

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAMS 519, 520, 521, AND 522;
MEMBER TRUST FUNDS;
AND PROGRAM 36 – GOVERNMENT AID EXPENDITURES**

JANUARY 1, 2025, THROUGH DECEMBER 31, 2025

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on June 10, 2026

*The **Nebraska Auditor of Public Accounts Office** was created by the first territorial Legislature in 1855. The Auditor was the general accountant and revenue officer of the territory. Those duties have expanded and evolved over the decades, as modern accounting theory has been implemented. The office of the Auditor of Public Accounts is one of six offices making up the executive branch of Nebraska State Government. Mike Foley was elected in November 2006 and re-elected in November 2010 and November 2022 as the Nebraska Auditor of Public Accounts. He was sworn into office on January 5, 2023, and is Nebraska's 24th State Auditor.*

The mission of the Nebraska Auditor of Public Accounts' office is to provide independent, accurate, and timely audits, reviews, or investigations of the financial operations of Nebraska State and local governments.

We will provide this information, as required by statute, to all policymakers and taxpayers through written reports and our Internet-based Budget and Audit databases.

We will maintain a professionally prepared staff, utilizing up-to-date technology, and following current Government Auditing Standards.

Audit Staff Working On This Examination

Jeff Schreier, CPA, CFE – Audit Manager

Cassandra Dobbs, CPA, CFE – Auditor-In-Charge

Joe Mueller, CPA – Auditor-In-Charge

Jay Kannapareddy, CPA – Auditor II

Kyle Hanna – Auditor II

Landon Tjaden – Auditor

Madison West – Auditor

Our reports can be found electronically at: auditors.nebraska.gov

Additionally, you may request them by contacting us at:

Nebraska Auditor of Public Accounts

State Capitol, Suite 2303

P.O. Box 98917

Lincoln, Nebraska 68509

Phone: 402-471-2111

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Background Information Section | |
| Background | 1 |
| Key Officials and Agency Contact Information | 2 |
| Comments Section | |
| Summary of Comments | 3 - 4 |
| Comments and Recommendations | 5 - 16 |
| Financial Section | |
| Independent Accountant's Report | 17 - 18 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – | 19 - 22 |
| Program 519 – Central Nebraska Veterans' Home | |
| Program 520 – Norfolk Veterans' Home | |
| Program 521 – Western Nebraska Veterans' Home | |
| Program 522 – Eastern Nebraska Veterans' Home | |
| Schedule of Government Aid Expenditures – Program 36 (Departmental Administration) | 23 |
| Schedule of Member Trust Receipts, Disbursements, and Balances | 24 |
| Notes to the Schedules | 25 - 27 |
| Supplementary Information | 28 |
| Exhibit A – Summary of Member Cost of Care and Funding Sources | 29 |
| Exhibit B – Central Nebraska Veterans' Home Overtime | 30 |
| Exhibit C – Norfolk Veterans' Home Overtime | 31 |
| Exhibit D – Western Nebraska Veterans' Home Overtime | 32 |
| Exhibit E – Eastern Nebraska Veterans' Home Overtime | 33 |

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

BACKGROUND

The Nebraska Department of Veterans' Affairs (Department) was created in 1947. Initially, the Department was primarily established to administer the Nebraska Veterans Aid Fund. Over the years, the number of benefits and services provided by the Department expanded, but the Department remained a relatively small State agency until 2017. In that year, the Nebraska Legislature moved the operation of the State's four veterans' homes to the Department, from the Department of Health and Human Services. In 2025, the Department was the fifth largest State agency.

The Department operates four veterans' homes in the following locations across the State of Nebraska that provide a variety of nursing and assisted-living services, including skilled nursing and memory care services, to residents of the homes, referred to as "members."

- Eastern Nebraska Veterans' Home in Bellevue, NE, with a capacity of 144 beds, originally opened in 2007.
- Norfolk Veterans' Home in Norfolk, NE, with a capacity of 159 beds, originally opened in 2001.
- Western Nebraska Veterans' Home in Scottsbluff, NE, with a capacity of 109 beds, originally opened in 1975.
- Central Nebraska Veterans' Home in Kearney, NE, with a capacity of 225 beds, originally opened in 2019.

The funding of the veterans' homes is provided primarily by a combination of State General Fund appropriations, per diem payments received from the U.S. Department of Veterans Affairs, and payments from members towards their cost of care, referred to as "member contributions." The maximum member contribution for calendar year 2025 was \$5,312 per month for a single member or \$10,624 per month for a couple both residing in the home. This maximum member contribution may be reduced based on the member's assets or income, in accordance with guidelines established by the Veterans' Home Board. Per diem payments received from the U.S. Department of Veterans' Affairs are based upon fixed daily reimbursement rates provided to the Department according to the level of care provided and each member's service-connected disability rating. The Department receives a much higher per diem reimbursement for members who have a 70%+ service-connected disability rating.

The Nebraska Veterans Aid Fund is also administered by the Department and is available to assist veterans and their spouses and dependents with temporary financial relief in a variety of emergencies. Funds are available for food, fuel, shelter, transportation, daycare, funeral expenses, and medical needs, among other assistance.

The Department also provides a variety of other services and benefits to veterans in carrying out the Department's mission to honor Nebraska veterans and their families by providing excellent service, assistance, and care through:

- Services to help veterans identify and access Federal and State benefits, including disability compensation, pension, and health care available through the U.S. Department of Veterans Affairs, as well as the Nebraska Veterans Aid Fund, tuition waivers, and other State services.
- Nebraska State Veterans' Homes to ensure eligible veterans and family receive the highest-quality assisted-living and skilled-nursing care at one of four nursing homes across Nebraska.
- Nebraska State Veterans Cemeteries to ensure eligible veterans and family receive an honorable final resting place maintained to the highest national standards.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Nebraska Department of Veterans' Affairs Executive Management

| Name | Title |
|-------------------|------------------|
| John Hilgert | Director |
| Levi Bennett | Deputy Director |
| Nicole Zimmermann | Finance Director |

Nebraska Department of Veterans' Affairs
301 Centennial Mall South, 4th Floor
P.O. Box 95083
Lincoln, NE 68509
veterans.nebraska.gov

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

SUMMARY OF COMMENTS

During our examination of the Nebraska Department of Veterans' Affairs (Department), we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comment #1 ("Assistance Through the Nebraska Veterans Aid Fund") and #4 ("Lack of Segregation of Duties Over Member Trust Accounts and Disbursement Authorizations"), which are considered to be significant deficiencies.

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

- 1. Assistance Through the Nebraska Veterans Aid Fund:** During the calendar year ending December 31, 2025, the Department issued assistance payments from the Nebraska Veterans Aid Fund, totaling \$890,596, to veterans rather than to the appropriate vendors directly, on behalf of the veterans. No subsequent follow-up was performed by the Department to ensure the assistance provided was utilized by the veterans as originally intended. Additionally, we noted instances in which the Department did not thoroughly review assistance applications received, ensuring that complete, detailed documentation was provided by the veteran prior to approving assistance applications. Total assistance provided by the Department through the Veterans Aid Fund during the calendar year ending December 31, 2025, totaled \$2,347,603.
- 2. Payments to Rutt's Heating and Air:** The Auditor of Public Accounts (APA) received numerous concerns through our fraud, waste, and abuse hotline regarding a possible personal relationship between a Department employee and an employee of Rutt's Heating and Air (Rutt's), resulting in the direction of business to that vendor without allowing for a fair opportunity for other vendors to provide these services. Sufficient documentation could not be provided to the APA to verify no such personal influence was occurring. During the calendar year ending December 31, 2025, \$156,939 was paid to Rutt's for services provided at the four State veterans' homes.
- 3. Reasonableness of Member Contribution Rates:** "Member contributions" paid by residents of the four veterans' homes towards their cost of care may not be reasonable, as required by Neb. Rev. Stat. § 80-322 (Reissue 2024). Cost of member care in excess of amounts received by the Department through member contributions and Federal per diem reimbursements through the U.S. Department of Veterans Affairs must be covered by General Fund appropriations. We noted monthly excess costs that must be covered by General Fund appropriations ranging from \$411 to \$11,921. The maximum monthly member contribution was \$5,312 during the calendar year ending December 31, 2025, even if a particular member had significant income and/or assets. During the calendar year ending December 31, 2025, member contributions received by the Department totaled \$12,758,430.
- 4. Lack of Segregation of Duties Over Member Trust Accounts and Disbursement Authorizations:** The Department lacked an adequate segregation of duties over the accounting procedures for member trust accounts because accounting staff at each of the four veterans' homes could receive deposits, issue payments, record transactions in the accounting system, and were authorized signers on the bank accounts where member trust funds were held. Additionally, several transactions tested lacked adequate documentation to support that the disbursement was authorized by the member or other appropriate designee. During the calendar year ending December 31, 2025, deposits to member trust accounts totaled \$15,543,358, and withdrawals totaled \$15,219,598.
- 5. Pharmacy Inventory Controls:** Each of the four veterans' homes operates an in-house pharmacy. We noted there was not an adequate segregation of duties over pharmacy inventory because one individual could order, receive, maintain custody, and dispense medications without the required involvement of a second individual. Additionally, the pharmacies do not utilize a perpetual inventory system for non-controlled substances; therefore, the APA was unable to verify the accuracy of the inventory on hand at each pharmacy.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

SUMMARY OF COMMENTS

(Concluded)

6. **Payroll Issues:** We noted several issues during our testing of payroll, including: two employees who did not repay amounts owed to the Department after termination, totaling \$1,753; three employees who did not receive the proper shift differential pay; and one employee whose vacation leave balance was allowed to go negative without the Department being aware due to the incorrect hire date being entered into the timekeeping system.
7. **Contract Issues:** The Department was unable to provide documentation that its contract with Stericycle, Inc., to provide waste disposal services followed required competitive bidding procedures, as stipulated in Neb. Rev. Stat. § 73-807 (Cum. Supp. 2024). Furthermore, this contract was not uploaded to the State Contracts Database, as required by Neb. Rev. Stat. § 84-602.04 (Supp. 2025). During the calendar year ending December 31, 2025, the Department paid Stericycle \$115,167. Finally, the Department paid \$1,175,570 to McKesson Corporation for pharmaceuticals during the calendar year ending December 31, 2025; however, the contract related to this expenditure of State funds was also not uploaded to the State Contracts Database.

