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

Lee Will, Director
Nebraska Department of Administrative Services
1526 K Street, Suite 190
Lincoln, Nebraska 68509

Dear Mr. Will:

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 Department of Administrative Services (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 certain deficiencies in internal control that we consider to be material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider Comment Number 1 (Significant Adjustments Required in the Annual Comprehensive Financial Report (ACFR)) 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 (State Health Insurance Monitoring) and Comment Number 3 (Timesheet and Supervisor Approval in State Accounting System) to be significant deficiencies.

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

In addition, we noted other matters involving internal control and its operation that we have reported to management of the Department, pursuant to American Institute of Certified Public Accountants (AICPA) Auditing Standards AU-C Section 265.A18, in a separate early communication letter dated June 30, 2025.

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. The 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. Significant Adjustments Required in the Annual Comprehensive Financial Report (ACFR)

The Department of Administrative Services – State Accounting (State Accounting) is responsible for the preparation and accuracy of the ACFR. For the fiscal year 2025 audit, and as reported in prior years, the Auditor of Public Accounts (APA) has identified a significant amount of inaccurate financial statement entries – both by State Accounting and other agencies – leading to the conclusion that State Accounting lacks adequate controls to ensure the State's financial statements are materially correct. One of the main failures continues to be the lack of control to ensure its own and other agency entries are accurate prior to their submission to the APA for audit.

As a result, State Accounting materially misstated financial statement entries and footnote disclosures, requiring significant adjustments, revisions, and additional time to complete the audit procedures. The table below summarizes over $1.8 billion in required adjustments to the financial statements and over $152 million in related footnote adjustments. Without the efforts and significant time of the APA to identify and request the correction of these errors, the State's financial statements would be materially misstated.

Type of Error	Dollar Error
State Accounting Errors	$ 1,621,640,188
State Agency Errors	$ 234,153,079
Capital Asset Accounting Errors (See Comment #4)	$ 6,086,446
Total Financial Statement Adjustments	**$ 1,861,879,713**
Total Footnote Errors	**$ 152,686,520**
Total Errors	**$ 2,014,566,233**

State Accounting and State Agency Errors
We have prepared **Supplementary Table #1** at the end of this letter to provide details on 21 financial statement errors, totaling $1,861,879,713, that were identified by the APA and recorded by State Accounting as an adjustment to ensure the financial statements were materially correct.

Supplementary Table #1 also identifies whether the adjustments were reported in the prior audit. In total, 9 of the 21 adjustments, totaling $259,990,589, were related to issues reported in the prior audit and were not adequately addressed and corrected.

Footnote Errors
The following table explains the errors found in State Accounting's preparation of the required footnote disclosures to the financial statements.

Footnote #	Description	Amount
#12 Risk Management	State Accounting did not properly update the Risk Management footnote for changes in insurance coverage. The result of the errors was an overstatement of Excess Property Coverage by $50,000,000 and an overstatement of Wind & Hail Coverage by $61,250,000.	$ 111,250,000
#4 Capital Assets	The construction-in-progress (CIP) additions and deletions were both understated by $12,843,597.70 due to the failure of State Accounting to include fiscal year 2025 costs for projects that were completed in fiscal year 2025. This had no net impact on CIP ending balances and no financial statement impact; however, the amounts in the footnotes were understated.	$ 25,687,195
#18 COVID-19 Government Assistance	State Accounting failed to include all claimed revenue earned for the State and Local Fiscal Recovery Funds within the COVID-19 footnote, resulting in an understatement of $6,637,688.	$ 6,637,688
#12 Risk Management	In the Risk Management footnote, State Accounting reported an incorrect amount of "Current Year Claims and Changes in Estimates," resulting in an understatement of $4,001,000.	$ 4,001,000
#2 Deposits and Investments Portfolio	The State Treasurer incorrectly excluded one bank account when reporting the end-of-year bank account balances, which was not identified by State Accounting, resulting in the understatement of the deposit footnote by $2,910,764.	$ 2,910,764
#3 Receivables	The Department of Health and Human Services made several errors during the calculation of the patient and county billing receivable, which resulted in an understatement of the associated allowance for doubtful accounts by $1,082,920. The Department of Labor's allowance for doubtful accounts was also understated by $257,953.	$ 1,340,873
#15 Bonds Payable	State Accounting failed to include all bond proceeds for fiscal year 2025 issuances, resulting in an understatement of the bonds payable by $504,000. Additionally, other content adjustments were made to comply with Governmental Accounting Standards Board requirements.	$ 504,000
#17 Restatements	State Accounting failed to include properly all investment restatements for the internal service funds, resulting in an understatement of $355,000.	$ 355,000
	Total Footnote Errors	**$ 152,686,520**

The APA also noted other footnote errors during testing, including mathematically inaccurate schedules, an incorrect description of the pollution remediation liability, line item changes in terminology, incorrect contribution rates for the State Patrol Retirement Plan, lack of information regarding the lease/subscription asset amortization period, and failure to report changes in the actuarial assumptions subsequent event.

Other ACFR Preparation Errors

We identified additional errors in the preparation of the ACFR that did not require a formal, proposed adjustment to the financial statements because corrections were made prior to the proposal of a formal adjustment or because they occurred in ACFR sections other than the financial section and footnotes. The table below details these additional errors:

ACFR Section	Description	Amount
Management's Discussion and Analysis (MD&A)	The APA identified 10 separate revisions to amounts in the MD&A, including issues with changes in activity, lack of agreement with the audited financial statements, incorrect percents, and incorrect balances.	$ 511,000,000
Operating Investment Pool (OIP) Cash Adjustments	State Accounting prepares an entry at the end of each fiscal year for the purpose of essentially reclassifying OIP cash from the long-term investment account to cash. In the past, State Accounting had adjusted only ACFR funds with large cash balances. The APA's preliminary calculation showed significant variances in other ACFR funds, so State Accounting revised the entry to include all ACFR funds. The total amount adjusted between the funds was over $106 million. A beginning balance adjustment totaling over a half million dollars was also made to various funds to record the correct allocation that should have been made in fiscal year 2024.	$ 107,000,000

