STATE OF NEBRASKA

STATEWIDE SINGLE AUDIT

Year Ended June 30, 2019

Issued on March 16, 2020

STATE OF NEBRASKA

Single Audit Report

Year Ended June 30, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By Federal Agency

For the Fiscal Year Ended June 30, 2019

Federal Agency/Program Title	State Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Agriculture, U.S. Department of					
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, Department of	10.025	$	755,426	
Wetlands Reserve Program	Game and Parks Commission	10.072		27,833	
Biofuel Infrastructure Partnership	Energy Office	10.117		409,126	
Specialty Crop Block Grant Program - Farm Bill	Agriculture, Department of	10.170		645,132	
Rural Business Development Grant	Indian Affairs, Commission on	10.351		77,231	
State Mediation Grants	Agriculture, Department of	10.435		125,612	
Food Safety Cooperative Agreements	Agriculture, Department of	10.479		100,804	
SNAP Employment and Training Data and Technical Assistance Grant	Department of Health and Human Services	10.537		2,315	
SNAP Cluster:					
Supplemental Nutrition Assistance Program	Department of Health and Human Services	10.551		224,627,689	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Health and Human Services	10.561		18,985,353	2,391,504
Total SNAP Cluster				243,613,042	2,391,504
Child Nutrition Cluster:					
School Breakfast Program	Education, Department of	10.553		21,004,610	21,004,610
National School Lunch Program	Education, Department of	10.555		78,367,811	78,367,811
National School Lunch Program	Department of Health and Human Services	10.555		14,174,954	
Total National School Lunch Program				92,542,765	78,367,811
Special Milk Program for Children	Education, Department of	10.556		55,587	55,587
Summer Food Service Program for Children	Education, Department of	10.559		3,013,674	2,963,797
Summer Food Service Program for Children	Department of Health and Human Services	10.559		12,322	
Total Summer Food Service Program for Children				3,025,996	2,963,797
Total Child Nutrition Cluster				116,628,958	102,391,805
Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health and Human Services	10.557		26,663,078	9,463,486
Child and Adult Care Food Program	Education, Department of	10.558		30,539,203	30,167,350
Child and Adult Care Food Program	Department of Health and Human Services	10.558		147,852	
Total Child and Adult Care Food Program				30,687,055	30,167,350
State Administrative Expenses for Child Nutrition	Education, Department of	10.560		1,940,924	
State Administrative Expenses for Child Nutrition	Department of Health and Human Services	10.560		2,594,576	
Total State Administrative Expenses for Child Nutrition				4,535,500	

^ - Amounts taken from financial status reports
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Agriculture, U.S. Department of (Continued)					
Food Distribution Cluster:					
Commodity Supplemental Food Program	Department of Health and Human Services	10.565		2,543,718	533,547
Emergency Food Assistance Program (Administrative Costs)	Department of Health and Human Services	10.568		548,587	
Emergency Food Assistance Program (Food Commodities)	Department of Health and Human Services	10.569		4,851,403	
Total Food Distribution Cluster				7,943,708	533,547
WIC Farmers' Market Nutrition Program (FMNP)	Agriculture, Department of	10.572		39,407	
Team Nutrition Grants	Education, Department of	10.574		188,518	
Farm to School Grant Program	Education, Department of	10.575		7,911	
Senior Farmers Market Nutrition Program	Agriculture, Department of	10.576		205,840	
WIC Grants To States (WGS)	Department of Health and Human Services	10.578		697,365	
Child Nutrition Discretionary Grants Limited Availability	Education, Department of	10.579		157,595	40,148
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	Department of Health and Human Services	10.580		40,190	
Fresh Fruit and Vegetable Program	Education, Department of	10.582		2,240,656	2,218,160
Cooperative Forestry Assistance	Game and Parks Commission	10.664		53,022	
Forest Service Schools and Roads Cluster:					
Schools and Roads - Grants to Counties	Education, Department of	10.666		138,354	138,354
Agricultural Conservation Easement Program	Game and Parks Commission	10.931		19,638	
Regional Conservation Partnership Program	Game and Parks Commission	10.932		57,004	
Nebraska Rural Rehabilitation Program	Agriculture, Department of	10.U01		261,856	
Emerging Markets Program	Agriculture, Department of	10.603		221,849	
Total U.S. Department of Agriculture			$	436,544,025	147,344,354
Commerce, U.S. Department of					
State and Local Implementation Grant Program	Administrative Services	11.549	$	102,866	
Total U.S. Department of Commerce			$	102,866	-
Corporation for National and Community Service					
State Commissions	Department of Health and Human Services	94.003	$	232,816	
AmeriCorps	Department of Health and Human Services	94.006		1,273,129	
Training and Technical Assistance	Department of Health and Human Services	94.009		99,647	
Total Corporation for National and Community Service			$	1,605,592	-

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Defense, U.S. Department of					
Payments to States in Lieu of Real Estate Taxes	Education, Department of	12.112	$	222,389	222,389
State Memorandum of Agreement Program for the Reimbursement of Technical Services	Environmental Quality, Department of	12.113		138,949	
Military Construction, National Guard	Military Department	12.400		3,488,540	
National Guard Military Operations and Maintenance (O&M) Projects	Military Department	12.401		26,666,930	
Total U.S. Department of Defense			$	30,516,808	222,389
Education, U.S. Department of					
Adult Education - Basic Grants to States	Education, Department of	84.002	$	1,876,151	1,563,260
Title I Grants to Local Educational Agencies	Education, Department of	84.010		62,773,823	61,925,062
Migrant Education_State Grant Program	Education, Department of	84.011		5,105,448	4,751,330
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, Department of	84.013		388,146	387,576
Special Education Cluster (IDEA):					
Special Education_Grants to States	Education, Department of	84.027		63,608,137	60,221,876
Special Education_Preschool Grants	Education, Department of	84.173		1,745,889	1,326,241
Total Special Education Cluster (IDEA)				65,354,026	61,548,117
Career and Technical Education -- Basic Grants to States	Education, Department of	84.048		6,492,520	5,450,908
Career and Technical Education -- National Programs	Education, Department of	84.051		1,615	
Rehabilitation Services_Vocational Rehabilitation Grants to States	Blind and Visually Impaired Commission	84.126		3,037,244	
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, Department of	84.126		14,011,450	
Total Rehabilitation Services_Vocational Rehabilitation Grants to States				17,048,694	-
Migrant Education_Coordination Program	Education, Department of	84.144		69,509	54,489
Rehabilitation Services_Client Assistance Program	Education, Department of	84.161		157,211	
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Blind and Visually Impaired Commission	84.177		288,165	
Special Education-Grants for Infants and Families	Education, Department of	84.181		2,691,660	1,962,609
Safe and Drug-Free Schools and Communities_National Programs	Education, Department of	84.184		31,214	
Supported Employment Services for Individuals with the Most Significant Disabilities	Blind and Visually Impaired Commission	84.187		24,833	
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, Department of	84.187		483,500	
Total Supported Employment Services for Individuals with the Most Significant Disabilities				508,333	-
Education for Homeless Children and Youth	Education, Department of	84.196		330,915	260,147
Rehabilitation Services Demonstration and Training Programs	Education, Department of	84.235		837,205	334,173

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Federal Agency/Program Title	State Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Education, U.S. Department of (Continued)					
Twenty-First Century Community Learning Centers	Education, Department of	84.287		6,899,483	6,543,606
Statewide Family Engagement Centers	Education, Department of	84.310		2,293	
Special Education - State Personnel Development	Education, Department of	84.323		882,446	210,869
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, Department of	84.326		77,310	53,359
Rural Education	Education, Department of	84.358		110,324	105,968
English Language Acquisition State Grants	Education, Department of	84.365		2,734,398	2,581,209
Mathematics and Science Partnerships	Education, Department of	84.366		66,421	56,365
Supporting Effective Instruction State Grant	Education, Department of	84.367		9,285,750	8,859,626
Supporting Effective Instruction State Grant	Postsecondary Education, Coordinating Commission for	84.367		173,207	173,207
Total Supporting Effective Instruction State Grant				9,458,957	9,032,833
Competitive Grants for State Assessments	Education, Department of	84.368		1,105,217	
Grants for State Assessments and Related Activities	Education, Department of	84.369		3,835,442	
School Improvement Grants	Education, Department of	84.377		1,563,583	1,448,858
Student Support and Academic Enrichment Program	Education, Department of	84.424		1,721,620	1,607,630
Total U.S. Department of Education			$	192,412,129	159,878,368
U.S. Election Assistance Commission					
2018 HAVA Election Security Grants	Secretary of State	90.404	$	22,234	
Total U.S. Election Assistance Commission			$	22,234	-
Energy, U.S. Department of					
State Energy Program	Energy Office	81.041	$	431,464	
Weatherization Assistance for Low-Income Persons	Energy Office	81.042		2,515,987	2,106,616
State Energy Program Special Projects	Energy Office	81.119		154,256	48,854
State Heating Oil and Propane Program	Energy Office	81.138		5,020	
Total U.S. Department of Energy			$	3,106,727	2,155,470
Environmental Protection Agency, U.S.					
State Indoor Radon Grants	Department of Health and Human Services	66.032	$	199,231	34,085
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Quality, Department of	66.034		197,211	
State Clean Diesel Grant Program	Environmental Quality, Department of	66.040		284,471	
Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Quality, Department of	66.419		254,009	

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Environmental Protection Agency, U.S. (Continued)					
State Public Water System Supervision	Department of Health and Human Services	66.432		1,147,929	
State Underground Water Source Protection	Oil and Gas Commission	66.433		76,980	
Water Quality Management Planning	Environmental Quality, Department of	66.454		93,746	
Clean Water State Revolving Fund Cluster:					
Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality, Department of	66.458		7,809,066	7,597,000
Nonpoint Source Implementation Grants	Environmental Quality, Department of	66.460		1,896,758	
Regional Wetland Program Development Grants	Game and Parks Commission	66.461		304,043	
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds	Environmental Quality, Department of	66.468		6,415,800	5,010,750
Underground Storage Tank Prevention, Detection and Compliance Program	Fire Marshal	66.804		274,857	
Performance Partnership Grants	Agriculture, Department of	66.605		577,152	
Performance Partnership Grants	Environmental Quality, Department of	66.605		3,636,749	
Total Performance Partnership Grants				4,213,901	
Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Quality, Department of	66.608		45,446	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	Department of Health and Human Services	66.707		164,664	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environmental Quality, Department of	66.802		602,689	
Leaking Underground Storage Tank Trust Fund Corrective Action Program Recovery	Environmental Quality, Department of	66.805		835,706	
State and Tribal Response Program Grants	Environmental Quality, Department of	66.817		516,892	
Total U.S. Environmental Protection Agency			$	25,333,399	12,641,835
Equal Employment Opportunity Commission, U.S.					
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Opportunity Commission	30.002	$	510,963	
Total U.S. Equal Employment Opportunity Commission			$	510,963	-
Federal Communications Commission					
FCC - Certification	Education, Department of	32.U01	$	42,020	15,673
Total Federal Communications Commission			$	42,020	15,673

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General Services Administration					
Donation of Federal Surplus Personal Property	Corrections, Department of	39.003	$	597,021	
Total General Services Administration			$	597,021	-
Health and Human Services, U.S. Department of					
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Department of Health and Human Services	93.041	$	38,869	
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Department of Health and Human Services	93.042		88,669	88,669
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Department of Health and Human Services	93.043		86,394	86,394
Aging Cluster:					
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Department of Health and Human Services	93.044		2,264,571	1,842,855
Special Programs for the Aging_Title III, Part C_Nutrition Services	Department of Health and Human Services	93.045		3,627,886	3,538,627
Nutrition Services Incentive Program	Department of Health and Human Services	93.053		937,601	937,601
Total Aging Cluster				6,830,058	6,319,083
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	Insurance, Department of	93.048		297,122	147,527
National Family Caregiver Support, Title III, Part E	Department of Health and Human Services	93.052		844,550	815,723
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster:					
Public Health Emergency Preparedness	Department of Health and Human Services	93.069		4,722,956	4,067,553
National Bioterrorism Hospital Preparedness Program	Department of Health and Human Services	93.889		1,452,725	1,260,869
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster				6,175,681	5,328,422
Medicare Enrollment Assistance Program	Insurance, Department of	93.071		208,064	75,342
Lifespan Respite Care Program	Department of Health and Human Services	93.072		41,478	24,671
Birth Defects and Developmental Disabilities-Prevention & Surveillance	Department of Health and Human Services	93.073		9,219	9,219
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Education, Department of	93.079		71,664	24,999
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Department of Health and Human Services	93.079		45,059	
Total Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance				116,723	24,999
Guardianship Assistance	Department of Health and Human Services	93.090	^	281,670	

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Federal Agency/Program Title	State Agency	CFDA or Grant #	2019 Expenditures	2019 Subrecipients
Health and Human Services, U.S. Department of (Continued)				
Affordable Care Act (ACA) Personal Responsibility Education Program	Department of Health and Human Services	93.092	293,136	237,119
Well-Integrated Screening & Evaluation for Women Across the Nation	Department of Health and Human Services	93.094	851,499	312,154
Food and Drug Administration_Research	Agriculture, Department of	93.103	789,448	
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Department of Health and Human Services	93.104	2,361,834	2,237,243
Maternal and Child Health Federal Consolidated Programs	Department of Health and Human Services	93.110	111,167	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Department of Health and Human Services	93.116	224,108	3,080
Emergency Medical Services for Children	Department of Health and Human Services	93.127	119,256	
Injury Prevention and Control Research and State and Community Based Programs	Department of Health and Human Services	93.136	2,264,185	334,005
Projects for Assistance in Transition from Homelessness (PATH)	Department of Health and Human Services	93.150	294,349	263,639
Grants to State for Loan Repayment Program	Department of Health and Human Services	93.165	385,110	
Childhood Lead Poisoning Prevention Project	Department of Health and Human Services	93.197	366,241	142,402
Family Planning_Services	Department of Health and Human Services	93.217	1,852,563	1,626,208
Traumatic Brain Injury State Demonstration Grant Program	Education, Department of	93.234	122,255	
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	Department of Health and Human Services	93.235	284,531	138,937
Grants to States to Support Oral Health Workforce Activities	Department of Health and Human Services	93.236	299,946	192,968
State Rural Hospital Flexibility Program	Department of Health and Human Services	93.241	649,952	416,712
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Education, Department of	93.243	203,264	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Department of Health and Human Services	93.243	1,672,592	1,358,705
Total Substance Abuse and Mental Health Services_Projects of Regional and National Significance			1,875,856	1,358,705
Early Hearing Detection and Intervention	Department of Health and Human Services	93.251	218,065	33,615
Occupational Safety and Health Program	Department of Health and Human Services	93.262	101,783	4,153
Immunization Cooperative Agreements	Department of Health and Human Services	93.268	23,666,245	510,241
Viral Hepatitis Prevention and Control	Department of Health and Human Services	93.270	64,612	
Drug Abuse and Addiction Research Programs	Department of Health and Human Services	93.279	30,349	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	Department of Health and Human Services	93.283	426,602	
State Partnership Grant Program to Improve Minority Health	Department of Health and Human Services	93.296	172,039	116,004
Small Rural Hospital Improvement Grant Program	Department of Health and Human Services	93.301	233,976	233,976
National State Based Tobacco Control Programs	Department of Health and Human Services	93.305	912,600	155,545

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Federal Agency/Program Title	State Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Health and Human Services, U.S. Department of (Continued)					
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Department of Health and Human Services	93.314		106,235	
Epidemiology & Laboratory Capacity for Infectious Diseases	Department of Health and Human Services	93.323		2,326,666	641,549
State Health Ins Asst Program	Insurance, Department of	93.324		442,446	151,396
Behavioral Risk Factor Surveillance System	Department of Health and Human Services	93.336		410,145	
Public Health Crisis Response Awards	Department of Health and Human Services	93.354		173,409	
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	Department of Health and Human Services	93.426		336,643	
ESSA/Preschool Development Grants	Department of Health and Human Services	93.434		171,260	110,143
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	Department of Health and Human Services	93.435		167,121	
Well-Integrated Screening and Evaluation for Women Across the Nation (Wisewoman)	Department of Health and Human Services	93.436		248,582	7,543
Food Safety and Security Monitoring Project	Agriculture, Department of	93.448		334,993	
ACL Assistive Technology	Education, Department of	93.464		379,079	
Pregnancy Assistance Fund Program	Department of Health and Human Services	93.500		69,189	60,319
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	Insurance, Department of	93.511		277,407	
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF	Department of Health and Human Services	93.521		114,350	
Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	Department of Health and Human Services	93.524		10,708	
National Health Service Corps	Department of Health and Human Services	93.547		169,578	
Promoting Safe and Stable Families	Department of Health and Human Services	93.556		1,677,016	1,127,646
TANF Cluster:					
Temporary Assistance for Needy Families	Department of Health and Human Services	93.558	^	32,841,788	6,906,825
Child Support Enforcement	Department of Health and Human Services	93.563	^	18,240,051	8,760,892
Refugee and Entrant Assistance_State Administered Programs	Department of Health and Human Services	93.566	^	1,879,686	1,225,818
Low-Income Home Energy Assistance	Department of Health and Human Services	93.568		28,008,988	
Low-Income Home Energy Assistance	Energy Office	93.568		1,916,016	1,726,512
Total Low-Income Home Energy Assistance				29,925,004	1,726,512
Community Services Block Grant	Department of Health and Human Services	93.569		4,752,736	4,650,281

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Health and Human Services, U.S. Department of (Continued)					
CCDF Cluster:					
Child Care and Development Block Grant	Department of Health and Human Services	93.575		37,658,330	3,118,408
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Health and Human Services	93.596		21,423,404	
Total CCDF Cluster				59,081,734	3,118,408
Refugee and Entrant Assistance_Discretionary Grants	Department of Health and Human Services	93.576		230,677	230,676
Refugee and Entrant Assistance_Targeted Assistance Grants	Department of Health and Human Services	93.584		92,304	92,304
State Court Improvement Program	Supreme Court, Nebraska	93.586		358,578	
Grants to States for Access and Visitation Programs	Department of Health and Human Services	93.597		95,652	94,500
Chafee Education and Training Vouchers Program (ETV)	Department of Health and Human Services	93.599		396,582	396,582
Head Start	Education, Department of	93.600		130,975	1,000
Adoption and Legal Guardianship Incentive Payments	Department of Health and Human Services	93.603		(372,590)	
Developmental Disabilities Basic Support and Advocacy Grants	Department of Health and Human Services	93.630		586,752	165,842
Children's Justice Grants to States	Department of Health and Human Services	93.643		88,585	88,585
Foster Care_Title IV-E	Department of Health and Human Services	93.658	^	18,378,504	3,568,805
Adoption Assistance	Department of Health and Human Services	93.659	^	21,165,879	
Social Services Block Grant	Department of Health and Human Services	93.667		8,046,686	436,191
Child Abuse and Neglect State Grants	Department of Health and Human Services	93.669		178,701	137,649
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Department of Health and Human Services	93.671		986,331	979,613
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Department of Health and Human Services	93.674		775,188	517,568
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	Department of Health and Human Services	93.733		70,436	
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs -- financed by Prevention and Public Health Funds (PPHF)	Department of Health and Human Services	93.734		33,672	
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	Department of Health and Human Services	93.735		73,995	
State and Local Public Health Actions to Prevent Obesity, Heart Disease, and Stroke (PPHF)	Department of Health and Human Services	93.757		1,844,863	1,494,122
Preventive Health & Health Services Block Grant Funded Solely with Prevention & Public Health Funds (PPHF)	Department of Health and Human Services	93.758		1,402,355	438,463
Children's Health Insurance Program	Department of Health and Human Services	93.767	^	85,582,814	

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Health and Human Services, U.S. Department of (Continued)					
Medicaid Cluster:					
State Medicaid Fraud Control Units	Attorney General	93.775		847,578	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Department of Health and Human Services	93.777	^	3,984,296	
Medical Assistance Program	Department of Health and Human Services	93.778	^	1,224,061,141	4,717,125
Total Medicaid Cluster				1,228,893,015	4,717,125
Opioid STR	Department of Health and Human Services	93.788		2,575,035	2,363,847
Money Follows the Person Rebalancing Demonstration	Department of Health and Human Services	93.791		1,505,225	
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Department of Health and Human Services	93.815		865,544	
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Department of Health and Human Services	93.817		515,825	515,825
Maternal, Infant, and Early Childhood Home Visiting Cluster:					
Maternal, Infant, & Early Childhood Home Visiting Grant	Department of Health and Human Services	93.870		1,131,164	924,366
The Health Insurance Enforcement and Consumer Protection Grants Program	Insurance, Department of	93.881		88,799	
Cancer Prevention & Control Programs for State, Territorial & Tribal Organization	Department of Health and Human Services	93.898		3,169,303	887,036
Grants to States for Operation of Offices of Rural Health	Department of Health and Human Services	93.913		178,863	19,439
HIV Care Formula Grants	Department of Health and Human Services	93.917		580,989	565,032
HIV Prevention Activities_Health Department Based	Department of Health and Human Services	93.940		737,620	156,353
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Department of Health and Human Services	93.944		100,504	19,145
Assistance Programs for Chronic Disease Prevention and Control	Department of Health and Human Services	93.945		182,466	163,856
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Department of Health and Human Services	93.946		191,064	
Block Grants for Community Mental Health Services	Department of Health and Human Services	93.958		2,975,891	2,821,835
Block Grants for Prevention and Treatment of Substance Abuse	Department of Health and Human Services	93.959		7,390,575	6,956,195
Sexually Transmitted Diseases (STD) Prevention and Control Grants	Department of Health and Human Services	93.977		369,210	72,239
Improving State Health and Academic Achievement	Education, Department of	93.981		202,923	
Preventive Health and Health Services Block Grant	Department of Health and Human Services	93.991		1,207,436	255,224
Maternal and Child Health Services Block Grant to the States	Department of Health and Human Services	93.994		2,994,078	468,256
Medicated Feed Inspection Contract	Agriculture, Department of	93.U01		88,690	
Tissue Residue Inspection Contract	Agriculture, Department of	93.U02		7,356	
Food Inspection Contract	Agriculture, Department of	93.U03		53,480	
Total U.S. Department of Health and Human Services			$	1,604,278,024	79,271,760

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

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
For the Fiscal Year Ended June 30, 2019

Federal Agency/Program Title	State Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Homeland Security, U.S. Department of					
Homeland Security Grant Program	Military Department	97.067	$	2,946,536	1,974,448
Boating Safety Financial Assistance	Game and Parks Commission	97.012		787,346	
Community Assistance Program State Support Services Element (CAP-SSSE)	Natural Resources, Department of	97.023		2,748	
Flood Mitigation Assistance	Natural Resources, Department of	97.029		23,436	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	97.036		5,990,853	5,990,853
Hazard Mitigation Grant	Military Department	97.039		2,695,246	2,695,246
National Dam Safety Program	Natural Resources, Department of	97.041		258,837	
Emergency Management Performance Grants	Military Department	97.042		3,812,500	2,541,796
State Fire Training Systems Grants	Fire Marshal	97.043		20,495	
Cooperating Technical Partners	Natural Resources, Department of	97.045		1,037,175	
Pre-Disaster Mitigation	Military Department	97.047		114,992	114,992
Financial Assistance for Countering Violent Extremeism	Military Department	97.132		143,828	91,168
Total U.S. Department of Homeland Security			$	17,833,992	13,408,503
Housing & Urban Development, U.S. Department of					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Economic Development, Department of	14.228	$	8,538,911	7,970,366
Emergency Solutions Grant Program	Department of Health and Human Services	14.231		1,013,428	965,392
Home Investment Partnerships Program	Economic Development, Department of	14.239		2,030,804	1,082,441
Housing Opportunities for Persons with AIDS	Department of Health and Human Services	14.241		424,235	326,429
Housing Trust Fund	Economic Development, Department of	14.275		632,401	530,000
Fair Housing Assistance Program_State and Local	Equal Opportunity Commission	14.401		168,543	
Total U.S. Department of Housing & Urban Development			$	12,808,322	10,874,628
Institute of Museum and Library Services					
Museums for America	Historical Society	45.301	$	11,169	
Grants to States	Library Commission	45.310		1,319,240	273,297
National Leadership Grants	Library Commission	45.312		161,225	
Total Institute of Museum and Library Services			$	1,491,634	273,297