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

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

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

COMMENTS AND RECOMMENDATIONS

1. Assistance Through the Nebraska Veterans Aid Fund

During our testing of assistance payments provided to veterans through the Nebraska Veterans Aid Fund, we noted numerous instances in which the Nebraska Department of Veterans' Affairs (Department) failed to review thoroughly the assistance applications received, ensuring that complete, detailed documentation was provided by the veteran prior to approving the assistance application. Furthermore, for several types of assistance provided, the Department issued payment directly to the veteran rather than to the appropriate vendor. No subsequent review was performed by the Department to ensure the assistance provided was utilized as originally intended. Such direct payments during the calendar year ending December 31, 2025, totaled \$890,596.

The Department administers the Nebraska Veterans Aid Fund, which was created under Neb. Rev. Stat. § 80-401(1) (Reissue 2024). Per subsection (3) of that statute, the fund is, when appropriated by the Legislature, "available to the Director of Veterans' Affairs for aid to needy veterans as authorized by law . . ." The fund should be disbursed for "food, shelter, fuel, transportation, wearing apparel, or medical or surgical aid or in assisting with the funeral expenses," as specified in Neb. Rev. Stat. § 80-403(1) (Reissue 2024).

Applications for aid are made through a local post or County Veterans' Service Office (CVSO) in the community nearest to the applicant's place of residence. The applications are then sent to the office of the Director of Veterans' Affairs by the local post or CVSO. The applicant is to provide all required documentation and information to the local office, including documentation to support his or her reported income and resources. The documentation provided is reviewed by both the CVSO and the Department prior to approving or denying the application for assistance.

More detailed information regarding the concerns noted by the Auditor of Public Accounts (APA) follows:

Direct Payments to Veterans

For some types of assistance provided by the Department, payment is issued to the veteran, rather than directly to the appropriate vendor. Doing so creates a risk that the veteran will not use the assistance provided by the Department for the intended purpose of the requested assistance. The Department did not perform any subsequent follow-up procedures to ensure that the assistance provided directly to the veteran was utilized as originally intended.

The table below details, based on transactions recorded in the State's accounting system, the direct payments to veterans from the Department:

| Category | Amount |
|---------------------|-------------------|
| Rent | \$ 251,491 |
| Mortgage | 210,601 |
| Food | 145,838 |
| Transportation | 143,786 |
| Electric | 52,496 |
| Gas | 21,660 |
| Phone | 18,323 |
| Shelter Maintenance | 10,416 |
| Water | 7,717 |
| Daycare | 7,450 |
| Medical - Other | 7,321 |
| Internet | 5,889 |
| Clothing | 5,540 |
| Pharmacy | 1,141 |
| Garbage | 927 |
| Total | \$ 890,596 |

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Assistance Through the Nebraska Veterans Aid Fund (Continued)

A proper system of internal controls requires procedures to ensure that assistance provided by the Department is utilized as originally intended.

Lack of Adequate Review and Documentation

The following table summarizes the assistance payments tested that the APA identified as lacking an adequate review by the Department and insufficient supporting documentation:

| Applicant # | Type of Aid | Assistance Provided |
|--------------------|-------------------------------------|----------------------------|
| #1 | Home Repairs | \$ 10,103 |
| #2 | Home Repairs | 10,000 |
| #3 | Home Repairs | 8,621 |
| #4 | Home Repairs | 7,500 |
| #5 | Mortgage Payment | 6,351 |
| #6 | Rent Payment | 5,400 |
| #7 | Mortgage Payment | 5,310 |
| #8 | Vehicle Repairs | 5,000 |
| #9 | Mortgage Payment | 2,694 |
| #10 | Vehicle Loan (2021 Ford Mustang) | 2,490 |
| #11 | Food | 1,536 |
| #12 | Hearing Aid | 4,500 |
| #13 | Utilities | 1,049 |
| Total | | \$ 70,554 |

Specific concerns noted during testing of these assistance applications and payments include the following:

- During review of the bank statements provided by Applicant #5, the APA identified several unusual transactions, totaling \$1,714, which were not reviewed or investigated by the Department prior to approving the application. The following table details the questionable transactions noted:

| Description | Amount |
|--------------------|-----------------|
| Entertainment* | \$ 74 |
| Cryptocurrency | 145 |
| TikTok | 153 |
| Hotel/Theme Parks | 559 |
| Venmo | 193 |
| ATM Withdrawals | 590 |
| Total | \$ 1,714 |

*Includes multiple streaming services and a gaming subscription.

- Similarly, while reviewing Applicant #11's bank statements, the APA identified several unusual transactions detailed in the table below. None of these transactions were reviewed or investigated by the Department prior to approving the application. Furthermore, the county veterans' service office did not recommend approval of the application; nevertheless, the Department still approved the application.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Assistance Through the Nebraska Veterans Aid Fund (Continued)

| Description | Amount |
|-----------------------------------|-----------------|
| Casino | \$ 233 |
| Smoke Shops | 306 |
| Restaurants / Meal Delivery | 1,035 |
| Recreation* | 474 |
| Jewelry Store | 96 |
| Rental Car | 499 |
| ATM Withdrawal / Venmo / Cash App | 2,265 |
| Total | \$ 4,908 |

*Includes gym membership, multiple streaming services, movies, bowling, and video games.

- Applicant #1's bank statements received by the Department did not have any identifying information to verify the statements provided were truly for the applicant. Additionally, the Department's policies allow a maximum of \$10,000 in assistance over a three-year period for housing repairs. The amount provided was \$103 above this maximum.
- Applicant #2's application identified that he had \$14,301 in cash, checking and savings accounts. According to the actual bank statements provided to the Department, he had \$10,948 in his checking account and \$1,834 in his savings account. These balances are far above the maximum outlined in the Department's "Guiding Principles" for administration of the Veterans Aid Fund, which allows applicants to retain a balance of \$1,500 in combined accessible accounts (checking savings, money market, etc.). The Department stated that it must have focused only on the savings account, failing to review and consider the checking account as well.
- Applicant #8's bank statements identified two unusual transactions, totaling \$1,458, at "Tooth and Whisker," a store in Valentine, NE, that sells bait, tackle, guns, ammunition, beer, liquor, and sporting goods. The Department did not investigate the purpose of these transactions before approving the application.
- Applicant #3 received \$8,621 for roof replacement costs. According to the aid application submitted, the homeowner's insurance of the veteran would not cover the roof replacement costs; therefore, he was seeking assistance through the Department. However, the Department failed to obtain documentation verifying that the homeowner's insurance would not, in fact, cover any of these costs. Additionally, the bank statements submitted with the application did not include any identifying information to verify that they were, in fact, for the applicant's accounts.
- Applicant #4 did not provide fully detailed bank statements, and the Department neglected to request them. Instead, the statement provided included only a summary of total deposits and withdrawals from four different accounts. Details regarding individual transactions were not included for any of the accounts. Further, the summary bank statement provided identified a checking account with deposits of \$12,424 and withdrawals of \$12,499 during the period September 23, 2025, through October 22, 2025; however, this account does not appear to have been disclosed on the aid application, and the Department did not perform any follow-up procedures to determine the reason for this financial activity.
- For Applicant #6, the Department had bank statements on file covering the periods of both December 2025 and January 2026. The Department did not have any bank statements on file for December 2024, however, which was the period for which assistance was requested. Additionally, the applicant was requesting assistance for rent due to pending immediate eviction. However, the Department did not obtain documentation to verify his claimed impending eviction.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Assistance Through the Nebraska Veterans Aid Fund** (Continued)

- The bank statements provided by Applicants #7 and #9 included several transfers to other bank accounts; however, the Department did not review those transfers further to determine the accounts to which the money was being transferred, or if the veterans had other accounts not disclosed to the Department that should also be considered.
- Applicant #10 did not provide detailed bank statements showing all individual transactions. Instead, the statements provided identified only total deposits and withdrawals during the period. Details of individual transactions were not obtained or reviewed by the Department prior to approving this application.
- The bank statements provided by Applicant #12 identified seven checks, totaling \$2,021, that had cleared the account. The Department did not review any of these checks to determine what they were for prior to approving the application. Additionally, the applicant's bank account had a balance of \$1,802 that the Department did not consider and was above the \$1,500 allowed in the Department's "Guiding Principles," as explained previously. Per the Department, this amount would likely have reduced the assistance provided by \$302 had it been properly reviewed.
- Applicant #13's bank statements provided to the Department identified multiple ATM withdrawals, totaling \$570. The Department did not investigate these withdrawals to determine their purpose and reasonableness prior to approval of the application.

Title 400 of the Nebraska Administrative Code (NAC) § 3-002.01 provides the following:

The [Nebraska Veterans Aid] Fund is intended as a temporary emergency fund to assist eligible veterans and their dependents in time of need when an emergency occurs and funds available from other sources such as private resources (income, savings, loans, etc.), regular funds or agencies, pension, compensation, insurance, unemployment compensation and sick benefits, etc., are not sufficient for their immediate needs.