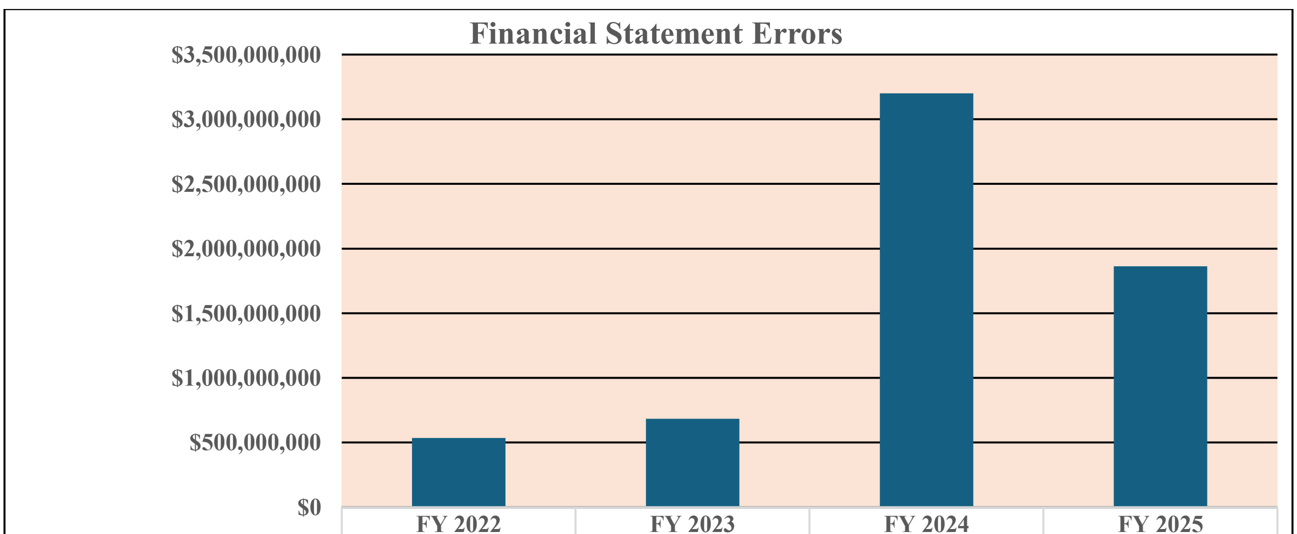
ACFR Section	Description	Amount
State Patrol Retirement Plan Contributions	State Accounting failed to allocate the retirement plan contributions between the employee and employer due to legislative changes effective July 1, 2024, that reduced the employee contribution from 16% or 17% to 10% and increased the employer (State) contributions from 16% or 17% to 24%. Therefore, the employee contributions were overstated and the employer contributions were understated by $3 million.	$ 3,081,000
State Contributions to the School Employees Retirement Plan	State Accounting incorrectly reported the covered payroll and employer contribution to the Plan in the Schedule of State Contributions for the School Employees Retirement Plan, which is part of RSI. This resulted in understatements of $79,000 and $3,000, respectively.	$ 82,000
Other Errors	Other Postemployment Benefits (OPEB) not administered through a trust were reported as a net OPEB liability instead of a total OPEB liability in accordance with auditing standards. Additionally, footnote disclosures for pledged future revenues did not include the relationship of the pledged amount to the total for that specific revenue source in accordance with auditing standards.	$ 0
	Total Other Errors	**$ 621,163,000**

We also found that prior period information presented in the MD&A was incorrectly restated for a change in accounting principle, prior period amounts restated were not identified as such, and there was a lack of required disclosures to explain the effect of the change in accounting principle and error corrections on the prior period information.

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

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

Similar findings have been reported in the prior year ACFRs. While, the number of errors, as well as the dollar amount of those errors, both individually and aggregately, have decreased since fiscal year 2024, State Accounting still needs to develop controls and processes to ensure the accurate and timely presentation of the ACFR. The following chart shows the progression of financial statement errors over the last 4 audits.



	FY 2022	FY 2023	FY 2024	FY 2025
Financial Statement Errors	$536,500,055	$684,991,538	$3,200,153,644	$1,861,879,713

> We recommend State Accounting continue to work with and provide training to the various agencies to implement or improve procedures necessary to resolve this audit finding. We further recommend State Accounting implement procedures to ensure the financial reporting is accurate and complete, including procedures to ensure all accrual response forms and other support contain accurate information.

Department Response: State Accounting continues to focus on internal controls and the reduction of repeat errors. The $739 million error reported by the APA as $1.478 billion related to a new accrual in which the function of government it pertained to was miscoded. This one line, in a 400-line journal entry of statewide accruals, was commingled with accruals relating to Health and Social Services and Education functions of government. State Accounting has worked to further separate this journal entry going forward by function to reduce errors of this type in the future. This one-time error encompasses over 79% of the Total Financial Statement Adjustments reported. The total financial statement adjustments reported compares to 2.98% of the State's total net position reported at year end.

State Accounting continues to work year-round with State Agencies on appropriate accounting practices, strengthening internal controls, and reducing ACFR errors. A standalone finding on the Nebraska Department of Labor was eliminated due to the combined efforts of those teams to improve financial reporting. State Accounting also implemented a new accounting standard, recording $363 million in compensated absences entries and implemented new accounting entries, footnotes, and statistical data on revenue bonds totaling over $194 million in entries, neither of which had adjustable errors.

APA Response: Despite the improvements noted in its response, the "one-line" error explained above would have resulted in materially misstated financial statements had it not been identified by the APA. The $739 million error was not complex, as State Accounting simply failed to record the proper function to all lines of the specific accrual entry. Given the fact that the total financial statement errors exceeded $1.8 billion, we continue to recommend State Accounting strengthen its controls to identify and correct material errors.