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

STATE OF NEBRASKA
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Federal Agency/Program Title	State Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Interior, U.S. Department of					
Cultural and Paleontological Resource Management	Education, Department of	15.224	$	1,093	1,093
Cultural Resources Management	Historical Society	15.511		41,159	
Reclamation States Emergency Drought Relief	Natural Resources, Department of	15.514		43,730	
Recreation Resources Management	Game and Parks Commission	15.524		184,269	
Fish and Wildlife Cluster:					
Sport Fish Restoration	Game and Parks Commission	15.605		4,014,358	
Wildlife Restoration and Basic Hunter Education	Game and Parks Commission	15.611		13,071,139	
Total Fish and Wildlife Cluster				17,085,497	
Cooperative Endangered Species Conservation Fund	Game and Parks Commission	15.615		56,206	
Enhanced Hunter Education and Safety	Game and Parks Commission	15.626		130,623	
State Wildlife Grants	Game and Parks Commission	15.634		657,886	
Migratory Bird Joint Ventures	Game and Parks Commission	15.637		159,173	
National Outreach and Communication	Game and Parks Commission	15.653		15,000	
Endangered Species Conservation – Recovery Implementation Funds	Game and Parks Commission	15.657		23,209	
Cooperative Landscape Conservation	Game and Parks Commission	15.669		46,687	
Historic Preservation Fund Grants-In-Aid	Historical Society	15.904		776,675	92,896
Outdoor Recreation_Acquisition, Development and Planning	Game and Parks Commission	15.916		424,759	402,330
Total U.S. Department of Interior			$	19,645,966	496,319
Justice, U.S. Department of					
Sexual Assault Services Formula Program	Law Enforcement and Criminal Justice, Commission for	16.017	$	344,158	337,695
Services for Trafficking Victims	Attorney General	16.320		235,572	
Juvenile Justice and Delinquency Prevention	Law Enforcement and Criminal Justice, Commission for	16.540		4,540	
Missing Children's Assistance	State Patrol	16.543		236,718	
State Justice Statistics Program for Statistical Analysis Centers	Law Enforcement and Criminal Justice, Commission for	16.550		91,543	
National Criminal History Improvement Program (NCHIP)	State Patrol	16.554		717,525	14,333
National Institute of Justice Research, Evaluation, and Development Project Grants	Education, Department of	16.560		470,041	
Crime Victim Assistance	Law Enforcement and Criminal Justice, Commission for	16.575		12,890,783	11,294,718
Crime Victim Compensation	Law Enforcement and Criminal Justice, Commission for	16.576		99,259	
Justice Reinvestment Initiative	Nebraska Supreme Court	16.827		544,387	
Crime Victim Assistance/Discretionary Grants	Law Enforcement and Criminal Justice, Commission for	16.582		111,347	70,414
Violence Against Women Formula Grants	Law Enforcement and Criminal Justice, Commission for	16.588		1,341,566	1,086,940

^ - Amounts taken from financial status reports
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Justice, U.S. Department of (Continued)					
Residential Substance Abuse Treatment for State Prisoners	Law Enforcement and Criminal Justice, Commission for	16.593		76,047	76,047
Special Data Collections and Statistical Studies	Law Enforcement and Criminal Justice, Commission for	16.734		295,910	
Edward Byrne Memorial Justice Assistance Grant Program	Law Enforcement and Criminal Justice, Commission for	16.738		1,070,666	831,788
DNA Backlog Reduction Program	State Patrol	16.741		604,233	
Paul Coverdell Forensic Sciences Improvement Grant Program	State Patrol	16.742		208,734	
Support for Adam Walsh Act Implementation Grant Program	State Patrol	16.750		67,256	
Harold Rogers Prescription Drug Monitoring Program	Department of Heath & Human Services	16.754		80,604	
NICS Act Record Improvement Program	State Patrol	16.813		148,524	70,368
Stop School Violence	Education, Department of	16.839		142,343	32,428
Equitable Sharing Program	State Patrol	16.922		152,887	
Federal Equitable Sharing Program: Public Safety Cash DOJ	State Patrol	16.922		1,164,568	
Federal Equitable Sharing Program: Public Safety Cash Treasury	State Patrol	16.922		4,036	
Total Equitable Sharing Program				1,321,491	
DEA Grants	State Patrol	16.U01		2,827	
Total U.S. Department of Justice			$	21,106,074	13,814,731
Labor, U.S. Department of					
Labor Force Statistics	Labor, Department of	17.002	$	772,164	
Compensation and Working Conditions	Worker's Compensation Court	17.005		44,118	
Employment Service Cluster:					
Employment Service/Wagner-Peyser Funded Activities	Labor, Department of	17.207		6,061,896	
Jobs for Veterans State Grants	Labor, Department of	17.801		688,936	
Local Veterans' Employment Representative Program	Labor, Department of	17.804		232,924	
Total Employment Service Cluster				6,983,756	
Unemployment Insurance - Federal	Labor, Department of	17.225		962,816	
Unemployment Insurance - State	Labor, Department of	17.225		63,156,164	
Unemployment Insurance - Admin	Labor, Department of	17.225		16,690,975	
Total Unemployment Insurance				80,809,955	
Senior Community Service Employment Program	Department of Health and Human Services	17.235		589,060	567,791
Trade Adjustment Assistance	Labor, Department of	17.245		589,325	

^ - Amounts taken from financial status reports
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Labor, U.S. Department of (Continued)					
WIOA Cluster:					
WIOA Adult Program	Labor, Department of	17.258		2,097,449	1,393,053
WIOA Youth Activities	Labor, Department of	17.259		2,559,846	1,666,588
WIOA Dislocated Worker Formula Grants	Labor, Department of	17.278		2,580,199	999,383
Total WIOA Cluster				7,237,494	4,059,024
H-1B Job Training Grants	Labor, Department of	17.268		1,106,312	
Work Opportunity Tax Credit Program (WOTC)	Labor, Department of	17.271		122,019	
Temporary Labor Certification for Foreign Workers	Labor, Department of	17.273		112,609	
WIOA National Dislocated Worker Grant/WIA National Emergency Grants	Labor, Department of	17.277		241,024	
WIOA Dislocated Worker National Reserve Technical Assistance and Training	Labor, Department of	17.281		10,835	
Apprenticeship USA Grants	Labor, Department of	17.285		389	
Consultation Agreements	Labor, Department of	17.504		550,120	
Total U.S. Department of Labor			$	99,169,180	4,626,815
National Endowment for the Arts					
Promotion of the Arts_Partnership Agreements	Arts Council	45.025	$	848,018	613,709
Total National Endowment for the Arts			$	848,018	613,709
National Science Foundation					
Education and Human Resources	Library Commission	47.076	$	(24,692)	
Total National Science Foundation			$	(24,692)	-
President, Executive Office of					
High Intensity Drug Trafficking Areas Program	State Patrol	95.001	$	874,969	615,796
Total President, Executive Office of			$	874,969	615,796
Small Business Administration					
State Trade Expansion Program	Economic Development, Department of	59.061	$	257,055	247,535
Small Business Credit Initiative	Economic Development, Department of	59.U01		2,020	
Total Small Business Administration			$	259,075	247,535

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

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By Federal Agency
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Federal Agency/Program Title	State Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Social Security Administration					
Disability Insurance/SSI Cluster:					
Social Security_Disability Insurance	Education, Department of	96.001	$	11,146,718	
Supplemental Security Income	Education, Department of	96.006		767,416	
Supplemental Security Income	Blind and Visually Impaired Commission	96.006		287,739	
Total Supplemental Security Income				1,055,155	
Total Disability Insurance/SSI Cluster				12,201,873	
Total Social Security Administration			$	12,201,873	-
Congress, The Library of					
Utilizing Library of Congress Digital Resources to Teach About Historical Controversies	Education, Department of	42.U01	$	2,550	
Total The Library of Congress			$	2,550	-
Transportation, U.S. Department of					
Airport Improvement Program	Transportation, Department of	20.106	$	21,625,720	21,625,720
Highway Research and Development Program	Transportation, Department of	20.200		13,753	
Highway Planning and Construction Cluster:					
Highway Planning and Construction	Transportation, Department of	20.205		305,627,963	5,929,094
Recreational Trails Program	Game and Parks Commission	20.219		936,864	515,842
Total Highway Planning and Construction Cluster				306,564,827	6,444,936
Highway Training and Education	Transportation, Department of	20.215		150,000	
Motor Carrier Safety Assistance	State Patrol	20.218		3,154,952	
Commercial Driver's License Program Implementation Grant	Motor Vehicles, Department of	20.232		394,812	
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	State Patrol	20.237		59,698	48,600
Railroad Safety	Public Service Commission	20.301		2,683	
Federal Transit Cluster					
Federal Transit_Capital Investment Grants	Transportation, Department of	20.500		390,581	390,581
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Transportation, Department of	20.505		546,777	543,894
Formula Grants for Rural Areas	Transportation, Department of	20.509		9,772,389	8,094,124
Transit Services Programs Cluster:					
Enhanced Mobility for Seniors and Individuals with Disabilities	Transportation, Department of	20.513		770,536	770,536

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

STATE OF NEBRASKA

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Federal Agency/Program Title	State Agency	CFDA or Grant #			2019 Expenditures	2019 Subrecipients
Transportation, U.S. Department of (Continued)						
Highway Safety Cluster:						
State and Community Highway Safety	Transportation, Department of	20.600			2,819,680	1,673,521
Incentive Grant Program to Prohibit Racial Profiling	Transportation, Department of	20.611			351,404	351,404
National Priority Safety Programs	Transportation, Department of	20.616			2,716,079	1,922,900
Total Highway Safety Cluster					5,887,163	3,947,825
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	Transportation, Department of	20.614			64,835	
Pipeline Safety Program State Base Grant	Fire Marshal	20.700			442,115	144,236
Interagency Hazardous Materials Public Sector Training and Planning Grants	Military Department	20.703			207,370	92,883
Defense Access Roads	Transportation, Department of	20.U01			164,729	-
Total U.S. Department of Transportation				$	350,212,940	42,103,335
Veterans Affairs, U.S. Department of						
Grants to States for Construction of State Home Facilities	Department of Veterans' Affairs	64.005		$	7,982,018	
Veterans State Domiciliary Care	Department of Veterans' Affairs	64.014	^		1,344,499	
Veterans State Nursing Home Care	Department of Veterans' Affairs	64.015	^		14,966,594	
Total U.S. Department of Veterans Affairs				$	24,293,111	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				$	2,855,794,820	488,604,517

^ - Amounts taken from financial status reports

See accompaning notes to the Schedule of Expenditures of Federal Awards

STATE OF NEBRASKA

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State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Administrative Services					
State and Local Implementation Grant Program	Commerce, U.S. Department of	11.549	$	102,866	
Total Administrative Services			$	102,866	-
Agriculture, Department of					
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, U.S. Department of	10.025	$	755,426	
Specialty Crop Block Grant Program - Farm Bill	Agriculture, U.S. Department of	10.170		645,132	
State Mediation Grants	Agriculture, U.S. Department of	10.435		125,612	
Food Safety Cooperative Agreements	Agriculture, U.S. Department of	10.479		100,804	
WIC Farmers' Market Nutrition Program (FMNP)	Agriculture, U.S. Department of	10.572		39,407	
Senior Farmers Market Nutrition Program	Agriculture, U.S. Department of	10.576		205,840	
Emerging Markets Program	Agriculture, U.S. Department of	10.603		221,849	
Nebraska Rural Rehabilitation Program	Agriculture, U.S. Department of	10.U01		261,856	
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		577,152	
Food and Drug Administration_Research	Health and Human Services, U.S. Department of	93.103		789,448	
Food Safety and Security Monitoring Project	Health and Human Services, U.S. Department of	93.448		334,993	
Medicated Feed Inspection Contract	Health and Human Services, U.S. Department of	93.U01		88,690	
Tissue Residue Inspection Contract	Health and Human Services, U.S. Department of	93.U02		7,356	
Food Inspection Contract	Health and Human Services, U.S. Department of	93.U03		53,480	
Total Department of Agriculture			$	4,207,045	-
Arts Council					
Promotion of the Arts_Partnership Agreements	National Endowment for the Arts	45.025	$	848,018	613,709
Total Arts Council			$	848,018	613,709
Attorney General					
Services for Trafficking Victims	Justice, U.S. Department of	16.320	$	235,572	
Medicaid Cluster:					
State Medicaid Fraud Control Units	Health and Human Services, U.S. Department of	93.775		847,578	
Total Attorney General			$	1,083,150	-

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

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State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Blind and Visually Impaired Commission					
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	$	3,037,244	
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Education, U.S. Department of	84.177		288,165	
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187		24,833	
Disability Insurance/SSI Cluster:					
Supplemental Security Income	Social Security Administration	96.006		287,739	
Total Blind and Visually Impaired Commission			$	3,637,981	-
Corrections, Department of					
Donation of Federal Surplus Personal Property	General Services Administration	39.003	$	597,021	
Total Department of Corrections			$	597,021	-
Economic Development, Department of					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing & Urban Development, U.S. Department of	14.228	$	8,538,911	7,970,366
Home Investment Partnerships Program	Housing & Urban Development, U.S. Department of	14.239		2,030,804	1,082,441
Housing Trust Fund	Housing & Urban Development, U.S. Department of	14.275		632,401	530,000
State Trade Expansion Program	Small Business Administration	59.061		257,055	247,535
Small Business Credit Iniative	Small Business Administration	59.U01		2,020	
Total Department of Economic Development			$	11,461,191	9,830,342
Education, Department of					
Child Nutrition Cluster:					
School Breakfast Program	Agriculture, U.S. Department of	10.553	$	21,004,610	21,004,610
National School Lunch Program	Agriculture, U.S. Department of	10.555		78,367,811	78,367,811
Special Milk Program for Children	Agriculture, U.S. Department of	10.556		55,587	55,587
Summer Food Service Program for Children	Agriculture, U.S. Department of	10.559		3,013,674	2,963,797
Total Child Nutrition Cluster				102,441,682	102,391,805
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558		30,539,203	30,167,350
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560		1,940,924	
Team Nutrition Grants	Agriculture, U.S. Department of	10.574		188,518	
Farm to School Grant Program	Agriculture, U.S. Department of	10.575		7,911	
Child Nutrition Discretionary Grants Limited Availability	Agriculture, U.S. Department of	10.579		157,595	40,148

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State Agency/Program Title	Federal Agency	CFDA or Grant #	2019 Expenditures	2019 Subrecipients
Education, Department of (Continued)				
Fresh Fruit and Vegetable Program	Agriculture, U.S. Department of	10.582	2,240,656	2,218,160
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to Counties	Agriculture, U.S. Department of	10.666	138,354	138,354
Payments to States in Lieu of Real Estate Taxes	Defense, U.S. Department of	12.112	222,389	222,389
Cultural and Paleontological Resource Management	Interior, U.S. Department of	15.224	1,093	1,093
National Institute of Justice Research, Evaluation, and Development Project Grants	Justice, U.S. Department of	16.560	470,041	
Stop School Violence	Justice, U.S. Department of	16.839	142,343	32,428
FCC - Certification	Federal Communications Commission	32.U01	42,020	15,673
Utilizing Library of Congress Digital Resources to Teach About Historical Controversies	Congress, The Library of	42.U01	2,550	
Adult Education - Basic Grants to States	Education, U.S. Department of	84.002	1,876,151	1,563,260
Title I Grants to Local Educational Agencies	Education, U.S. Department of	84.010	62,773,823	61,925,062
Migrant Education_State Grant Program	Education, U.S. Department of	84.011	5,105,448	4,751,330
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, U.S. Department of	84.013	388,146	387,576
Special Education Cluster (IDEA):				
Special Education_Grants to States	Education, U.S. Department of	84.027	63,608,137	60,221,876
Special Education_Preschool Grants	Education, U.S. Department of	84.173	1,745,889	1,326,241
Total Special Education Cluster (IDEA)			65,354,026	61,548,117
Career and Technical Education -- Basic Grants to States	Education, U.S. Department of	84.048	6,492,520	5,450,908
Career and Techncial Education -- National Programs	Education, U.S. Department of	84.051	1,615	
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	14,011,450	
Migrant Education_Coordination Program	Education, U.S. Department of	84.144	69,509	54,489
Rehabilitation Services_Client Assistance Program	Education, U.S. Department of	84.161	157,211	-
Special Education-Grants for Infants and Families	Education, U.S. Department of	84.181	2,691,660	1,962,609
Safe and Drug-Free Schools and Communities_National Programs	Education, U.S. Department of	84.184	31,214	
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187	483,500	
Education for Homeless Children and Youth	Education, U.S. Department of	84.196	330,915	260,147
Rehabilitation Services Demonstration and Training Programs	Education, U.S. Department of	84.235	837,205	334,173
Twenty-First Century Community Learning Centers	Education, U.S. Department of	84.287	6,899,483	6,543,606
Statewide Family Engagement Centers	Education, U.S. Department of	84.310	2,293	
Special Education - State Personnel Development	Education, U.S. Department of	84.323	882,446	210,869

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

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Education, Department of (Continued)					
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, U.S. Department of	84.326		77,310	53,359
Rural Education	Education, U.S. Department of	84.358		110,324	105,968
English Language Acquisition State Grants	Education, U.S. Department of	84.365		2,734,398	2,581,209
Mathematics and Science Partnerships	Education, U.S. Department of	84.366		66,421	56,365
Supporting Effective Instruction State Grant	Education, U.S. Department of	84.367		9,285,750	8,859,626
Competitive Grants for State Assessments	Education, U.S. Department of	84.368		1,105,217	
Grants for State Assessments and Related Activities	Education, U.S. Department of	84.369		3,835,442	
School Improvement Grants	Education, U.S. Department of	84.377		1,563,583	1,448,858
Student Support and Academic Enrichment Program	Education, U.S. Department of	84.424		1,721,620	1,607,630
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Health and Human Services, U.S. Department of	93.079		71,664	24,999
Traumatic Brain Injury State Demonstration Grant Program	Health and Human Services, U.S. Department of	93.234		122,255	
Substance Abuse and Mental Health Issues	Health and Human Services, U.S. Department of	93.243		203,264	
ACL Assistive Technology	Health and Human Services, U.S. Department of	93.464		379,079	
Head Start	Health and Human Services, U.S. Department of	93.600		130,975	1,000
Improving Student Health and Academic Achievement	Health and Human Services, U.S. Department of	93.981		202,923	
Disability Insurance/SSI Cluster:					
Social Security_Disability Insurance	Social Security Administration	96.001		11,146,718	
Supplemental Security Income	Social Security Administration	96.006		767,416	
Total Disability Insurance/SSI Cluster				11,914,134	
Total Department of Education			$	340,448,253	294,958,560
Energy Office					
Biofuel Infrastructure Partnership	Agriculture, U.S. Department of	10.117	$	409,126	
State Energy Program	Energy, U.S. Department of	81.041		431,464	
Weatherization Assistance for Low-Income Persons	Energy, U.S. Department of	81.042		2,515,987	2,106,616
State Energy Program Special Projects	Energy, U.S. Department of	81.119		154,256	48,854
State Heating Oil and Propane Program	Energy, U.S. Department of	81.138		5,020	
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		1,916,016	1,726,512
Total Energy Office			$	5,431,869	3,881,982

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

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2019

State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Environmental Quality, Department of					
State Memorandum of Agreement Program for the Reimbursement of Technical Services	Defense, U.S. Department of	12.113	$	138,949	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Protection Agency, U.S.	66.034		197,211	
State Clean Diesel Grant Program	Environmental Protection Agency, U.S.	66.040		284,471	
Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Protection Agency, U.S.	66.419		254,009	
Water Quality Management Planning	Environmental Protection Agency, U.S.	66.454		93,746	
Clean Water State Revolving Fund Cluster:					
Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency, U.S.	66.458		7,809,066	7,597,000
Nonpoint Source Implementation Grants	Environmental Protection Agency, U.S.	66.460		1,896,758	
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds	Environmental Protection Agency, U.S.	66.468		6,415,800	5,010,750
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		3,636,749	
Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Protection Agency, U.S.	66.608		45,446	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environmental Protection Agency, U.S.	66.802		602,689	
Leaking Underground Storage Tank Trust Fund Corrective Action Program Recovery	Environmental Protection Agency, U.S.	66.805		835,706	
State and Tribal Response Program Grants	Environmental Protection Agency, U.S.	66.817		516,892	
Total Department of Environmental Quality			$	22,727,492	12,607,750
Equal Opportunity Commission					
Fair Housing Assistance Program_State and Local	Housing & Urban Development, U.S. Department of	14.401	$	168,543	
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Employment Opportunity Commission, U.S.	30.002		510,963	
Total Equal Opportunity Commission			$	679,506	-
Fire Marshal					
Pipeline Safety Program State Base Grant	Transportation, U.S. Department of	20.700	$	442,115	144,236
Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Protection Agency, U.S.	66.804		274,857	
State Fire Training Systems Grants	Homeland Security, U.S. Department of	97.043		20,495	
Total Fire Marshal			$	737,467	144,236

^ - Amounts taken from financial status reports.
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STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2019

State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Game and Parks Commission					
Wetlands Reserve Program	Agriculture, U.S. Department of	10.072	$	27,833	
Cooperative Forestry Assistance	Agriculture, U.S. Department of	10.664		53,022	
Agricultural Conservation Easement Program	Agriculture, U.S. Department of	10.931		19,638	
Regional Conservation Partnership Program	Agriculture, U.S. Department of	10.932		57,004	
Recreation Resources Management	Interior, U.S. Department of	15.524		184,269	
Fish and Wildlife Cluster:					
Sport Fish Restoration	Interior, U.S. Department of	15.605		4,014,358	
Wildlife Restoration and Basic Hunter Education	Interior, U.S. Department of	15.611		13,071,139	
Total Fish and Wildlife Cluster				17,085,497	-
Cooperative Endangered Species Conservation Fund	Interior, U.S. Department of	15.615		56,206	
Enhanced Hunter Education and Safety	Interior, U.S. Department of	15.626		130,623	
State Wildlife Grants	Interior, U.S. Department of	15.634		657,886	
Migratory Bird Joint Ventures	Interior, U.S. Department of	15.637		159,173	
National Outreach and Communication	Interior, U.S. Department of	15.653		15,000	
Endangered Species Conservation – Recovery Implementation Funds	Interior, U.S. Department of	15.657		23,209	
Cooperative Landscape Conservation	Interior, U.S. Department of	15.669		46,687	
Outdoor Recreation_Acquisition, Development and Planning	Interior, U.S. Department of	15.916		424,759	402,330
Highway Planning and Construction Cluster:					
Recreational Trails Program	Transportation, U.S. Department of	20.219		936,864	515,842
Regional Wetland Program Development Grants	Environmental Protection Agency, U.S.	66.461		304,043	
Boating Safety Financial Assistance	Homeland Security, U.S. Department of	97.012		787,346	
Total Game and Parks Commission			$	20,969,059	918,172
Health and Human Services, Department of					
SNAP Employment and Training Data and Technical Assistance Grant	Agriculture, U.S. Department of	10.537		2,315	
SNAP Cluster:					
Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.551		224,627,689	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.561		18,985,353	2,391,504
Total SNAP Cluster				243,613,042	2,391,504

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State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Health and Human Services, Department of (Continued)					
Child Nutrition Cluster:					
National School Lunch Program	Agriculture, U.S. Department of	10.555	$	14,174,954	
Summer Food Service Program for Children	Agriculture, U.S. Department of	10.559		12,322	
Total Child Nutrition Cluster				14,187,276	-
Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture, U.S. Department of	10.557		26,663,078	9,463,486
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558		147,852	
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560		2,594,576	
Food Distribution Cluster:					
Commodity Supplemental Food Program	Agriculture, U.S. Department of	10.565		2,543,718	533,547
Emergency Food Assistance Program (Administrative Costs)	Agriculture, U.S. Department of	10.568		548,587	
Emergency Food Assistance Program (Food Commodities)	Agriculture, U.S. Department of	10.569		4,851,403	
Total Food Distribution Cluster				7,943,708	533,547
WIC Grants To States (WGS)	Agriculture, U.S. Department of	10.578		697,365	
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	Agriculture, U.S. Department of	10.580		40,190	
Emergency Solutions Grant Program	Housing & Urban Development, U.S. Department of	14.231		1,013,428	965,392
Housing Opportunities for Persons with AIDS	Housing & Urban Development, U.S. Department of	14.241		424,235	326,429
Harold Rogers Prescription Drug Monitoring Program	Justice, U.S. Department of	16.754		80,604	
Senior Community Service Employment Program	Labor, U.S. Department of	17.235		589,060	567,791
State Indoor Radon Grants	Environmental Protection Agency, U.S.	66.032		199,231	34,085
State Public Water System Supervision	Environmental Protection Agency, U.S.	66.432		1,147,929	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	Environmental Protection Agency, U.S.	66.707		164,664	
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Health and Human Services, U.S. Department of	93.041		38,869	
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Health and Human Services, U.S. Department of	93.042		88,669	88,669
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Health and Human Services, U.S. Department of	93.043		86,394	86,394

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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2019

