# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 10, 2026

Maureen Larsen, Director
Nebraska Department of Economic Development
245 Fallbrook Blvd., Suite 002
Lincoln, NE 68521

Dear Ms. Larsen:

As you may know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding State grant funding received by the Nebraska Startup Academy (Academy), a non-profit organization. As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA obtained financial records and other relevant documentation from the Nebraska Department of Economic Development (Department). Based on the outcome of this preliminary planning work, including an analysis of the information obtained, the APA has determined that a separate financial audit or attestation is unnecessary at this time.

Nevertheless, during the course of the preliminary planning work, the APA noted certain issues that merit corrective action.

## Background Information

The Academy is a public benefit non-profit corporation that, according to the Nebraska Secretary of State's website (https://sos.nebraska.gov/), was established on November 22, 2022. The home page of the Academy's website (nestartupacademy.org) displays the organization's mission statement, which states the following:

> *The Nebraska Startup Academy provides guidance and mentorship to founders, investors, and the community by educating with a specialized curriculum, hosting events with industry experts, and leveraging affiliate relationships to help establish Nebraska as an innovation hub in the Midwest.*

The Academy maintained two bank accounts at Union Bank & Trust during the period October 1, 2023, through July 31, 2026. The following table shows the bank activity of these two accounts during this period:

| Account | Beginning Balance | Deposits/Other Credits | Transfers In | Checks/Other Debits | Transfers Out | Ending Balance |
|---|---|---|---|---|---|---|
| 0523 | $68,251.84 | $392,901.63 | $897,000.00 | $1,344,311.18 | $0.00 | $13,842.29 |
| 8902 | $0.00 | $901,443.17 | $0.00 | $0.00 | $897,000.00 | $4,443.17 |
| **Totals** | **$68,251.84** | **$1,294,344.80** | **$897,000.00** | **$1,344,311.18** | **$897,000.00** | **$18,285.46** |

The table below lists the different funding sources for the Academy, which comprise the total deposits of $1,294,344.80:

| Source | 2023 | 2024 | 2025 | 2026 | Totals by Source |
|---|---|---|---|---|---|
| State payments - NSORG Grant | $0.00 | $600,000.00 | $286,956.56 | $0.00 | $886,956.56 |
| InvestNE - SSBCI Subcontractor Funds | $0.00 | $121,213.10 | $131,615.92 | $0.00 | $252,829.02 |
| Private Contributions | $19,062.00 | $46,207.17 | $31,355.66 | $10,731.97 | $107,356.80 |

| Source | 2023 | 2024 | 2025 | 2026 | Totals by Source |
|---|---|---|---|---|---|
| Loan Proceeds | $0.00 | $30,000.00 | $0.00 | $0.00 | $30,000.00 |
| Interest Earned | $0.00 | $10,419.94 | $2,476.66 | $1,590.01 | $14,486.61 |
| State Payments - Other | $1,000.00 | $0.00 | $0.00 | $1,502.90 | $2,502.90 |
| Other Deposits | $31.00 | $50.25 | $131.66 | $0.00 | $212.91 |
| **Yearly Totals** | **$20,093.00** | **$807,890.46** | **$452,536.46** | **$13,824.88** | **$1,294,344.80** |

As shown in the above table, the primary source of funding (over 88%) for the Academy originates from State funds.

It should be noted also that, of the $1,344,311.18 expended by the Academy during the period examined, a total of $1,123,291.21 (over 80%) went towards payroll costs for Academy employees and Board members.

***North and South Omaha Recovery Grant Program***

The Department is responsible for administering grant funding under the North and South Omaha Recovery Grant Program (NSORG), which was created through LB 531 (2023). That legislation was signed into law on June 6, 2023, for the purpose of providing grants to "public and private entities to respond to the negative impact of the COVID-19 public health emergency and to build resilient and innovative communities." The following grant eligibility requirements are listed on the Department's website (https://opportunity.nebraska.gov/programs/recovery/nsorg/):

> *Grants must relieve the negative impact of the COVID-19 public health emergency within a qualified census tract (QCT) or an economic redevelopment area (ERA) located within the boundaries of a city of the metropolitan class and/or build resilient and innovative communities, with a priority on small business development, job creation, and economic development within such communities.*

In February 2024, the Academy was awarded $1.2 million through NSORG for the purpose of creating approximately 60 startup companies in Nebraska. As of July 31, 2026, the Academy has received only $886,956.56 of the awarded amount.