2. State Health Insurance Monitoring

The State of Nebraska offers its employees the ability to enroll in a comprehensive benefit and wellness program administered through the Department. Such program is offered in accordance with Neb. Rev. Stat. § 84-1601(1) (Reissue 2024), which states the following:

> *There is hereby established a program of group life and health insurance for all permanent employees of this state who work one-half or more of the regularly scheduled hours during each pay period, excluding employees of the University of Nebraska, the state colleges, and the community colleges. Such program shall be known as the Nebraska State Insurance Program and shall replace any current program of such insurance in effect in any agency and funded in whole or in part by state contributions.*

Each employee enrolled in the program will elect coverage annually and, based on this enrollment, an amount will be deducted from each paycheck and deposited into the State Employees Insurance Fund. These employee deductions, paired with Legislative appropriations to pay the State's share of cost, are used, pursuant to Neb. Rev. Stat. § 84-1613 (Reissue 2024), for "premium payments to the carrier, carriers, or combinations of carriers selected under section 84-1603 from this fund. The division may also use the fund to make incentive payments to state employees pursuant to section 44-1413."

For the rates effective in fiscal year 2026, the Department increased health insurance premiums by 11% for the WellNebraska Health Plan and 8% for all other Health Plans. In June 2025, the Department notified State agencies that an additional 18.5% premium increase paid for by each agency would be required to cover a shortage in the State Employees Insurance Fund.

Upon inquiry regarding this shortage, the Department clarified with the APA that it relies on projections provided by a contracted actuary in determining the amount of premiums to charge in comparison with the available fund balance of the State Employees Insurance Fund. During the year, the Department became aware of increasing expenses that were being incurred above the actuarially projected amount.

The APA noted that claims paid increased from $254,708,311 in fiscal year 2024 to $290,046,777 in fiscal year 2025. Despite an increase in claims of over $35.3 million, the rebates received only increased $6.5 million, from $29,997,433 to $36,512,263.

The Department failed to provide any review of the claims paid or rebates received to ensure they were accurate or supported. In fact, no information was provided to explain how the rebates were even calculated or what the basis for the rebates were.

The Department also failed to perform any data analytics to review claim types or individual providers to ensure that an increase in claims was appropriate. Such review and data analytics would also ensure that the full amount of rebates owed by the carrier have been received.

A good internal control plan and sound business practices require procedures to ensure adequate documentation is on file to support the accuracy and completeness of all health insurance claims paid and rebates received.

Without such procedures, there is a significant increased risk of fraud, waste, abuse, and material misstatement to the financial statements.

> We recommend the Department implement procedures to ensure that an adequate review and data analytic procedures are completed for verifying documentation is on file to support the accuracy and completeness of all health insurance claims paid and rebates received.

Department Response: DAS utilizes actuarial services to assist in setting health insurance premium rates and has solicited bids for the health insurance administrator contract. Rates were initially set in early 2024 for plan years ending June 2026 and 2027. For plan year 2024-2025 actual claim experience exceed projected costs for medical claims, catastrophic claims (>$75,000), and prescription drug claims by $10.80, $7.28, and $6.05 million respectively. Actual costs exceeded projections by over 11% for the plan year, and catastrophic claims increased by more than 16%.

As part of the effort to control costs, Requests for Proposal were issued for health insurance and for prescription drug contracts. A new vendor was selected for both services affective July 1, 2026. The Department is reviewing other controls such as additional claims auditing services and stop-loss insurance coverage to monitor and/or mitigate increasing costs.

APA Response: The APA did not verify the dollar amounts or percentages provided in State Accounting's response.

3. Timesheet and Supervisor Approval in State Accounting System

A total of 21 State agencies utilized the State's accounting system to record their employees' time worked and leave used. For these agencies, we noted the following:

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

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

- Employees were able to record their time worked to any other agency funding source because a field was available to record time to any State agency and was not restricted to only the employing agency.

A proper system of internal control requires procedures to ensure that the approval of timesheets is documented for subsequent review, and funding sources are restricted to an employee's agency. Additionally, failure to retain important payroll documentation risks noncompliance with Nebraska Records Retention and Disposition Schedule 124, which requires certain payroll documentation, such as timesheets and reports, to be retained for five years.

Without such procedures, there is an increased risk for fraudulent or inaccurate payment of regular hours worked or accumulation of leave. When the funding source is not restricted, moreover, there is an increased risk that an employee may record payroll expenditures to an incorrect funding source or another agency's general ledger in error.

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

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

Department Response: Timesheet images are maintained in EnterpriseOne until the payroll is processed; however, the electronic data is maintained in EnterpriseOne indefinitely. Agencies choosing to delegate time approval are trained to maintain documentation when a delegate approves time. Under federal law, exempt employees do not need to track their hours. DAS is currently implementing a new time tracking and payroll system which will address concerns noted in this finding.

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

4. Capital Asset Errors

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

State Accounting is responsible for accurate financial statement presentation and failed to ensure CIP was recorded properly in the financial statements, resulting in over $6 million in errors that, after inquiry, were proposed and adjusted by State Accounting to ensure the State's financial statements were materially correct. The errors are summarized in the table below:

Description	Description of Errors	Dollar Error
Construction-in-Progress	State Accounting records information regarding CIP based on information from the State's accounting system and from information reported by the various State agencies. Due to errors in the reporting of on-going infrastructure asset projects by one agency, State Accounting understated the calculated CIP balances. A beginning balance adjustment of $3,051,076 and addition adjustment of $3,035,370 were required for CIP. These errors also caused errors in the Capital Asset Footnote #4 of the same amount.	$ 6,086,446
	Total Capital Asset Adjusted Errors	**$ 6,086,446**

Additionally, we noted over $16 million in errors that did not require a formal proposed adjustment to the financial statements, either due to its relative insignificance or its correction by State agencies before a formal adjustment was proposed. The details of these errors are contained in the table below:

Description	Description of Errors	Dollar Error
Construction-in-Progress	The following errors were noted related to the CIP assets included in the financial statements and in the footnotes: • State Accounting failed to include seven assets that were not yet in use, resulting in an understatement of CIP beginning balance by $262,256 and additions by $671,465. • State Accounting incorrectly reported one project as within the governmental activities; however, this project should have been reported as a business-type activity, resulting in an overstatement of governmental activities beginning balance by $46,734, additions by $173,069, and deletions by $219,804. • State Accounting failed to adjust appropriately for a prior period adjustment, resulting in one transaction, totaling $7,000, being included in both beginning balance and additions. • Four State agencies failed to ensure costs were appropriately reported for 13 projects, resulting in an understatement of beginning balance by $1,286,575, additions by $382,630, and deletions by $3,616,277.	$ 5,772,596
Construction Commitments	The following errors were noted related to the construction commitments disclosure included in the financial statement footnotes: • State Accounting failed to accumulate properly all contracts related to the Capitol HVAC project, resulting in an understatement of the disclosure by $12,961,843. • Two State agencies failed to report properly the accurate amount on ongoing commitment, with one agency improperly excluding nine projects while the other agency improperly included non-capitalized costs in the total project. These errors resulted in an overstatement of the disclosure by $9,637,588.	$ 3,324,255
Retainage Payable	The following errors were noted for the retainage payable recorded by State Accounting: • State Accounting failed to report correctly one project as a long-term payable and instead recorded the payable as short-term, resulting in an overstatement of short-term payable by $991,753. • State Accounting incorrectly adjusted the retainage payable for one Federal project due to an error in the Interfund Balances Footnote, resulting in an overstatement of payables by $722,287.	$ 1,935,764

Description	Description of Errors	Dollar Error
	• State Accounting failed to account correctly for prior period adjustments for two 309 Task Force projects, resulting in an overstatement by $217,186. • State Accounting failed to use the correct retainage for one project despite documentation on file supporting the correct amount, resulting in an understatement of both Federal and State payables and Federal receivables by $2,679 each. • One State agency failed to report accurately the appropriate fund for two projects, resulting in an overstatement of the Federal Fund by $12,576 and understatement of the Game and Parks Fund for the same amount.	
Buildings	The following errors were noted related to the building assets included in the financial statements: • State Accounting incorrectly recorded three assets as equipment instead of building improvements. One of these assets was added with the incorrect costs. The net result of these two errors was an understatement of the building assets by $1,621,229 and associated depreciation by $14,933. • One State agency failed to ensure asset costs were appropriately attached to one asset, resulting in an understatement of the building asset by $277,197 and associated depreciation of $8,286.	$ 1,921,645
Equipment	The following errors were noted related to the equipment assets included in the financial statements: • State Accounting incorrectly recorded three assets as equipment instead of building improvements, resulting in an overstatement of equipment assets by $1,617,326 and associated depreciation of $29,742. • State Accounting manually added an equipment asset from CIP; however, the costs were added to the incorrect ACFR Function, resulting in an overstatement of General Government assets by $661,260 and associated depreciation by $11,021. • Five State agencies failed to ensure costs were appropriately attached to 29 assets, resulting in an overstatement of beginning balance by $11,289 and understatement of additions by $527,221.	$ 1,803,417
Infrastructure	One State agency failed to ensure costs were appropriately attached to four assets, resulting in an understatement of infrastructure assets by $1,157,608 and associated depreciation by $14,271.	$ 1,171,879
Internal Service	The following errors were noted related to the internal service assets included in the financial statements: • State Accounting failed to record 69 assets that were disposed of during the fiscal year as a deletion, resulting in the understatement of internal service assets by $1,101,230, and associated depreciation by $1,053,983. • State Accounting failed to account properly for duplicated values related to two assets despite being aware of such duplication prior to the calculation of the internal service asset schedule, resulting in the overstatement of beginning balance by $110,921, and both assets and associated depreciation by $1,109,210.	$ 208,507

Description	Description of Errors	Dollar Error
	• State Accounting incorrectly calculated depreciation related to five assets, resulting in an overstatement of depreciation by $34,379.	
Land	The asset value for the new prison site had not been completely corrected after errors were reported in the prior year, resulting in an understatement of the land asset by $21,901.	$ 21,901
	Total Capital Asset Unadjusted Errors	**$ 16,159,964**

Lastly, we noted costs, totaling $385,308, related to construction at the Nebraska State Office Building were inappropriately recorded as operating expenses when they were capital asset additions that should have been recorded to CIP.

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

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

A similar issue was noted in prior years.

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

Department Response: State Accounting has worked extensively with State agencies to help ensure capital assets are recorded timely and accurately in the State's accounting system. This is an ongoing process of improvement for which we hold annual trainings to assist agencies. State Accounting has implemented procedures over the last several years to review agencies reporting, not only at year end, but continuously throughout the year, to alleviate issues. The immaterial adjustments noted comprise only 0.06% of the State's reported capital assets.

APA Response: Although the errors noted in this finding are immaterial to the financial statements, the total errors are still in excess of $16 million and additional procedures to continue to improve in this area are recommended.

5. Other Financial Reporting Errors Not Requiring Adjustments

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

ACFR Area	Description	Amount
Special Revenue Net Position and Fund Balance Classification	When determining the classification of its special revenue funds net position and fund balances, an adjustment was required related to inventory and prepaid items, which were originally included as restricted, rather than nonspendable fund balance. In its calculations, State Accounting reduced the balances from only one ACFR function, instead of to the functions where the balances were recorded. Therefore, the fund balances reported for ACFR Fund 6 (Game and Parks) and ACFR Fund 12 (Other Special Revenue), as well as the restricted net position on the government-wide statements, were incorrect. State Accounting made financial statement adjustments for this item.	$ 1,971,776