State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Health and Human Services, Department of (Continued)					
Aging Cluster:					
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Health and Human Services, U.S. Department of	93.044		2,264,571	1,842,855
Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, U.S. Department of	93.045		3,627,886	3,538,627
Nutrition Services Incentive Program	Health and Human Services, U.S. Department of	93.053		937,601	937,601
Total Aging Cluster				6,830,058	6,319,083
National Family Caregiver Support, Title III, Part E	Health and Human Services, U.S. Department of	93.052		844,550	815,723
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster:					
Public Health Emergency Preparedness	Health and Human Services, U.S. Department of	93.069		4,722,956	4,067,553
National Bioterrorism Hospital Preparedness Program	Health and Human Services, U.S. Department of	93.889		1,452,725	1,260,869
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster				6,175,681	5,328,422
Lifespan Respite Care Program	Health and Human Services, U.S. Department of	93.072		41,478	24,671
Birth Defects and Developmental Disabilities-Prevention & Surveillance	Health and Human Services, U.S. Department of	93.073		9,219	9,219
Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention & School-Based Surveillance	Health and Human Services, U.S. Department of	93.079		45,059	
Guardianship Assistance	Health and Human Services, U.S. Department of	93.090	^	281,670	
Affordable Care Act (ACA) Personal Responsibility Education Program	Health and Human Services, U.S. Department of	93.092		293,136	237,119
Well-Integrated Screening & Evaluation for Women Across the Nation	Health and Human Services, U.S. Department of	93.094		851,499	312,154
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Health and Human Services, U.S. Department of	93.104		2,361,834	2,237,243
Maternal and Child Health Federal Consolidated Programs	Health and Human Services, U.S. Department of	93.110		111,167	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health and Human Services, U.S. Department of	93.116		224,108	3,080
Emergency Medical Services for Children	Health and Human Services, U.S. Department of	93.127		119,256	
Injury Prevention and Control Research and State and Community Based Programs	Health and Human Services, U.S. Department of	93.136		2,264,185	334,005
Projects for Assistance in Transition from Homelessness (PATH)	Health and Human Services, U.S. Department of	93.150		294,349	263,639
Grants to State for Loan Repayment Program	Health and Human Services, U.S. Department of	93.165		385,110	
Childhood Lead Poisoning Prevention Project	Health and Human Services, U.S. Department of	93.197		366,241	142,402
Family Planning_Services	Health and Human Services, U.S. Department of	93.217		1,852,563	1,626,208
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	Health and Human Services, U.S. Department of	93.235		284,531	138,937
Grants to States to Support Oral Health Workforce Activities	Health and Human Services, U.S. Department of	93.236		299,946	192,968

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State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Health and Human Services, Department of (Continued)					
State Rural Hospital Flexibility Program	Health and Human Services, U.S. Department of	93.241		649,952	416,712
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, U.S. Department of	93.243		1,672,592	1,358,705
Early Hearing Detection and Intervention	Health and Human Services, U.S. Department of	93.251		218,065	33,615
Occupational Safety and Health Program	Health and Human Services, U.S. Department of	93.262		101,783	4,153
Immunization Cooperative Agreements	Health and Human Services, U.S. Department of	93.268		23,666,245	510,241
Viral Hepatitis Prevention and Control	Health and Human Services, U.S. Department of	93.270		64,612	
Drug Abuse and Addiction Research Programs	Health and Human Services, U.S. Department of	93.279		30,349	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	Health and Human Services, U.S. Department of	93.283		426,602	
State Partnership Grant Program to Improve Minority Health	Health and Human Services, U.S. Department of	93.296		172,039	116,004
Small Rural Hospital Improvement Grant Program	Health and Human Services, U.S. Department of	93.301		233,976	233,976
National State Based Tobacco Control Programs	Health and Human Services, U.S. Department of	93.305		912,600	155,545
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Health and Human Services, U.S. Department of	93.314		106,235	
Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, U.S. Department of	93.323		2,326,666	641,549
Behavioral Risk Factor Surveillance System	Health and Human Services, U.S. Department of	93.336		410,145	
Public Health Crisis Response Awards	Health and Human Services, U.S. Department of	93.354		173,409	
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	Health and Human Services, U.S. Department of	93.426		336,643	
ESSA/Preschool Development Grants	Health and Human Services, U.S. Department of	93.434		171,260	110,143
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	Health and Human Services, U.S. Department of	93.435		167,121	
Well-Integrated Screening and Evaluation for Women Across the Nation (Wisewoman)	Health and Human Services, U.S. Department of	93.436		248,582	7,543
Pregnancy Assistance Fund Program	Health and Human Services, U.S. Department of	93.500		69,189	60,319
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF	Health and Human Services, U.S. Department of	93.521		114,350	
Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	Health and Human Services, U.S. Department of	93.524		10,708	
National Health Service Corps	Health and Human Services, U.S. Department of	93.547		169,578	
Promoting Safe and Stable Families	Health and Human Services, U.S. Department of	93.556		1,677,016	1,127,646
TANF Cluster:					
Temporary Assistance for Needy Families	Health and Human Services, U.S. Department of	93.558	^	32,841,788	6,906,825

^ - Amounts taken from financial status reports.
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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2019

State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Health and Human Services, Department of (Continued)					
Child Support Enforcement	Health and Human Services, U.S. Department of	93.563	^	18,240,051	8,760,892
Refugee and Entrant Assistance_State Administered Programs	Health and Human Services, U.S. Department of	93.566	^	1,879,686	1,225,818
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		28,008,988	
Community Services Block Grant	Health and Human Services, U.S. Department of	93.569		4,752,736	4,650,281
CCDF Cluster:					
Child Care and Development Block Grant	Health and Human Services, U.S. Department of	93.575		37,658,330	3,118,408
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services, U.S. Department of	93.596		21,423,404	
Total CCDF Cluster				59,081,734	3,118,408
Refugee and Entrant Assistance_Discretionary Grants	Health and Human Services, U.S. Department of	93.576		230,677	230,676
Refugee and Entrant Assistance_Targeted Assistance Grants	Health and Human Services, U.S. Department of	93.584		92,304	92,304
Grants to States for Access and Visitation Programs	Health and Human Services, U.S. Department of	93.597		95,652	94,500
Chafee Education and Training Vouchers Program (ETV)	Health and Human Services, U.S. Department of	93.599		396,582	396,582
Adoption and Legal Guardianship Incentive Payments	Health and Human Services, U.S. Department of	93.603		(372,590)	
Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, U.S. Department of	93.630		586,752	165,842
Children's Justice Grants to States	Health and Human Services, U.S. Department of	93.643		88,585	88,585
Foster Care_Title IV-E	Health and Human Services, U.S. Department of	93.658	^	18,378,504	3,568,805
Adoption Assistance	Health and Human Services, U.S. Department of	93.659	^	21,165,879	
Social Services Block Grant	Health and Human Services, U.S. Department of	93.667		8,046,686	436,191
Child Abuse and Neglect State Grants	Health and Human Services, U.S. Department of	93.669		178,701	137,649
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, U.S. Department of	93.671		986,331	979,613
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Health and Human Services, U.S. Department of	93.674		775,188	517,568
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	Health and Human Services, U.S. Department of	93.733		70,436	
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	Health and Human Services, U.S. Department of	93.734		33,672	
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	Health and Human Services, U.S. Department of	93.735		73,995	
State and Local Public Health Actions to Prevent Obesity, Heart Disease, and Stroke (PPHF)	Health and Human Services, U.S. Department of	93.757		1,844,863	1,494,122
Preventive Health & Health Services Block Grant Funded Solely with Prevention & Public Health Funds (PPHF)	Health and Human Services, U.S. Department of	93.758		1,402,355	438,463
Children's Health Insurance Program	Health and Human Services, U.S. Department of	93.767	^	85,582,814	

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State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Health and Human Services, Department of (Continued)					
Medicaid Cluster:					
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services, U.S. Department of	93.777	^	3,984,296	
Medical Assistance Program	Health and Human Services, U.S. Department of	93.778	^	1,224,061,141	4,717,125
Total Medicaid Cluster				1,228,045,437	4,717,125
Opioid STR	Health and Human Services, U.S. Department of	93.788		2,575,035	2,363,847
Money Follows the Person Rebalancing Demonstration	Health and Human Services, U.S. Department of	93.791		1,505,225	
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Health and Human Services, U.S. Department of	93.815		865,544	
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health and Human Services, U.S. Department of	93.817		515,825	515,825
Maternal, Infant, and Early Childhood Home Visiting Cluster:					
Maternal, Infant, & Early Childhood Home Visiting Grant	Health and Human Services, U.S. Department of	93.870		1,131,164	924,366
Cancer Prevention & Control Programs for State, Territorial & Tribal Organization	Health and Human Services, U.S. Department of	93.898		3,169,303	887,036
Grants to States for Operation of Offices of Rural Health	Health and Human Services, U.S. Department of	93.913		178,863	19,439
HIV Care Formula Grants	Health and Human Services, U.S. Department of	93.917		580,989	565,032
HIV Prevention Activities_Health Department Based	Health and Human Services, U.S. Department of	93.940		737,620	156,353
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Health and Human Services, U.S. Department of	93.944		100,504	19,145
Assistance Programs for Chronic Disease Prevention and Control	Health and Human Services, U.S. Department of	93.945		182,466	163,856
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health and Human Services, U.S. Department of	93.946		191,064	
Block Grants for Community Mental Health Services	Health and Human Services, U.S. Department of	93.958		2,975,891	2,821,835
Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, U.S. Department of	93.959		7,390,575	6,956,195
Sexually Transmitted Diseases (STD) Prevention and Control Grants	Health and Human Services, U.S. Department of	93.977		369,210	72,239
Preventive Health and Health Services Block Grant	Health and Human Services, U.S. Department of	93.991		1,207,436	255,224
Maternal and Child Health Services Block Grant to the States	Health and Human Services, U.S. Department of	93.994		2,994,078	468,256
State Commissions	Corporation For National and Community Service	94.003		232,816	
AmeriCorps	Corporation For National and Community Service	94.006		1,273,129	
Training and Technical Assistance	Corporation For National and Community Service	94.009		99,647	
Total Department of Health and Human Services			$	1,898,572,032	91,427,218

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STATE OF NEBRASKA

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For the Fiscal Year Ended June 30, 2019

State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Historical Society					
Cultural Resources Management	Interior, U.S. Department of	15.511	$	41,159	
Historic Preservation Fund Grants-In-Aid	Interior, U.S. Department of	15.904		776,675	92,896
Museums for America	Institute of Museum and Library Services	45.301		11,169	
Total Historical Society			$	829,003	92,896
Indian Affairs, Commission On					
Rural Business Development Grant	Agriculture, U.S. Department of	10.351	$	77,231	
Total Indian Affairs, Commission On			$	77,231	-
Insurance, Department of					
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	Health and Human Services, U.S. Department of	93.048	$	297,122	147,527
Medicare Enrollment Assistance Program	Health and Human Services, U.S. Department of	93.071		208,064	75,342
State Health Ins Asst Program	Health and Human Services, U.S. Department of	93.324		442,446	151,396
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	Health and Human Services, U.S. Department of	93.511		277,407	
The Health Insurance Enforcement and Consumer Protections Grant Program	Health and Human Services, U.S. Department of	93.881		88,799	
Total Department of Insurance			$	1,313,838	374,265
Labor, Department of					
Labor Force Statistics	Labor, U.S. Department of	17.002	$	772,164	
Employment Service Cluster:					
Employment Service/Wagner-Peyser Funded Activities	Labor, U.S. Department of	17.207		6,061,896	
Jobs for Veterans State Grants	Labor, U.S. Department of	17.801		688,936	
Local Veterans' Employment Representative Program	Labor, U.S. Department of	17.804		232,924	
Total Employment Service Cluster				6,983,756	
Unemployment Insurance - Federal	Labor, U.S. Department of	17.225		962,816	
Unemployment Insurance - State	Labor, U.S. Department of	17.225		63,156,164	
Unemployment Insurance - Admin	Labor, U.S. Department of	17.225		16,690,975	
Total Unemployment Insurance				80,809,955	
Trade Adjustment Assistance	Labor, U.S. Department of	17.245		589,325	

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State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Labor, Department of (Continued)					
WIOA Cluster:					
WIOA Adult Program	Labor, U.S. Department of	17.258		2,097,449	1,393,053
WIOA Youth Activities	Labor, U.S. Department of	17.259		2,559,846	1,666,588
WIOA Dislocated Worker Formula Grants	Labor, U.S. Department of	17.278		2,580,199	999,383
Total WIOA Cluster				7,237,494	4,059,024
H-1B Job Training Grants	Labor, U.S. Department of	17.268		1,106,312	
Work Opportunity Tax Credit Program (WOTC)	Labor, U.S. Department of	17.271		122,019	
Temporary Labor Certification for Foreign Workers	Labor, U.S. Department of	17.273		112,609	
WIOA National Dislocated Worker Grant/WIA National Emergency Grants	Labor, U.S. Department of	17.277		241,024	
WIOA Dislocated Worker National Reserve Technical Assistance and Training	Labor, U.S. Department of	17.281		10,835	
Apprenticeship USA Grants	Labor, U.S. Department of	17.285		389	
Consultation Agreements	Labor, U.S. Department of	17.504		550,120	
Total Department of Labor			$	98,536,002	4,059,024
Law Enforcement and Criminal Justice, Commission for					
Sexual Assault Services Formula Program	Justice, U.S. Department of	16.017	$	344,158	337,695
Juvenile Justice and Delinquency Prevention	Justice, U.S. Department of	16.540		4,540	
State Justice Statistics Program for Statistical Analysis Centers	Justice, U.S. Department of	16.550		91,543	
Crime Victim Assistance	Justice, U.S. Department of	16.575		12,890,783	11,294,718
Crime Victim Compensation	Justice, U.S. Department of	16.576		99,259	
Crime Victim Assistance/Discretionary Grants	Justice, U.S. Department of	16.582		111,347	70,414
Violence Against Women Formula Grants	Justice, U.S. Department of	16.588		1,341,566	1,086,940
Residential Substance Abuse Treatment for State Prisoners	Justice, U.S. Department of	16.593		76,047	76,047
Special Data Collections and Statistical Studies	Justice, U.S. Department of	16.734		295,910	
Edward Byrne Memorial Justice Assistance Grant Program	Justice, U.S. Department of	16.738		1,070,666	831,788
Total Commission for Law Enforcement and Criminal Justice			$	16,325,819	13,697,602
Library Commission					
Grants to States	Institute of Museum and Library Services	45.310	$	1,319,240	273,297
National Leadership Grants	Institute of Museum and Library Services	45.312		161,225	
Education and Human Resources	National Science Foundation	47.076		(24,692)	
Total Library Commission			$	1,455,773	273,297

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

STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2019

State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Military Department					
Military Construction, National Guard	Defense, U.S. Department of	12.400	$	3,488,540	
National Guard Military Operations and Maintenance (O&M) Projects	Defense, U.S. Department of	12.401		26,666,930	
Interagency Hazardous Materials Public Sector Training and Planning Grants	Transportation, U.S. Department of	20.703		207,370	92,883
Homeland Security Grant Program	Homeland Security, U.S. Department of	97.067		2,946,536	1,974,448
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security, U.S. Department of	97.036		5,990,853	5,990,853
Hazard Mitigation Grant	Homeland Security, U.S. Department of	97.039		2,695,246	2,695,246
Emergency Management Performance Grants	Homeland Security, U.S. Department of	97.042		3,812,500	2,541,796
Pre-Disaster Mitigation	Homeland Security, U.S. Department of	97.047		114,992	114,992
Financial Assistance for Countering Violent Extremeism	Homeland Security, U.S. Department of	97.132		143,828	91,168
Total Military Department			$	46,066,795	13,501,386
Motor Vehicles, Department of					
Commercial Driver's License Program Implementation Grant	Transportation, U.S. Department of	20.232	$	394,812	
Total Department of Motor Vehicles			$	394,812	-
Natural Resources, Department of					
Reclamation States Emergency Drought Relief	Interior, U.S. Department of	15.514	$	43,730	
Community Assistance Program State Support Services Element (CAP-SSSE)	Homeland Security, U.S. Department of	97.023		2,748	
Flood Mitigation Assistance	Homeland Security, U.S. Department of	97.029		23,436	
National Dam Safety Program	Homeland Security, U.S. Department of	97.041		258,837	
Cooperating Technical Partners	Homeland Security, U.S. Department of	97.045		1,037,175	
Total Department of Natural Resources			$	1,365,926	-
Oil and Gas Commission					
State Underground Water Source Protection	Environmental Protection Agency, U.S.	66.433	$	76,980	
Total Oil and Gas Commission			$	76,980	-
Postsecondary Education, Coordinating Commission for					
Supporting Effective Instruction State Grant	Education, U.S. Department of	84.367	$	173,207	173,207
Total Coordinating Commission for Postsecondary Education			$	173,207	173,207

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

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2019

State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
Public Service Commission					
Railroad Safety	Transportation, U.S. Department of	20.301	$	2,683	
Total Public Service Commission			$	2,683	-
Transportation, Department of					
Airport Improvement Program	Transportation, U.S. Department of	20.106	$	21,625,720	21,625,720
Highway Research and Development Program	Transportation, U.S. Department of	20.200		13,753	
Highway Planning and Construction Cluster:					
Highway Planning and Construction	Transportation, U.S. Department of	20.205		305,627,963	5,929,094
Highway Training and Education	Transportation, U.S. Department of	20.215		150,000	
Federal Transit Cluster:					
Federal Transit_Capital Investment Grants	Transportation, U.S. Department of	20.500		390,581	390,581
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Transportation, U.S. Department of	20.505		546,777	543,894
Formula Grants for Rural Areas	Transportation, U.S. Department of	20.509		9,772,389	8,094,124
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	Transportation, U.S. Department of	20.513		770,536	770,536
Highway Safety Cluster:					
State and Community Highway Safety	Transportation, U.S. Department of	20.600		2,819,680	1,673,521
Incentive Grant Program to Prohibit Racial Profiling	Transportation, U.S. Department of	20.611		351,404	351,404
National Priority Safety Programs	Transportation, U.S. Department of	20.616		2,716,079	1,922,900
Total Highway Safety Cluster				5,887,163	3,947,825
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	Transportation, U.S. Department of	20.614		64,835	
Defense Access Roads	Transportation, U.S. Department of	20.U01		164,729	
Total Department of Transportation			$	345,014,446	41,301,774
Secretary of State					
2018 HAVA Election Security Grants	U.S. Election Assistance Commission	90.404	$	22,234	
Total Secretary of State			$	22,234	-

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

STATE OF NEBRASKA

Schedule of Expenditures of Federal Awards - By State Agency

For the Fiscal Year Ended June 30, 2019

State Agency/Program Title	Federal Agency	CFDA or Grant #		2019 Expenditures	2019 Subrecipients
State Patrol					
Missing Children's Assistance	Justice, U.S. Department of	16.543	$	236,718	
National Criminal History Improvement Program (NCHIP)	Justice, U.S. Department of	16.554		717,525	14,333
DNA Backlog Reduction Program	Justice, U.S. Department of	16.741		604,233	
Paul Coverdell Forensic Sciences Improvement Grant Program	Justice, U.S. Department of	16.742		208,734	
Support for Adam Walsh Act Implementation Grant Program	Justice, U.S. Department of	16.750		67,256	
NICS Act Record Improvement Program	Justice, U.S. Department of	16.813		148,524	70,368
Equitable Sharing Program	Justice, U.S. Department of	16.922		152,887	
Federal Equitable Sharing Program: Public Safety Cash DOJ	Justice, U.S. Department of	16.922		1,164,568	
Federal Equitable Sharing Program: Public Safety Cash Treasury	Justice, U.S. Department of	16.922		4,036	
Total Federal Equitable Sharing Program: Public Safety	Justice, U.S. Department of			1,321,491	
DEA Grants	Justice, U.S. Department of	16.U01		2,827	
Motor Carrier Safety Assistance	Transportation, U.S. Department of	20.218		3,154,952	
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	Transportation, U.S. Department of	20.237		59,698	48,600
High Intensity Drug Trafficking Areas Program	Executive Office of the President	95.001		874,969	615,796
Total State Patrol			$	7,396,927	749,097
Supreme Court, Nebraska					
Justice Reinvestment Initiative	Justice, U.S. Department of	16.827	$	544,387	
State Court Improvement Program	Health and Human Services, U.S. Department of	93.586		358,578	
Total Nebraska Supreme Court			$	902,965	-
Veterans' Affairs, Department of					
Grants to States for Construction of State Home Facilities	Veterans Affairs, U.S. Department of	64.005	$	7,982,018	
Veterans State Domiciliary Care	Veterans Affairs, U.S. Department of	64.014	^	1,344,499	
Veterans State Nursing Home Care	Veterans Affairs, U.S. Department of	64.015	^	14,966,594	
Total Department of Veterans' Affairs			$	24,293,111	-
Worker's Compensation Court					
Compensation and Working Conditions	Labor, U.S. Department of	17.005	$	44,118	
Total Worker's Compensation Court			$	44,118	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	2,855,794,820	488,604,517

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

(1) General

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

(2) Summary of Significant Accounting Policies

(a) Reporting Entity

The State's reporting entity is defined in note 1(b) to the financial statements. The accompanying Schedule includes the Federal awards programs administered by the State (the primary government) for the fiscal year ended June 30, 2019.

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

University of Nebraska
Nebraska State College System

(b) Basis of Presentation

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

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

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

(c) Basis of Accounting

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

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

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

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

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

(d) Indirect Cost Rate

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

(3) Nonmonetary Assistance Inventory

Nonmonetary assistance is reported in the Schedule based on the amounts disbursed. As of June 30, 2019, the inventory balance of nonmonetary assistance for food commodities at the State level was $0.

(4) Commodity and Vaccine Programs

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

CFDA #	Program	Commodities
10.555	National School Lunch Program	$ 14,174,953
10.558	Child and Adult Care Food Program	147,852
10.559	Summer Food Service Program for Children	12,322
10.565	Commodity Supplemental Food Program	1,963,734
10.569	Emergency Food Assistance Program	4,851,403

The U.S. Department of Agriculture, upon direction from the Nebraska Department of Health and Human Services, delivers a portion of the food commodities directly to the subrecipients for distribution. During the fiscal year, a total of $11,180,032 was delivered directly to subrecipients.

The Immunization Cooperative Agreements (CFDA 93.268) included expenditures of $22,098,410 of nonmonetary Federal assistance in the form of vaccines.

(5) Surplus Property Program

The State agency responsible for surplus property distributes Federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property (CFDA 39.003) program. Donated Federal surplus personal property in 2019 was valued at the historical cost of $3,980,137 as assigned by the Federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule is 15% of the historical cost, which approximates the fair market value of the property.

(6) Federal Loans Outstanding

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

CFDA #	Program	Outstanding Balance at June 30, 2019
66.458	Capitalization Grants for Clean Water State Revolving Funds	$ 232,475,336
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$ 87,668,034

New loans provided from these programs, totaling $11,293,510, are included as current year expenditures on the Schedule.

(7) Airport Improvement Program

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


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

AUDITOR SECTION

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NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements, and have issued our report thereon dated December 19, 2019.

Our report includes a reference to other auditors who audited the financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, the Nebraska State College System Foundations, the activity of the Nebraska State College System Revenue and Refunding Bond Program, the Nebraska State Colleges Facilities Corporation, the College Savings Plan, and Enable Savings Plan as described in our report on the State of Nebraska's financial statements. The financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-005 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-003, 2019-004, 2019-006, 2019-007, 2019-008, 2019-009, 2019-010, 2019-011, 2019-012, 2019-013, 2019-014, 2019-015, and 2019-016 to be significant deficiencies.

Compliance and Other Matters

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

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

State of Nebraska's Response to Findings

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

Purpose of this Report

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

Pat Reding

Lincoln, Nebraska
December 19, 2019

Pat Reding, CPA, CFE
Assistant Deputy Auditor

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the State of Nebraska's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019. The State of Nebraska's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The basic financial statements of the State of Nebraska include the operations of the University of Nebraska and State College System component units, which received Federal awards which are not included in the schedule of expenditures of Federal awards during the year ended June 30, 2019. Our audit, described below, did not include the operations of the University of Nebraska or the State College System because the component units engaged other auditors to perform separate audits of compliance.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Nebraska's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State of Nebraska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major Federal programs. However, our audit does not provide a legal determination of the State of Nebraska's compliance.