(Emphasis added.) Without thoroughly reviewing the assistance application received to ensure that complete and detailed documentation is provided by the veteran prior to approving that request, the Department would be unable to determine definitively that an emergency has occurred, and funds available from other sources are insufficient to meet the veteran's immediate needs.

Further, a proper system of internal controls requires procedures to ensure that complete and detailed documentation is obtained from the veterans and thoroughly reviewed by the Department prior to approving assistance applications.

Without such procedures, including procedures to ensure that assistance provided by the Department is utilized as originally intended, there is an increased risk of assistance being not only provided in the absence of a legitimate emergency but also misused.

A similar issue was noted during our previous attestation of the Department for the fiscal year ended June 30, 2019.

We recommend the Department implement procedures to ensure that complete and detailed documentation is obtained from the veterans and thoroughly reviewed by the Department prior to approving assistance applications. We further recommend the Department issue payment to the appropriate vendor directly, rather than to the veteran, whenever possible. If not reasonably possible, we recommend the Department implement procedures for the subsequent review of assistance provided to ensure it was utilized by the veteran as originally intended.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Assistance Through the Nebraska Veterans Aid Fund** (Concluded)

Department Response: The Department acknowledges the recommendations and is committed to strengthening internal controls to ensure complete and accurate documentation is retained. The Department has established procedures, which include step-by-step guidance and checklists, and requires verification of all necessary signatures prior to the receipt and processing of applications. Additional training and employee awareness will be provided.

The Department will continue issuing payments directly to vendors whenever feasible and will enhance its review of subsequent applications when direct payment is not possible. The Department remains committed to strong stewardship of NVA funds while providing timely assistance to veterans and their families.

2. **Payments to Rutt's Heating and Air**

The APA has an anonymous hotline telephone number and email address for Nebraskans to report suspected waste, mismanagement, or fraud within Nebraska government. The APA received numerous concerns through that hotline regarding a possible personal relationship between a Department employee and an employee of Rutt's Heating and Air (Rutt's), which was causing State contracts to be directed to Rutt's without allowing a fair opportunity for other vendors to provide the services.

After further review, it was determined that the payments in question were actually made by the Department of Administrative Services (DAS), which owns the four State veterans' homes and leases them to the Department. According to the State's accounting system, DAS made the following payments during the calendar year ending December 31, 2025, to Rutt's for work related to the veterans' homes:

| Location | Amount for CY 2025 |
|---------------------------|-----------------------|
| Central NE Veterans' Home | \$ 132,545 |
| Eastern NE Veterans' Home | 15,176 |
| Western NE Veterans' Home | 8,843 |
| Norfolk Veterans' Home | 375 |
| Total | \$ 156,939 |

All payments to Rutt's were under the \$50,000 threshold in Neb. Rev. Stat. § 73-807(2) (Cum. Supp. 2024) at which a "competitive formal bidding process" for letting State contracts is required. Regardless, the APA selected six payments to Rutt's and contacted both the Department and DAS to determine if informal quotes were solicited from multiple vendors to ensure the State was receiving the best pricing for these services. For five of the six payments tested, the Department and DAS were unable to provide documentation to support that multiple vendors were contacted for informal quotes.

For each of these five payments, totaling \$104,139, DAS indicated that one other vendor besides Rutt's was verbally contacted; however, there was no supporting documentation for this assertion. The APA was unable to determine, therefore, whether the personal relationship at issue had, in fact, influenced the decision by DAS to utilize Rutt's for services at the four State veterans' homes.

A proper system of internal control and sound business practices require detailed documentation to be obtained and maintained on file for all vendor selection decisions, including documentation that multiple vendors were contacted, even if formal bidding is not technically required by State law.

Without such procedures, there is an increased risk of the Department and DAS being unable to ameliorate concerns, such as those received by the APA, regarding personal relationships influencing vendor selection decisions – or, even worse, such bias occurring and remaining undetected.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Payments to Rutt's Heating and Air** (Concluded)

We recommend the Department and DAS work collaboratively to strengthen documentation retention procedures for vendor selection decisions, ensuring that support exists to show that multiple vendors were considered, when practicable, when awarding State contracts – even when competitive bidding is not statutorily required.

Department Response: The Department has implemented a form to document communications with DAS on non-competitive vendor and bid decisions. The form will be added as a supporting document to the E-1 approval process.

3. **Reasonableness of Member Contribution Rates**

The amounts paid by members residing in the State veterans' homes for their cost of care, referred to as "member contributions," may be unreasonable when compared to the actual cost of providing care to the members and the assets and/or income available to members. During the calendar year ending December 31, 2025, member contributions received by the Department totaled \$12,758,430, with a maximum monthly amount of \$5,312.

Neb. Rev. Stat. § 80-322 (Reissue 2024) provides, in relevant part:

Any veteran, spouse, surviving spouse, or parent admitted . . . will be required to reimburse the state monthly a reasonable amount for the expense of his or her maintenance.

(Emphasis added.) The table below outlines the calculation performed by the APA in an attempt to verify the reasonableness of the maximum monthly member contribution rates set by the Veterans' Home Board. This analysis was intended to calculate the amount of costs required to be paid by General Fund appropriations, after accounting for the maximum possible member contribution and the amount received from the U.S. Department of Veterans Affairs in per diem reimbursements. It should be noted that this analysis uses the maximum member contribution rate only; typically, most members pay less than this based on their assets and/or income.

As shown below, there is potentially a significant portion of costs that must be covered through General Fund appropriations, even if a member has significant income and/or assets that could be utilized to reduce the Department's reliance on General Fund appropriations. For example, we noted a member who had almost \$450,000 in his member trust account as of December 31, 2025. Another member had various assets, outside of his member trust account, totaling almost \$430,000 as of December 31, 2024. Both members were paying the maximum \$5,312 monthly member contribution. Considering resources such as these, it would appear "reasonable" for these members to contribute more towards their cost of care.

| | Veteran: Domiciliary | Non-Veteran: Domiciliary | Veteran: Skilled Nursing | Non-Veteran: Skilled Nursing |
|---|-------------------------|-----------------------------|-----------------------------|---------------------------------|
| Central Nebraska Veterans' Home | | | | |
| (1) Member Cost of Care | \$ 10,934 | \$ 10,934 | \$ 17,233 | \$ 17,233 |
| Maximum Member Contribution | 5,312 | 5,312 | 5,312 | 5,312 |
| (2) Federal Per Diem Reimbursement | 1,926 | - | 4,461 | - |
| Excess Costs to be covered by General Fund | \$ 3,696 | \$ 5,622 | \$ 7,460 | \$ 11,921 |
| Norfolk Veterans' Home | | | | |
| (1) Member Cost of Care | \$ 7,649 | \$ 7,649 | \$ 12,578 | \$ 12,578 |
| Maximum Member Contribution | 5,312 | 5,312 | 5,312 | 5,312 |
| (2) Federal Per Diem Reimbursement | 1,926 | - | 4,461 | - |
| Excess Costs to be covered by General Fund | \$ 411 | \$ 2,337 | \$ 2,805 | \$ 7,266 |

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Reasonableness of Member Contribution Rates** (Concluded)

| | Veteran: Domiciliary | Non-Veteran: Domiciliary | Veteran: Skilled Nursing | Non-Veteran: Skilled Nursing |
|---|-------------------------|-----------------------------|-----------------------------|---------------------------------|
| Western Nebraska Veterans' Home | | | | |
| (1) Member Cost of Care | \$ 9,995 | \$ 9,995 | \$ 16,241 | \$ 16,241 |
| Maximum Member Contribution | 5,312 | 5,312 | 5,312 | 5,312 |
| (2) Federal Per Diem Reimbursement | 1,926 | - | 4,461 | - |
| Excess Costs to be covered by General Fund | \$ 2,757 | \$ 4,683 | \$ 6,468 | \$ 10,929 |
| Eastern Nebraska Veterans' Home | | | | |
| (1) Member Cost of Care | \$ 11,325 | \$ 11,325 | \$ 16,206 | \$ 16,206 |
| Maximum Member Contribution | 5,312 | 5,312 | 5,312 | 5,312 |
| (2) Federal Per Diem Reimbursement | 1,926 | - | 4,461 | - |
| Excess Costs to be covered by General Fund | \$ 4,087 | \$ 6,013 | \$ 6,433 | \$ 10,894 |

- (1) Member cost of care was obtained from the amounts determined by the Department and reported to the Veterans' Home Board for the fiscal year ending **June 30, 2025**. The APA did not verify these amounts.
- (2) For simplicity, Federal per diem reimbursement amounts were calculated using the rates for Federal fiscal year 2026 (October 1, 2025, to September 30, 2026). Per diem rates for Federal fiscal year 2025 were slightly less.
- (3) Level of care for "Domiciliary" would be similar to assisted living.

The Veterans' Home Board (Board) is responsible for setting the maximum member contribution paid by each member and any allowed reductions thereto, based on assets and/or income. When setting these rates, the Board is provided with cost of care data; however, the Board has historically elected to annually increase the maximum member contribution rate – which was originally set by the Board decades ago – based on the annual Social Security cost-of-living adjustment or change in the Medical Care Services and Nursing Home Price Index rates, whichever is higher, regardless of the actual increases in cost of care.

A proper system of internal controls requires documented procedures to verify that member contribution rates are reasonable, as required by State law.

Without such procedures, the Department may not be receiving reasonable contributions from members towards their cost of care, resulting in an overreliance by the Department on General Fund appropriations. If the Board were to increase the maximum monthly member contribution rate and require members with sufficient income and/or assets to pay that higher rate, less General Fund appropriations would be required to operate the veterans' homes.