ACFR Area	Description	Amount
Accounts Receivable from Federal Government	State Accounting's entries to record accounts receivable from the Federal government contained the following errors: • $621,470 for interest earned on Federal COVID-19 funds was included in the receivable; however, the interest was already recorded as revenue and would not be a receivable. • $494,551 for an amount received prior to June 30, 2025, was incorrectly included in accounts receivable, resulting in accounts receivable being overstated and accounts receivable from the Federal government being understated, both by this amount.	$ 1,116,021
Prior Period Transactions	State Accounting reviewed all expenditures recorded with the prior period code to determine the proper fiscal year. During testing of such review, we found a number of issues, as follows: • $792,534 in employee health care expenses were incorrectly recorded as prior period expenses when they were for fiscal year 2025 activity. • The Department of Labor incorrectly identified $172,434 in journal entries as fiscal year 2025 activity, when it was fiscal year 2026 activity. State Accounting did not identify or correct the error. • Four transactions, totaling $138,555, were recorded to the incorrect ACFR fund and function due to various errors, including the improper exclusion or inclusion of transactions	$ 1,103,523
Compensated Absences	The compensated absences calculation was incorrect because the incorrect hourly rate of pay for two employees was used to calculate the vacation amount. As a result, the accrual entry was overstated.	$ 504,280
Incorrect Reclassification	The Department of Revenue incorrectly recorded its twice-per-year transfer for carline and airline taxes by recording certain revenues twice – once upon initial receipt and again in their transfer entries. As a result, the Department entry to reclassify the transfers as expenditures was also incorrect.	$ 114,746
	Total Other Errors	**$ 4,810,346**

As noted previously, a proper system of internal controls requires procedures to ensure the accurate reporting of financial information in the accounting system and as reported to State Accounting at the end of the year.

A lack of such procedures increases the risk of material financial statement errors going undetected. Additionally, the lack of procedures increases significantly the audit time required to ensure that the financial statements are materially correct.

Similar findings have been reported in prior years.

> We recommend State Accounting continue to work with and provide training to the various agencies to implement or improve procedures necessary to resolve this audit finding. We further recommend State Accounting implement procedures to ensure the financial reporting is accurate and complete.

Department Response: State Accounting will continue to work with and provide training to State agencies to improve financial reporting.

6. Payroll Issues

The Department's Human Resources Division (HR) uses the State's accounting system to track employees' work time and leave used. In fiscal year 2025, the Department's total payroll expenditures were $65,906,807 for 1,070 employees. We noted the following items related to our tests of payroll:

- State Accounting failed to ensure the 2025 tax tables were uploaded to the system in a timely manner. As a result, the first 2025 bi-weekly paychecks, paid January 8, 2025, used the 2024 tax rates. The Department also failed to notify State employees of this error. For one employee tested for this pay period, we found an underpayment of $8. While this error appears to be minimal for each individual paycheck, the State and Federal withholdings for this paycheck totaled $4,639,721, for all 15,480 State employees.

- State Accounting implemented procedures during fiscal year 2025 to review consistently and reconcile for accuracy the payroll liability accounts. However, we noted the following issues:

    - Balances still remain in four of the tested liability accounts ranging from $49,490 to ($409,094).

    - Two liability accounts related to the employee and employer share of Old-Age, Survivors, and Disability Insurance had an unreconciled variance of $52,936 between the balances and the subsequent payment made.

- We found that HR Shared Services lacked adequate procedures to ensure employees were correctly paid. For three employees tested from other State agencies whose payroll was processed by HR Shared Services, we noted the overpayments described below:

    - One Department of Correctional Services temporary employee received shift differential pay as a Legal Aide I because he manually entered the shift differential on his own timecard, resulting in an overpayment of $376 to him since being hired in May 2024. This was not caught during the payroll review process.

    - One Department of Correctional Services temporary employee was paid an extra 44 hours on one paycheck tested, resulting in an overpayment of $957. This was the result of a manual alteration that duplicated hours worked, from 11 to 22, on four separate days. On a second paycheck tested, the employee entered 55 work hours in a five-day period prior to the work being performed. Neither of these timecards were reviewed by the employee's supervisor, nor were the errors and lack of approval noted by HR Shared Services.

    - One State Patrol employee received two pay increases effective July 1, 2024; however, one increase was not authorized in the State Personnel Rules labor contract. The first pay increase of 5% agreed to the increase authorized in the State Personnel Classification and Pay Plan; however, HR Shared Services also processed a second increase of 3% on the same date. Upon inquiry of both HR Shared Services and the State Patrol, it was explained that the additional increase was made to align the employee's pay with pay rates under the State Law Enforcement Bargaining Council labor agreement – of which this employee was not a member. However, this additional increase has been given annually for certain rules-covered employees without written documentation or authorization.

- As noted above, employees were able to add shift differential codes manually to their own paychecks. In addition to the employee noted above, we also noted employees assigned to two additional job codes received shift differential pay at $0.60 per hour for the job code associated with Maintenance Technicians and $3 per hour for the job code associated with the Maintenance Supervisor. However, the labor contract in effect did not approve such pay. For one quarter tested, the employees in those positions received $586 in shift differential pay erroneously.

- Life insurance premium deductions, which are based on employee salaries, were not calculated properly using the correct pay rates. The error was caused by a system issue in which pay increases that occurred near the insurance open enrollment period were not recognized by the system in relation to the calculation of the life insurance premium. After inquiry by the APA, State Accounting completed an analysis and noted 23 employees whose life insurance premium deductions were too low, totaling $212, which was not verified during the audit.

- The State's accounting system uses several fields in its calculation of employee net pay. We noted errors related to two fields – "Federal W4 Deductions" and State "W4 Deductions" – as follows:

- The State "W4 Deductions" should be blank for all employees because there is no applicable field for deductions on the State Form W-4N. One Department employee and 44 other State agency employees whose payroll is processed by HR Shared Services had amounts included in the State "W4 Deductions" field. Although this field does not directly affect the employees' pay calculations, it is possible that these amounts should have been entered as a State allowance, which would then affect the employees' net pay calculations.