Basis for Qualified Opinion on Special Education Cluster (IDEA), Twenty-First Century Community Learning Centers, Foster Care Title IV-E, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster, CCDF Cluster, Formula Grants for Rural Areas

As described in Findings 2019-020, 2019-024, 2019-027, 2019-032, 2019-040, 2019-046, and 2019-071 in the accompanying schedule of findings and questioned costs, the State of Nebraska did not comply with requirements regarding the following:

Finding #	CFDA #	Federal Program	Compliance Requirement
2019-020	84.027, 84.173	Special Education Cluster (IDEA)	Allowability & Subrecipient Monitoring
2019-024	84.287	Twenty-First Century Community Learning Centers	Allowability & Subrecipient Monitoring
2019-027	93.658	Foster Care Title IV-E	Allowable Costs
2019-032	93.069, 93.889	HPP and PHEP Cluster	Allowability & Subrecipient Monitoring
2019-040	93.575, 93.596	CCDF Cluster	Allowability & Eligibility
2019-046	93.658	Foster Care Title IV-E	Reporting
2019-071	20.509	Formula Grants for Rural Areas	Allowability & Subrecipient Monitoring

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

Qualified Opinion on Special Education Cluster (IDEA), Twenty-First Century Community Learning Centers, Foster Care Title IV-E, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster, CCDF Cluster, Formula Grants for Rural Areas

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Education Cluster (IDEA), Twenty-First Century Community Learning Centers, Foster Care Title IV-E, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster, CCDF Cluster, and Formula Grants for Rural Areas for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

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

Finding #	CFDA #	Federal Program	Compliance Requirement
2019-017	Various, 93.778	Various, Medical Assistance Program	Allowable Costs
2019-018	Various, 93.767	Various, Children's Health Insurance Program	Reporting
2019-019	84.010	Title I Grants to Local Educational Agencies	Subrecipient Monitoring & Special Tests
2019-021	84.027, 84.173	Special Education Cluster (IDEA)	Earmarking
2019-022	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Allowability
2019-023	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Eligibility
2019-025	84.287	Twenty-First Century Community Learning Centers	Special Tests
2019-026	84.367	Supporting Effective Instruction State Grant	Allowability & Subrecipient Monitoring
2019-028	Various, 93.558, 93.575, 93.658, 93.667, 93.778	Various, TANF, CCDF Cluster, Foster Care Title IV-E, SSBG, Medicaid	Allowable Costs
2019-029	Various, 93.778, 93.575	Various, Medical Assistance Program, Child Care and Development Block Grant	Allowable Costs
2019-030	10.557, 10.578	WIC, WIC Grants to States	Allowability & Subrecipient Monitoring
2019-031	93.044, 93.045	Aging Cluster	Allowability & Subrecipient Monitoring
2019-033	93.217	Family Planning Services	Allowability & Subrecipient Monitoring
2019-034	93.556, 93.671	Promoting Safe and Stable Families, Family Violence Prevention and Services	Allowability & Subrecipient Monitoring

Finding #	CFDA #	Federal Program	Compliance Requirement
2019-035	93.558	Temporary Assistance for Needy Families	Allowability & Eligibility
2019-036	93.558	Temporary Assistance for Needy Families	Allowability
2019-037	93.558	Temporary Assistance for Needy Families	Allowability, Subrecipient Monitoring & Reporting
2019-038	93.558	Temporary Assistance for Needy Families	Reporting
2019-039	93.568	Low-Income Home Energy Assistance	Reporting
2019-041	93.575, 93.596	CCDF Cluster	Allowability
2019-042	93.575, 93.596	CCDF Cluster	Special Tests
2019-043	93.575	Child Care and Development Block Grant	Allowability, Period of Performance & Subrecipient Monitoring
2019-044	93.575	Child Care and Development Block Grant	Earmarking & Period of Performance
2019-045	93.658	Foster Care Title IV-E	Subrecipient Monitoring
2019-047	93.658	Foster Care Title IV-E	Allowability
2019-048	93.667	Social Services Block Grant	Period of Performance
2019-049	93.667	Social Services Block Grant	Allowability
2019-050	93.778	Medical Assistance Program	Reporting
2019-051	93.778	Medical Assistance Program	Allowability
2019-052	93.778	Medical Assistance Program	Allowability
2019-053	93.778	Medical Assistance Program	Allowability & Eligibility
2019-054	93.778	Medical Assistance Program	Special Tests
2019-055	93.778	Medical Assistance Program	Allowability
2019-056	93.778	Medical Assistance Program	Subrecipient Monitoring
2019-057	93.778	Medical Assistance Program	Allowability & Eligibility
2019-058	93.778	Medical Assistance Program	Special Tests

Finding #	CFDA #	Federal Program	Compliance Requirement
2019-059	93.778	Medical Assistance Program	Special Tests
2019-060	93.778	Medical Assistance Program	Special Tests
2019-061	93.898	Cancer Prevention & Control Programs for State	Allowability & Subrecipient Monitoring
2019-062	93.917	HIV Care Formula Grants	Allowability, Cash Management, Eligibility & Subrecipient Monitoring
2019-063	93.917	HIV Care Formula Grants	Reporting
2019-064	93.945	Assistance Programs for Chronic Disease Prevention and Control	Allowability & Subrecipient Monitoring
2019-065	16.575	Crime Victim Assistance	Allowability & Subrecipient Monitoring
2019-066	16.575	Crime Victim Assistance	Cash Management
2019-067	16.575	Crime Victim Assistance	Reporting
2019-068	12.401	National Guard Military Operations and Maintenance Projects	Cash Management
2019-069	20.205	Highway Planning and Construction	Reporting
2019-070	20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Allowability & Subrecipient Monitoring
2019-072	20.600	State and Community Highway Safety	Allowability & Subrecipient Monitoring
2019-073	20.600	State and Community Highway Safety	Earmarking

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

Report on Internal Control Over Compliance

Management of the State of Nebraska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Nebraska's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Nebraska's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-020, 2019-024, 2019-027, 2019-032, 2019-040, 2019-046, and 2019-071 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-018, 2019-019, 2019-025, 2019-028, 2019-031, 2019-035, 2019-037, 2019-038, 2019-041, 2019-043, 2019-044, 2019-050, 2019-053, 2019-054, 2019-057, 2019-060, 2019-065, 2019-066, 2019-068, and 2019-069 to be significant deficiencies.

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

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

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

We have audited the financial statements of the State of Nebraska as of and for the year ended June 30, 2019, and have issued our report thereon dated December 19, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Pat Reding

Lincoln, Nebraska
March 16, 2020

Pat Reding, CPA, CFE
Assistant Deputy Auditor

STATE OF NEBRASKA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

I. Summary of Auditors' Results

a) Type of report issued as it related to the State of Nebraska's (the State's) basic financial statements: Unmodified opinion

b) Significant deficiencies in internal control were disclosed by the audit of the financial statements and are included in the schedule of findings and questioned costs in Part II as items 2019-003, 2019-004, 2019-006, 2019-007, 2019-008, 2019-009, 2019-010, 2019-011, 2019-012, 2019-013, 2019-014, 2019-015, and 2019-016. Items 2019-001, 2019-002, and 2019-005 were considered material weaknesses.

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

d) Significant deficiencies in internal control over the major programs were disclosed by the audit and are included in the schedule of findings and questioned costs in Part III as items 2019-018, 2019-019, 2019-025, 2019-028, 2019-031, 2019-035, 2019-037, 2019-038, 2019-041, 2019-043, 2019-044, 2019-050, 2019-053, 2019-054, 2019-057, 2019-060, 2019-065, 2019-066, 2019-068, and 2019-069.

We consider items 2019-020, 2019-024, 2019-027, 2019-032, 2019-040, 2019-046, and 2019-071 to be material weaknesses in internal control over the major programs.

e) Type of report issued on compliance for major programs: Unmodified opinion for all major programs except for Special Education Cluster (IDEA), Twenty-First Century Community Learning Centers, Foster Care Title IV-E, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster, CCDF Cluster, and Formula Grants for Rural Areas which were qualified.

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

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

CFDA	12.401	National Guard Military Operations and Maintenance (O&M) Projects
CFDA	16.575	Crime Victim Assistance
CFDA	20.106	Airport Improvement Program
CFDA	20.205, 20.219	Highway Planning and Construction Cluster
CFDA	20.509	Formula Grants for Rural Areas
CFDA	84.010	Title I Grants to Local Educational Agencies
CFDA	84.027, 84.173	Special Education Cluster (IDEA)
CFDA	84.287	Twenty-First Century Community Learning Centers
CFDA	93.044, 93.045 and 93.053	Aging Cluster

CFDA	93.069 and 93.889	Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements Cluster
CFDA	93.558	TANF Cluster
CFDA	93.575 and 93.596	CCDF Cluster
CFDA	93.658	Foster Care Title IV-E
CFDA	93.667	Social Services Block Grant
CFDA	93.775, 93.777 and 93.778	Medicaid Cluster

h) Dollar threshold used to distinguish between Type A and Type B programs: $8,567,384

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

II. Findings Related to the Financial Statements:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2019-001

CAFR Preparation

The Department of Administrative Services (DAS), State Accounting Division (DAS – State Accounting), prepares the State of Nebraska Comprehensive Annual Financial Report (CAFR). Per Neb. Rev. Stat. § 81-1125.01 (Reissue 2014), the CAFR must be completed "at least twenty days before the commencement of each regular session of the Legislature[.]" In order to ensure that the CAFR would be completed timely, the Auditor of Public Accounts (APA) requested a list of items to be prepared by DAS – State Accounting and submitted to the APA for testing. Of those requested items, 108 were submitted more than seven days after the dates specified on the list, ranging from 8 to 60 days late.

Number of Items Submitted Late	Range of the Number of Days Late
19	8 to 10
25	11 to 15
46	16 to 20
14	21 to 28
1	33
2	49
1	60

The first draft of the report was submitted two days late and was incomplete; it also contained numerous errors, requiring several revisions to correct formatting problems, rounding issues, missing line items in the financial statements, and calculation errors. Nine draft reports were provided before a complete and accurate report could be finalized.

The State is a large, complex entity with over $17 billion in primary government assets, and it processed $9 billion in primary government expenses during fiscal year 2019. The DAS CAFR team responsible for assimilating and reviewing the statewide information comprising the report, adhering to various Generally Accepted Accounting Principles, including the preparation and posting of $16.8 billion in adjusting entries, was comprised of five full-time employees with duties extending beyond the annual CAFR project. It is the opinion of the APA that the DAS CAFR team was, and has been for many years, grossly understaffed for completing a project of this size and complexity in an accurate and efficient manner.

Due, in significant part, to the lack of DAS resources dedicated to the CAFR, we noted material errors in information processed and prepared by DAS – State Accounting, as follows:

Agency Accruals
DAS required State agencies to report accounts receivable and accounts payable accrual items, which were not contained within the State's accounting system, for inclusion in the CAFR. DAS did not have documented procedures for reviewing the accrual information submitted; instead, journal entries were prepared and posted with errors due to inaccurate information provided by the Nebraska Department of Health and Human Services (DHHS) and Nebraska Department of Education (NDE). The journal entries required significant adjustments to ensure that financial reporting was accurate.

For the errors detailed in the table below, the APA proposed adjustments to ensure that the financial statements would be reflected properly. All the proposed adjustments were posted by DAS.

Description	Over/ (Understated)	Reason
DHHS – DSH Payable	$ (54,241,902)	The Disproportionate Share Hospital (DSH) payable is for amounts due to hospitals that disproportionately serve low-income patients. DHHS did not properly calculate the liability. For the current fiscal year, it reported only $106,306. DHHS did not consider that payments to hospitals are two years behind; thus, there should be both a long-term payable of $26,138,914 and a short-term payable of $28,102,988. DHHS also did not report a proper payable for fiscal year 2018, understating the beginning balance by $30,564,634.
NDE – IDEA Payable	$ (43,335,395)	NDE included improper amounts within its calculation of the Individuals with Disabilities Education Act (IDEA) Special Education and Grants Management System payables, causing an understatement.
DHHS – IME/DME Payable	$ (25,923,435)	The Indirect/Direct Medical Education (IME/DME) payable is for payments to hospitals approved for medical education programs. DHHS did not report all hospitals on its accrual response form submitted to DAS, and its calculation was not proper for all managed care organizations, causing an understatement of $25,923,435. Furthermore, DHHS did not use the proper Federal and State funding percentages for proper presentation in the financial statements.
DAS – Federal Liabilities	$ 22,680,772	DAS erroneously recorded an accrual journal entry for activity that netted to $22,680,772 to record a liability to the Federal government. However, the Federal liability was recorded through a separate entry; this entry would have caused a doubling of activity on the financial statements.
DHHS – Patient & County Billing Receivable	$ 9,600,184	The receivable is for balances due for services provided to clients at the DHHS Beatrice State Development Center and three Regional Centers in Lincoln, Hastings, and Norfolk. DHHS included balances that were not collectible, intra-agency receivables, and allowances that were not supported. Errors noted caused an overall overstatement of $9,600,184.
DHHS – MDR Receivable	$ (7,841,110)	The Medicaid Drug Rebate (MDR) receivable is for Medicaid drug rebates due from drug labelers. DHHS used the July 29, 2019, report, instead of the June 30, 2019, report of balances due, to calculate the receivable, causing an understatement in the amount reported totaling $7,841,110.
DHHS – Rx Drug Benefit Payable	$ 5,720,393	DHHS reported a payable for the State's prescription benefit payable; however, the payment made in July 2019 was already recorded in the accounting system as a payable as of June 30, 2019. This caused an overstatement of $5,720,393, as recording it in the accounting system and reporting it to DAS would cause a duplicate of the payable.

Description	Over/ (Understated)	Reason
DHHS – NFOCUS Receivable	$ 4,651,343	The Nebraska Family Online Client User System (NFOCUS) receivable consists of amounts due from individuals for overpayments made from various assistance programs, such as SNAP (Supplemental Nutrition Assistance Program), TANF (Temporary Assistance for Needy Families), etc. DHHS had not considered an allowance for doubtful accounts for the SNAP program, causing an overstatement of $4,651,343.
DHHS – TPL Receivable	$ 3,821,112	The Third Party Liability (TPL) consists of amounts subject to collection attempts from third parties, such as insurance companies, for services provided to individuals. DHHS incorrectly calculated the receivable for an annual estimated amount, versus the determined 45-day outstanding balance, causing the overstatement of $3,821,112.
DHHS – Program Integrity Receivable	$ 2,099,287	The Program Integrity receivable consists of amounts owed from Medicaid recipients for overpayments, fraudulent claims, etc. DHHS included balances, totaling $1,732,892, for closed cases from which future collections are unexpected. Two account balances, totaling $1,251, were not reduced properly for amounts received, and one account balance for $365,144 was included in the receivable in error.

Other Items Prepared by DAS

DAS prepared other manual financial statement entries throughout the audit in order to compile the CAFR. During testing, we noted several additional errors due to a lack of both knowledgeable DAS personnel and an adequate secondary review of entries performed prior to posting. Errors of $2.5 million or greater were as follows:

Description	Amount of Errors	Reason
BELF Beginning Fund Balance	$ 168,262,740	During the previous fiscal year, an entry was made to establish the long-term investments in land for the Board of Educational Lands and Funds (BELF). The entry was reversed during fiscal year 2019; therefore, the beginning balances needed to be reestablished. DAS did not properly record the entry, causing the beginning fund balance to be understated by $84,131,370, gain/loss on sale of investments to be overstated by $83,983,013, and operating expenditures to be understated by $148,357. DAS posted the adjustment proposed by the APA.
OSERS – Agency Fund Financial Statement	$ 128,018,201	The Agency Fund financial statement support for the Omaha School Employee Retirement System (OSERS) contained multiple mathematical issues, which would have caused the financial statements to be improper. The errors in OSERS activity ranged from $77,427,368 to ($50,590,833). DAS corrected the errors after the APA brought them to its attention.

Description	Amount of Errors	Reason
OSERS – Securities Lending	$ 23,996,794	DAS did not properly record securities lending collateral and activity, resulting in an over allocation of $7,245,096 to the OSERS plan and an under allocation of the same amount to the Nebraska Public Employees Retirement System (NPERS) retirement plans. After the APA pointed out the error, DAS failed to post the correcting journal entry for OSERS, resulting in an understatement of $16,751,698 in securities lending collateral and activity. DAS posted the entry after further APA inquiry.
Permanent School Fund Restricted Balance	$ 47,894,462	DAS understated the Permanent School Fund restricted principal balance by $47,894,462, due to an incorrect formula and the balance not including all applicable amounts. DAS corrected the error after the APA brought it to the agency's attention.
Restricted Fund Balances	$ 21,365,964	DAS identified four fund balances, totaling $21,365,864, as unrestricted in the financial statements; however, all four funds were established by State statutes, which restricted the funds usage for specific purposes. DAS agreed and corrected the errors, with the exception of one fund balance of $310,734, which DAS did not properly reclassify.
Miscellaneous Adjustment Review	$ 7,103,795	When agencies perform transactions for previous year activity during the current year, they use a miscellaneous adjustment account. DAS then performed a review of significant activity for reclassification in the financial statements. DAS did not perform an adequate review; therefore, the APA proposed an adjustment for $7,103,795, of which DAS posted $5,858,270.
Improper Adjusting Entry	$ 5,848,104	The APA proposed an entry to correct prior year activity for Medicaid capitation rates from fiscal year 2017 and 2018. The entry posted by DAS was reversed, causing the original error of $2,924,052 to double to $5,848,104. DAS did not post the APA-proposed adjustment to fix the error.
Fiduciary Investment Classification	$ 5,326,792	DAS incorrectly classified an investment for $5,326,792 as Commingled Funds rather than Private Real Estate in the Fiduciary Fund financial statements. DAS agreed and corrected the error.
Federal Fund Balance Analysis	$ 3,470,521	DAS had an error in its calculation of the Federal fund balance analysis and misclassified two fund balances, causing errors of $3,470,521. DAS posted the adjustment proposed by the APA.
Securities Lending Adjustment	$ 2,792,312	A correcting entry made by DAS for securities lending duplicated a previous entry; this caused an understatement in the Federal fund and an overstatement in the Capital Projects fund of $2,792,312. An APA-proposed adjustment was not posted by DAS.
Prior Year Revenue Activity	$ 2,616,925	DAS did not perform adequate procedures to ensure revenue activity recorded as receivables for the fiscal year end 2019 were properly accrued in the financial statements. We tested six revenue documents posted after the fiscal year end and noted that three of the six, totaling $2,616,925, should have been recorded by DAS. Additionally, DAS improperly recorded $288,532 as accounts payable instead of due to government. The APA proposed an adjustment, and DAS posted $2,324,400 of the total.

The APA noted other various errors in DAS-prepared entries, totaling $6,078,084. Those errors included the following: 1) improper reclassification of balances due to other funds, totaling $597,609; 2) improper reclassifications of activity in the Unemployment Compensation Fund, totaling $2,192,925; 3) unexplained differences in the reconciliation of the general ledger to the financial statements, totaling $64,745; 4) improper internal service fund elimination calculations, causing a variance of $284,720 in the allocation; 5) errors of $1,064,000 in the fund balance categories in the Health and Social Services fund; and 6) failure to reverse a prior year entry, causing the balance in fiscal year 2019 to be incorrect by $1,874,085.

Footnote Disclosures
We noted other issues with items prepared by DAS for footnote disclosures, as follows:

Footnote Disclosure	Amount	Reason
Risk Management	$ 396,300,000	The disclosure included several incorrect coverage amounts, the largest of which was for the vehicle coverage at $4,700; the original version had $401,000. The footnote was reviewed by DAS – Risk Management prior to inclusion in the report; however, the errors were not identified until brought to the attention of DAS by the APA.
Noncurrent Liabilities	$ 48,403,747	DAS failed to include the DSH payable, totaling $26,138,914, in current long-term liabilities and $22,264,833 in the adjusted beginning balance when reporting claims payable. When DAS provided the revised footnote support, the calculation of deletions was incorrect, causing the need for further revisions.
Deposits & Investments Portfolio	$ 31,841,261	DAS did not obtain fair value levels for deferred compensation retirement investments held by Mass Mutual, totaling $31,841,261. Investments were to be classified in levels depending on how the fair value was determined, as required by Generally Accepted Accounting Principles. This amount was instead included as "Other Investments Not Classified." Additionally, the disclosure required multiple revisions; as DAS omitted the Nebraska and Alabama Enable Savings Plans from "Other fair value measurements," several amounts did not agree to support, and DAS miscalculated the Securities Lending Short-Term Collateral.
Receivables	$ 31,696,000	The disclosure was understated by $31,696,000 due to a miscalculation by DAS of the Unemployment Contributions receivable, and DAS failed to obtain updated allowance amounts for the DHHS-adjusted accruals noted above.
Lease Commitments	$ 3,625,743	The Lease Commitments footnote inappropriately included a 2% administrative fee in the amounts committed, and the minimum annual lease payments for one lease were understated by $3,625,743.
Restatements	$ 430,331	DAS failed to include the Unemployment Insurance restatement of $430,331.

We also noted the following issues during the audit:

- During the calculation of securities lending for the fiduciary funds, one OSERS fund was not included in the allocation. The fund totaled $1,595,104, and DAS was unable to explain why the fund was not included.

- DAS did not allocate the Nebraska Public Employees Retirement System – State Cash Balance net pension obligation to other funding sources, such as fiduciary and proprietary funds in accordance with GASB Statement No. 68. The APA informed DAS of the requirement in August 2019, but DAS did not perform procedures in a timely manner. The estimated allocation calculated by DAS determined the following for proprietary funds:

Beginning Net Asset Adjustment	$ 405,141
Net Pension Expense	$ 621,611
Deferred Outflows	$ 1,161,949
General Government Expenses	$ 278,676
Deferred Inflows	$ 642,884
Net Pension Liability	$ 456,861

- To verify that DAS had an adequate segregation of duties over CAFR entries, we reviewed 25 accrual entries in EnterpriseOne (E1), the State's accounting system. Two were prepared, approved, and posted by the same individual. This increases the risk that an error could occur and remain undetected. Furthermore, 5 of the 25 entries tested were not included on a DAS tracking sheet provided to the APA.

Similar findings related to errors in the preparation of the CAFR have been noted since the fiscal year 2007 audit. Adequate DAS staff resources needed to prepare and review the CAFR and supporting documentation in a timely manner were lacking, and these deficiencies appear to have been the primary causes of the material weakness addressed in not only this comment but also similar ones preceding it for the past several years.

DAS – State Accounting did make correcting entries for all material amounts, as recommended by the APA.

A good internal control plan requires an adequate review of draft financial reports and information used to prepare the CAFR, including the information provided by other State agencies. A sound business plan includes dedicating adequate staffing resources to meet the requirements of State statute.

Without adequate procedures and staffing to ensure the accuracy of the financial reports and information used to prepare the CAFR, there is an increased risk that material misstatements may occur and remain undetected.

> We recommend DAS dedicate or hire a sufficient number of staff to ensure internally prepared information is complete, accurate, and submitted timely to the auditors. We also recommend DAS utilize resources to work with State agency personnel to ensure accrual information is supported and has a sound accounting base.

DAS Response: State Accounting agrees an increase in staff hours dedicated to the CAFR is needed to improve the completeness, accuracy, and timeliness of information provided. The 2019 CAFR was issued 20 days prior to the start of the 2020 legislative session, compared to the 2018 CAFR issued 5 days prior to the start of the 2019 legislative session. Additionally, there were 36 adjustments proposed, with all but 9 being made; compared with 38 adjustments proposed for the 2018 CAFR in which 14 were not made. We will continue working to improve the CAFR process.

Finding 2019-002

Capital Asset Issues

Due to a significant lack of experienced staff and inadequate secondary reviews, we noted material errors in information processed and prepared by DAS for capital asset reporting, as follows.

Capital Asset Entries
DAS created manual journal entries to record capital asset activity for the financial statements. During testing of the entries, we noted numerous errors, totaling $6,677,641, as follows:

Description	Net Amount of the Error	Reason
Governmental Activities – Buildings	$ 353,442	DAS did not properly prepare the beginning balances or the activity for the fiscal year for the buildings entry. The calculation provided by DAS did not agree to reports run from the State's accounting system. The APA requested that DAS revise its calculation; however, the second version was still improper, with net understatements totaling $353,442. DAS posted the adjustment proposed by the APA.
Governmental Activities – Equipment	$ 1,515,623	DAS did not properly prepare the beginning balances or the activity for the fiscal year for the equipment entry. The calculation provided by DAS did not agree to reports run from the State's accounting system. The APA requested that DAS revise its calculation; however, the second version was still improper, with net understatements totaling $1,515,623. DAS posted the adjustment proposed by the APA.
Business-Type Activities – Buildings	$ 584,205	DAS included improper additions of $584,205, which were reported during the previous fiscal year and included in the fiscal year 2019 beginning balance. DAS corrected the error after it was brought to the agency's attention.
Internal Service Funds – Office of the CIO	$ 4,162,660	DAS included several assets as additions that had already been reported during the previous fiscal year and included in the fiscal year 2019 beginning balance. These included prior year depreciation expense as current year expense and several assets as current year additions; however, the assets were purchased prior to fiscal year 2019 and should have been beginning-balance adjustments. DAS posted the adjustment proposed by the APA.
Internal Service Funds – General Services	$ 33,491	DAS included four assets as additions for $33,491; however, the assets were purchased prior to fiscal year 2019 and should have been beginning-balance adjustments. DAS did not post the adjustment proposed by the APA.
Internal Service Funds – Transportation Services	$ 17,048	DAS included one asset as an addition for $17,048; however, the asset was purchased prior to fiscal year 2019 and should have been a beginning-balance adjustment. DAS did not post the adjustment proposed by the APA.
Internal Service Funds – Other Internal Services	$ 11,172	DAS included one asset as an addition for $11,172; however, the asset was purchased prior to fiscal year 2019 and should have been a beginning-balance adjustment. DAS did not post the adjustment proposed by the APA.

We also selected five of the largest projects from the DAS 309 Task Force (Task Force) expenditures for testing. The Task Force is a program administered by DAS for statewide building maintenance projects. We tested one expense from each of the projects and noted that one purchase was for a new generator at the Eastern Nebraska Veterans Home, costing $848,462. The costs were expensed as repair and maintenance, instead of capitalized in accordance with accounting policies. No adjustments were made to the financial statements.

