Calculated Benefits to be Paid	Amount Overpaid	Overpayments Established by NDOL	Unrecorded Overpayments
#1	\$ 6,263	\$ 4,441	\$ 301	\$ 4,140	\$ 2,964	\$ 1,176
#2	\$ 3,805	\$ 948	\$ -	\$ 948	\$ 316	\$ 632
#3	\$ 3,461	\$ 1,544	\$ -	\$ 1,544	\$ -	\$ 1,544
Total Overpayments			\$ 6,632	\$ 3,280	\$ 3,352	

In addition to the overpayments detailed above, the APA noted the following adjudication issues for the three claimants at issue:

Claimant	Adjudication Issue Noted by APA
#1	Along with the failure to report all wages, several other issues were identified during testing that were already included in the above unrecorded overpayments. In April 2025, the claimant filed an application for benefits. In review of the claim, we noted the following: <ul style="list-style-type: none">• The employer responded to the separation information request sent by the Department; however, the Department never completed the adjudication of the separation, and it was shown as an active or unresolved issue in the system.• The Department failed also to complete the adjudication of a vacation payout from an employer.• Having established an overpayment for the claimant’s failure to report wages in March 2025, the Department attempted to reduce subsequent weekly benefit payments by \$91; however, due to a system error, the reduction did not occur, and the claimant still received her full benefits. The Department was unaware of this error until the APA brought it to attention.

Claimant	Adjudication Issue Noted by APA
#2	Having established an overpayment for the failure of the claimant to report wages in August 2024, the Department attempted to reduce subsequent weekly benefit payments by \$158; however, due to a system error, the reduction did not occur, and the claimant still received her full benefits.
#3	In November 2024, the claimant filed an additional application for benefits, claiming to have been separated from an employer on 4/17/2024. The notice of separation information request was sent, and the employer responded that the claimant had quit voluntarily, with a last day of 3/5/2024. During adjudication of the separation information, the Department disqualified the claimant from 4/14/2024 until 7/13/2024, or 13 weeks starting the week the claimant reported last working. In accordance with Neb. Rev. Stat. § 48-628.12(2) (Reissue 2021), however, the disqualification should have been from the employer's reported last day worked. This resulted in an additional \$1,616 in overpayments, which are not included in the unrecorded overpayments above, that the Department failed to establish properly.

In total, the amount of unrecorded overpayments that should have been established was \$4,968 and are considered questioned costs.

Based upon information provided by the Department in both an online FAQ (<https://dol.nebraska.gov/UIBenefits/Claims/FAQ>) and its “Unemployment Insurance Handbook for Unemployed Workers in Nebraska” (pg. 3), active State workers could 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) allows individuals to receive unemployment compensation benefits for weeks in which they earn wages; however, those benefits are to be reduced by the amount of those wages that exceed one-fourth of the individual’s weekly benefit amount.

Neb. Rev. Stat. § 48-626(3) (Cum. Supp. 2024) allows individuals to receive benefits except when separated from employment with **the most recent insured employer** under circumstances that would disqualify them from eligibility.

Neb. Rev. Stat. § 48-628.12(2) (Reissue 2021) requires an individual to be disqualified for benefits, as follows:

[F]or 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.

A proper system of internal control requires the proper adjudication of claimant separations to ensure the propriety of benefits paid. These procedures should be 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, 2025), “The State UC agency must crossmatch quarterly wage information with UC payment information to the extent that such information is likely . . . to be productive in identifying ineligibility for benefits and preventing or discovering incorrect payments.” When warranted by the results of such quarterly crossmatch, 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 2024 to test the fiscal year 2025 wage crossmatch control process. Our testing included payments totaling \$18,860. The benefit payments for calendar year 2024 totaled \$98,372,378. We noted the following error during testing:

- One claimant tested had three employers identified who had reported wages during the quarter ended September 30, 2024, for which the crossmatch was performed. However, wage audits were sent only to two of the three employers. The third employer reported \$80 in wages for the quarter, but no wage audit was sent to verify. The claimant had received \$298 for the benefit week ended July 27, 2024, and the Department established a \$100 overpayment based on the wage audits received. Had the third employer been sent a wage audit, however, an additional overpayment may have been established for a portion of the remaining \$198 in benefits paid for that week.

In addition to the errors noted above, the Department's wage crossmatch criteria in place for the fiscal year ended June 30, 2025, did not appear reasonable. The parameters used by the Department to create wage crossmatch investigations were established in a way that there was an increased risk for significant overpayments not to be caught. Additionally, the Department appeared to lack adequate knowledge of the parameters being used, having to obtain the criteria from the system vendor in order to provide it to the APA when requested.