***State Small Business Credit Initiative***

The State Small Business Credit Initiative (SSBCI) is described, in relevant part, on the Department's website (https://opportunity.nebraska.gov/programs/business/ssbci/) as follows:

> *SSBCI is a federal program administered by the Department of the Treasury that was created to strengthen state programs that support private financing to small businesses.*

This funding was originally awarded to Invest Nebraska, a public benefit non-profit corporation, to provide guidance and mentorship startups and investors. According to the Department, Invest Nebraska has subcontracted with the Academy to assist in the administration of the SSBCI grant program. As of July 31, 2026, the Academy has received a total of $252,829.02 from Invest Nebraska for this subcontractor work.

The APA has created the following timeline of significant events regarding the Academy and the State funding that has been awarded and paid to it through these two programs:

- On September 21, 2023, the Academy submitted an application for NSORG funding to the Department.
- On February 28, 2024, the Department signed off on the NSORG agreement, awarding the Academy a $1.2 million grant.
- On March 18, 2024, the Academy opened a bank account at Union Bank & Trust to hold funds disbursed through the NSORG program, which is an explicit requirement of the grant agreement. Shortly thereafter, the first disbursement of NSORG funds, totaling $600,000, was made to the Academy.
- On June 4, 2024, the Academy received its first subcontracting disbursement of SSBCI funds from Invest Nebraska, totaling $91,162.69.

- On January 31, 2025, the Academy submitted its 2024 annual report for the NSORG program to the Department.
- On August 7, 2025, after over a year pause in funding due to reporting issues, the Academy received a $117,391.32 NSORG program disbursement from the Department.
- On January 19, 2026, the Academy submitted its 2025 annual report for the NSORG program to the Department.
- On July 30, 2026, the APA sent an inquiry to the Department regarding NSORG funding awarded to the Academy.
- On August 13, 2026, the Academy resubmitted its 2024 and 2025 annual reports to the Department after potential issues were identified with the information presented in the original submissions made by the Academy.

The following comments and recommendations, which have been discussed with the appropriate members of the Department and its management, are intended to improve internal control or result in other operating efficiencies.

## Comments and Recommendations

### 1. Apparent Misrepresentation of Jobs Created and Financial Data

The Department requires recipients of the NSORG program to complete an annual report, which provides insight into the number of jobs created by the recipient, both directly and indirectly, as well as the overall financials of the awardee. The APA obtained both the 2024 and 2025 annual reports submitted to the Department for the NSORG program and noted significant errors in the reporting of the Academy's created jobs figures, as well as the organization's reported revenues.

***Apparent Misrepresentation of Jobs Data***

From the original September 2023 application submitted by the Academy for the NSORG program, the organization "conservatively" estimated that over 300 full-time jobs would be created within the first three years of the project, as shown below:

> Provide a narrative explanation of your answer to the previous question.
>
> We anticipate the Academy will directly help create and support ~60 new startups in the next three years. Startups at this stage, within three years typically bring on five-twenty new jobs. We conservatively anticipate 300+ full-time jobs (many technical) within the first three years. These jobs typically start in the $55,000-$70,000 range with the opportunity to grow into much higher-paying jobs.

Despite the bold claim, it appears that nearly three years later, the Academy has reported to have created only 15 jobs directly, as displayed in the following image taken from the Department's NSORG program webpage (https://opportunity.nebraska.gov/programs/recovery/nsorg/) on July 30, 2026:

| Recipient Name | Program | Sum of Awarded Amount | Progress | Direct Jobs Created |
|---|---|---|---|---|
| Nebraska Startup Academy | RAPID Grants | $2,400,000 | Completed 50 percent or more | 15 |

The above figure includes annual report data from 2024 and 2025, which is reported directly by the Academy. In addition to direct jobs data, the annual reports provide information on how many jobs were created indirectly by a grant recipient.

In the 2024 annual report submitted to the Department, the Academy reportedly created a total of 7 direct jobs and 12 indirect jobs during that year, as shown in the following images:

| | JOBS CREATED - DIRECT |
|---|---|
| How many jobs were created directly as a result of the NSORG Project during the year covered by this annual report? | 7 |

| | JOBS CREATED - INDIRECT |
|---|---|
| How many jobs were created indirectly as a result of the NSORG Project during the year covered by this annual report? | 12 |

The APA asked the Department for documentation supporting these numbers. The Department provided the APA with a file submitted by the Academy that listed only six individuals to support the direct jobs number. Of these six individuals, the Executive Director, Treasurer, and Board Chairperson were all listed despite having been involved with the organization when it was established on November 22, 2022. The inclusion of these individuals appears to contradict the requirements of the annual report, which states that the created jobs number should include only those created "during the year covered by this annual report." For the indirect jobs number, the Academy provided the Department with a heavily redacted file that appeared to list only 11 individuals.