A good internal control plan requires procedures to ensure capital asset activity is reported accurately for financial statement presentation.

A similar finding was noted during the previous audit.

Construction in Progress
During testing of DAS's support for Construction in Progress (CIP), we noted several issues, including inconsistent or inaccurate calculations, omissions or inaccurate inclusion of projects, and failing to include completed projects removed from CIP in capital asset additions. DAS adjusted CIP by $14,258,323, as proposed by the APA. Errors of $1.5 million or greater were as follows:

Description	Over/ Understated	Reason
DMV – VicToRy system	$ (14,660,000)	During the audit, it was determined that the VicToRy system needed to be capitalized. DAS was informed of the costs but did not include the system in CIP, causing the understatement.
DHHS – Edifecs system	$ 5,949,497	The Edifecs system was identified by the APA as a system that needed to be capitalized. Expenditures of $5.9 million were recorded by DAS as a beginning balance adjustment; however, the system was completed prior to fiscal year 2019 and should have been recorded as capital asset equipment instead. Furthermore, the amount capitalized was overstated by $935,278.
Kearney Veterans Home	$ 5,069,283	DAS overstated additions to CIP for previous year costs to the Kearney Veterans Home.
DHHS – NeHII system	$ 4,735,158	DAS included the NeHII system as a capitalized computer software project; however, after further discussions with DHHS, it was determined the project did not meet the requirements of GASB Statement No. 51 and, therefore, should not have been included in CIP.
DHHS – Improvements	$ (4,080,327)	During the audit, the APA identified two CIP improvements (Kearney YRTC Security upgrades & HRC building improvements) that were not properly capitalized in the accounting system. DAS was informed of the costs but did not include the projects in CIP, causing the understatement.
State Capitol HVAC	$ (3,325,350)	The Capitol heating and air conditioning project included $1.2 million in costs for a separate project, but it was understated by $4.5 million for costs improperly omitted, for a net understatement of $3.3 million.
Game & Park Commission Projects	$ (2,801,591)	DAS did not include beginning balance costs for several park projects, causing an understatement of $2.8 million.

Description	Over/ Understated	Reason
Nebraska Department of Transportation – Kronos system	$ (2,781,920)	DAS recorded a reduction to CIP for the completed system; however, it failed to include the costs as an addition to equipment, causing an understatement in capital assets-equipment.
DHHS – Data Management & Analytics (DMA) system	$ (1,801,110)	The APA identified the DMA system as needing to be capitalized. Expenditures of $1.8 million were incurred prior to fiscal year 2019; however, DAS did not properly reflect these expenses as beginning balance adjustments, causing an understatement.
NDOL – Benefit system	$ (1,722,911)	During the audit, it was determined that the NDOL system needed to be capitalized. DAS was informed of the costs but did not include the system in CIP, causing the understatement.

Furthermore, DAS understated the Construction Commitments footnote disclosure by $81 million. DAS's calculation of remaining commitments was improper; several projects included inaccurate expenditures to date; funding sources were improper; and all significant projects were not included, as required by GASB Codification § 2300.106(k), which requires inclusion of "[c]onstruction and other significant commitments, including encumbrances, if appropriate." The footnote required four revisions in order to be properly reflected in the report.

We also noted that the entry to record construction retainage payable was understated by $1,851,319, due to two projects inappropriately omitted from the calculation.

Good internal controls require DAS to implement adequate procedures for the accurate and complete preparation of construction in progress and related footnote disclosures. Good internal controls also require an adequate secondary review to ensure supporting documentation is proper prior to submission to the auditor for review.

Infrastructure Capitalization Policy
DAS had not established a statewide policy for the capitalization of improvements made to land in accordance with accounting standards. During testing, we noted that fiber optic cable was installed at the Platte River State Park, costing $557,511, which was expensed rather than capitalized due to the lack of a policy. DAS claimed to be working on a policy, but it was not implemented during the fiscal year.

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

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

Governmental Accounting Standards Board (GASB) Codification § 1400.103 provides the following:

> *[T]he term capital assets includes land, improvements to land . . . that are used in operations and that have initial useful lives extending beyond a single reporting period.*

Codification § 1400.702-1 goes on to explain the following:

> *Q-What are land improvements?*
>
> *A-Land improvements consist of betterments, other than buildings, that are ready for its intended use. Examples of land improvements include site improvements such as excavation, fill, grading, and utility installation; removal, relocation, or reconstruction of property of others, such as railroads and telephone and power lines; retaining walls; parking lots; fencing; and landscaping.*

Without adequate policies and procedures for capitalization, there is an increased risk of material misstatement of the financial statements.

Master Lease Financing Period
We noted two instances of equipment financed through the Master Lease Program (Program) being assigned a useful life in the State's accounting system that was shorter than the financing period of the lease. The Office of the Chief Information Officer (OCIO) financed $6,533,744 of network and storage equipment and assigned the assets a useful life of three years within the State's accounting system; however, the financing period of the lease was five years.

The State of Nebraska's Master Lease Purchase Program Policy states the following:

> *Repayment terms will be negotiated for each equipment group with a term not to exceed the expected life of the equipment being leased.*

A good internal control plan requires procedures to ensure that assets purchased through the Program are depreciated and financed in accordance with the life of the asset.

Without such procedures, there is an increased risk of not only lack of compliance with Program policy but also the State paying for assets that are no longer being used.

A similar finding was noted during the previous audit.

> We recommend DAS implement procedures to ensure that capital assets are recorded accurately for financial statement presentation, including footnote disclosures. Those same procedures should ensure also that agencies utilizing the Master Lease Program are recording financed assets in the State's accounting system in accordance with policy. Additionally, DAS should implement a statewide policy for the capitalization of land improvements in accordance with accounting standards.

DAS Response: State Accounting agrees that fixed asset policies and procedures need updated to improve the accuracy of financial statement presentation.

Finding 2019-003

Lack of Financial Statement Reconciliation

DAS did not perform a reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) to the financial statements. Expenditures of $2.5 billion were recorded to the Federal fund in the financial statements for the fiscal year ended June 30, 2019.

Good internal controls require DAS to reconcile the SEFA to the financial statements to ensure the schedule and financial statements are complete and accurate.

Without such a reconciliation, there is an increased risk of the SEFA or the financial statements being inaccurate and those inaccuracies going undetected.

> We recommend DAS implement procedures to reconcile the SEFA to the financial statements.

DAS Response: State Accounting understands the risk identified and will prioritize remediation of the finding based on the assessment of that risk.

DEPARTMENT OF EDUCATION

Finding 2019-004

Improper Payables

The Department of Administrative Services, State Accounting Division (State Accounting), prepares the State of Nebraska Comprehensive Annual Financial Report (CAFR) and requires all State agencies to determine and report payable and receivable amounts at the end of the fiscal year on an accrual response form. A good internal control plan requires agencies to have adequate procedures for the reporting of accurate and complete financial information to State Accounting.

The Department did not properly calculate two payables reported to State Accounting for the fiscal year ended June 30, 2019, causing an understatement of $43,335,395. The Auditor of Public Accounts proposed an adjustment for the unrecorded liabilities, and State Accounting adjusted the financial statements.

Good internal controls require procedures to ensure the accuracy of the CAFR accruals.

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

> We recommend the Department implement procedures to ensure the accuracy of the CAFR accruals.

Department Response: The original CAFR report submitted to DAS Accounting was correct. The understatement of $43,335,395 was a result of including two PB transactions (encumbrance/ liquidation) in the reporting of actual aid expenditures for the time period July 1, 2019 through September 30, 2019 that were for the prior fiscal year. In the future NDE will make sure to only include AA ledger types when running the reports. NDE will also double check to make sure only AA ledger type payments are included. The process for running this report for completing this follow-up portion of the CAFR Report, using only Ledger Type AA, will be documented by NDE and double checked in the future.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2019-005

Material Adjustments

The Department of Administrative Services, State Accounting Division (DAS), prepares the State of Nebraska Comprehensive Annual Financial Report (CAFR) and requires all State agencies to determine and report accurate amounts for financial reporting, including various accounts receivable and payable balances.

In its response to the Summary Schedule of Prior Audit Finding(s), the Department stated that its corrective action plan was complete with regard to errors in accrual information. Throughout testing, however, we noted that several items were not accurately reported to DAS. A similar finding was noted during the previous audit. The errors below, totaling $114,787,193, in over/understatements, were corrected, where necessary, by DAS to ensure the financial statements were materially accurate, as proposed by the Auditor of Public Accounts (APA).

Receivable & Payable Description	Over/(Understated)	Reason
Disproportionate Share Hospital (DSH) Payable	$ (54,241,902)	The DSH payable is for amounts due to hospitals that disproportionately serve low-income patients. The Department did not properly calculate the liability. For the current fiscal year, it only reported $106,306. The Department did not consider that payments to hospitals are two years behind and, therefore, there should be both a long-term payable of $26,138,914, and a short-term payable of $28,102,988. The Department also did not report a proper payable for fiscal year 2018, understating the beginning balance by $30,564,534.
Indirect and Direct Medical Education (IME/DME) Payable	$ (25,923,435)	The IME/DME payable is for payments to hospitals approved for medical education programs. The Department did not report all hospitals on its accrual response form submitted to DAS, and its calculation was not proper for all managed care organizations, causing an understatement of $25,923,435. Furthermore, the Department did not use the proper Federal and State funding percentages for proper presentation in the financial statements.
Patient & County Billing Receivable	$ 9,600,184	The receivable is for balances due for services provided to clients at the Department's Beatrice State Development Center and three Regional Centers in Lincoln, Hastings, and Norfolk. The Department included balances that were not collectible, intra-agency receivables, and allowances that were not supported. Errors noted caused an overall overstatement of $9,600,184.

Receivable & Payable Description	Over/(Understated)	Reason
Medicaid Drug Rebate (MDR) Receivable	$ (7,841,110)	The MDR receivable is for Medicaid drug rebates due from drug labelers. The Department used the July 31, 2019, report, instead of the June 30, 2019, report of balances due, to calculate the receivable, causing an understatement in the amount reported totaling $7,841,110.
State Rx Benefit Payable	$ 5,720,393	The Department reported a payable for the State's prescription benefit payable; however, the payment made in July 2019 was already recorded in the accounting system as a payable as of June 30, 2019. This caused an overstatement of $5,720,393, as recording it in the accounting system and reporting it to DAS would cause a duplicate of the payable.
Third Party Liability (TPL) Receivable	$ 3,821,112	The TPL receivable is amounts attempting to be collected from third parties, such as insurance companies, for services provided to individuals. The Department incorrectly calculated the receivable for an annual estimated amount, versus the determined 45-day outstanding balance, causing the overstatement of $3,821,112. Furthermore, the Department had not considered an allowance for doubtful accounts, which was determined by the APA to be $5,691,655 at June 30, 2019.
Nebraska Family Online Client User System (NFOCUS) Receivable	$ 4,651,343	The NFOCUS receivable consists of amounts due from individuals for overpayments made from various assistance programs, such as SNAP (Supplemental Nutrition Assistance Program), TANF (Temporary Assistance for Needy Families), etc. The Department had not considered an allowance for doubtful accounts for the SNAP program, causing an overstatement of $4,651,343.
Program Integrity Receivable	$ 2,099,287	Program integrity receivable consists of amounts owed from Medicaid recipients for overpayments, fraudulent claims, etc. The Department included balances, totaling $1,732,892, for closed cases where the Department was not expecting to receive future collections; two account balances were not reduced properly for amounts received, totaling $1,251, and one account balance for $365,144 was included in the receivable in error.
Intergovernmental Receivable	$ (568,258)	The intergovernmental receivable consists of amounts due from the Federal government for various programs. The Department compiled improper business units for its calculation, causing the understatement of $568,258.

Receivable & Payable Description	Over/(Understated)	Reason
NFOCUS Payable	$ 320,169	The NFOCUS payable consists of amounts due to providers for services from various assistance programs. The Department did not use the proper Federal and State funding percentages for three of four programs tested, causing the General fund liability to be overstated by $320,169 and the Federal fund liability to be understated by $320,169.

Furthermore, during testing, we noted the following issues:

- We selected 25 account balances from the Patient and County Billing receivable and noted 16 of 25 client accounts were not proper, for a total overstatement of $1,623,399. The overstatement was included in the adjusted noted above. Furthermore, seven of the accounts had no active collection procedures performed by the Department.

- The Department did not include interest due on overdue accounts in the MDR receivable. Since first identified by the APA in fiscal year 2015, interest due totaled $209,686.

- During testing of the NFOCUS receivable, we noted that the Department did not require a secondary review of changes made in the system to ensure changes made to account statuses were reasonable and proper. For instance, a clerk could suspend an account for various reasons, such as an appeal, bankruptcy, death, etc., but there is no secondary review to ensure the suspended status is proper and necessary based on supporting documentation. An inaccurate suspension could lead to balances due not being recovered. Furthermore, during testing of 18 client balances, we noted that one client had deceased in November 2013. In October 2015, the Department became aware of the change in the status, but the account status was not submitted for write-off until September 2019. The account balance totaled $10,618 as of June 30, 2019, and should not have been included as a receivable for fiscal year 2019.

- During the prior audit, the Department failed to report a payable related to a Medicaid fraud case. One drug labeler had paid rebates to the Department for amounts that had not been paid due to fraudulent claims. Therefore, the Department owed the labeler a refund of $6,321,342 as of June 30, 2018, for which a beginning balance adjustment was necessary for the current audit. The Department still owed $2,302,396; therefore, the APA proposed an adjustment to record a payable as of June 30, 2019. Lastly, during the year, the Department recorded Federal refunds of $1,905,784 as General fund expenditures; therefore, the APA proposed an adjustment to correct the funding sources. DAS posted all proposed adjustments.

Title 2 CFR § 200.511(a) (January 1, 2019) requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, “When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding’s recurrence and planned corrective action, and any partial corrective action taken.”

A good internal control plan requires agencies to have procedures for the reporting of accurate and complete financial information to DAS. Good internal controls also require policies and procedures to ensure collection procedures are performed on a timely basis, and secondary reviews are performed for account changes.

Without such procedures, there is a greater risk that material misstatements may occur and remain undetected.

> We recommend the Department implement procedures to ensure information is complete and accurate. The Department should have procedures in place for a secondary review to verify the information is supported, reasonable, and accurate.

Department Response: DHHS Agrees. DHHS Financial Services will continue to develop, assess, and improve upon internal procedures. Financial Services staff hosts an annual CAFR kick-off meeting with all staff involved in the reporting process and includes DAS Accounting in these meetings. This meeting outlines the internal reporting process, documentation expectations, prior year audit findings and deadlines. Documentation for each accrual item is then collected and compiled by responsible parties based on a pre-defined and communicated deadline for an initial review and then is subsequently reviewed by Financial Services.

Finding 2019-006

Lack of Adequate Subrecipient Monitoring

During testing of 25 expenditures, we noted that three payments to subrecipients were not adequately supported with detailed documentation for the payment tested, and monitoring was not adequate to ensure claims submitted and paid were reasonable, necessary, and in compliance with the terms of their agreement and Federal regulations for services provided.

- We tested two Regional Behavioral Health Authority (Region) payments, Region III and Region V, for $1,151,502 and $1,584,629, respectively. The Regions submit requests for payment, which are processed through the Division's Behavioral Health Electronic Billing System (EBS). Each Region contract is set up to designate both the services and approved providers of services within EBS. Total payments made during the fiscal year ended June 30, 2019, to Region III and Region V were $33.6 million, of which $2.2 million had no supporting documentation submitted by the Regions and the Department confirmed no other monitoring procedures were performed for the fiscal year 2019.

  45 CFR § 75.352(d) (October 1, 2018) requires a pass through entity to do the following:

  > *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]*

  45 CFR § 96.30(a) (October 1, 2018) provides the following:

  > *Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to . . . permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.*

- The third payment was to Community Action Partnership of Mid-Nebraska (CAPMN) for $67,292 for the Special Supplemental Nutrition Program for Woman, Infants, and Children (WIC) Federal program. The CAPMN did not submit supporting documentation with the request for reimbursements, and the Department did not perform adequate monitoring procedures for fiscal year 2019. Payments to the CAPMN for the fiscal year ended June 30, 2019 totaled $938,500.

2 CFR § 200.331(d) (January 1, 2019) requires a pass through entity to do the following:

> *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]*

2 CFR § 200.403 (January 1, 2019) also requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

Additionally, the Department received $2,102,758 during the fiscal year ended June 30, 2019, for Intermediate Care Facility (ICF) provider taxes in accordance with the ICF/MR Reimbursement Protection Act outlined in Title 405 NAC 1-003. The tax is remitted monthly and calculated from the provider's revenues during the period, which are reported by the provider. The Department relied on the reported revenues without conducting a sampling of the underlying support to ensure the accuracy of the amount reported. Therefore, it is unknown if the Department received the proper taxes during the fiscal year.

Good internal controls include the establishment of controls to ensure subrecipients use Federal awards in accordance with Federal compliance requirements, including procedures for the monitoring of subrecipients' fiscal activities related to Federal expenditures.

Without adequate supporting documentation, there is an increased risk of misuse of State and Federal funds.

> We recommend the Department implement policies and procedures to monitor subrecipients. Monitoring should include procedures to ensure monthly reports are accurate, agree to support, and reimbursements are in accordance with State and Federal requirements.

Department Response: DHHS acknowledges the finding. Expense reviews for the $2.2 million in question are being conducted in FY20.

Finding 2019-007

Capital Asset Issues

During testing, we noted that the Department lacked adequate procedures concerning capital asset additions, including building improvements and computer software capitalization, as follows:

- The Department incorrectly expensed costs, totaling $11,297,286, for two internally generated computer software that should have been capitalized in accordance with Governmental Accounting Standards Board (GASB) Statement 51, *Accounting and Financial Reporting for Intangible Assets*. The first project started in March 2018, and should have had $1,801,110 capitalized prior to fiscal year 2019 and $4,481,957 during the fiscal year. The second project started in July 2016 and was completed in June 2018; therefore, the entire project, totaling $5,014,219, should have been capitalized prior to fiscal year 2019.

- A third computer software project was reported to DAS for capitalization in the CAFR; however, the project costs did not meet the requirements of GASB Statement 51. The costs reported totaled $4,735,158.

- During fiscal year 2017, the Department incorrectly capitalized a payment for an annual software subscription, totaling $1,860,047. The Department was informed of the error in previous audits but had not yet corrected the improper capitalization in the accounting system. DAS did not include the error in capital assets for the CAFR.

- During testing of maintenance and repair expenditures recorded in the State's accounting system, we identified one building improvement that the Department expensed for $220,584, which should have been capitalized. The payments were for new security features to the Kearney Youth Rehabilitation and Treatment Center.

A similar finding was noted during the previous audit. The APA's proposed adjustments were made by DAS to correct the errors in the CAFR.

GASB Statement 51 states, in relevant part, the following:

7. Intangible assets are considered internally generated if they are created or produced by the government or an entity contracted by the government, or if they are acquired from a third party but require more than minimal incremental effort on the part of the government to begin to achieve their expected level of service capacity.

** * * **

9. Computer software is a common type of intangible asset that is often internally generated. Computer software should be considered internally generated if it is developed in-house by the government's personnel or by a third-party contractor on behalf of the government. Commercially available software that is purchased or licensed by the government and modified using more than minimal incremental effort before being put into operation also should be considered internally generated for purposes of this Statement.

10. The activities involved in developing and installing internally generated computer software can be grouped into the following stages:

a. Preliminary Project Stage. Activities in this stage include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the development of the software.

b. Application Development Stage. Activities in this stage include the design of the chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing, including the parallel processing phase.

c. Post-Implementation/Operation Stage. Activities in this stage include application training and software maintenance.

Activities in the application development stage should be capitalized, while the other two stages are expensed.

The DAS State Accounting Manual, General Policies Section 28, Capital Outlay, states, in relevant part, the following:

Building improvements are capitalized when the project enhances the functionality of the building either by effectiveness or efficiency, or extends the life of the building and the accumulated costs are $100,000 or greater.

** * * **

[C]omputer software that is internally developed or substantively modified, shall be capitalized as a separate asset if the acquisition value is One Hundred Thousand Dollars ($100,000) or more and has a life greater than one year.

Good internal controls require adequate policies and procedures to ensure expenditures are properly recorded in the State's accounting system for proper financial reporting.

When expenses are not properly recorded, there is an increased risk of material misstatement of the State's financial statements.

> We recommend the Department implement policies and procedures to ensure internally generated software and other expenditures are properly expensed or capitalized in accordance with GASB and State policies. We also recommend the Department work with DAS to remove the improper capital asset from the State's accounting system.

Department Response: DHHS Agrees. DHHS Financial Services will develop procedures to ensure the capitalization of assets is properly accounted for. DHHS Financial Services will also create an internal memo to be sent out to DHHS all to inform our department of the capitalization requirements and how to notify Financial Services that capitalization may be necessary.

Finding 2019-008

Program 354 – Child Welfare Aid

NFOCUS Payment Errors
Department expenditures for the period of July 1, 2018, through June 30, 2019, included $109,684,042 in aid assistance paid through NFOCUS with 250,256 lines of claims, for the Program 354 – Child Welfare Aid. NFOCUS is a subsystem of the State's accounting system used to record detailed information regarding clients and services. We tested 18 child welfare claims from eight cases and noted the following errors for four of the cases:

- One provider billed eight hours for services provided between 9 A.M. and 4 P.M. Only seven hours of services were provided, resulting in an overpayment of $47.

- One provider billed 46.5 hours for supervised visitation, but only 35.5 hours were provided, for an overpayment of 11 hours, or $517. In another instance, the provider billed for both supervised visitation and travel time for one hour, resulting in an overpayment of $47.

- For one case, a child required a hospital visit. The hospital billed the Department's Division of Children and Family Services. The child was on Medicaid Managed Care, and the claim should have been submitted to the Managed Care provider and not paid by the State. The overpayment totaled $8,637.

- The Department used a "letter of agreement" instead of a contract to document family support services to be provided for one case. The letter was not signed until three months after services started. The letter did not specify educational requirements for the family support workers. Providers signing contracts must show the workers have either a bachelor's degree in human services, or a combination of human services education and experience. Provider contracts state, "Family Support Service is defined as the provision of face-to-face assistance, coaching, teaching and role modeling by a ***trained professional*** in the family home or community based setting." (Emphasis added). The letter of agreement had no such language, yet the service was still called "family support," and the provider received the same rate, $47 per hour, as providers who are required to ensure their workers are prepared to provide services to this vulnerable population. At our request, the Department asked the provider for documentation to support the education and/or experience levels of the provider's four family support workers who billed time to the case. However, the provider did not provide the requested information.

Additionally, we noted that the documentation to support hours billed was not adequate. Times in and out were noted, but there were no narratives to describe the family support provided or which worker provided the service. Due to these deficiencies, the entire payment tested for $14,785 was questioned. During the fiscal year ended June 30, 2019, the provider received payments for four cases, totaling $154,959.

A similar finding was noted during the previous audit.

A good internal control plan and sound accounting practices require procedures to ensure the following:

- Adequate supporting documentation is maintained for services provided.
- Contracts are signed before services are provided.
- Staff providing services meet required qualifications, which are consistent across providers who provide the same service types.
- Payments are properly charged to State or Federal programs, as appropriate.

Without such procedures, there is an increased risk for loss or misuse of funds.

We recommend the Department implement procedures to ensure adequate supporting documentation is maintained for services provided, contracts are signed before services are provided, staff providing services meet required qualifications, and payments are charged to the proper Federal or State program.

Contractual Aid Payments Not Adequately Monitored
We selected three contractual aid payments and noted that there was not adequate monitoring to ensure costs were allowable and contract provisions were met, as follows:

- The Department utilized one provider for post adoption and guardianship services. Total payments for the fiscal year ended June 30, 2019, totaled $1,270,116. We tested one payment for $113,770 and noted that the Department did not obtain detailed support for the reimbursement. Furthermore, there was a lack of monitoring procedures to ensure expenditures were allowable. The payment did not appear to be in compliance with the provider contract, which stated, "Monthly itemized invoices for payments must be submitted by the contractor to the agency requesting the services with sufficient detail to support the payment." Additionally, an indirect cost rate of 15.9% was charged, but it was not Federally approved.

- The Department made $2,725,702 in domestic abuse expenditures for the fiscal year ended June 30, 2019. We tested one payment, totaling $8,754, for services to victims of domestic violence and sexual assault. The Department did not review the payment tested in detail. For the payment reviewed by the Department, the payroll calculations and operating expenses were allocated based on unsupported percentages. According to the provider contract, "DHHS shall reimburse the Subrecipient for its actual allowable, and reasonable expenditures by the Subrecipient upon the submittal of the DHHS approved invoice and an expense detail report."

- The Department made $2,021,149 in aid payments to contractors for child advocacy. We tested one payment for $39,861, which consisted of $28,844 in personnel costs. The Department did not obtain documentation to support that costs were charged for actual time spent on the subaward or documentation to support how the amounts were allocated between funding sources in accordance with the provider subaward, which stated, "As consistent with all applicable federal statutes, regulations, and policies, DHHS shall reimburse subrecipient for its actual, allowable, reasonable, and allocable costs." The subrecipient allocated personnel time based on predetermined budgetary percentages.