We recommend the Department and Board implement documented procedures to ensure that the maximum member contribution rate is reasonable. We further recommend the Department consult with both the DAS – State Budget Division and the Nebraska Legislature's Appropriations Committee to determine if budgetary adjustments could be made.

Department Response: The Department, in accordance with Nebraska State Statute 80-322, follows the established Veterans' Homes Board Guideline 2 which outlines and documents how Member Contribution are calculated. The board determined the current maximum rate of \$5,549/month as reasonable. The average member contribution as a whole for the Department is approximately \$2,981.61/month.

4. **Lack of Segregation of Duties Over Member Trust Accounts and Disbursement Authorizations**

Members at each veterans' home may keep money on deposit in a "member trust account" that is maintained by the Department and disbursed as requested by the member or the appropriate guardian or power of attorney. All members must have an authorization form on file detailing allowed usages of their member trust fund and any limits on the types and amounts of withdrawals. During the calendar year ending December 31, 2025, deposits to member trust accounts totaled \$15,543,358, and withdrawals totaled \$15,219,598.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Lack of Segregation of Duties Over Member Trust Accounts and Disbursement Authorizations

(Continued)

The Department lacked an adequate segregation of duties over the accounting procedures for member trust accounts. We noted that the accounting staff at each of the four veterans' homes could receive deposits, issue payments, record transactions in the accounting system, and were authorized signers on the bank accounts where member trust funds were held.

Additionally, adequate documentation supporting the approval of disbursements made from member trust accounts was not available for 5 of 25 disbursements tested, totaling \$88,716. Per the Department, some form of verbal authorization was provided; however, the APA was unable to substantiate this in the absence of any formal, written documentation. Additionally, for one of these disbursements, the type of payment was not allowable per the authorization form on file.

The following table summarizes the concerns noted:

| Facility | Date | Amount | Explanation |
|---------------------------------|------------|-----------|---|
| Norfolk Veterans' Home | 7/10/2025 | \$ 77,500 | This payment was made to the member's power of attorney and was for a refund of member contributions. No documentation was on file to support that this disbursement was requested or authorized by the member or his power of attorney. Per the Department, this withdrawal was requested verbally by telephone; however, this could not be substantiated. |
| Central Nebraska Veterans' Home | 9/22/2025 | \$ 10,310 | This payment was for a medical expense. No signature was obtained from the member or his power of attorney. The withdrawal form stated that authorization was obtained from the power of attorney over the telephone; however, this could not be substantiated. |
| Central Nebraska Veterans' Home | 7/25/2025 | \$ 582 | This payment was for a newspaper subscription; however, subscriptions were not allowed per the authorization form on file. Additionally, no signature was obtained from the member authorizing the disbursement. The withdrawal form stated that the member gave authorization over the telephone; however, this could not be substantiated. |
| Central Nebraska Veterans' Home | 12/9/2025 | \$ 174 | This payment was for the purchase of clothing. No signature was obtained from the member to authorize the purchase. Central Nebraska Veterans' Home is the representative payee for the member's Social Security benefits and would, therefore, be legally authorized to make such purchases on his behalf. However, as the member is able to document his approval of the purchase, a best practice would appear to be for the Department to obtain written documentation authorizing the payment. |
| Norfolk Veterans' Home | 12/10/2025 | \$ 150 | This transaction was a cash withdrawal. The withdrawal form was not signed by the member or his power of attorney. The withdrawal form stated that the member's power of attorney gave verbal authorization; however, this could not be substantiated. |

A proper system of internal controls requires an adequate segregation of duties or compensating procedures to ensure no one individual is in a position both to perpetrate and to conceal errors or irregularities. Such controls should include procedures to ensure proper authorizations are obtained and documented for all disbursements made from member trust accounts, and those disbursements are made only in accordance with the authorization forms on file.

Without such procedures, there is an increased risk that errors or irregularities in member trust accounts could occur and remain undetected by the Department.

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Lack of Segregation of Duties Over Member Trust Accounts and Disbursement Authorizations

(Concluded)

We recommend the Department implement a proper segregation of duties so that no single individual can handle all aspects of member trust transactions without the required involvement of a second individual. If such a segregation of duties is not possible, we recommend the Department implement adequate compensating procedures, such as documented secondary reviews by an employee who does not have access to process member trust transactions. We further recommend the Department strengthen procedures to ensure proper authorizations are obtained and documented for all disbursements made from member trust funds, and such disbursements are made only in accordance with the authorization forms on file.

Department Response: The Department has implemented additional compensating procedures to document a secondary review when a second individual is not available.

The Department acknowledges the importance of documenting proper authorization and will strengthen our current controls by documenting approvals obtained via phone with written follow-up communication.

5. Pharmacy Inventory Controls

Each of the four veterans' homes operates an in-house pharmacy that is generally staffed by one registered pharmacist and one pharmacy technician. We noted there was not an adequate segregation of duties over pharmacy Inventory as one individual could order, receive, maintain custody, and dispense medications without the required involvement of a second individual.

Additionally, the pharmacies do not utilize a perpetual inventory system for non-controlled substances; therefore, the APA was unable to verify the inventory on hand at each pharmacy was appropriate. Instead, each pharmacy only conducts an inventory count near the end of the fiscal year to report to the DAS – State Accounting Division for reporting in the State's Annual Comprehensive Financial Report. Once counted, the pharmacy does not perform any procedures to verify the amount counted was appropriate and verify there were not any medications improperly dispensed from inventory without an order or any other improper transactions.

A proper system of internal controls requires an adequate segregation of duties or compensating procedures to ensure no one individual is in a position both to perpetrate and to conceal errors or irregularities.

Without such procedures, there is an increased risk that errors or irregularities in pharmacy inventory could occur and remain undetected by the Department. If such a segregation of duties is not possible, we recommend the Department implement compensating procedures to reduce the associated risk as much as possible.

We recommend the Department implement a proper segregation of duties so that no single individual can handle all aspects of pharmacy transactions without the required involvement of a second individual. If such a segregation of duties is not possible, we recommend the Department implement compensating procedures to reduce the associated risk as much as possible. Finally, we recommend the Department consider implementing a perpetual inventory system.

Department Response: The Department has implemented dual signatures on all invoices.

The Department currently does not have a mechanism in place to maintain an automated perpetual inventory but will look into the feasibility of implementing a perpetual inventory system.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Payroll Issues

During the calendar year ending December 31, 2025, the Department's payroll-related expenditures for operating the four veterans' homes totaled \$61,942,550. The Department used the KRONOS payroll application to track employee hours worked and leave used. This application interfaced with the State's accounting system, which was used to process employee paychecks. While the Department has implemented some procedures for the review of payroll and to ensure its accuracy, we noted the following areas where the Department's procedures could be strengthened:

- Two employees who terminated employment with the Department had amounts owed to the Department at the time of their termination. However, the Department did not perform adequate follow-up procedures to ensure the Department received all amounts owed. As of audit fieldwork in March 2026, the Department had not received the amounts owed from either employee.
 - Employee #1 – This employee terminated employment with the Department on March 6, 2025, and had a sick leave balance of negative 55.42 hours, which equals \$1,403. Despite one letter sent on March 24, 2025, to the employee regarding the amount owed, no further action was taken by the Department.
 - Employee #2 – This employee terminated employment with the Department on July 7, 2025, but did not have enough wages on the final paycheck to pay required deductions for benefits. Consequently, the employee owed \$350 for such benefits; however, the Department did not follow up on this amount owed until December 23, 2025, nearly six months later.
- Three employees tested did not receive the proper amount of shift differential pay based on the labor contract between the State of Nebraska and the Nebraska Association of Public Employees (NAPE). All three issues resulted in underpayment to the employee, as shown in the table below:

| | Underpayment |
|--------------|---------------------|
| Employee #1 | \$ 1.25 |
| Employee #2 | 3.00 |
| Employee #3 | 46.75 |
| Total | \$ 51.00 |

- One employee tested had the incorrect hire date entered into KRONOS, resulting in that system reflecting incorrect vacation leave accrual rates and balances. Consequently, we noted that this employee was improperly allowed to use more vacation leave than what the employee had earned, as the Department was only reviewing vacation leave balances per KRONOS. Had the Department also reviewed official leave balances in the State's accounting system (which were correct), it would have realized this employee's actual vacation leave balances were negative. Negative vacation leave balances ranged from 5 to 21 hours.

A proper system of internal controls requires procedures to ensure: 1) amounts owed to the Department by terminated employees are adequately and timely followed up on; 2) shift differential pay is proper; and 3) leave accrual rates and balances are correct in all systems utilized by the Department.

Without such procedures, there is an increased risk of employees' pay being improper and the Department not receiving all amounts owed to it.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Payroll Issues (Concluded)

We recommend the Department implement and/or strengthen procedures, as appropriate, to ensure: 1) amounts owed to the Department by terminated employees are adequately and timely followed up on; 2) shift differential pay is proper; and 3) leave accrual rates and balances are correct in all systems utilized by the Department.

Department Response: The Department recognizes the recommendations identified in the audit findings and remains committed to processing payroll accurately, efficiently, and in compliance with all applicable NAPE/AFSCME bargaining agreements, Fair Labor Standards Act (FLSA) requirements, and State personnel policies and procedures. Regarding the payroll issues, moving forward the Department will reconcile the E1 leave accruals report to the similar Kronos report to check for any variances, check by candidate social security number to verify potential previous state employment to ensure accurate continuous service dates and accruals, and will document outreach attempts to terminated employees with debts to the Department.