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: NDOL will conduct a comprehensive review of its current procedures designed to prevent the payment of improper UI benefits and ensure compliance with all applicable State and Federal requirements. Where existing procedures are effective, NDOL will reinforce them through proper and comprehensive staff training. In areas where compliance oversight is minimal or absent, NDOL will implement enhanced review processes to strengthen adherence. These actions will ensure that proper adjudication steps—such as wage crossmatches, investigations into suspect separation information, employer separation requests, accurate wage application, and appropriate establishment of overpayments—are consistently undertaken, and that neither ineligible State employees nor other ineligible claimants receive benefit payments.

2. Reoccurring Accounting Issues

The Auditor of Public Accounts (APA) reported modified opinions for the Unemployment Insurance (UI) Fund for the fiscal years 2020 through 2022 audits, and material weaknesses were reported in the fiscal years 2023 and 2024 audits.

After each of the last five audits, the APA recommended that the Department 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 any 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 Nebraska 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.

While improvements were noted, adjustments to the financial statements due to Department errors were still necessary. The table below summarizes over \$2 million in errors made by the Department for the fiscal year ended June 30, 2025. The APA proposed, and the Department of Administrative Services – State Accounting Division (State Accounting) posted, these adjustments to correct the financial statements.

Account	Description	Amount
Combined Wage Claims Payable	Combined Wage Claims (CWC) are UI claims for claimants with wages in multiple states. When payments are made, the state that the claim was made in is entitled to reimbursement from the other states. The Department recorded a payable for expected reimbursement requests from other States for the quarter April – June 2025, which totaled \$2,427,935. This projection was \$1,585,038 higher than actual reimbursement requests received for the quarter after the end of the fiscal year, resulting in the payable being overstated.	\$ 1,585,038
Overpayments Receivable	Several errors overstated the overpayment receivable account and impacted its related allowance for doubtful accounts. These errors included the Department's 1) use of incorrect collection rates to calculate the allowance for doubtful accounts; 2) inclusion of fiscal year 2026 activity in the fiscal year 2025 calculation; 3) inclusion of amounts that had already been written off; 4) use of mathematically inaccurate reports; 5) errors in the recording of a prior year adjustment in the current year; and 6) use of amounts that did not agree to reports.	\$ 463,099
Claimant Payment Expense	A beginning balance adjustment was necessary because the Department calculated the prior year benefits payable too early based on only one month's data instead of the standard three months used in other accruals, resulting in the prior year benefits payable being understated.	\$ 255,963
Total Adjustments		\$ 2,304,100

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	Negative expenses, totaling \$174,374, related to an adjustment from the prior year were not eliminated because the Department recorded the correction as a miscellaneous adjustment instead.	\$ 174,374
2	The Department had pending refunds potentially due to claimants at June 30, 2025, totaling \$137,922, that were not recorded in the State's accounting system.	\$ 137,922
3	The Due From Other Funds and the corresponding Due To Other Funds balances were understated by \$131,527 each because the Department duplicated a transfer incorrectly between their funds, adjusted incorrectly the amount of transfers due to a recording error, and failed to account for all amounts in fiscal year 2025 that needed to be transferred between funds.	\$ 131,527
4	The Department's calculation of the allowance for doubtful accounts related to employer balances was understated by \$128,790. This was due to the Department's failure to record an allowance for doubtful accounts related to employer tax contribution receivables as well as the Department running the report too early.	\$ 128,790
5	Negative overpayment balances are overpayment amounts collected by the Department that should be returned to the individual. The Department incorrectly recorded \$41,443 related to these balances as miscellaneous adjustments, when they should have been recorded as a reduction to expense.	\$ 41,443
6	Amounts Due To the Federal Government were overstated by \$29,929 due to errors in calculating the overpayments receivable allowance for doubtful accounts.	\$ 29,929
7	The ending employer account asset and liability balances in the State's accounting system did not agree to the balances in NEworks. The State's accounting system asset balances were understated by \$28,310, while the liability balances were overstated by \$1,178.	\$ 29,488
8	The Department's calculation of the allowance for doubtful accounts related to the overpayment penalties receivable was understated by \$11,120 because the Department used the incorrect collection rates in its calculations.	\$ 11,120

Error	Description	Dollar Error
9	Benefits payable was understated by \$8,068 due to 11 checks written during the year that were recorded incorrectly in the State's accounting system. The errors also resulted in overpayments receivable being understated by \$7,689 and benefit payment expense being understated by \$379.	\$ 8,068
10	The overpayment penalties receivable established during the fiscal year was understated by \$753.	\$ 753
11	The reports from NEworks that support the overpayment balances due from claimants do not properly show all activity that occurred during the month. Because of this, it is necessary for the Department to calculate "adjustment" entries each month to present properly the overpayment receivable amounts in the State's accounting system. As of June 30, 2025, we noted a variance of \$131,324 between monthly reports within NEworks.	\$ -
12	The Department did not have any procedures in place to ensure that the \$4,292,590 in CWC charges received from other states during the year were accurate.	\$ -
13	When a benefit payment fails to clear the claimant's bank account, it is cancelled and then must be manually reissued by the Department. It was noted that there was potentially \$4,074,326 in cancelled unemployment payments that still needed to be reissued to claimants as of June 30, 2025. The Department could not provide documentation to support whether these cancelled payments were due to the claimants.	\$ -
Total Unadjusted Errors		\$ 693,414

A proper system of internal control requires procedures to ensure that 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.