A similar finding was noted during the previous audit.

A good internal control plan requires procedures to ensure adequate supporting documentation is reviewed for all expenses paid, and contracts and subawards are adequately monitored.

Without such procedures, there is an increased risk for unallowable costs and misuse of funds.

> We recommend the Department implement procedures to ensure contractors and subrecipients are monitored, and adequate documentation is maintained to support that expenditures are allowable and in accordance with State requirements.

Department Response: DHHS Agrees.

NFOCUS Payment Errors: The agency has implemented an ongoing Supervisor case review process to monthly review NFOCUS claims in addition to a reporting system to flag and check unusually high monthly authorizations outside of set parameters. The Program Manger receives the report, which is created on authorizations issued and is able to make sure the errors are corrected before a service begins. The staff have been trained on calculating overpayments and making referrals for investigation. A member of the billing team currently performs a billing audit on a sample of claims billed via the provider claims portal on a monthly basis. Due to the number of claims billed, some claims do not go through the initial audit.

Contractual Aid Payments Not Adequately Monitored: A complete review of current procedures is taking place. Those procedures will be enhanced to ensure that adequate supporting documentation is reviewed, contract provisions are being reviewed and met, site visits are established, and that personnel costs will be reviewed to support that the actual time spent on the subawards and contracts is in accordance with Federal cost principles. The enhanced procedures will ensure that expenditures are reasonable and necessary. As of May 2019, the Department created a new internal auditor position for monitoring of CFS subawards and contracts to assure additional compliance.

Finding 2019-009

Medicaid Holding Fund

The Department had a holding fund used to deposit refunds for overpayments made to providers, clients, etc., while staff researched the proper accounts receivable to apply the payments. At June 30, 2019, the fund balance, totaling $12,956,953, was classified as a due to vendor for financial statement presentation, which was not accurate. The balance should have reduced outstanding receivables or been classified as due to/from other funds. The Department did not have adequate policies and procedures to research the amounts in the holding fund at year-end to ensure the balances were proper for financial statement presentation.

The holding account had $8,409,174 in receipts from Magellan for a contractual agreement related to excess profits. The amount was deposited in April 2018 and needed to be moved to a State fund. There were also similar profit reimbursements from Wellcare and United Healthcare, totaling $2,248,291, which were deposited in April 2019 and needed to be moved to the appropriate program funding for the Federal and State programs. The remaining balance was refunds for third-party liability, program integrity, and estate recovery programs.

The APA's proposed adjustment was made by DAS to correct the error. A similar finding was noted during the previous audit.

Good internal controls and sound accounting practice require policies and procedures to ensure financial statements are properly presented.

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

> We recommend the Agency implement policies and procedures to review activity in the holding fund to ensure balances are properly reflected at year-end. If balances are unable to be cleared by year-end, accruals should be reported to DAS to reflect properly the activity in the financial statements.

Department Response: DHHS Agrees. DHHS Financial Services will develop procedures to ensure fund balances are correct at the State fiscal year end. If balances cannot be adjusted prior to State fiscal year end, adjustments will be communicated to State Accounting to reflect the proper accrual on the financial statements.

Finding 2019-010

NFOCUS User Access

Access to NFOCUS is based on a user's need to complete his or her job tasks. The user's supervisor is responsible for completing the NFOCUS Access Request Checklist (Checklist) for new hires and changes in employee assigned duties and reviewing that access annually. The checklist is sent to security staff to assign the appropriate level of access to the system. No access is to be assigned until a completed, signed Checklist is submitted. In our review of employee access to NFOCUS, we noted the following:

- For 8 of 25 NFOCUS users tested, the Checklist was not properly completed.
- For 15 of 25 NFOCUS users tested, the Checklist was not reviewed by the employee's supervisor during the fiscal year.
- For 11 of 19 NFOCUS users tested, the access assigned in NFOCUS did not agree to the Checklist.

Additionally, during testing, we noted that the Department did not complete a review of user access during the fiscal year for six of eight external entities tested. We also noted that external users who were terminated did not have their access removed, as there was no procedure to review periodically external user access.

A similar finding was noted during the previous audit.

Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, Information Security Policy 8-502 (July 2017), "Minimum user account configuration," states the following, in relevant part:

> *(1) User accounts must be provisioned with the minimum necessary access required to perform duties. Accounts must not be shared, and users must guard their credentials.*

NITC Technical Standards and Guideline, Information Security Policy 8-701 (July 2017), "Auditing and compliance; responsibilities; review," states the following, in relevant part:

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

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

The organization employs the principle of least privilege, allowing only authorized accesses for users (or processes acting on behalf of users) which are necessary to accomplish assigned tasks in accordance with organizational missions and business functions.

Good internal controls require procedures to ensure user access assigned is documented and reviewed annually.

Without the proper completion of the NFOCUS Access Request Checklist, the Department is unable to ensure that the user is assigned only to access that is reasonable and necessary for the performance of his or her job duties. When user access is not reviewed, there is a risk of unauthorized access. Additionally, when user access is not removed in a timely manner, there is an increased risk for unauthorized changes.

We recommend the Department establish procedures to ensure the NFOCUS Access Checklist is properly completed, maintained, and reviewed annually or when there is a change of assigned duties. For those who are granted access to NFOCUS without completing the NFOCUS Access Checklist, we recommend the Department establish a formal policy and procedure to request, approve, and grant such access and perform an annual review of it. We also recommend the Department perform a review and make a contract with external entities to ensure all current users need access to NFOCUS and all terminated employees have their access removed in a timely manner.

Department Response: DHHS Agrees. The Department will work to establish procedures to ensure the NFOCUS Access Request Checklist are properly completed and maintained. The Department will also work to establish a central location for this work to be completed.

Finding 2019-011

Overpayment Mailbox

On November 30, 2011, the Department set up the Overpayment Mailbox for eligibility overpayments. Previously, Social Service Workers (SSWs) would set up overpayments and underpayments in NFOCUS as they discovered them. Eligibility overpayments were referred via email to the Mailbox to be worked by an Overpayment (OP) Unit team. In April of 2017, the Department converted the Mailbox to a database with an online submission form. Referrals from the Mailbox were transitioned to the new database.

We reviewed the database and, as of June 30, 2019, there were 11,374 referrals closed without the OP team working them, this included 341 referrals closed during fiscal year 2019. Of the closed referrals, 11,068 were SNAP. According to the Department, the referrals were not pursuable because they were over 12 months old.

A similar finding was noted during the previous four audits.

Per Title 475 Nebraska Administrative Code (NAC) Chapter 4-007.01A, "Overpayments must be established against households who were issued benefits they were not entitled to receive due to an AE [Administrative Error] for no more than 12 months before the month of initial discovery." However, this State regulation appears to conflict with Title 7 Code of Federal Regulations (CFR) § 273.18(c)(1), which requires the Department to "calculate a claim back to <u>at least</u> twelve months prior to when you became aware of the overpayment." (Emphasis added.) Currently, the Department's definition of the date of discovery is the date the Department confirms an overpayment occurred. This definition allows referrals to be unworked for an extended period and allows the Department to create an overpayment at any point in time, effectively circumventing regulations requiring referrals to be established as receivables within specific time frames.

Even if the Federal regulations did not exist, good internal control would suggest the original intent of the State regulation was not to allow the Department to sit on overpayment referrals until they are over 12 months old, and then close them.

We also performed testing of 18 overpayment receivables and noted the following issues:

- Five accounts had no demand letter included in NFOCUS in accordance with the Department's collection policy and State regulations Title 469 NAC 3-007.03B2 and Title 475 NAC 4-007.04A. Two accounts were for overpayments to the Aid for the Aged, Blind and Disabled (AABD) program and three accounts were overpayments to the SNAP program.

- Two accounts were not following the Department's collection policy by providing timely monthly billing statements or a notification letter as required. The overpayments were to the AABD and SNAP programs.

- One account with an overpayment to the SNAP program was set up six months after the overpayment was discovered, which was three months later than required by 7 CFR 273.18(d) (January 1, 2019).

Per the Department's regulations at Title 468 NAC Chapter 3-008.07B:

> *The agency must take all reasonable steps necessary to promptly correct all overpayments regardless of cause. The worker must record in the case record all steps taken to recoup any overpayments.*
>
> *The worker must first send a demand letter, giving the client the choice of reimbursing all or part of the overpayment or having future assistance reduced.*

Good internal controls require policies and procedures to ensure all steps taken to correct overpayments are kept on file for subsequent inspection, and changes to client accounts are reviewed and approved by a supervisor.

Without adequate controls and resources to work suspected overpayments, timeframes set by Federal regulations may not be met. Overpayments not worked timely have a lesser chance of collection. Overpayments not worked at all will have no chance of collection. There is less incentive for the Department to pursue collection on SNAP AE overpayments, as the Federal government requires all of those collections to be returned in their entirety to the Federal government. However, those overpayments increase the taxpayer burden at the Federal level, and the Department should actively pursue those receivables. Considering the number of referrals not worked, there are potentially millions of dollars in overpayments that the Department has not attempted to recover.

We recommend the Department:

- Implement procedures and devote adequate resources to investigating and establishing NFOCUS receivables.
- Define the date of discovery as the date the regular SSW first becomes aware of a potential overpayment.
- Work with the Federal agency to resolve the potential SNAP overpayments and comply with Federal regulations.
- Implement procedures to reduce the number of SNAP AE overpayments.

Department Response: DHHS Agrees. The Department implemented standard operating procedures for the pursuit of overpayments in 2017. The Department has processed all overpayments received since October 1, 2016 timely. The agency has completed the corrective action plan and disputes the finding. During the last state fiscal year, the team established $2,073,116 .85 overpayments for SNAP on 4,273 referrals. Each month, 300-500 new referrals of potential overpayments are received, reviewed and processed within 30 days of the referral. Last year, 2% overpayment referrals were determined as non-pursuable. The reasons a referral is categorized as non-pursuable include: by regulation, no overpayment occurred; not enough information to determine if overpayment occurred; amount of overpayment is under the dollar threshold for collection and overpayment is outside the state statute timeframe to collect. In many circumstances, client cooperation is required to determine the amount of an overpayment; last year 435 SNAP benefit cases were closed due to client not cooperating with agency to determine amount of overpayment.

In December 2019, with approval and guidance from the USDA Food and Nutrition Service, the agency began reviewing the suspended overpayment referrals and were able to find that 7,653 were considered beyond the pursuable timeframe to be established per 273.18(c)(i). In addition, 2,206 were considered unresolved due to not enough information received to establish a claim, four referrals were determined as non-overpayments, and one was considered non-pursuable due to death of the client. This left the agency with 381 additional cases to review. Of those cases, 123 were found to have active SNAP benefits to allow claims to be established. Currently those final 123 cases are being reviewed further to determine what actions need to be taken. The agency estimates a review of these cases to be completed by the end of March 2020.

Finding 2019-012

Lack of Internal Controls Over Program 262

The APA performed an attestation examination of the Department's Program 262 – Public Health Administration for the period July 1, 2017, through December 31, 2018. The following issues, totaling $4.3 million, were determined to be significant to the audit of the State of Nebraska CAFR for the fiscal year ended June 30, 2019.

Vital Records
Vital Records maintains records, such as birth, death, marriage, and dissolution of marriage certificates, for events that occur in the State of Nebraska. Upon payment of the required statutory fee, and satisfactory proof of identity and proper purpose, Vital Records can issue certified copies of these records or amend original records.

There was a lack of segregation of duties, as several employees were able to open mail or receive payments, process the payment in Netsmart VRS (Vital Records System), and complete the application process. The individuals who complete the balancing and prepare the deposits are also able to open mail, receive payments, process the payment, and complete the application process. In addition, we noted that all Vital Records employees are able to make changes in Netsmart VRS, such as date of birth or spelling of a name, as there are no security roles assigned. All employees are also able to waive fees and process the application using the fee type as "other." When this fee type is used, the fee is noted as $0. The certified copy could be printed without collecting or depositing a fee.

No money is deposited until the application is reviewed to ensure there is a proper purpose, proof of identity, and the correct fee amount was received. If the application is denied, Vital Records will send back the application and the fee whether it is a check or cash. No log is kept of the applications and fees received that have been returned.

The Netsmart VRS Payment Report shows the payment types for each register, including credit card, internet, cash, and checks. The Netsmart VRS Reconciliation Summary Report breaks out the different certificate types and amounts collected. Per discussion with staff, the system does not allow the Reconciliation Summary Report to remove items that have changed. For 1 of 15 deposits tested, the two reports did not agree, and the Department did not maintain documentation to support that the change was appropriate. The Payment Report total was $8,177, which is the amount deposited. The Reconciliation Summary Report total was $8,211, a $34 variance. Two birth certificate copies were not included, and no support was maintained to show why the change was made and $34 was removed.

Environmental Health

During review of the procedures over monies received and deposited for Environmental Health programs administered jointly by the Department and the Department of Environmental Quality, we noted that there was a lack of adequate segregation of duties over money received and deposited into Funds 22002, 22003, and 22053. These funds are sub-funds of the Health and Human Services Cash Fund 22550.

- Plan Review Fund 22002: One individual (Staff Assistant) received the mail after it was opened, entered the checks received into the database that generates the receipts acknowledging receipt of funds, and also reviewed the spreadsheet of receipts deposited prepared by Department Accounting. A secondary person should review the spreadsheet of receipts deposited from Department Accounting to ensure the fee received was actually deposited before the letter acknowledging receipt of the plan review fee is sent.

- Public Water Supply Fund 22003: The Department issues licenses to individuals who meet the requirements to make process control or system integrity decisions about water quality or quantity in public water systems. We noted that one person was able to handle a transaction from beginning to end. The Environmental Quality Program Specialist received applications, received monies at water operator training courses, recorded cash receipts in the log, issued applications for a water operator license, and prepared invoices. The duties of handling cash receipts and recording the receipts in the log should be separated from the issuance of the application to obtain a water operator license.

- Consumer Health Sanitation Fund 22053: One individual received the mail after it had been opened, entered the checks received into the database, generated the license or permit from the database, took the checks to the person responsible for delivering them to Department Accounting for deposit, and reviewed the spreadsheet prepared by Department Accounting of receipts deposited. The duties of handling cash receipts and recording the receipts in the database should be separated from the issuance of the license or permit.

Licensure Unit
There was a lack of adequate segregation of duties over financial processes for the Outpatient and In-Home Services program area, including Home Health, Hospice, Adult Day Health, Child Day Health, and Respite. One individual was able to handle a transaction from beginning to end. The Staff Assistant received the mail after it was opened, reviewed the paperwork submitted along with the check, took the checks to the person responsible for delivering the checks to Department Accounting for deposit, reviewed the spreadsheet prepared by Department Accounting of receipts deposited, and issued the licenses.

Radon
The Radon unit lacked an adequate segregation of duties over its financial processes. The Department provides for the licensure of radon measurement specialists, radon measurement businesses, radon mitigation specialists, and radon mitigation businesses. The monthly mitigation fees received for Radon are received and recorded by the Staff Assistant. The Staff Assistant also takes the fee received to Department Accounting to process and deposit. Currently, there is no supervisory or second review of the radon payments received and a comparison to the monthly mitigation reports to ensure the correct amounts are received and deposited.

When there is a lack of adequate segregation of duties, there is an increased risk of fraud or misuse of funds.

> We recommend the Department implement procedures to ensure no one person is able to handle all phases of a transaction from beginning to end.

Department Response: DHHS Agrees. The Department is working to implement several corrective actions per the Program 262 report previously issued. Updates to the corrective action plans were submitted to the APA in December 2019.

Finding 2019-013

University of Nebraska Medical Center Medical Education Revolving Fund

Beginning in fiscal year 2015, the APA questioned the disproportionate share hospital (DSH) expenditures made from the University of Nebraska Medical Center Medical Education Revolving Fund (Revolving Fund).

Neb. Rev. Stat. § 85-134 (Reissue 2014) provides, in relevant part, the following:

> *The University of Nebraska Medical Center Medical Education Revolving Fund is hereby established to be administered by the Department of Health and Human Services. The fund shall be used to fund medical education.*

The Department acknowledged that legislation had not yet been introduced to allow disproportionate share hospital expenditures from the Revolving Fund. During the year, however, the Department expended a total of $16,717,388 from the Revolving Fund, including expenditures for disproportionate share hospital expenditures.

Good internal controls require procedures to ensure compliance with State laws. When processing expenditures from the Revolving Fund other than those allowed by the statutory language above, the Department is not acting within the parameters of existing State law.

A similar finding was noted in the previous audit.

We recommend the Department comply with § 85-134 or, if necessary, propose legislation that would allow disproportionate share hospital expenditures from the Revolving Fund.

Department Response: DHHS Agrees. Going forward, the Department will comply with Neb Stat 85-134.

Finding 2019-014

NFOCUS External Access – Child Advocacy Centers

The NFOCUS application is used to automate benefit/service delivery and case management for several Department programs. NFOCUS processes include client/case intake, eligibility determination, case management, service authorization, benefit payments, claim processing and payments, provider contract management, interfacing with other State and Federal organizations, and management and government reporting.

NFOCUS users at Child Advocacy Centers (Centers) are able to access information outside the scope of their work. A review of case files accessed by the seven Centers from March 22, 2018, through April 22, 2018, revealed that employees of those entities accessed Master Cases (Cases) they had no business purpose for accessing. While the Department stated they are working on addressing this concern, the Centers continued to have the ability to access information outside the scope of their work during fiscal year 2019.

Six of the seven Centers were considered non-State external entities for the Department. The largest Center in the Omaha area, Project Harmony, consisted of both State and non-State employees using computers supported by the Department on the State's network. Regardless, users at all seven Centers had broad access to cases on the NFOCUS system not restricted by case type (e.g., CFS, Medicaid, SNAP – food stamps, etc.) or geographical area. The majority of entities with a need to access NFOCUS data do so through a separate portal in which only specific records placed on the portal by the Department can be viewed.

Neb. Rev. Stat. § 28-728(2) (Reissue 2016) states the following:

Each county or contiguous group of counties will be assigned by the Department of Health and Human Services to a child advocacy center. The purpose of a child advocacy center is to provide a child-focused location for conducting forensic interviews and medical evaluations for alleged child victims of abuse and neglect and for coordinating a multidisciplinary team response that supports the physical, emotional, and psychological needs of children who are alleged victims of abuse or neglect. Each child advocacy center shall meet accreditation criteria set forth by the National Children's Alliance. Nothing in this section shall prevent a child from receiving treatment or other services at a child advocacy center which has received or is in the process of receiving accreditation.

Neb. Rev. Stat. § 43-4407(2) (Reissue 2016) provides the following:

Each service area administrator and any lead agency or the pilot project shall provide monthly reports to the child advocacy center that corresponds with the geographic location of the child regarding the services provided through the department or a lead agency or the pilot project when the child is identified as a voluntary or non-court-involved child welfare case. The monthly report shall include the plan implemented by the department, the lead agency, or the pilot project for the child and family and the status of compliance by the family with the plan. The child advocacy center shall report electronically to the Health and Human Services Committee of the Legislature on September 15, 2012, and every September 15 thereafter, or more frequently if requested by the committee.

Neb. Rev. Stat. § 28-712.01(5) (Cum. Supp. 2018) states, in part, the following:

> *The department shall make available to the appropriate investigating law enforcement agency, child advocacy center, and county attorney a copy of all reports relative to a case of suspected child abuse or neglect.*

Neb. Rev. Stat. § 28-730(1) (Reissue 2016) states, in part the following:

> *Only a team which has accepted the child's case for investigation or treatment shall be entitled to access to such information.*

NITC Technical Standards and Guidelines, Information Security Policy 8-701 (July 2017), "Auditing and compliance; responsibilities; review," states, in part, the following:

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

NIST Special Publication 800-53, Security and Privacy Controls for Federal Information Systems and Organizations, Access Control 6 Least Privilege, states, in part, the following:

> *The organization employs the principle of least privilege, allowing only authorized accesses for users (or processes acting on behalf of users) which are necessary to accomplish assigned tasks in accordance with organizational missions and business functions.*

When external users have access to view any Case in NFOCUS, there is an increased risk that users may access confidential information that cannot be viewed per State statute. When terminated external users retain access to the NFOCUS system, there is an increased risk for inappropriate access of data. Inappropriately accessing NFOCUS data may violate Federal privacy laws.

> We recommend the Department remove external entity access to the NFOCUS application. We recommend instead, providing limited access to data through a separate portal where Department staff can deliver only the data necessary for an external entity to complete its mission.

Department Response: DHHS Agrees. Addressing the access of the Child Advocacy Centers (CACs) will occur as part of a CFS-wide reassessment of access to NFOCUS and will not be limited to only the CACs. Below is the access review and access establishment process created by the IT Manager - Information Systems & Technology - DHHS, which will be used to address NFOCUS access issues.

Evaluation: All external entities with access to N-FOCUS will have access levels and reasoning for said access levels re-examined. This evaluation will focus on the need of the Department and each external agency and will involve the business areas more fully into the process, which is essential since the data belongs to the business areas. The access review will be conducted by staff from CFS, MLTC, Legal Services, and IS&T with coordination with Internal Audit. IS&T expects this process to take several months to complete.

Yearly Re-evaluation: After completion of the evaluation and access modification phase, the effort will expand to tracking external contracts more fully including a re-evaluation of access on an annual basis. This re-evaluation will also grow to a more formal evaluation of the individuals covered by each entity.

DEPARTMENT OF REVENUE

Finding 2019-015

Lack of Supporting Documentation for Tax Incentive Payments

The Department provided tax incentives under the Nebraska Advantage Act (Neb. Rev. Stat. §§ 77-5701 through 77-5735 (Reissue 2018)) and the Employment and Investment Growth Act (Neb. Rev. Stat. §§ 77-4101 through 77-4112 (Reissue 2018)). The tax incentives were provided to encourage new businesses to relocate to Nebraska, retain existing businesses, aid expansion, and promote and retain quality jobs. The tax incentives can substantially reduce or eliminate the State and local tax liability of a qualifying company with major investments in employees and/or property. Once the taxpayer is approved, an incentive agreement is executed, and a qualification audit is performed by the Department when the taxpayer believes it has qualified to receive tax credits. In order to claim a refund of sales and use taxes from the incentives tax credits, the taxpayer must file a form, typically on a quarterly basis. The company provides documentation, primarily consisting of a list of invoices and copies of said invoices, to support the credits claimed, which is then reviewed by the Department to ensure that each item claimed is qualified under the act. Total tax incentives paid during the fiscal year ended June 30, 2019, was $111,687,623.

During testing of 15 companies that received incentive payments during the fiscal year, we noted that the Department did not retain adequate supporting documentation to substantiate the tax credits paid for four companies. The Department had no invoices on file to support the tax credits paid. The four companies were paid $10,112,052 during the fiscal year. The Department had performed a field audit and did not maintain copies of the invoices tested.

Good internal controls require policies and procedures to ensure that adequate documentation is retained to support audit procedures performed by the Department for tax incentive payments.

Without such policies and procedures, there is increased risk the Department will pay tax incentives inappropriately, increasing the risk of material noncompliance with State law.

> We recommend the Department implement policies and procedures to ensure that audit documentation, such as invoices, is retained to support the tax incentive payments.

Department Response: The DOR internal control memo provided annually to the APA has historically noted that invoices may not be available for the APA to observe if the Department has just finished a field audit of the taxpayer because the invoices are observed in the field and copies are not required. This was a management decision made by the DOR to avoid the detrimental impact on the Department's operations from scanning thousands of documents during the field audit, which would also have a material negative impact on its financial statements. The DOR completes a thorough review of documents in the field, similar to the review completed in the office, which are reviewed by the in-charge auditor with a final review and approval by an Audit Manager in the office. However, in order to provide the APA with adequate documentation for their internal control review, the DOR is proposing a compensating control that would avoid the inefficient use of resources required for copying and retaining thousands of documents, but provide additional assurances regarding accuracy of invoices reviewed in the field. Under this plan, an Audit Manager will request a sample of invoices to verify that the amounts scheduled by the field auditor for refund tie to the actual invoices. Those sampled invoices will also be retained for APA review.

DEPARTMENT OF TRANSPORTATION

Finding 2019-016

Federal Activity Recorded In Cash Funds

Vendor payments are recorded into the Department's Payment System (RPS), which then interfaces with the State's Accounting System to record the transactions and create payments to those vendors. When the Department records vendor payments for construction projects, those cost records are sent to the Department's Project Finance System (PFS), which is used to track road construction projects. PFS then allocates the project costs to the different funding sources (e.g., State funds, local funds, Federal funds). The allocation performed by PFS is then used to request Federal reimbursement.