Similarly, in the 2025 annual report the Academy recorded that it had created 8 new direct jobs in the year and 19 indirect jobs, as shown in the images below:

| | JOBS CREATED - DIRECT |
|---|---|
| How many jobs were created directly as a result of the NSORG Project during the year covered by this annual report? | 8 |

| | JOBS CREATED - INDIRECT |
|---|---|
| How many jobs were created indirectly as a result of the NSORG Project during the year covered by this annual report? | 19 |

The documentation provided to the Department to support this direct jobs figure included a listing of seven individuals, not eight. Of these seven individuals, only one new contractor appears to have been added during the year. Additionally, the Academy's explanation in the report stated that the number of direct jobs created in 2025 included one full-time employee who had been onboarded along with maintaining two full-time employees and five contractors. For the indirect jobs number, the Academy again provided the Department with a heavily redacted file that appeared to list 19 individuals.

Following the APA's initial inquiry with the Department on this matter, the 2024 and 2025 annual reports were resubmitted in order to correct the number of jobs reported by the Academy. These resubmitted forms now state the Academy created two direct jobs and one indirect job in 2024 – a total decrease of 16 jobs from the original report – as shown below:

| | JOBS CREATED - DIRECT |
|---|---|
| How many jobs were created directly as a result of the NSORG Project during the year covered by this annual report? | 2 |

| | JOBS CREATED - INDIRECT |
|---|---|
| How many jobs were created indirectly as a result of the NSORG Project during the year covered by this annual report? | 1 |

For 2025, the report now shows no direct jobs created and one indirect job created in the year, which is 26 fewer jobs than originally reported, as shown below:

| JOBS CREATED - DIRECT | |
|---|---|
| How many jobs were created directly as a result of the NSORG Project during the year covered by this annual report? | 0 |

| JOBS CREATED - INDIRECT | |
|---|---|
| How many jobs were created indirectly as a result of the NSORG Project during the year covered by this annual report? | 1 |

In total, the Academy's resubmitted annual reports show 42 fewer jobs created than originally reported to the Department.

Despite not actually creating the number of jobs originally claimed, moreover, the vast majority of the funds received by the Academy appears to have been spent on payroll costs. As mentioned previously, $1,123,291.21 of the total $1,344,311.18 expended by the Academy between October 1, 2023, and July 31, 2026, went towards payroll for employees and Board members. The following is a breakdown of the payroll costs reported by the Academy on its 2024 and 2025 Form 990s submitted to the Internal Revenue Service (IRS):

| Name | Position | 2024 Form 990 Wages | 2025 Form 990 Wages |
|---|---|---|---|
| Charles (Charlie) Cuddy | Executive Director | $237,126.00 | $150,000.00 |
| John Grange | Board Chair | $35,000.00 | $44,000.00 |
| Manuel (Manny) Quevedo | Board Member / Treasurer | $35,000.00 | $44,000.00 |
| Karen Borchert | Board Member | $0.00 | $0.00 |
| Dan Hoffman | Board Member | $0.00 | $0.00 |
| Jeff Vaske | Board Member | $0.00 | $0.00 |
| Alyssa Cave | Director of Entrepreneurship* | $138,040.00 | $130,800.00 |
| | **Totals** | **$445,166.00** | **$368,800.00** |

**This position is recorded as "Contractor" on the Academy's 2024 and 2025 Form 990s.*
***According to information publicly available on the IRS's Tax-Exempt Organization Search website (https://www.irs.gov/charities-non-profits/search-for-tax-exempt-organizations), the Academy has not filed a 2023 Form 990 as of October 6, 2026.*

Based on the above information, the Academy appears to have failed to report accurate jobs data even though nearly all of its funds were expended on payroll costs, resulting in the success and overall economic impact of the Academy's work being inflated.