7. Contract Issues

During the calendar year ending December 31, 2025, the Department paid Stericycle, Inc., \$115,167 for waste disposal services; however, documentation was unavailable to support that the contract with Stericycle, Inc., followed required competitive bidding procedures, as stipulated in Neb. Rev. Stat. § 73-807 (Cum. Supp. 2024). Furthermore, this contract was not uploaded to the State Contracts Database, as required by Neb. Rev. Stat. § 84-602.04 (Supp. 2025). Finally, the Department paid \$1,175,570 to McKesson Corporation for pharmaceuticals during the calendar year ending December 31, 2025; however, the contract for this expenditure of State funds was also not uploaded to the State Contracts Database.

Section 73-807 provides the following, in relevant part, the following:

Except as provided in section 73-813:

(1) All state agencies shall comply with the review and competitive bidding processes provided in this section. Unless otherwise exempt, no state agency shall expend funds for contracts without complying with this section;

(2) All proposed state agency contracts in excess of fifty thousand dollars shall be bid by a competitive formal bidding process in the manner prescribed by the division procurement manual or a process approved by the Director of Administrative Services. Bidding for contracts for services may be performed at the state agency level or by the division. The division shall administer the public notice and bidding procedures for any contract for personal property[.]

Neb. Rev. Stat. § 84-602.04(4)(a)(i) (Supp. 2025) requires the DAS website to contain the following:

A database that includes a copy of each active contract that is a basis for an expenditure of state funds, including any amendment to such contract and any document incorporated by reference in such contract. For purposes of this subdivision, amendment means an agreement to modify a contract which has been reduced to writing and signed by each party to the contract, an agreement to extend the duration of a contract, or an agreement to renew a contract. The database shall be accessible by the public and searchable by vendor, by state entity, and by dollar amount. All state entities shall provide to the Department of Administrative Services, in electronic form, copies of such contracts for inclusion in the database beginning with contracts that are active on and after January 1, 2014, except that for any state entity that becomes subject to this section due to the changes made by Laws 2016, LB851, such state entity shall provide copies of such contracts for inclusion in the database beginning with contracts that are active on and after January 1, 2017[.]

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

COMMENTS AND RECOMMENDATIONS

(Concluded)

7. **Contract Issues** (Concluded)

A proper system of internal controls requires procedures to ensure that all contracts entered into by the Department follow required competitive bidding procedures, and documentation of such procedures is maintained for subsequent review. Those internal controls require also that all contracts that are the basis for an expenditure of State funds are uploaded to the State Contracts Database, as required by law.

Without such procedures, there is an increased risk for not only misuse of State funds but also important contractual information being withheld from taxpayers, legislators, and any other interested parties.

We recommend the Department implement procedures to ensure: 1) all contracts entered into by the Department follow required competitive bidding procedures, and documentation of such procedures is maintained for subsequent review; and 2) all contracts that are the basis for an expenditure of State funds are uploaded to the State Contracts Database, as required by law.

Department Response: The Department follows required competitive bidding procedures. The Department's legacy federal agreements will be reviewed and assigned contract numbers for loading into E-1, if necessary, to ensure all contracts expending State funds are uploaded into the State Contracts Database.



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

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Veterans' Affairs
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances – Program 519 (Central Nebraska Veterans' Home); Program 520 (Norfolk Veterans' Home); Program 521 (Western Nebraska Veterans' Home); and Program 522 (Eastern Nebraska Veterans' Home); Schedule of Government Aid Expenditures – Program 36 (Departmental Administration); and Schedule of Member Trust Receipts, Disbursements, and Balances (Schedules) of the Nebraska Department of Veterans' Affairs (Department) for the calendar year ending December 31, 2025. The Department's management is responsible for the Schedules based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedules based on our examination.

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

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

In our opinion, the Schedules for the calendar year ending December 31, 2025, are based on the accounting system and procedures prescribed by the State of Nebraska's Director of the Department of Administrative Services, as set forth in Note 1, in all material respects.

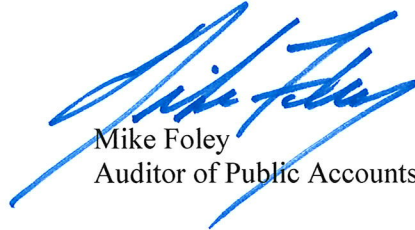
In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Schedules; fraud that is material, either quantitatively or qualitatively, to the Schedules; and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to

express an opinion on whether the Schedules are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedules or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

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



Jeff Schreier, CPA, CFE
Audit Manager
Lincoln, Nebraska



Mike Foley
Auditor of Public Accounts

June 5, 2026

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 519, 520, 521, & 522
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Calendar Year Ending December 31, 2025

| | Program 519 - Central NE Veterans' Home | | | Total Program 519 |
|--|--|---|--|------------------------------|
| | General Fund | Central NE Veterans' Home Cash Fund | Central NE Veterans' Home Federal Fund | |
| | 10000 | 22523 | 42540 | |
| REVENUES: | | | | |
| Appropriations | \$ 14,688,241 | \$ - | \$ - | \$ 14,688,241 |
| Intergovernmental | - | - | 82,388 | 82,388 |
| Sales & Charges | - | 4,098,181 | 9,382,115 | 13,480,296 |
| Miscellaneous | - | 201,852 | 199,143 | 400,995 |
| TOTAL REVENUES | <u>14,688,241</u> | <u>4,300,033</u> | <u>9,663,646</u> | <u>28,651,920</u> |
| EXPENDITURES: | | | | |
| Personal Services | 13,506,034 | 534 | 6,253,135 | 19,759,703 |
| Operating | 1,175,226 | 4,570,686 | 142,952 | 5,888,864 |
| Travel | - | 24,647 | 2,682 | 27,329 |
| Capital Outlay | 6,981 | 8,744 | 471 | 16,196 |
| TOTAL EXPENDITURES | <u>14,688,241</u> | <u>4,604,611</u> | <u>6,399,240</u> | <u>25,692,092</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>(304,578)</u> | <u>3,264,406</u> | <u>2,959,828</u> |
| FUND BALANCES, JANUARY 1, 2025 | <u>-</u> | <u>1,832,689</u> | <u>5,475,623</u> | <u>7,308,312</u> |
| FUND BALANCES, DECEMBER 31, 2025 | <u>\$ -</u> | <u>\$ 1,528,111</u> | <u>\$ 8,740,029</u> | <u>\$ 10,268,140</u> |
| FUND BALANCES CONSIST OF: | | | | |
| General Cash | \$ - | \$ 1,599,933 | \$ 8,750,436 | \$ 10,350,369 |
| Petty Cash | - | 3,000 | - | 3,000 |
| Accounts Receivable Invoiced | - | 13 | - | 13 |
| Due From Other Government | - | (427) | - | (427) |
| Loans Receivable | - | 46 | - | 46 |
| Received Not Vouchered | - | (28,514) | (3,461) | (31,975) |
| Due to Vendors | - | (47,954) | (6,946) | (54,900) |
| Due to Fund | - | 2,014 | - | 2,014 |
| TOTAL FUND BALANCES | <u>\$ -</u> | <u>\$ 1,528,111</u> | <u>\$ 8,740,029</u> | <u>\$ 10,268,140</u> |

(Continued)

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 519, 520, 521, & 522
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Calendar Year Ending December 31, 2025

| | Program 520 - Norfolk Veterans' Home | | | Total Program 520 |
|--|---|---|--|------------------------------|
| | General Fund 10000 | Norfolk Veterans' Home Cash Fund 22524 | Norfolk Veterans' Home Federal Fund 42541 | |
| | | | | |
| REVENUES: | | | | |
| Appropriations | \$ 11,590,753 | \$ - | \$ - | \$ 11,590,753 |
| Intergovernmental | - | - | 142,533 | 142,533 |
| Sales & Charges | - | 4,184,048 | 9,260,030 | 13,444,078 |
| Miscellaneous | - | 105,219 | 141,598 | 246,817 |
| TOTAL REVENUES | <u>11,590,753</u> | <u>4,289,267</u> | <u>9,544,161</u> | <u>25,424,181</u> |
| EXPENDITURES: | | | | |
| Personal Services | 10,414,419 | 89,660 | 6,142,426 | 16,646,505 |
| Operating | 1,134,745 | 2,792,903 | 120,482 | 4,048,130 |
| Travel | - | 12,281 | 3,564 | 15,845 |
| Capital Outlay | 41,589 | 43,727 | 5,466 | 90,782 |
| TOTAL EXPENDITURES | <u>11,590,753</u> | <u>2,938,571</u> | <u>6,271,938</u> | <u>20,801,262</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>1,350,696</u> | <u>3,272,223</u> | <u>4,622,919</u> |
| FUND BALANCES, JANUARY 1, 2025 | <u>-</u> | <u>2,875,940</u> | <u>3,616,649</u> | <u>6,492,589</u> |
| FUND BALANCES, DECEMBER 31, 2025 | <u>\$ -</u> | <u>\$ 4,226,636</u> | <u>\$ 6,888,872</u> | <u>\$ 11,115,508</u> |
| FUND BALANCES CONSIST OF: | | | | |
| General Cash | \$ - | \$ 4,315,478 | \$ 6,913,369 | \$ 11,228,847 |
| Petty Cash | - | 3,000 | - | 3,000 |
| Accounts Receivable Invoiced | - | - | - | - |
| Due From Other Government | - | - | - | - |
| Loans Receivable | - | - | - | - |
| Received Not Vouchered | - | (86,394) | (23,441) | (109,835) |
| Due to Vendors | - | (5,102) | (1,056) | (6,158) |
| Due to Fund | - | (346) | - | (346) |
| TOTAL FUND BALANCES | <u>\$ -</u> | <u>\$ 4,226,636</u> | <u>\$ 6,888,872</u> | <u>\$ 11,115,508</u> |

(Continued)