The funding source for the expenditures is maintained only on PFS and is not recorded or maintained on the State's Accounting System. As a result, the State's Accounting System reflects these expenditures as Cash fund expenditures rather than Federal fund expenditures, as required by the Department of Administrative Services (DAS) State Accounting Manual, Application of Principles – Section AM-003, which includes the following fund types used in the State Accounting System:

- *40000 – Federal Funds – accounts for all federal grants and contracts received by the State.*

- *20000 – Cash Funds – accounts for revenues generated by specific activities from sources outside of state government and the expenditures directly related to the generation of revenues.*

During the period July 1, 2018, through June 30, 2019, the Department recorded $323,388,726 in Federal expenditures according to the PFS system and $323,817,518 in Federal receipts in the State Accounting System's Roads Operations Cash Fund (22700). This activity should have been recorded in a Federal fund on the State's Accounting System.

The Auditor of Public Accounts (APA) requested a reconciliation of the PFS system to the State Accounting system by funding source. The Department provided a reconciliation for $313,167,983 or 97% of the Federal expenditures, as follows:

Program	Expenditures During FYE 6/30/2019	Amounts Reconciled by the Department	Percentage Reconciled
Highway Planning & Construction	$ 305,627,963	$ 303,395,594	99%
Formula Grants for Rural Areas	$ 9,772,389	$ 9,772,389	100%
Remaining Federal Expenditures	$ 7,988,374	$ -	0%
Total Federal Expenditures	$ 323,388,726	$ 313,167,983	97%

The reconciliation took a significant amount of time for the Department to complete and for the APA to review.

The Department is not recording its activity in accordance with State Accounting policies. While the Department is capable of obtaining this information, the information systems used by the Department cannot produce this data easily and quickly.

We recommend the Department implement procedures to ensure the Department is following State Accounting Policies and establish an adequate interface between the RPS system and the State's Accounting System to ensure the funding is recorded properly.

Department Response: NDOT's recording of federal reimbursement as a revenue in the State's Accounting System to a cash fund following the expenditure of state funds is a long-standing practice done with the knowledge of DAS State Accounting. Specific, unique revenue object codes have been created in the State's Accounting System and are used to separately account for federal reimbursement. NDOT will confer with the Department of Administrative Services regarding the State Accounting policy.

III. Findings and Questioned Costs Relating to Federal Awards:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2019-017

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

Grant Number & Year: Various, including #1905NE5ADM, FFY 2019

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

Criteria: 2 CFR § 200.403 (January 1, 2019) states, in part, the following:

> *Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*
>
> * * * *
>
> *(g) Be adequately documented . . . .*

2 CFR § 200, Appendix V, subsection (G)(4), (January 1, 2019) states, in part, the following:

> *Billing rates used to charge Federal awards must be based on the estimated costs of providing the services, including an estimate of the allocable central service costs. A comparison of the revenue generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable costs of the service will be made at least annually, and an adjustment will be made for the difference between the revenue and the allowable costs. These adjustments will be made through one of the following adjustment methods: (a) a cash refund including earned or imputed interest from the date of transfer and debt interest, if applicable, chargeable in accordance with applicable Federal cognizant agency for indirect costs regulations to the Federal Government for the Federal share of the adjustment, (b) credits to the amounts charged to the individual programs, (c) adjustments to future billing rates, or (d) adjustments to allocated central service costs.*

Per the *DAS Facility Use Manual* (Rev. 6-10-2015), Section XIII ("Your Lease"), "Rental rates are based on Facility historical operation costs and projected market price changes. Each Facility is budgeted to operate on a break even basis."

A good internal control plan requires procedures to ensure the following:

- Rate charges are equitable, reflect actual costs incurred, and are periodically reviewed so that charges are appropriate for the services provided.
- Adequate documentation is maintained to support rates charged, including documentation for the approval of those rates.
- Internal service rates are published and available for State agency review and applied consistently for all State agencies.
- Leasing and contract agreements are in effect for the period of services billed.

Condition: We noted that the Agency's Materiel Division and Building Division did not maintain adequate documentation to support that charges were reasonable, equitable, and consistently applied. Additionally, the Agency did not have adequate documentation to support the allocation of Lincoln grounds keeping and Lincoln security costs in developing the building rental rates. A similar finding was noted in the prior audit.

Repeat Finding: 2018-008

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested seven receipt items (four Building Division, three Materiel Division) to determine whether the rates billed were proper. These divisions offer services such as office leasing and printing. We noted the following:

<u>Building Division</u>

- One April 2019 payment tested did not have a current Memorandum of Agreement in effect. The Agency billed the Department of Health and Human Services a monthly rate of $2,121 to allow six employees to work in the Agency's office space. The Agreement was in effect until June 30, 2018, and no renewal agreement was made after that date.

- The rental rate charged to agencies for building space includes an allocation for indirect costs for administration, grounds keeping, security, and energy management. We noted that the Agency did not have adequate support for the allocation for Lincoln grounds and Lincoln security indirect costs in developing the building rental rates. The grounds keeping allocation was split 46% turf maintenance, 31% snow removal, and 23% parking maintenance and clean up; the Agency did not have support for the split. The fiscal year 2019 indirect allocations for grounds keeping and security were $380,958 and $641,123, respectively. This was also noted in the prior audit.

<u>Materiel Division</u>

- Our prior audits noted that the Print Shop had not reviewed and updated its rates since the fiscal year ended June 30, 2010. We noted that printing rates for 24 cost centers were based on calculations from fiscal year 2008, with a 10% rate increase. No support was provided to support that the rates were reasonable. In the prior audit, Agency staff stated that the current accounting system did not provide the information needed to determine a rate-per-cost center, but the goal was to implement a revised system that could be used to develop new rates starting with fiscal year 2021. However, the Agency is no longer moving forward with that revised system.

- One cost center rate for plate printing was not charged based on actual costs or published rates. The Agency utilizes plates for some printing jobs. A metal plate is typically used to print large batches, and plastic plates are used for smaller batches. The raw material cost is far higher with metal plates. Because of the associated raw material costs, the published rate listing had two separate plate printing rates, as shown in the table below. In fiscal year 2019, the Agency combined the two plate printing rates for metal and plastic based on usage, to create an average cost of $24.52. As a result, agencies printing with plastic plates was overcharged, and printing on metal plates was undercharged.

2019 Materiel Division Plate Printing Rates	Published Rates	Rates Charged
Metal Plate Printing	$ 55.13	$ 24.52
Plastic Plate Printing	$ 14.25	$ 24.52

- The Agency established a 35% markup surcharge rate for special purchases, paper costs, plate material, special order supplies, and colored ink. However, the Agency did not have adequate documentation to support the reasonableness of the markup percentage rate. This was first noted during our audit of the Materiel Division for the period July 1, 2009, through December 31, 2011. Additionally, the markup percentage was applied inconsistently; for envelopes, the Agency charged a markup percentage rate of 25%.

- Two receipts tested for Print Shop work orders lacked adequate support for cost center rates. The cost center 808 "Miscellaneous Amount" did not have a standardized rate. For the receipts tested, rates billed to this cost center varied between $30 and $4,005. The Agency did not provide adequate support for the following miscellaneous rates billed:

  - One miscellaneous rate of $334 included $48 in storage costs and $286 for 20 clerical labor hours for managing multiple daily printing jobs a month. The rate was calculated using the labor rate from fiscal year 2008. Additionally, no support was provided to show the labor hours charged was reasonable.

  - One miscellaneous rate was for seal ink (used for stamp seals) made by the Print Shop. The rate was calculated using a quarter hour labor cost of $12. Labor hours were calculated based on fiscal year 2008 information, with a 10% increase for fiscal year 2019. No documentation was provided to support that the 10% rate increase was reasonable.

Cause: Lack of supporting documentation and adequate procedures. Per Agency staff, the current accounting system did not provide the necessary information to develop Print Shop rates by cost center.

Effect: Without adequate controls and procedures to ensure rates are equitable and based on actual costs, there is an increased risk that Federal programs will be overcharged for services. Without adequate procedures to ensure billings are proper and consistently charged, there is an increased risk that agencies and Federal programs will not be treated equitably.

Recommendation: We recommend the Agency maintain adequate documentation to support rent charges. We also recommend that procedures ensure rates are equitable and reflect the actual costs incurred for services provided. We further recommend all rates be charged consistently.

Management Response: The review and the setting of assessments, rates and surcharges occurs every two years (even years). Each review includes some changes and refinements. The SWAP review was for the FY18-19 which was the second fiscal year of that biennium. Some changes were made during the biennial review for the current biennium FY20-21.

The development of assessments, rates and surcharges for the next biennium – FY21-23 began in January 2020. The estimated costs used are based on historical costs and estimated increases during the final fiscal year of the current biennium and then the estimated costs for the new biennium. DAS has started a new review of its various rate setting procedures including the Building Division indirect cost allocations. Procedures will be developed to ensure a Memorandum of Agreement is in place for each rate being charged. Data that supports our decision making will be used to set rates and allocations.

Materiel, Print Shop and Central Finance staff have been working with the JDE IT Team regarding extracting the data needed to assist and support the development of Print Shop rates.

<u>Finding 2019-018</u>

Program: Various, including CFDA 93.767 – Children's Health Insurance Program – Reporting

Grant Number & Year: Various, including #1805NE5021, FFY 2018

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

Criteria: A good internal control plan requires adequate procedures to ensure the Schedule of Expenditures of Federal Awards (SEFA) is properly presented. A good internal control plan also requires the auditee to reconcile the SEFA to the financial statements to ensure the schedule is complete and accurate.

Title 2 CFR § 200.510(b) (January 1, 2019) states, in part, the following:

> *The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended . . . . At a minimum, the schedule must:*
>
> * * * *
>
> *(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.*
>
> *(4) Include the total amount provided to subrecipients from each Federal program.*

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

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

EnterpriseOne is the official accounting system of the State.

Condition: Several programs did not have expenditures or the amount provided to subrecipients accurately reported on the SEFA. We notified the Agency of the errors, and the SEFA was subsequently adjusted. Also, as noted in Finding 2019-003, the Agency did not perform a reconciliation of the SEFA to the financial statements. A similar finding was noted in the prior audit.

Repeat Finding: 2018-009

Questioned Costs: None

Statistical Sample: No

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

- The Federal SEFA is supposed to mirror its State counterpart, but there was a $25,113,256 variance between the two. In most cases, it appears that new programs were added to the State SEFA but were not also added to the Federal SEFA. There were 27 programs on the State SEFA that were not included on the Federal SEFA.

- The Agency reported prior-year expenditure amounts for the Blind & Visually Impaired Commission.
- The Agency did not report CFDAs 64.014 and 64.015 for the Department of Veteran's Affairs.
- The Department of Health and Human Services did not accurately report expenditures for several programs, including those detailed below:

CFDA	Original SEFA	Revised	Adjustment
93.069	$ 5,881,182	$ 4,722,956	$ (1,158,226)
93.889	$ 294,499	$ 1,452,725	$ 1,158,226
93.558	$ 32,452,190	$ 32,841,788	$ 389,598
93.767	$ 73,958,517	$ 85,582,814	$ 11,624,297
93.777	$ 4,578,791	$ 3,984,296	$ (594,495)
93.778	$ 1,223,885,815	$ 1,224,061,141	$ 175,326

There were 67 programs for various State agencies that needed correction. The total expenditures and amounts provided to subrecipients originally reported and per the final SEFA were as follows:

Original SEFA		Final SEFA	
Expenditures	Subrecipients	Expenditures	Subrecipients
$ 2,803,183,371	$ 461,613,913	$ 2,855,794,820	$ 488,604,517

Cause: The Agency did not have adequate procedures to ensure amounts that were not directly from the accounting system were accurate. The Agency established a specific account code for aid to subrecipients, but not all agencies utilized this account code.

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

Recommendation: We recommend the Agency implement procedures to ensure the SEFA is complete and accurate.

> **Management Response:** Administrative Services will continue working to educate internal teammates in the preparation of complete State and Federal SEFA information. Administrative Services will also continue to educate partnering State agency personnel responsible for providing SEFA information to help ensure it is both complete and reported accurately.

DEPARTMENT OF EDUCATION

Finding 2019-019

Program: CFDA 84.010 – Title I Grants to Local Educational Agencies – Subrecipient Monitoring & Special Tests and Provisions

Grant Number & Year: S010A180027, FFY 2019

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 20 USC 6311(h)(1)(C) (2018), "Each State report card required under this subsection shall include the following information: . . . (iii)(II) high school graduation rates, including four-year adjusted cohort graduation rates . . . ."

Per 2 CFR § 200.303(a) (January 1, 2019) the non-Federal entity must do the following:

> *Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

Per 2 CFR § 200.331:

> *All pass-through entities must: . . . (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward . . . .*

Condition: The Agency does not have adequate procedures to ensure local educational agencies (LEAs) maintain appropriate documentation for removing students from the regularly adjusted cohort rate.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: A State educational agency (SEA) and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the four-year adjusted cohort rate. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, transferred to a prison or juvenile facility, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a GED program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort. Title I Federal regulations require the SEA to ensure LEAs are maintaining appropriate documentation for removing students from the regularly adjusted cohort rate.

The Agency has guidance for the LEAs to complete the appropriate documentation for removing students from the regularly adjusted cohort rate, but no procedures to ensure the LEAs are following this guidance.

Cause: The Agency was unaware that such procedures needed to be implemented.

Effect: When the Agency is not monitoring appropriate documentation for removing students from the regularly adjusted cohort rate, there is an increased risk the LEAs will not be in compliance with the Federal requirements.

Recommendation: We recommend the Agency implement review procedures to ensure LEAs are maintaining appropriate documentation for removing students from the regularly adjusted cohort rate correctly in accordance with Federal guidance.

Management Response: NDE agrees and added a step in our monitoring process to address the removal of students from the graduation cohort.

Finding 2019-020

Program: CFDA 84.027 and 84.173 – Special Education Cluster (IDEA) – Allowability & Subrecipient Monitoring

Grant Number & Year: H027A170079, FFY 2018; H027A180079, FFY 2019

Federal Grantor Agency: U.S. Department of Education

Criteria: 2 CFR § 200.403 (January 1, 2019) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

2 CFR § 200.430(i)(1) (January 1, 2019) states, in relevant part, the following:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

* * * *

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

2 CFR § 200.331(d) (January 1, 2019) requires pass-through entities to do the following:

Monitor the activities of the subrecipient as necessary to ensure the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]

2 CFR § 200.511(b) (January 1, 2019) states, in relevant part, the following:

The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs . . . .

* * * *

(2) When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation.

A good internal control plan requires that adequate documentation be maintained to support amounts claimed by and paid to subrecipients. Good internal control also requires procedures to ensure subrecipients are utilizing Federal funds passed through for authorized purposes and in compliance with all applicable regulations.

Condition: The Agency did not have adequate subrecipient monitoring procedures. For 16 of 25 subrecipient aid payments tested, documentation was not adequate to support that the amounts paid were in accordance with Federal requirements. A similar finding was noted in the prior audit.

Additionally, the Summary Schedule of Prior Audit Findings states, "Detailed accounting records have been collected to support all subrecipient aid payments." However, as noted during testing, adequate support was not obtained for all subrecipient aid payments.

Repeat Finding: 2018-012

Questioned Costs: $871,433 known (H027A170079, $660,525; H027A180079, $210,908)

Statistical Sample: No

Context: We tested 25 subrecipient payments, totaling $4,148,180, and noted that $871,433 did not have adequate documentation to support that expenditures were allowable and in accordance with Federal cost principles. Documentation provided with the reimbursement request usually included a general ledger printout and invoices for some expenses. The Agency did not have time-and-effort logs, time certifications, or other payroll documentation on file for all reimbursement requests. In some cases, time-and-effort logs were on file, but there was not adequate support to verify that the correct amount was charged to the program, as there was no documentation to support the employees' full salary. In addition, some invoices did not have adequate support to verify that the purchases were for the Special Education program. For example, transportation services for $118,698, college training for $11,408, and the purchase of three vehicles for $123,243 did not have adequate support to ensure the costs were for Special Education students.

Federal payment errors noted within the sample were $871,433. The total Federal sample tested was $4,148,180, and total subrecipient aid expenditures paid with Federal funds during the fiscal year were $61,575,867. The Federal dollar error rate for the sample was 21.01% ($871,433/$4,148,180), which estimates the potential dollars at risk for fiscal year 2019 to be $12,937,090 (dollar error rate multiplied by population).

Cause: Inadequate procedures. The Agency hired two individuals to perform fiscal monitoring of the school districts on a three-year rotation, with the goal of helping the school districts improve their documentation. However, as of December 19, 2019, the Agency had completed the fiscal monitoring for only seven schools.

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

Recommendation: We recommend the Agency improve procedures to monitor subrecipients, including a review of payroll documentation from each subrecipient. We further recommend adequate documentation be maintained to support that expenditures are allowable and in accordance with Federal cost principles.

> **Management Response:** The Department of Education continually evaluates policies and procedures to ensure compliance with Federal and State guidance. We will review procedures to monitor adequate documentation be maintained to support that expenditures are allowable and in accordance with Federal cost principles.

Finding 2019-021

Program: CFDA 84.027 and 84.173 – Special Education Cluster (IDEA) – Earmarking

Grant Number & Year: H027A160079, FFY 2017; H027A180079, FFY 2019; H173A180077, FFY 2019

Federal Grantor Agency: U.S. Department of Education

Criteria: 34 CFR § 300.705 and 300.816 (July 1, 2018) describe how funds are to be allocated to the Local Education Agencies (LEAs) for the IDEA Part B and IDEA Preschool Grant Programs.

34 CFR § 300.705(b) (July 1, 2018) states, in relevant part, the following:

> *For each fiscal year for which funds are allocated to States under §300.703, each State shall allocate funds as follows:*
>
> * * * *
>
> *(3) After making allocations under paragraph (b)(1) of this section, as adjusted by paragraph (b)(2) of this section, the State must – (i) Allocate 85 percent of any remaining funds to those LEAs on the basis of the relative numbers of children enrolled in public and private elementary schools and secondary schools within the LEA's jurisdiction; and (ii) Allocate 15 percent of those remaining funds to those LEAs in accordance with their relative numbers of children living in poverty, as determined by the SEA.*

34 CFR § 300.816(c) (July 1, 2018) states, in relevant part, the following:

> *After making allocations under paragraph (a) of this section, the State must – (1) Allocate 85 percent of any remaining funds to those LEAs on the basis of the relative numbers of children enrolled in public and private elementary schools and secondary schools within the LEA's jurisdiction; and (2) Allocate 15 percent of those remaining funds to those LEAs in accordance with their relative numbers of children living in poverty, as determined by the SEA.*

Good internal controls require procedures to ensure that membership counts are correct for the public school district, which includes ensuring that the non-public school counts are included in the correct public school district.

Condition: The Agency did not allocate funds correctly for 5 of 25 subrecipients tested.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: Allocations are made to the LEAs based on the total membership counts of the public school districts and the number of children living in poverty in the public school district. The membership counts must also include the number of children who attend non-public schools within the public school district.

We tested the allocation for 25 school districts that were paid during the fiscal year ended June 30, 2019. We tested the 2017-2018 school year allocation for 16 school districts, and the 2018-2019 allocation for 9 school districts. The Agency did not include the non-public school membership counts within the correct public school districts for 2 of the 16 schools tested for the 2017-2018 allocation and 3 of the 9 schools tested for the 2018-2019 allocation. As a result of including the non-public schools membership counts in the incorrect public school districts, the allocations to the public school districts were incorrect. Variances ranged from $3,375 over-allocated to $57,073 under-allocated.

The total dollar error noted for school year 2017-2018 for the schools tested was $9,302 for grant H027A160079. The total dollar error noted for school year 2018-2019 for the schools tested was $60,250 for grant H027A180079 and $68 for grant H173A180077.

Cause: Employee error.

Effect: Without adequate procedures to ensure the allocation to school districts is correct, there is an increased risk the LEAs will not be allocated the correct amount.

Recommendation: We recommend the Agency implement procedures to ensure that the allocation of funds to the LEAs is correct.

> **Management Response:** The Nebraska Department of Education Special Education Office will implement additional procedures to verify the accuracy of non-public school membership totals applied to the appropriate public school district Individuals with Disabilities Education Act (IDEA) allocation calculations.

Finding 2019-022

Program: CFDA 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Allowability

Grant Number & Year: H126A190039, FFY 2019

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 2 CFR § 200.403 (January 1, 2019), allowable costs must be necessary, reasonable, and adequately documented.

Per Title 92 NAC 72-005.01, "The program shall retain a vested interest in any items of equipment in which its share of the current market value is $5,000 or more."

2 CFR § 200.302(b) (January 1, 2019) states, in relevant part, the following:

> *The financial management system of each non-Federal entity must provide for the following . . . (4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.*

Condition: The Agency did not have documentation showing that the program retained a vested interest in equipment in which its share of the current market value is at least $5,000. A similar finding was noted in the prior audit.

Repeat Finding: 2018-013

Questioned Costs: None

Statistical Sample: No

Context: All three equipment expenditures tested lacked documentation of vested interest, as follows:

- For one client tested, the Agency did not have an agreement to establish the Agency's vested interest in equipment. The client received a Silencer Hydraulic Chute for $19,500 to assist him with his farm duties.

- For two clients tested, the Agency had an agreement, but the contract did not establish the Agency's vested interest in the equipment. The clients received a driving system modification for $34,842 and $58,890 to assist with driving.

The equipment cost more than $5,000 for each of these clients, yet the Agency did not have equipment agreements that formally established the Agency's vested interest in these items. However, we did not consider these costs to be questioned, as it appeared the equipment was still in use.

Per the Summary Schedule of Prior Audit Findings, Nebraska VR implemented a process on April 1, 2019, within their case management system to ensure equipment agreements are completed for all equipment purchases going forward that exceed $5,000. For one of the contracts observed, signed April 1, 2019, the agreement did not establish the Agency's vested interest in the equipment. Per discussion with the Agency, exceptions are carved out in the program manual for personalized equipment that is not traced in the VR's system. However, there are no provisions for exceptions in the NAC regulations.

Total Federal aid expenditures for the fiscal year was $2,611,900.

Cause: The Agency implemented a new process on April 1, 2019; however, the Agency is excluding certain items due to the personalized nature of the equipment. There are no exclusions provided for in State regulations, and there is no evidence that the equipment would not have any salvage value.

Effect: The Agency is not in compliance with State and Federal regulations. Additionally, when policies and procedures are not followed, there is an increased risk for the loss or misuse of funds.

Recommendation: We recommend the Agency comply with State and Federal regulations and maintain a vested interest in all equipment over $5,000.

> **Management Response:** Nebraska VR implemented a process on April 1, 2019 in their case management system to ensure equipment agreements are completed. The three purchases reviewed during this audit were all authorized prior to the new process being implemented.

Finding 2019-023

Program: CFDA 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Eligibility

Grant Number & Year: H126A190039, FFY 2019

Federal Grantor Agency: U.S. Department of Education

Criteria: 29 USC § 722(b)(3)(F) (2018) states, in relevant part, the following:

> *The individualized plan for employment shall be developed as soon as possible, but not later than a deadline of 90 days after the date of the determination of eligibility described in paragraph (1), unless the designated State unit and the eligible individual agree to an extension of that deadline to a specific date by which the individualized plan for employment shall be completed.*

Per the Vocational Rehabilitation (VR) Program Manual:

> *The IPE is to be completed within 90 days of the date the client was determined eligible for VR. If the IPE is approved 91 days or more after the Eligibility Decision VR must:*
>
> - *Obtain the client's agreement to the extension*
> - *Identify the date when the IPE will be completed*
> - *Provide an explanation as to why the time required for IPE Approval has exceeded 90 days must be documented.*

A good internal control plan requires procedures to ensure Individual Plans for Employment (IPEs) are developed within 90 days of eligibility determination.

Condition: For 5 of 5 clients tested, the IPE was not developed within 90 days of eligibility determination. Additionally, there was no documentation of an agreement allowing for the extensions of the deadline to a specific date. A similar finding was noted in the prior audit.

Repeat Finding: 2018-014

Questioned Costs: None

Statistical Sample: No

Context: For 5 of 5 clients tested, the IPE was not developed within 90 days of eligibility determination; the IPEs were 948 to 1,587 days late. There was no documentation of an agreement allowing for the extensions of the deadline to a specific date.

Cause: The system function to require IPE extensions past 90 days was implemented on October 2, 2019. Prior to this date, offices were not documenting extensions.

Effect: The IPE's purpose is to document the client's goal for employment, the services needed, and the job being pursued. When the IPE is not completed timely, the client is left without a formal plan for success, jeopardizing his or her opportunity to succeed in the program. Additionally, the Agency is not in compliance with 29 USC § 722(b)(3)(F), as well as its own program manual.

Recommendation: We recommend the Agency implement procedures to ensure that IPEs are developed within 90 days of eligibility.

> **Management Response:** During October 2019 Nebraska VR implemented a change to their case management system that requires an IPE be completed within 90 days or an extension be completed. The IPE's reviewed during this audit were for clients that applied prior to the system change being put into place.

<u>Finding 2019-024</u>

Program: CFDA 84.287 – Twenty-First Century Community Learning Centers – Allowability & Subrecipient Monitoring

Grant Number & Year: S287C160027, FFY 2017 and S287C170027, FFY 2018

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 2 CFR § 200.403 (January 1, 2019), allowable costs must be necessary, reasonable, and adequately documented.