- The "Federal W4 Deductions" dollar amount is calculated using the Deductions Worksheet on the Internal Revenue Service W-4 Form and used in the employees' net pay calculation. The calculation includes amounts for itemized deductions, student loan interest, and other adjustments. A deduction in the hundreds or thousands would appear appropriate based on these descriptions; however, one Department employee and one Department of Labor employee whose payroll is processed by HR Shared Services were noted as having a "2" or "35" in the field. These amounts appear to be consistent with amounts for a Federal exemption rather than a dollar amount deduction, which would then further affect the employees' net pay calculations.

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

  Neb. Rev. Stat. § 84-1001(1) (Reissue 2024) states the following:

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

A proper system of internal controls and sound accounting practice require procedures to ensure: 1) updated tax tables are appropriately and timely entered into the accounting system; 2) accounts are reconciled properly and reconciling items are followed up on and resolved in a timely manner; 3) employee timecards do not contain duplicate hours or improper pay, such as unauthorized raises or shift differential; 4) payroll deductions, such as tax deductions and life insurance deductions, are recorded and calculated appropriately in the accounting system; and 5) hours actually worked by State employees are adequately documented, and such documentation is maintained as evidence of compliance with § 84-1001(1).

Without such procedures, there is an increased risk of not only errors or financial misstatements occurring but also noncompliance with Federal and State regulations.

We recommend the Department strengthen procedures over the payroll process, including procedures to ensure the following: 1) updated tax tables are entered into the accounting system in a timely manner; 2) payroll accounts are reconciled, and appropriate follow-up and resolution of reconciling items occur in a timely manner; 3) employees are paid only pursuant to pay codes for which they are eligible, and timesheets are reviewed for accuracy and reasonableness; 4) pay increases are documented for all employees; 5) payroll deductions are calculated and implemented correctly; 6) the Department works with and provides training to State agencies, so tax withholding information will be recorded accurately in the accounting system; 7) a review of the noted pay codes and employee quarters for any remaining months of fiscal year 2025 and 2026 is undertaken; 8) work is performed to recover any overpayments; and 9) hours actually worked by State employees are adequately documented, and such documentation is maintained as evidence of compliance with § 84-1001(1).

Department Response: State Accounting did not fail to ensure tax tables were uploaded in a timely manner. December monthly payroll was posting the same time the first biweekly payroll in January was processing, this timing issue results in one payroll processing with past or future rates. DAS is implementing a new payroll system that will clear this issue, and alleviate several others noted.

APA Response: Regardless of whether State Accounting believes a failure in uploading the tax tables occurred, the end result is that State employees did not have the proper amount of taxes withheld on the first biweekly paycheck of calendar year 2025.

7. <u>Special Handle a Voucher</u>

The Special Handle a Voucher function (Function) is a separate menu option in the State's accounting system that allows users to change the payee on a payment without a secondary review of the change. When agencies enter payment transactions, a supplier number tied to a payee number is entered. The Function allowed State employees to modify the payee number after the payment has been created without requiring approval for that change. The Function was used for the following reasons:

- By the Department to provide support to agencies, so payments could continue in a timely manner if the agency lacked adequate personnel to process a transaction;
- By the Department to process replacement warrants; and
- By State agencies to correct vouchers without having to void and recreate another voucher.

We noted the following issues with the Function in the State's accounting system:

- Access to the Function is not restricted to only high-level users. Instead, access was available to most users who had access to the Accounts Payable (AP) module. Essentially, anyone who had access to AP in the State's accounting system, with the exception of inquiry-only access, was able to use the Function. Due to the type of activity that can be performed with this access, we believe access should be restricted to only a limited number of high-level users. Our review noted that 836 users had access to the Function as of April 2, 2025.
- Users with the ability to add vendors and change vendor information in the State's accounting system also had access to the Function. The Address Book (AB) module included one role that allowed users to add vendors and make changes to vendor information. All 13 users with access to this role also had access to the Function, creating an environment in which a user could set up fictitious vendors in the system or improperly change vendor information and then change payee information on vouchers to direct payment to the fictitious/modified vendor.

The Department stated that it uses the payee control-approval process within the State's accounting system, a required step in payment processing, to review and approve vendor changes made through the Function. Prior to payments being processed, transactions that have been modified using Special Handle a Voucher are sent to a queue, where the Department must approve those transactions before a payment can be made. The Department will approve payments when the altered payee name or tax identification number is the same as the supplier; however, if the name or tax identification number does not agree, the Department will inquire with the State agency why the modification was made. This correspondence should be maintained by the Department. While the Department has a process in place, we noted the following issues related to the payee control-approval process:

- All nine Department users with access to the payee control-approval process also had access to the Function. Thus, these users could change a payee on a voucher and then approve it, without involvement of a second person, resulting in a lack of segregation of duties.
- Two Department users with access to the payee control-approval process also had access to the Function and could add vendors or change vendor information in the State's accounting system. These staff had the ability to create fictitious vendors with similar names and change payments to those fictitious vendors.

- The Department lacked documentation to support a change of payee number for a purchase order in August 2024 even though that change should have required review and approval.

Nebraska Information Technology Commission (NITC) Standards and Guidelines, Information Security Policy 8-303 (November 2024), "Identification and authorization," states, in relevant part, the following:

> *(4) To reduce the risk of accidental or deliberate system misuse, separation of duties must be implemented where practical. Whenever separation of duties is impractical, other compensatory controls such as monitoring of activities, increased auditing and management supervision must be implemented. At a minimum, the audit of security must remain independent and segregated from the security function.*

Additionally, a proper system of internal controls requires procedures to ensure an adequate segregation of duties, so no one individual is able to perpetrate and/or to conceal errors, irregularities, or fraud.

Without such procedures, there is an increased risk of errors or fraud occurring and remaining undetected.

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

> We recommend the Department implement procedures to ensure an adequate segregation of duties. Such procedures should include the following: 1) restricting Function access to only certain high-level users; 2) removing access to the Function for users with the ability to add vendors and make changes to vendor information in the State's accounting system; 3) maintaining documentation to support review/approval of vendor changes through the payee control approval process; and 4) preventing users with access to the payee control approval process from accessing the Function and/or adding/changing vendor information in the State's accounting system.