***Apparent Misrepresentation of Financials***

In addition to jobs data, the annual reports submitted to the Department require grant recipients to report their revenue for the fiscal year. The APA noted that the Academy appears to have inaccurately reported this information to the Department for its 2024 annual report. According to this document, the organization's annual revenue was reported to be $183,952.83, as shown in the image below:

| | |
|---|---|
| 1. List the organization's annual revenue for the fiscal year being reported. | $183,952.83 |

To support the amounts reported, the Academy provided the profit and loss statement for its 2024 fiscal year ended December 31, 2024. On this statement, the following breakdown is provided for the Academy's income:

| | 2024 |
|---|---|
| **Income** | |
| Donation | 39,000.00 |
| Grant | 121,213.10 |
| Interest | 10,419.94 |
| Other Revenue | 13,319.79 |
| **Total Income** | **183,952.83** |
| **Gross Profit** | **183,952.83** |

Despite claiming only $183,952.83 in revenue on its annual reports, the organization reported $770,633 in total revenue on its 2024 IRS Form 990, as shown below:

| Revenue | | Current Year |
|---|---|---|
| | 8 Contributions and grants (Part VIII, line 1h) | 760,213 |
| | 9 Program service revenue (Part VIII, line 2g) | 0 |
| | 10 Investment income (Part VIII, column (A), lines 3, 4, and 7d ) | 10,420 |
| | 11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 0 |
| | 12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 770,633 |

Further, the Academy received $600,000 through the grant program alone in 2024. As a result, the Academy appears to have significantly underreported its revenue to the Department on the 2024 annual report.

Despite the apparent errors in the annual reports described above, the Executive Director of the Academy attested to the accuracy and completion of the information of both the 2024 and 2025 annual reports. An example of such certification is shown below:

**Certification**

I certify that I am the authorized official to submit such information on behalf of the NSORG Recipient, or that I have the authority to execute this form on behalf of the authorized official and can submit proof of such authorization upon request.

I certify that the statements and information contained herein are true, accurate and complete.

| | | |
|---|---|---|
| 9 | Electronic Signature: Please type First and Last Name | Charlie Cuddy |

The information presented above gives rise to concerns regarding potential violations of State law. Neb. Rev. Stat. § 28-911 (Reissue 2016) prohibits "abuse of public records," as follows:

*(1) A person commits abuse of public records, if:*

*(a) He knowingly makes a false entry in or falsely alters any public record; or*

*(b) Knowing he lacks the authority to do so, he intentionally destroys, mutilates, conceals, removes, or impairs the availability of any public record; or*

*(c) Knowing he lacks the authority to retain the record, he refuses to deliver up a public record in his possession upon proper request of any person lawfully entitled to receive such record; or*

*(d) He makes, presents, or uses any record, document, or thing, knowing it to be false, and with the intention that it be taken as a genuine part of the public record.*

*(2) As used in this section, the term public record includes all official books, papers, or records created, received, or used by or in any governmental office or agency.*

*(3) Abuse of public records is a Class II misdemeanor.*

Additionally, good internal controls require procedures to ensure that data reported by Department grant recipients, including both jobs figures and financial data, is verified for accuracy, and any variances are corrected or addressed in a timely manner.

Without such procedures, there is an increased risk for not only incorrect information being utilized by the Department but also violation of State statute.

> We recommend the Department implement procedures to ensure that data reported by grant recipients, including jobs figures and financial data, is verified for accuracy, and any variances are corrected or addressed in a timely manner.

*Department Response:*

*The Department will implement procedures to verify data reported by requiring NSORG grant recipients to submit sufficient supporting documentation wherever possible. These procedures will outline how to resolve reporting variances and ensure that necessary corrections are made in a timely manner.*

## 2. Potential Conflict of Interest and Related-Party Transactions

During our examination of the funding awarded to the Academy, the APA noted that the non-profit organization appears to have failed to disclose business relationships between its employees and members with those of other entities. These individuals, which include the Academy's Executive Director, Director of Entrepreneurship, Board Chairperson, and two other Board members, either received direct compensation from both the Academy and another entity during the period October 1, 2023, through July 31, 2026, or are otherwise in positions that could reasonably give the appearance of a conflict of interest.