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 519, 520, 521, & 522
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Calendar Year Ending December 31, 2025

| | Program 521 - Western NE Veterans' Home | | | |
|--|--|------------------------------|------------------------------|----------------------|
| | | Western NE Veterans' Home | Western NE Veterans' Home | |
| | General Fund 10000 | Cash Fund 22528 | Federal Fund 42542 | Total Program 521 |
| REVENUES: | | | | |
| Appropriations | \$ 9,034,657 | \$ - | \$ - | \$ 9,034,657 |
| Intergovernmental | - | - | 34,790 | 34,790 |
| Sales & Charges | - | 1,477,314 | 4,449,501 | 5,926,815 |
| Miscellaneous | - | 31,484 | 130,290 | 161,774 |
| TOTAL REVENUES | <u>9,034,657</u> | <u>1,508,798</u> | <u>4,614,581</u> | <u>15,158,036</u> |
| EXPENDITURES: | | | | |
| Personal Services | 7,688,687 | 27,557 | 2,444,485 | 10,160,729 |
| Operating | 1,313,424 | 1,277,622 | 243,135 | 2,834,181 |
| Travel | - | 17,283 | 484 | 17,767 |
| Capital Outlay | 32,546 | - | - | 32,546 |
| TOTAL EXPENDITURES | <u>9,034,657</u> | <u>1,322,462</u> | <u>2,688,104</u> | <u>13,045,223</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>186,336</u> | <u>1,926,477</u> | <u>2,112,813</u> |
| FUND BALANCES, JANUARY 1, 2025 | <u>-</u> | <u>942,256</u> | <u>3,124,890</u> | <u>4,067,146</u> |
| FUND BALANCES, DECEMBER 31, 2025 | <u>\$ -</u> | <u>\$ 1,128,592</u> | <u>\$ 5,051,367</u> | <u>\$ 6,179,959</u> |
| FUND BALANCES CONSIST OF: | | | | |
| General Cash | \$ - | \$ 1,147,149 | \$ 5,378,325 | \$ 6,525,474 |
| Petty Cash | - | 3,000 | - | 3,000 |
| Accounts Receivable Invoiced | - | 302 | - | 302 |
| Due From Other Government | - | - | - | - |
| Loans Receivable | - | - | - | - |
| Received Not Vouchered | - | (7,990) | (22,421) | (30,411) |
| Due to Vendors | - | (14,048) | (4,537) | (18,585) |
| Due to Fund | - | 179 | (300,000) | (299,821) |
| TOTAL FUND BALANCES | <u>\$ -</u> | <u>\$ 1,128,592</u> | <u>\$ 5,051,367</u> | <u>\$ 6,179,959</u> |

(Continued)

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 519, 520, 521, & 522
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Calendar Year Ending December 31, 2025

| | Program 522 - Eastern NE Veterans' Home | | | Total Program 522 | Totals (Memorandum Only) |
|--|--|--|---|------------------------------|---|
| | General Fund 10000 | Eastern NE Veterans' Home Cash Fund 22529 | Eastern NE Veterans' Home Federal Fund 42543 | | |
| | REVENUES: | | | | |
| Appropriations | \$ 11,364,931 | \$ - | \$ - | \$ 11,364,931 | \$ 46,678,582 |
| Intergovernmental | - | - | 191,448 | 191,448 | 451,159 |
| Sales & Charges | - | 3,132,927 | 8,466,407 | 11,599,334 | 44,450,523 |
| Miscellaneous | - | 78,097 | 182,096 | 260,193 | 1,069,779 |
| TOTAL REVENUES | 11,364,931 | 3,211,024 | 8,839,951 | 23,415,906 | 92,650,043 |
| EXPENDITURES: | | | | | |
| Personal Services | 10,005,212 | 31,460 | 5,338,941 | 15,375,613 | 61,942,550 |
| Operating | 1,306,205 | 1,843,844 | 777,439 | 3,927,488 | 16,698,663 |
| Travel | 451 | 5,232 | 6,689 | 12,372 | 73,313 |
| Capital Outlay | 53,063 | 18,029 | 90,734 | 161,826 | 301,350 |
| TOTAL EXPENDITURES | 11,364,931 | 1,898,565 | 6,213,803 | 19,477,299 | 79,015,876 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | 1,312,459 | 2,626,148 | 3,938,607 | 13,634,167 |
| FUND BALANCES, JANUARY 1, 2025 | - | 1,960,349 | 4,774,130 | 6,734,479 | 24,602,526 |
| FUND BALANCES, DECEMBER 31, 2025 | \$ - | \$ 3,272,808 | \$ 7,400,278 | \$ 10,673,086 | \$ 38,236,693 |
| FUND BALANCES CONSIST OF: | | | | | |
| General Cash | \$ - | \$ 3,276,883 | \$ 7,112,305 | \$ 10,389,188 | \$ 38,493,878 |
| Petty Cash | - | 3,000 | - | 3,000 | 12,000 |
| Accounts Receivable Invoiced | - | - | 18 | 18 | 333 |
| Due From Other Government | - | - | - | - | (427) |
| Loans Receivable | - | - | 300,000 | 300,000 | 300,046 |
| Received Not Vouchered | - | (1) | (2,816) | (2,817) | (175,038) |
| Due to Vendors | - | (336) | (9,229) | (9,565) | (89,208) |
| Due to Fund | - | (6,738) | - | (6,738) | (304,891) |
| TOTAL FUND BALANCES | \$ - | \$ 3,272,808 | \$ 7,400,278 | \$ 10,673,086 | \$ 38,236,693 |

(Concluded)

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF GOVERNMENT AID EXPENDITURES
PROGRAM 36 (DEPARTMENTAL ADMINISTRATION)
For the Calendar Year Ending December 31, 2025

| | Pets for Vets Cash Fund | Military Installation Development and Support Fund | Veterans Aid Trust Fund | Total |
|----------------|------------------------------------|---|------------------------------------|--------------|
| | 22821 | 22830 | 63200 | |
| Government Aid | \$ 20,339 | \$ 768,180 | \$ 2,347,603 | \$ 3,136,122 |

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF MEMBER TRUST RECEIPTS, DISBURSEMENTS, AND BALANCES
 For the Calendar Year Ending December 31, 2025

| | Member Trust Balance January 1, 2025 | Receipts | Disbursements | Member Trust Balance December 31, 2025 |
|---------------------------|---|----------------------|----------------------|---|
| Central NE Veterans' Home | \$ 1,962,375 | \$ 5,216,464 | \$ 5,062,904 | \$ 2,115,935 |
| Norfolk Veterans' Home | 231,937 | 4,776,296 | 4,750,346 | 257,887 |
| Western NE Veterans' Home | 91,041 | 1,866,089 | 1,748,251 | 208,879 |
| Eastern NE Veterans' Home | 296,968 | 3,684,509 | 3,658,097 | 323,380 |
| Total | \$ 2,582,321 | \$ 15,543,358 | \$ 15,219,598 | \$ 2,906,081 |

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

NOTES TO THE SCHEDULES

For the Calendar Year Ended December 31, 2025

1. Criteria

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

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2024), the duties of the State of Nebraska's Director of DAS include:

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

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2024), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by the DAS State Accounting Division (State Accounting) and are available to the public. The Department has also been authorized to utilize the Wellsky system to record the financial activity and balances of trust funds held on behalf of the members in the Department's care at the four veterans' homes.

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Program 519, Program 520, Program 521, and Program 522

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Program 519 (Central Nebraska Veterans' Home); Program 520 (Norfolk Veterans' Home); Program 521 (Western Nebraska Veterans' Home); and Program 522 (Eastern Nebraska Veterans' Home) was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne for only these specific budgetary programs. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Department to record all accounts receivable and related revenues in EnterpriseOne; as such, the Department's Schedules referred to previously do not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the Schedules include those expenditures and related accounts payable posted in the general ledger as of December 31, 2025, and not yet paid as of that date. The amount recorded as expenditures on the Schedules, as of December 31, 2025, **does not** include amounts for goods and services received before December 31, 2025, which had not been posted to the general ledger as of December 31, 2025.

The Department had accounts receivable not included in the Schedules of \$225,154 from unpaid member contributions. State Accounting did not require the Department to record its receivables on the general ledger, and these amounts are not reflected in revenues or fund balances on the Schedules. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

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

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

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

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Schedule of Government Aid Expenditures

The financial information used to prepare the Schedule of Government Aid Expenditures – Program 36 (Departmental Administration) was also obtained directly from the general ledger on EnterpriseOne. This schedule includes only expenditure transactions recorded to Government Aid object accounts within the Program 36 – Departmental Administration budgetary program. Government Aid expenditures represent payments to various entities and individuals in support of the State's veterans. Government Aid expenditures were recorded to the cash fund type described previously. Such expenditures were also recorded to the 60000 – Trust Funds fund type, which account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

NOTES TO THE SCHEDULE

(Concluded)

1. Criteria (Concluded)

Schedule of Member Trust Receipts, Disbursements, and Balances

The financial information used to prepare the Schedule of Member Trust Receipts, Disbursements, and Balances was obtained directly from the activity and balances recorded by the Department in the Wellsky system. Wellsky is an electronic health recordkeeping system used by the Department to track members' health and financial information. This schedule is prepared on the cash basis of accounting. When a member is admitted to one of the veterans' homes, a trust account is established for that member. Receipts are recorded to members' trust accounts when cash is received, and disbursements are recorded when payments are made. Of the total balance of member trust funds held by the Department, a portion of the money is held in an account at a local bank by each veterans' home, and the remainder is remitted to the State Treasurer and recorded in EnterpriseOne. Monthly, each veterans' home reconciles the total member trust balances recorded in Wellsky to the balances reflected in the local bank accounts and in EnterpriseOne.