Department Response: Use of this process to more efficiently correct voucher issues is granted to a large user base. If the vendor/payee is changed on a voucher, a system forced process requires a DAS teammate to complete a review, and documentation from the agency is retained. This control reduces the risk for the occurrence of errors or fraud to an acceptable level. As noted in the finding, only two users had access to the payee control-approval process, Special Handle a Voucher, and vendor address book records. These users have management responsibilities over accounts payable and address book teams.

8. <u>Changes to Vendor and Banking Information</u>

During our review of the process to change vendor and banking information in the State's accounting system, we found a lack of controls to ensure that additions and/or changes to vendor addresses and banking information were proper and accurate. To change vendor addresses and banking information in the system, an authorized agent at the agency level must submit a W-9/ACH form to the Department. This submission is restricted to those with specific authorization in the State's accounting system; however, there were over 2,200 users that had this authorization.

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

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

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

A similar comment has been reported since the fiscal year 2015 ACFR audit – including in the prior year, during which an illegitimate $250,000 payment was processed when an agency received a fraudulent request to change a vendor's banking information. In November 2024, the Department began requiring agencies to have two staff signatures on the W-9/ACH form to reduce the risk of the agencies processing fraudulent bank account changes.

We recommend the Department establish procedures to ensure vendor addresses and banking information in the State's accounting system are appropriate and accurate. These procedures could include a periodic review for duplicate bank accounts and vendor addresses in order to identify potential fraudulent vendors.

Department Response: As a mitigating control that DAS already has in place, changes to a vendor or payee's banking information requires prior banking information be provided for verification. Affective November 2024, the W-9 form requires an agency approval with a secondary approval sign-off.

9. Other Internal Control Issues

We identified certain other deficiencies in internal control during the course of our audit that are included below:

OCIO Rates and Billing
Beginning with the fiscal year 2023 Statewide Single Audit, the APA has noted issues with the information services and communications services charged to various State agencies by the Office of the Chief Information Officer (OCIO). These issues include incorrect rates being charged; a lack of documentation to support rates being charged; and inadequate support for the basis for allocation of costs.

In fiscal year 2025, we tested some of the same technology services with issues dating back to fiscal year 2023 and noticed little had changed. We found the following issues:

- One of the services charged a rate that did not agree to the biennium rate sheet, and the costs used to develop the rate did not include all expenses because two business units were excluded.

- Four services had rates based on an allocation of employees' time that was an estimate and not supported by actual data.

- For another rate, cost charged for employees was based on data from 2018, which was not reasonable.

The State of Nebraska FY2023-24 and FY2024-25 Biennial Budget report stated that "due to a surplus in the fund associated with mainframe charges, OCIO temporarily paused these charges to state agencies." That alone shows that the OCIO needs to revamp its rate-setting method and ensure it is backed by adequate documentation to support the rates charged.

For a communications billing tested, the APA found discrepancies between the amounts charged by the OCIO and the rates the providers of the services were charging the State. The OCIO sets biennial rates for services that, in some cases, do not correlate to the amounts it is charged by the service providers. For the three rates tested in the fiscal year, two rates charged to the agency were less than the rates charged to the provider, and one rate was charged to the agency for a telephone line, even though the State had not been billed for that line by the service provider. We also found that the OCIO failed to maintain adequate documentation of its rates in the Communications Service Billing (CSB) system to allow for a proper review of the network service charges rebilled to State agencies.

Good internal controls require procedures to analyze the rates charged to State agencies compared to the historical cost of providing the services.

Without such procedures, there is an increased risk of the State charging more than the service cost or not setting the rates at a level sufficient to cover such cost.

OPEB Census Data
The State's liabilities for Other Post Employment Benefits (OPEB) are calculated by an actuary based, in part, on membership data, such as the number of employees receiving or eligible for benefits, employee ages, and employment status.

For the census measurement date of June 30, 2024, used for the fiscal year 2025 calculation, the Department of Administrative Services – State Personnel Division (State Personnel) incorrectly reported 70 active employees as retired. The issue has to do with reports from the health insurance provider and issues that occur when individuals retire but then are rehired by the State. Despite this known issue with the reporting, State Personnel failed to ensure the accuracy of the counts provided to the actuary for its valuation. The APA discussed the error with the State's actuary. After discussions and further analysis of the data, we determined the error would not have a material effect on the OPEB liability calculation – which, as of June 30, 2025, was estimated to be nearly $31 million.

A proper system of internal controls requires procedures to ensure that census data provided to the actuary for use in actuarial calculations is materially correct.

Without such procedures, there is an increased risk that the financial statements and footnote disclosures will be misstated.

> We recommend that the Department implement procedures to ensure the rates charged to State agencies for communications and technology services are based on a historical analysis of the cost to provide the services, and documentation of such analysis is maintained. For communication services, the OCIO should consider whether its rates can be locked in to cover a two-year period, since the Department's practice has been to update the rates only every biennium. We also recommend the Department implement procedures for ensuing the census data provided to the actuary is accurate for proper calculations of the OPEB liability.

Department Response: Efforts have been made by the OCIO to both reduce the number of rates for clarity as well as right size the rate to align with cost recovery expectations more effectively.

* * * * *

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.