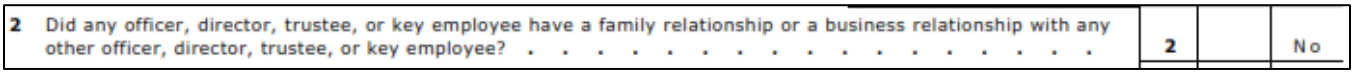
In particular, the APA observed a significant overlap between members and employees of the Academy and a venture capital firm called Move Venture Capital. The following table summarizes these individuals' relationships with both entities:

| Name | Position at Nebraska Startup Academy | Position at Move Venture Capital |
|---|---|---|
| Charles (Charlie) Cuddy | Executive Director* | Managing Partner* |
| Alyssa Cave | Director of Entrepreneurship* | Investment Committee Member |
| John Grange | Board Chairperson* | General Partner* |
| Manuel (Manny) Quevedo | Board Member / Treasurer* | General Partner* |

**This position is compensated.*

According to it's website (https://www.movene.vc/team), Move Venture Capital is "a pre-seed and seed venture capital firm created by Nebraska founders [Charles (Charlie) Cuddy, John Grange, and Manuel (Manny) Quevedo] with a mission to support and accelerate the next generation of founders in the region."

The three Nebraska founders of Move Venture Capital mentioned above serve as either a Director or Board Member of the Academy, all of which are compensated positions. Although the amounts paid to these individuals were reported on the Academy's 2024 and 2025 Form 990s submitted to the IRS, the Academy appears to have failed to report these business relationships. The image below is an excerpt taken from the Academy's 2025 Form 990:



| | | | | |
|---|---|---|---|---|
| 2 | Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . . | 2 | | No |

According to the "Instructions for Form 990 Return of Organization Exempt From Income Tax," guidance published by the IRS, a business relationship is defined as follows, in relevant part:

> *2. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of $10,000 in the aggregate during the organization's tax year. Indirect transactions are transactions with an organization with which the one person is associated as a trustee, director, officer, or greater-than-35% owner. Such transactions don't include charitable contributions to tax-exempt organizations.*

*3. The two persons are each a director, trustee, officer, or greater-than-10% owner in the same business or investment entity (but not in the same tax-exempt organization).*

Aside from the apparent business relationship, the APA observed potential overlap between the startups assisted by the Academy and those held within the venture firm's portfolio. According to a July 2024 blog post made on the Academy's website, several startups partnered with the non-profit organization through "The Grove" project, which was a collaborative workspace run by the Academy. An excerpt of this blog post is shown in the following image:




Of the startups listed in the above blog post, Move Venture Capital appears to have taken at least a partial stake in three companies, including the full acquisition of one startup. Images of these startups – Moneiva, Savii, and Engage Vision – taken from Move Venture Capital's portfolio webpage (https://www.movene.vc/portfolio) are shown below:




Moreover, as mentioned previously in the "Background Information" section herein, the NSORG funds awarded to the Academy were intended to be used to create approximately 60 startups. Because the majority of the monies received by the Academy were State funds, the assistance received by these startups through the non-profit organization was subsidized primarily with public dollars.

The information presented above gives rise to concerns regarding the appearance of a conflict of interest, wherein startup companies – assisted by the Academy through the use of State NSORG program funds – are subsequently acquired or otherwise financially supported by a venture capital firm owned by the same individuals who serve as Board members or employees of the Academy. The APA questions whether it is appropriate for these individuals to also take personal financial positions in these startups.

According to the IRS's Tax-Exempt Organization Search website (https://www.irs.gov/charities-non-profits/search-for-tax-exempt-organizations), the Academy was determined to be exempt from Federal income tax effective as of November 22, 2022. Publication 4221-PC (Rev. 3-2018), "Compliance Guide for 501(c)(3) Public Charities," is a guidance document issued by the IRS that addresses activities that could jeopardize a public charity's tax-exempt status. Among those is "allowing more than an insubstantial accrual of private benefit to individuals or organizations." Public charities are prohibited from doing this to ensure that a tax-exempt organization "serves a public interest, not a private one."

Given that nearly all of the NSORG funds received from the Department were expended on Academy employee payroll, as mentioned previously herein, moreover, the circumstances described above may put the non-profit organization's tax-exempt status at risk.

In addition, under Article 4 ("Recipient Reporting") of the NSORG agreement between the Academy and the Department contains the following language:

> ***4.5 – Conflict of Interest***
> *No employee, officer, or agent of Recipient may participate in the selection, award, or administration of a contract supported by this award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.*

Good internal controls require procedures to ensure compliance with Department grant agreement requirements and Federal regulations.

Without such procedures, there is an increased risk for not only failure to comply with the grant agreement requirements and Federal regulations but also the potential for the revocation of organizational tax-exempt status.

> We recommend the Department implement procedures to ensure that no real or apparent conflict of interest arises with organizations that receive public monies, including NSORG funds, and any such instances are identified and handled as appropriate in a timely manner.