2. Reporting Entity

The Department is a State agency established under and governed by the laws of the State of Nebraska. As such, the Department is exempt from State and Federal income taxes. Each Schedule includes only the funds and accounts relevant to each respective schedule, as described in Note 1.

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

3. Totals

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

4. General Cash

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

A portion of member trust funds is held at local banks, and the remainder is deposited with the State Treasurer. Assets held at local banks are insured through the Federal Deposit Insurance Corporation. The Department has also obtained a \$1,200,000 surety bond through RLI Insurance Company to protect the personal funds of members in the control and custody of the Department.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Program 519 (Central Nebraska Veterans' Home); Program 520 (Norfolk Veterans' Home); Program 521 (Western Nebraska Veterans' Home); and Program 522 (Eastern Nebraska Veterans' Home); Schedule of Government Aid Expenditures – Program 36 (Departmental Administration); and Schedule of Member Trust Receipts, Disbursements, and Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedules; accordingly, we express no opinion on it.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
SUMMARY OF MEMBER COST OF CARE AND FUNDING SOURCES
 For the Fiscal Year Ending June 30, 2025

Exhibit A

| Facility | Census | Cost per Member | | Cost per Facility | | Funding Sources | | | |
|-------------------------------------|------------|-------------------|------------------|----------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| | | Annual | Monthly | Annual | Monthly | General Funds | Cash Funds* | Federal Funds** | Total |
| Central NE Veterans' Home | 134 | \$ 188,180 | \$ 15,682 | \$ 25,216,172 | \$ 2,101,348 | \$ 13,639,143 | \$ 4,351,081 | \$ 7,225,948 | \$ 25,216,172 |
| Norfolk Veterans' Home | 141 | 141,286 | 11,774 | 19,921,285 | 1,660,107 | 11,732,064 | 2,715,163 | 5,474,058 | 19,921,285 |
| Western NE Veterans' Home | 69 | 175,341 | 14,612 | 12,098,557 | 1,008,213 | 9,388,204 | 1,252,960 | 1,457,393 | 12,098,557 |
| Eastern NE Veterans' Home | 96 | 182,875 | 15,240 | 17,556,006 | 1,463,000 | 11,230,422 | 1,203,218 | 5,122,366 | 17,556,006 |
| Totals | 440 | \$ 687,682 | \$ 57,308 | \$ 74,792,020 | \$ 6,232,668 | \$ 45,989,833 | \$ 9,522,422 | \$ 19,279,765 | \$ 74,792,020 |
| Funding Source Allocation %: | | | | | | 61% | 13% | 26% | 100% |

* Cash Funds consist primarily of member contributions towards their cost of care

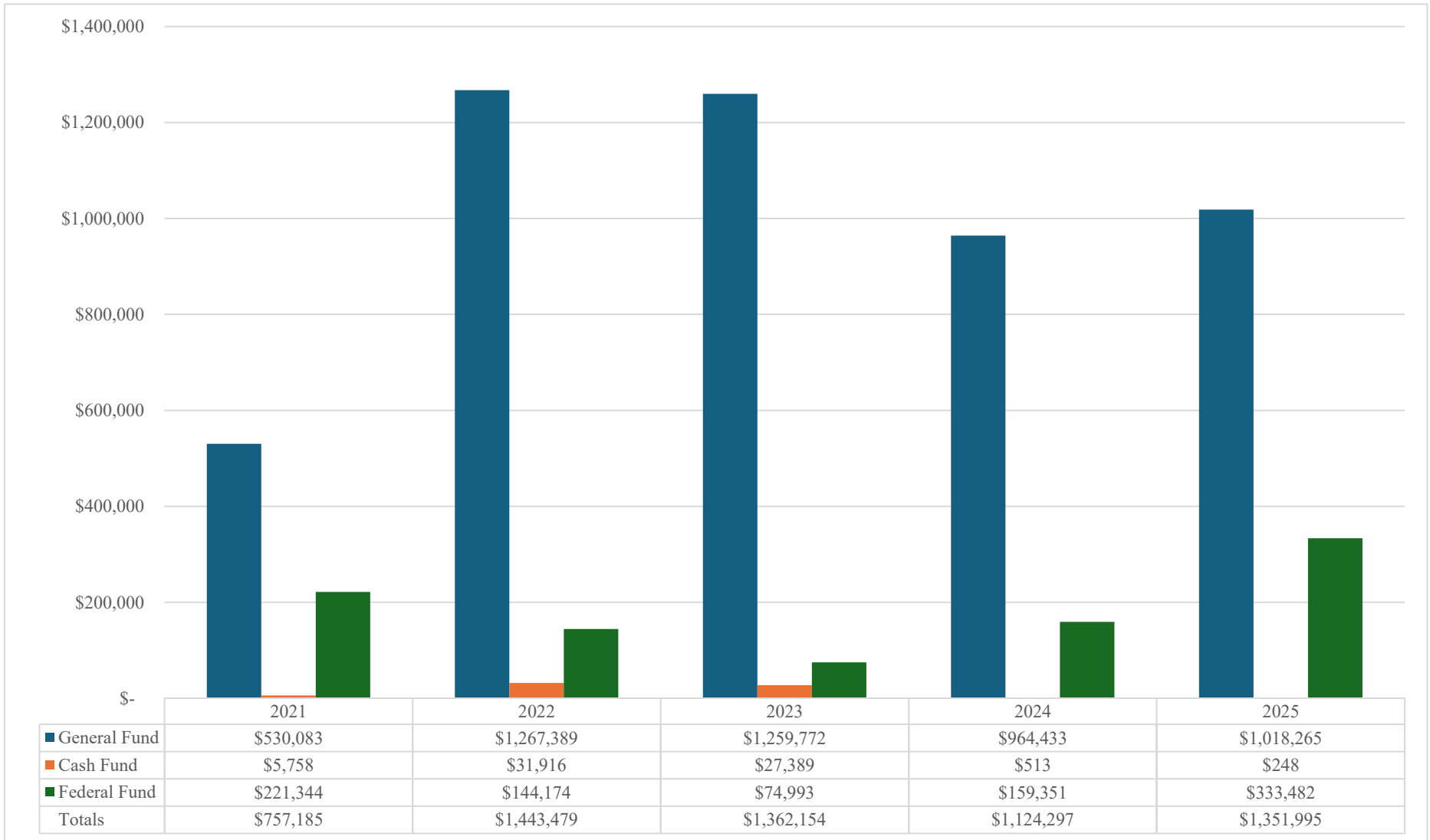
** Federal Funds consist primarily of per diem payments received from the U.S. Department of Veterans Affairs

Note: Member Cost of Care data is only maintained on a fiscal year basis rather than a calendar year basis. Data for the fiscal year ending June 30, 2025, is presented here.

Source: Prepared by Nebraska Department of Veterans' Affairs

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
CENTRAL NEBRASKA VETERANS' HOME OVERTIME
 For the Calendar Years 2021-2025

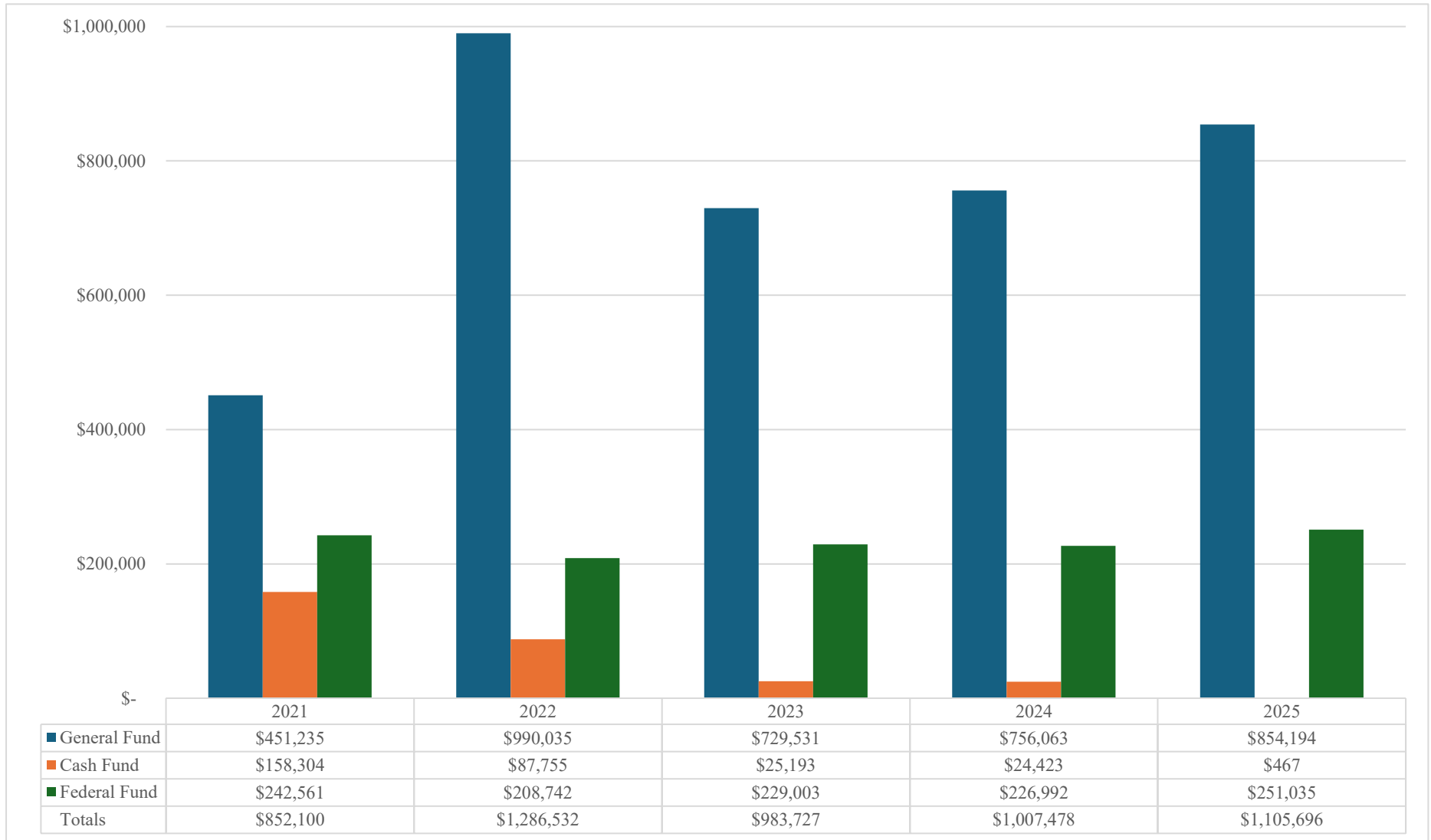
Exhibit B



Source: Transactions recorded in the State's accounting system to Program 519 and object account 511300 for overtime payments.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
NORFOLK VETERANS' HOME OVERTIME
 For the Calendar Years 2021-2025