Department Response: NDOL is actively working to strengthen its accounting processes to ensure all transactions are properly recorded. As these processes are refined, NDOL is also enhancing the development of internal controls to encompass all accounting activities. Additionally, NDOL will continue collaborating with its partners in State Accounting to improve accuracy, consistency, and compliance across all financial reporting functions.

3. Unclaimed Property & Outstanding Checks Errors

During review of the Department's bank account reconciliations as of June 30, 2025, we noted the reconciliations included 118 checks, totaling \$25,913, that had not cleared the bank accounts and have been outstanding for more than three years. These checks were issued between 2020 and 2021 and should have been submitted to the Nebraska State Treasurer – Unclaimed Property Division.

The Uniform Disposition of Unclaimed Property Act (Act) is set out at Neb. Rev. Stat. §§ 69-1301 to 69-1329 (Reissue 2018, Cum. Supp. 2024, Supp. 2025). Neb. Rev. Stat. § 69-1307.01 (Reissue 2018) of the Act states the following:

Except as otherwise provided by law, all intangible personal property held for the owner by any court, public corporation, public authority, or public officer of this state, or a political subdivision thereof, that has remained unclaimed by the owner for more than three years is presumed abandoned.

Neb. Rev. Stat. § 69-1310 (Cum. Supp. 2024) provides the following, in relevant part:

(a) Every person holding funds or other property, tangible or intangible, presumed abandoned under the Uniform Disposition of Unclaimed Property Act shall report to the State Treasurer with respect to the property as hereinafter provided.

* * * *

(d) The report shall be filed before November 1 of each year as of June 30 next preceding The property must accompany the report unless excused by the State Treasurer for good cause. The State Treasurer may postpone the reporting date upon written request by any person required to file a report. . . .

It was also noted that the Department maintains two separate outstanding checks listings for each of its bank accounts, one within NEworks and one outside of the system, that did not agree to each other.

Description	Benefits Account		Clearing Account		Total	
	Checks	\$ Amount	Checks	\$ Amount	Checks	\$ Amount
NEworks Listing	304	\$ 82,487	544	\$ 492,987	848	\$ 575,474
Plus Checks on Outside Listing, not on NEworks Listing	9	\$ 3,905	83	\$ 48,597	92	\$ 52,502
Less Checks on NEworks Listing, not on Outside Listing	(27)	\$ (14,203)	(126)	\$ (244,378)	(153)	\$ (258,581)
Outside Listing	286	\$ 72,189	501	\$ 297,206	787	\$ 369,395

Of the 153 checks on the NEworks Listing that were not on the Outside Listing, the auditor confirmed that 34 checks, totaling \$126,265, had cleared their respective bank accounts prior to June 30, 2025; however, they had not been appropriately cleared from the system.

A proper system of internal control requires procedures to ensure that unclaimed funds are remitted appropriately to the Nebraska State Treasurer in accordance with the Act. Such system of internal control also requires procedures to ensure that outstanding checks are tracked satisfactorily and accounted for to ensure correct financial statement presentation.

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

We recommend the Department implement procedures to ensure that unclaimed funds are remitted properly to the Nebraska State Treasurer in accordance with State statute. We also recommend the Department review the outstanding checks listings to identify and correct any differences in order to ensure that the outstanding checks list used for financial statement presentation is complete and accurate.

Department Response: NDOL will implement procedures to ensure that unclaimed funds are remitted to the Nebraska State Treasurer in accordance with State statute. Additionally, NDOL will establish a formal unclaimed property process and strengthen controls over the management of outstanding checks. These measures will help ensure that outstanding check listings are accurate, complete, and properly reflected in financial statement presentations.

* * * * *

It should be noted that this letter is critical in nature, as it contains only our comments and recommendations and does not include our observations on any strengths of the Department.

Our audit procedures were designed primarily to enable us to form an opinion on the Basic Financial Statements. Our audit procedures were also designed to enable us to 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* and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Department and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to the Department.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or compliance.

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

A handwritten signature in blue ink that reads "Kris Kucera".

Kris Kucera, CPA, CFE
Assistant Deputy Auditor