*Department Response:*

*The Department has procedures to ensure that no real or apparent conflicts of interest arise with organizations that receive NSORG funds. The Department, however, will incorporate additional methods to identify and monitor conflicts of interest.*

## 3. Potential Improper Handling of Grant Funds

The APA obtained a copy of the Academy's "North and South Omaha Recovery Grant Program Award Agreement" with the Department, which was signed in February 2024. Among other things, this agreement outlines several requirements that the Academy must comply with relating to funding received through the NSORG program, including the following, which is set out under Article 3 ("Payment and Reimbursement"):

> ***3.6 – Dedicated Account Requirement***
> *Recipient shall maintain funds disbursed pursuant to this Award Agreement in a separate, dedicated account used solely for project receipts and expenses. Such funds shall not be commingled with other funds.*

(Emphasis added). Despite the above requirement expressly prohibiting the commingling of funds awarded through the NSORG program, the Academy appears to have failed to segregate adequately the awarded funds from those obtained from other sources. The funds disbursed to the Academy through the NSORG program were initially deposited into a bank account held under the Academy's control that contains no other funds. However, these NSORG funds were not maintained in this account as required by the above provision of the agreement. Instead, these funds are consistently transferred to a separate organization bank account that commingled them with other State funds, loan proceeds, and private contributions made to the Academy.

In addition, the APA observed multiple instances of the Department temporarily pausing funding due to the organization's budget and expense reporting issues. Most notably, the Academy received its first disbursement in April 2024. However, no further funding through the NSORG program was made available to the organization until over a year later in August 2025. The issues leading to this funding hiatus included problems with expense and budget reporting, inadequate invoices and other supporting documentation, and failure of the Academy to submit required financial and performance reports to the Department. These reports are required by the grant award agreement to be submitted timely to the Department, as shown below, under Article 4 ("Recipient Reporting"), in relevant part:

> ***4.2 – Financial Reporting***
> *Recipient agrees to submit monthly financial reports in the format required by the Department. Recipient shall timely submit all financial reports through the Department's GMS. Reports are due on the fifteenth day after the end of the month reported. . . . Failure to submit such required reports may cause a delay or suspension of funding or a termination of the Award Agreement.*
>
> ***4.3 – Performance Reporting***
> *Recipient agrees to submit quarterly performance reports in the format required by the Department. Recipient shall timely submit all performance reports through the Department's GMS. Reports are due on the fifteenth day after the end of the corresponding quarter. . . . Failure to submit such required reports may cause a delay or suspension of funding or a termination of the Award Agreement.*

Article 7 ("Termination") of the grant award agreement states further that material failure to comply with the terms thereof may be cause for suspension or termination of the award, as shown below:

> ***7.3 – Termination for Clause***
> *If the Departments determines that Recipient materially fails to comply with any term of this Award Agreement, any amendment thereto, any state statute or regulation, any assurance, any notice of award, or any other applicable requirement, the Department in its sole discretion may take the following actions in addition to other corrective actions or remedies specified in this Award Agreement:*
>
> *a) Suspension. After notice to Recipient, suspend the Award Agreement and withhold any further payment or prohibit Recipient from incurring additional obligations of grant funds, pending corrective action by Recipient or a decision to terminate.*
>
> *b) Termination. Terminate the Award Agreement, in whole or in part, at any time before the end of the Period of Performance, whenever it is determined that Recipient has failed to comply with the terms and conditions of this Award Agreement.*

Good internal controls require procedures to ensure that all applicable grant award agreement provisions are followed, and any noncompliance therewith is remedied or otherwise addressed appropriately.

> We recommend the Department implement procedures to ensure that all applicable grant award agreement provisions are followed, and any noncompliance therewith is remedied or otherwise addressed appropriately.

*Department Response:*

*The Department will train new and existing staff to identify, address, or escalate common areas of noncompliance under the NSORG award agreements.*

* * * * * *

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use the knowledge gained during our work to make comments and recommendations that we hope will be useful to the Department.

Draft copies of this letter were furnished to the Department to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. Any formal response received has been incorporated into this letter. Such response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time.

This communication is intended solely for the information and use of the Department and its management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this communication is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

Audit Staff Working on this Examination:
Craig Kubicek, CPA, CFE – Deputy Auditor
Mason Culver – Auditor-In-Charge
Caden Janak – Examiner

Sincerely,



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