Kris Kucera

Kris Kucera, CPA, CFE
Assistant Deputy Auditor

Supplementary Table #1

Item #	Description	Amount	Category	Prior Audit Finding?
#1	The Department of Health and Human Services (DHHS) reported $739,272,449 in Federal Fund accounts payable related to the Medicaid Nursing Facility and Hospital Tax programs that had not yet been paid out. This activity was reported to State Accounting as Health and Social Services expenditures; however, State Accounting incorrectly recorded the activity as Education expenditures instead. Additionally, this same error was made when recording the Federal revenues for the activity, resulting in a $1,478,544,897 adjustment being required to correct the financial statements.	$ 1,478,544,897	State Accounting Errors	N
#2	DHHS reported $125,277,469 in Health and Social Services Fund accounts receivables related to the Medicaid Nursing Facility and Hospital Tax programs that had not yet been received. This activity was reported to State Accounting as license, fees and permit activity; however, State Accounting incorrectly recorded the activity as charges for services.	$ 125,277,469	State Accounting Errors	Y
#3	DHHS reported $7,721,057 received in Hospital Tax that was payable to the General Fund from the Health and Social Services Fund. State Accounting incorrectly recorded this payable and associated receivable twice, resulting in an overstatement of both amounts. Additionally, DHHS reported Hospital Tax receivable due after 60 days, totaling $356,356,467; however, State Accounting only recorded $353,980,759, resulting in an understatement of receivables by $2,375,708.	$ 17,817,822	State Accounting Errors	N
Total State Accounting Errors		**$ 1,621,640,188**		
#4	The Nebraska Department of Revenue's (NDOR) calculation for the individual income tax payable was understated because it inaccurately included receipts associated with the pass-through entity tax, passed in 2023 as income tax withholding, resulting in an understatement of the tax refund payable by $59,754,489.	$ 59,754,489	Agency Errors	N
#5	DHHS inappropriately recorded $18,158,709 as prior period transactions; however, the transactions were already included in a separate reported payable to State Accounting, resulting in the duplication of such activity. As these transactions were related to the movement of expenditures from the General Fund to the Federal Fund, this error caused overstatements in General Fund receivables and both the Federal Fund payables and receivables.	$ 54,476,127	Agency Errors	Y
#6	The Nebraska Department of Education (NDE) incorrectly calculated the Federal payable and associated Federal receivable related to nine grants. The calculation errors were mainly attributed to the failure to account appropriately for prior year amounts, resulting in an understatement of both the Federal receivable and payable by $17,981,228.	$ 35,962,457	Agency Errors	Y
#7	NDE incorrectly reported the special education transportation cost payable due to the exclusion of the portion of payments made from the Education Future Fund, resulting in the understatement of the payable by $16,424,343.	$ 16,424,343	Agency Errors	Y
#8	NDOR incorrectly reported both a sales tax receivable to the State and a payable from the State for a municipality related to tax incentive refunds. The APA and NDOR agreed the amounts should have been shown as a net receivable from the municipality. As this balance was recorded in the General Fund, Highway Fund, and Local Government Taxes Fund, an adjustment, totaling $14,194,086, was required to correct the financial statements.	$ 14,194,086	Agency Errors	N
#9	A substantial amount of fiscal year 2024 and 2025 tax receipts collected in July and August 2025 was coded to partnership income taxes. NDOR did not report a receivable in either fiscal year associated with these subsequent receipts. Therefore, not only was a $4,390,366 adjustment required to record the fiscal year 2025 receivable, but also a $6,195,716 beginning balance adjustment was required for the fiscal year 2024 receivable that was not recorded.	$ 10,586,081	Agency Errors	N
#10	DHHS made several errors in the calculation of the patient and county billings receivable, resulting in the overstatement of the receivable by $10,578,946.	$ 10,578,946	Agency Errors	Y

Supplementary Table #1

Item #	Description	Amount	Category	Prior Audit Finding?
#11	DHHS failed to report an overstatement of its fiscal year 2024 graduate medical education receivable to State Accounting, resulting in an overstatement of beginning fund balance by $8,070,209.	$ 8,070,209	Agency Errors	Y
#12	The delinquent sales and use tax receivable reported by NDOR was understated by $7,152,901 due to a balance being incorrectly excluded from the protested audit listing.	$ 7,152,901	Agency Errors	Y
#13	DHHS incorrectly reported non-monetary transactions for activity related to the National School Lunch Program, Immunization Program, and Child and Adult Care Food Program, resulting in an understatement of both revenues and expenditures by $4,930,583.	$ 4,930,583	Agency Errors	N
#14	A $4,253,118 beginning balance adjustment was needed to correct the prior year corporate income tax receivable reported by NDOR. In fiscal year 2025, the APA learned that only certain corporations' tax receipts should be included in the receivable because some extension payments were not due until after fiscal year end. Therefore, the prior corporate income tax receivable was overstated.	$ 4,253,118	Agency Errors	N
#15	The Secretary of State neglected to include $2,439,487 in accounts receivable on its accrual response form, resulting in an understatement of accounts receivable by the same amount.	$ 2,439,487	Agency Errors	N
#16	NDE failed to void several interagency transactions that were rebilled. This error resulted in the interagency revenue and receivable being recorded twice for a $2,380,858 overstatement.	$ 2,380,858	Agency Errors	N
#17	The Nebraska Department of Labor (NDOL) recorded a payable for expected reimbursement requests from other states for the quarter April – June 2025, which totaled $2,427,935. This expected payable 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 by the same amount.	$ 1,585,038	Agency Errors	Y
#18	NDOT recorded a payment, totaling $645,294, for October through December 2024 workers' compensation expenses that was incorrectly recorded as a prior period adjustment instead of a current expenditure. This error resulted in the understatement of beginning fund balance by $645,294.	$ 645,294	Agency Errors	N
#19	Several errors affected the overpayment receivable account and its related allowance for doubtful accounts that were reported by NDOL. These errors, resulting in an overstatement of benefits receivable by $463,099, included NDOL'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	Agency Errors	Y
#20	A beginning balance adjustment was necessary because NDOL 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 by $255,963.	$ 255,963	Agency Errors	N
Total Agency Errors		**$ 234,153,079**		
#21	The Nebraska Department of Transportation (NDOT) failed to report five ongoing construction-in-progress (CIP) projects accurately to State Accounting, resulting in the understatement of beginning CIP balances by $3,051,076 and CIP additions by $3,035,370.	$ 6,086,446	Capital Asset Errors	N
Grand Total		**$ 1,861,879,713**		