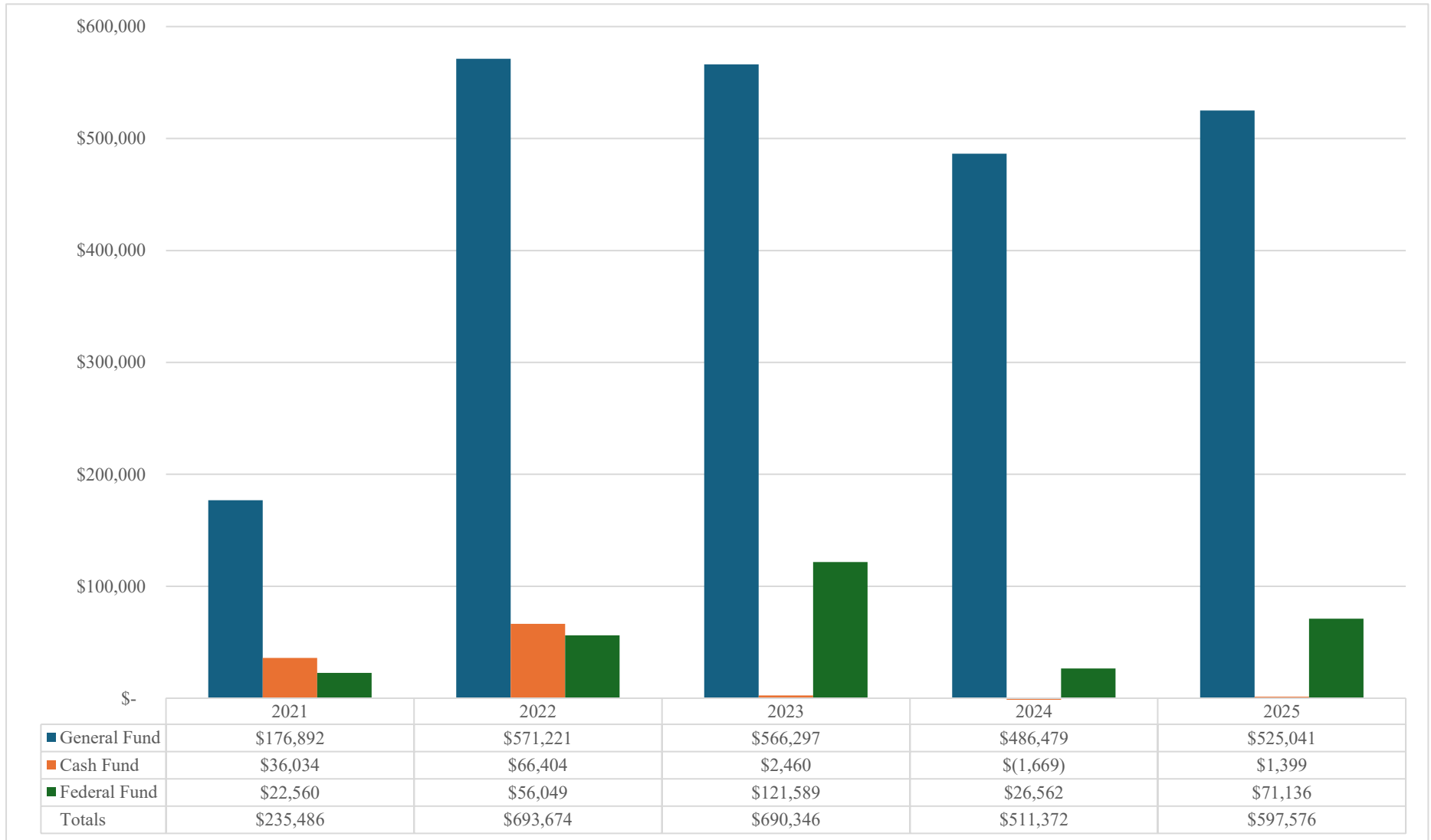
Exhibit C



Source: Transactions recorded in the State's accounting system to Program 520 and object account 511300 for overtime payments.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
WESTERN NEBRASKA VETERANS' HOME OVERTIME
 For the Calendar Years 2021-2025

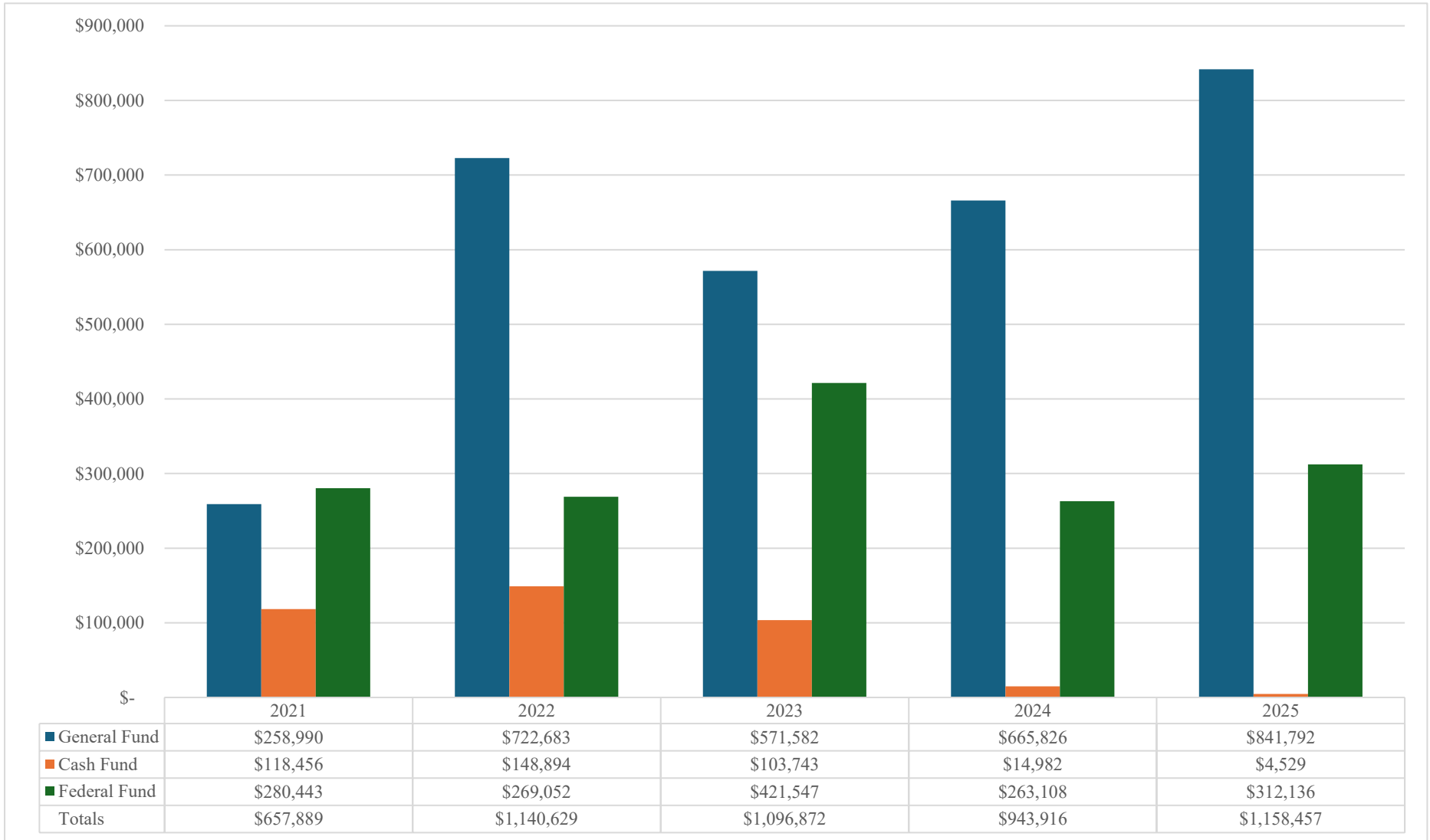
Exhibit D



Source: Transactions recorded in the State's accounting system to Program 521 and object account 511300 for overtime payments.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
EASTERN NEBRASKA VETERANS' HOME OVERTIME
 For the Calendar Years 2021-2025

Exhibit E



Source: Transactions recorded in the State's accounting system to Program 522 and object account 511300 for overtime payments.