2 CFR § 200.430(i)(1) (January 1, 2019) states, in relevant part, the following:

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

2 CFR § 200.331 (January 1, 2019) states, in relevant part, the following:

> *All pass-through entities must:*
>
> * * * *
>
> *(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:*
>
> *(1) Reviewing financial and performance reports required by the pass-through entity.*
>
> *(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.*
>
> *(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.*
>
> * * * *
>
> *(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.*

A good internal control plan requires that adequate documentation be maintained to support amounts claimed by and paid to subrecipients. Good internal control also requires procedures to ensure subrecipients are utilizing Federal funds passed through for authorized purposes and in compliance with applicable regulations. Finally, good internal control requires procedures to ensure audits are reviewed.

Condition: The Agency did not have adequate support on file for 15 of 19 subrecipient aid payments tested. Additionally, subrecipient Single audits were not obtained timely.

Repeat Finding: No

Questioned Costs: $449,034 known (S287C160027, $61,564; S287C170027, $387,470)

Statistical Sample: No

Context: We tested 19 subrecipient payments, totaling $722,311, and noted that $449,034 did not have adequate supporting documentation to support that expenditures were allowable and in accordance with Federal cost principles. Supporting documentation was provided with the reimbursement request; however, this was usually a general ledger printout and some invoices. Some reimbursement requests included a time-and-effort log or time certification for one employee; however, several employees' salaries were included in the reimbursement requests. In addition, the payroll documentation did not contain adequate detail for allocated payroll to determine the amounts claimed were proper. The monitoring performed by the Agency did not include adequate support to ensure the subrecipients used the subaward for allowable activities.

Subrecipient aid payments for the fiscal year ended June 30, 2019, totaled $6,543,605. Based on the sample tested, the case error rate was 78.94% (15/19). The dollar error rate for the sample was 62.17% ($449,034/$722,311), which estimates potential dollars at risk for fiscal year 2019 to be $4,068,159 (dollar error rate multiplied by population).

We also noted that the Agency did not monitor non-profit subrecipients to ensure: 1) Single audits were completed when required; 2) the audits were reviewed timely; and 3) findings contained therein were followed-up and management decisions issued. Total payments to the three non-profit subrecipients during fiscal year 2019 were $1,806,994.

Cause: Inadequate procedures.

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

Recommendation: We recommend the Agency improve procedures to monitor subrecipients, including reviewing both detailed supporting documentation for expenditures and payroll documentation for each subrecipient. We further recommend adequate documentation be maintained to support that expenditures are allowable and in accordance with Federal cost principles. Finally, we recommend the Agency ensure subrecipient audits are reviewed timely.

> **Management Response:** The fiscal analyst and 21st CCLC director conduct a desk review of each reimbursement request, which includes the grantee general ledger, to assure expenditures are allowable, reasonable and within the budget and performance period. If there are any unusual or questionable expenditures, sub-grantees are contacted to provide additional documentation or justification. Virtual visits and desk monitoring are additional strategies we use to provide oversight. All programs receive an on-site monitoring visit in year 3 of the 5-year grant where the director reviews selected financial documentation and employee time and effort information. The Nebraska 21st CCLC program utilizes a risk-assessment instrument to identify programs that may require interim monitoring or additional oversight. A revised Nebraska 21st CCLC monitoring checklist was implemented for the 2019-20 school year and includes a section that identifies the uniform federal program requirements that in the future will be monitored by the NDE Grant Compliance office every 3 years.

APA Response: A general ledger shows that costs were charged to the Program, but it does not provide support that the costs charged were proper and allowable per Federal guidelines. The on-site monitoring provided during the audit did not contain sufficient documentation to ensure that the subrecipient expenditures were reasonable and allowable.

Finding 2019-025

Program: CFDA 84.287 – Twenty-First Century Community Learning Centers – Special Tests and Provisions

Grant Number & Year: S287C160027, FFY 2017; S287C170027, FFY 2018

Federal Grantor Agency: U.S. Department of Education

Criteria: Title 34 CFR § 299.7(a)(1) (July 1, 2018) states, in relevant part, the following:

> *Expenditures of funds . . . for services for eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the amount of funds expended for participating public school children and their teachers and other educational personnel . . . .*

20 U.S.C. § 7881(a)(1) (2018) provides the following:

> *Except as otherwise provided in this chapter, to the extent consistent with the number of eligible children in areas served by a State educational agency, local educational agency, educational service agency, consortium of those agencies, or another entity receiving financial assistance under a program specified in subsection (b), who are enrolled in private elementary schools and secondary schools in areas served by such agency, consortium, or entity, the agency, consortium, or entity shall, after timely and meaningful consultation with appropriate private school officials provide to those children and their teachers or other educational personnel, on an equitable basis, special educational services or other benefits that address their needs under the program.*

A good internal control plan requires procedures to ensure services provided are equal on a per-pupil basis in accordance with Federal regulations.

Condition: The Agency did not have procedures to ensure expenditures were equal on a per-pupil basis for private school and public school children.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The Agency required annual consultations between public schools and the non-public schools within each school district, but it failed to review or maintain appropriate documentation to support that expenditures were, in fact, equal on a per-pupil basis for private and public school children.

The Agency required participating entities to have 10% of their openings available for non-public schoolchildren. The percentage was an approximation for the State, not based on the actual percentage per school district. If the openings were not filled, the participating entities were allowed to offer them to public school children; however, the State did not monitor this process or verify that equitable services were provided for compliance with Federal regulations.

Cause: Lack of procedures to monitor and document compliance with participation requirements.

Effect: Noncompliance with Federal regulations could result in sanctions. There is an increased risk for inequitable funding for public and private school children.

Recommendation: We recommend the Agency implement procedures to ensure expenditures for public and private school children are equal on a per-pupil basis, and adequate documentation is maintained to support the Agency's compliance with Federal regulations.

Management Response: The Nebraska 21st CCLC program follows the guidance provided by staff at the US Department of Education to all SEAs regarding participation of eligible students attending a nonpublic school. The Nebraska 21st CCLC Grantee Assistance Guide includes a section on "Nonpublic School Participants" and describes the annual consultation requirement. It specifically notes "students who reside within the geographic boundaries of an eligible public school building receiving services from a 21st CCLC grant but attend a nonpublic school outside these boundaries or are home schooled are also eligible to attend the 21st CCLC program". Under the "Equitable Access" section of this guide it clearly states "A public school or other public or private organization that is awarded a grant must offer to provide equitable services to nonpublic or home-schooled students and their families, if those students reside within the attendance area of the qualified public school buildings served by the grant." All students (public and private) receive the same opportunities for academic support, enrichment and an afterschool snack.

APA Response: There is no documentation that the subrecipients complied with the guidelines established by the State. Furthermore, there is no documented Federal guidance to support that the State's practice meets the requirement of equitable funding between public and non-public schoolchildren.

Finding 2019-026

Program: CFDA 84.367 – Supporting Effective Instruction State Grant – Allowability & Subrecipient Monitoring

Grant Number & Year: S367A170026, grant period 7/1/2017 to 9/30/2019, and S367A180026, grant period 7/1/2018 to 9/30/2020

Federal Grantor Agency: U.S. Department of Education

Criteria: 2 CFR § 200.403 (January 1, 2019) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

2 CFR § 200.430(i)(1) (January 1, 2019) states, in relevant part, the following:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

* * * *

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

2 CFR § 200.331 (January 1, 2019) states, in relevant part, the following:

All pass-through entities must:

* * * *

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]

A good internal control plan requires that adequate documentation be maintained to support amounts paid to subrecipients. Good internal control also requires procedures to ensure subrecipients are utilizing Federal funds for authorized purposes and in compliance with all applicable regulations.

Condition: The Agency did not have adequate subrecipient monitoring procedures. For three of five subrecipient payments tested, documentation was not adequate to support that the amounts paid were in accordance with Federal requirements. A similar finding was noted in the prior audit.

Repeat Finding: 2018-015

Questioned Costs: $1,802,192 known (S367A170026, $1,531,578; S367A180026, $270,614)

Statistical Sample: No

Context: The Agency awards subgrants to schools for the Supporting Effective Instruction State Grant (Title IIA), and these subrecipients request reimbursement periodically during the fiscal year. The Agency requires supporting documentation to be provided with the reimbursement request. However, for payroll expenditures, the Agency required only a report from the subrecipients' accounting system that showed the amount paid with Title IIA funds to each employee. The Agency did not require time-and-effort logs, time certifications, or other payroll documentation.

Subrecipient payments made by the Agency for the fiscal year totaled $9,031,171. We tested five subrecipient payments, totaling $2,231,473, and reviewed the monitoring for each. We noted that four of these payments tested included reimbursement for payroll expenses. Three of those payments did not have adequate documentation on file to support that payroll costs were allowable and in accordance with Federal cost principles, nor did the on-site reviews include documentation that Title IIA payroll records were adequately tested.

Cause: Corrective action procedures were not fully implemented during the fiscal year. The Agency hired two individuals to perform fiscal monitoring of the school districts on a three-year rotation, with the goal of helping the school districts improve their documentation. As of December 19, 2019, the Agency had completed the fiscal monitoring for seven schools.

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

Recommendation: We recommend the Agency continue to improve procedures to ensure subrecipient payments are in accordance with Federal requirements.

Management Response: The Department of Education continually evaluates policies and procedures to ensure compliance with Federal and State guidance. We will review procedures to ensure subrecipient payments are in accordance with Federal requirements.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2019-027

Program: CFDA 93.658 – Foster Care Title IV-E – Allowable Costs/Cost Principles

Grant Number & Year: 1901NEFOST, FFY 2019

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

Criteria: Per 45 CFR § 75.405(a) (October 1, 2018):

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

Per 45 CFR § 75.303 (October 1, 2018):

The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Title 45 CFR § 75.511(a) (October 1, 2018), requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

A good internal control plan requires procedures to ensure observations selected by workers are correct.

Condition: The Agency did not have effective control procedures to ensure Random Moment Time Study (RMTS) observations were accurate. We tested 50 RMTS observations and noted six workers selected Foster Care Title IV-E, which results in charges to Federal funds, when they should have selected Not IV-E. A similar finding was noted since 2015. The summary schedule of prior audit findings states the corrective action plan is complete.

Repeat Finding: 2018-017

Questioned Costs: $22,066 known

Statistical Sample: No

Context: The RMTS is conducted on an ongoing basis to provide data for the allocation of direct and indirect costs to various programs. The objective is to identify employee efforts directly related to programs administered by the Agency. The method is based upon the laws of probability and statistical sampling techniques.

Children served by Children and Family Services are identified as either Title IV-E Foster Care (Federal and State-funded) or Foster Care Not IV-E (Child Welfare – State-funded). To be eligible for Federal funding, cases must meet strict Federal criteria. During our initial testing of a random sample of 40 individual observations, we tested two cases where Foster Care IV-E was selected and four cases where Foster Care Not IV-E was selected. All four cases where workers selected Foster Care Not IV-E were correct. Both cases where workers selected Foster Care IV-E were incorrect as the children were not eligible for Foster Care IV-E funding. We selected 10 additional observations where IV-E was selected and found similar errors in four more observations. See table of issues noted below.

#	Program Selected	Program That Should Have Been Selected	Worker Comments
1	Foster Care Title IV-E	Foster Care Not IV-E	*"I was apparently mistaken. I will pay closer attention next time."*
2	Foster Care Title IV-E and Foster Care Not IV-E	Foster Care Not IV-E	*"If I had to guess, I may have selected it by mistake, or if I was unsure of the eligibility I may have selected both?"*
3	Foster Care Title IV-E	Foster Care Not IV-E	*"I am wondering if at that time I didn't know how to tell if they were a IV-E case."*
4	Foster Care Title IV-E	Foster Care Not IV-E	*"I'm guessing it was an error"*
5	Foster Care Title IV-E	Foster Care Not IV-E	*"I made a mistake."*
6	Foster Care Title IV-E	Foster Care Not IV-E	*"[I]t appears I checked the wrong box."*

These errors resulted in an overcharge to Federal Foster Care IV-E funds of $22,066 and a corresponding undercharge to State funds. Looking at the total charged to Foster Care based on the RMTS each quarter, we observed that Foster Care appeared to bear an excessive portion of costs. Although IV-E Foster Care children make up only about 7.5% of the total children in the system, the Foster Care grant was charged approximately 34% of the Children and Family Services RMTS allocation.

Federal payment errors noted in the sample were $22,066. The total Federal sample tested was $47,977, and total Federal Foster Care funds charged via the RMTS were $6,347,199. Based on the sample tested, the case error rate was 50% (6/12). The dollar error rate for the sample was 45.99% ($22,066/$47,977), which estimates the potential dollars at risk for fiscal year 2019 to be $2,919,077 (dollar error rate multiplied by population).

Cause: Workers, supervisors, and the RMTS administrator did not review cases in adequate detail to ensure selection of IV-E Foster Care was appropriate. We have had similar findings for several years, yet the Agency has failed to train or supervise workers adequately to ensure observations submitted are correct. The Agency's corrective action plan stated, "[T]raining of SSWs [Social Service Workers] /CFSS [Child and Family Services Specialist] workers will be conducted in order to ensure that RMTS forms are being filled out correctly." However, the support the Agency provided of the training conducted during the fiscal year showed that only 8 out of 126 workers who received training were Child and Family Service specialists, trainees, or supervisors. To provide perspective, as of the end of the fiscal year, the Agency had 519 Child and Family Service specialists, trainees, and supervisors.

Effect: Random moment sampling is based on the laws of probability, which state, in essence, that there is a high probability that a relatively small number of random observations will yield an accurate depiction of the overall characteristics of the population for which the sample was taken. If RMTS observations are not accurate, there is an increased risk costs will be allocated incorrectly between programs. The Foster Care program was likely significantly overcharged.

Recommendation: We recommend the Agency improve procedures to ensure random moment observations are accurate and adequately reviewed.

> **Management Response:** The Department agrees that training of all applicable workers was not conducted. However, in regards to the table of worker comments, the Department will point out that caseworkers being asked by an auditor if they correctly selected an RMTS activity from months prior are not likely to remember the circumstances of the case at that point in time. Concerning Foster Care RMTS hits making up a greater percentage than Foster Care clients do, this simply recognizes that different case types require different amounts of time to complete.

Finding 2019-028

Program: Various, including CFDA 93.558 – Temporary Assistance for Needy Families (TANF); CFDA 93.575 – Child Care and Development Block Grant; CFDA 93.658 – Foster Care Title IV-E; CFDA 93.667 – Social Services Block Grant; CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Grant Number & Year: Various, including 1901NETANF, FFY 2019; G1901NECCDF, FFY 2019; 1901NEFOST, FFY 2019; G1901NESOSR, FFY 2019; 1905NE5ADM, FFY 2019

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

Criteria: Per 45 CFR § 75.303 (October 1, 2018):

> *The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.*

Per 45 CFR § 75.405(a) (October 1, 2018):

> *A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.*

Title 45 CFR § 75.511(a) (October 1, 2018), requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Per the Cost Allocation Plan (CAP), the cost center IST (Information Services and Technology) Services is allocated to other cost centers based on the labor hours in each cost center.

Per the CAP, the cost center Legal Services General Legal Teams is "allocated to the benefiting cost centers and programs based on Time and Effort reporting of the attorneys." The cost center Child Support Enforcement Unit's costs "will be charged directly to the Child Support Enforcement Program."

Per the CAP, the cost center Field Office Resource Development is "allocated to the benefiting programs based on Time and Effort Reports prepared by the DHHS [Agency] Resource Developers in the cost center." The cost center Provider Relations Office 50% is charged "directly to the Medicaid 50% Program." The cost center Social Services Block Grant Administration's "direct and indirect costs will be charged directly to the Social Services Block Grant (Title XX)."

Per the CAP, the cost center Field Office Social Services Casework is "allocated to the benefiting programs based on the SSW [Social Service Worker] Random Moment Time Study Results."

Per the CAP, the cost center Field Office Child Protection and Safety Services is "allocated to the benefiting programs based on the CFSS [Child and Family Services Specialist] Random Moment Time Study results."

Per the CAP, the cost center IST Fiscal Projects Administration is "allocated to benefiting programs based on a time study that will be updated annually for the quarter ending 12/31."

Per the CAP, the cost center IST Services NFOCUS Applications is "allocated to the benefiting programs based on the NFOCUS end of quarter count of recipients receiving benefits associated with each program that benefits from the system."

A good internal control plan requires procedures to ensure programs are charged costs in accordance with relative benefits received and the CAP.

Condition: The Agency did not have adequate procedures to ensure costs were allocated properly to benefitting programs in accordance with the approved CAP. The Agency did not properly allocate costs in accordance with relative benefits received for all four CAP allocation methodologies tested: labor hours, time and effort, the Random Moment Time Study (RMTS), and non-payroll based allocations. A similar finding has been noted since 2013. The summary schedule of prior audit findings states the corrective action plan is complete.

Repeat Finding: 2018-018

Questioned Costs: $972,409 known

CFDA	Grant #	Federal Share of Known Questioned Costs
10.561	201919S251443	$ 200,961
93.558	1901NETANF	$ 46,857
93.563	1901NECSES	$ 76,168
93.568	G1901NELIEA	$ 146,901
93.575	G1901NECCDF	$ 72,153
93.658	1901NEFOST	$ 19,747
93.659	1901NEADPT	$ 19,548
93.667	G1901NESOSR	$ 31,847
93.767	1905NE5021	$ 13,876
93.778	1905NE5ADM	$ 344,351

Statistical Sample: No

Context: The following errors were noted:

Labor Hours
The contractor omitted hours from its labor hours calculations in one of three cost centers tested, as follows:

Quarter	Cost Center	Hours Allocated	Hours Omitted	Total Hours	% Omitted
3/31/19	IST Technical Services	1,713,911	90,047	1,803,958	4.99%

This cost center allocated $1,426,364 for the quarter tested. We could not determine the dollar error associated with this issue because the Agency no longer completes the "Step Down," a restatement of the CAP in Excel that provides a method to calculate the effects of changes in the CAP.

Fifty cost centers are allocated based on labor hours; we tested three of these and had issues with one of them: a 33% error rate. Total costs allocated via labor hours were $13,963,198 for the quarter ended December 31, 2018, and $15,835,746 for the quarter ended March 31, 2019.

Time and Effort

We tested the Legal Services General Legal Teams cost center for the quarter ended December 31, 2018, which allocated $802,148 to benefiting programs. Hours and costs for 23 attorneys were included within the allocation. One additional attorney worked entirely on Child Support Enforcement (CSE). Her hours were appropriately included in the cost center allocation, resulting in increased charges to CSE, but her costs were also inappropriately charged directly to CSE. Therefore, the CSE Federal grant was overcharged $35,380, while other Federal and State programs were undercharged.

We also tested the Field Office Resource Development cost center for the quarter ended March 31, 2019, which allocated $1,230,050 to benefiting programs. Hours and costs for 63 resource developers were included within the allocation. We noted the following:

- Twelve additional resource developers worked entirely on Medicaid. Their hours were appropriately included in the cost center allocation, resulting in increased charges to Medicaid, but their costs were inappropriately charged directly to Medicaid. Therefore, Medicaid Federal funds were overcharged $66,604, while other Federal programs were undercharged.

- One additional resource developer charged time to several different programs. Her costs were appropriately charged directly to programs but her hours were inappropriately included in the cost center allocation. Therefore, SSBG and TANF were overcharged $9,403 and $8,836, respectively, while other Federal programs were undercharged.

The questioned costs noted are for the cost centers tested, but similar errors would likely occur in other cost centers and quarters. Nine cost centers are allocated based on Time and Effort; we tested two of these and had issues with both. Total costs allocated via Time and Effort were $3,175,554 for the quarter ended December 31, 2018, and $3,677,833 for the quarter ended March 31, 2019.

RMTS

We tested the Field Office Social Services Casework cost center for the quarter ended December 31, 2018, which allocated $7,815,334 to benefiting programs. The Agency excluded certain observations if the worker selecting them did not normally work on that program. However, the observations selected by the workers were valid and should be included in the allocation, resulting in questioned costs to Federal Programs. Of the 1,290 observations that should have been used, 100, or 8%, were excluded, resulting in questioned costs to Federal programs and undercharges to other Federal and State programs.

We also tested the Field Office Child Protection and Safety Services cost center for the quarter ended March 31, 2019, which allocated $8,115,997 to benefiting programs. Because of programming errors in the summary report used to allocate, the Agency charged Medicaid for non-Medicaid activities, and excluded some allocations for State-funded child welfare and Federal Foster Care IV-E. We informed the Agency of the issue, and it adjusted statistics on the June 30, 2019, quarter. However, simply adjusting the next quarter’s statistics does not properly correct dollar errors noted, resulting in $23,104 questioned costs to Federal programs. We also noted for this cost center that the Agency made a decreasing adjustment to the Guardianship Assistance Program but failed to make a corresponding increasing adjustment to Child Welfare, resulting in additional questioned costs to Federal programs of $131,250 and undercharges to other Federal and State programs.

The known Federal share of questioned costs noted for RMTS total $574,567. These questioned costs are for the cost centers tested, but similar errors would likely occur in other cost centers and quarters. Eight cost centers are allocated based on the RMTS; we tested two of these, totaling $15,931,332, and had issues with both. Total costs allocated via the RMTS were $17,006,745 for the quarter ended December 31, 2018, and $19,908,569 for the quarter ended March 31, 2019.

<u>Non-Payroll Based Allocations</u>
We tested the IST Fiscal Projects Administration cost center for the quarter ended December 31, 2018, which allocated $770,103 to various programs that use the Nebraska Family Online Client User System (NFOCUS). According to the Cost Allocation Plan, the allocation methodology was to be a time study. However, when we reviewed the allocation detail, we discovered it was not based on a time study; instead of verifiable supporting documentation, the Agency used average money spent for each division, the amount of units/account numbers, lines of data, and several assumptions based on the experience of the supervisor within the unit. Documentation was inadequate to support that costs were allocated in accordance with the relative benefits received. We question the direct charges to Federal programs, totaling $270,965.

We also tested the IST Services NFOCUS Applications cost center for the quarter ended March 31, 2019, which allocated $5,899,171 to various programs based on recipient counts. The Agency maintains the detail for the recipients for most of the programs, but not Medicaid or the Children's Health Insurance Program (CHIP), which were allocated $2,672,139 and $436,153 of the total, respectively. The Agency was able to provide a report after the fact. It includes changes made since March 31, and the totals were higher. The variance was 3.03% for Medicaid and 2.03% for CHIP. Additionally, the Agency did not use the actual Medicaid and CHIP statistics because, due to employee turnover, the statistics were not accumulated in time. Instead, the Agency took the average of the three previous quarters. This resulted in questioned costs of $6,654 for Medicaid.

Total costs allocated via non-payroll based methodologies were $7,458,381 for the quarter ended December 31, 2018, and $10,541,196 for the quarter ended March 31, 2019.

Cause: Ineffective review. Similar errors have occurred for several years.

Effect: When costs are not correctly allocated, programs are not charged in accordance with relative benefits received.

Recommendation: We recommend the Agency implement procedures to ensure programs are charged costs in accordance with relative benefits received.

Management Response:

Labor Hours: The Department agrees that hours were omitted.

Time and Effort Legal Services: The Department agrees there was an issue. The CSE attorney transferred from Legal Services to Economic Assistance Child Support Enforcement and was appropriately charged directly to CSE. However, the Department extracted labor hours based on job classification causing the attorney's hours to be incorrectly included in the Legal Services cost center. This resulted in over-allocating to CSE by $35,380 and under-allocating to other Federal grants by $6,940.

Time and Effort Resource Development Medicaid staff: The Department agrees there was an issue. These specific RD workers are dedicated entirely to Medicaid. When the structural change occurred to dedicate them to Medicaid, the Department charged them to the wrong business unit. This resulted in a Medicaid cost center incorrectly earning $66,604.

Time and Effort Resource Development SSBG: The Department agrees there was an issue. The employee in question is no longer part of the RD group even though her job classification remains the same. The Department extracted labor hours based on Job Classification, causing the RD worker's hours to be incorrectly included in the RD cost center. This resulted in over-allocating to SSBG and TANF by $18,239 and under-allocating to several other Federal grants by $18,239.

RMTS Field Office Social Services Casework questioned costs of $420,557: Subsequent to Programmatic review in a prior year, it was determined that three codes should be removed from the SSW surveys, as SSWs no longer perform them. The intent was to change the survey, but the system was only reprogrammed to exclude these activities from the Allocation report that is used to report on RMTS. A recent review of the survey with Program staff results in the Department agreeing that two of the three codes should be included. This resulted in an over-allocation of $420,557 to several Federal Grants and an under-allocation of $316,465 to SSBG.

RMTS Child Protection and Safety Services: The Department agrees that a dollar adjustment should have been performed instead of a statistical adjustment. The department notes this finding resulted in overcharging Federal programs by $131,250 while undercharging Federal programs by $215,206.

IST Fiscal Projects Administration: Agree that the PACAP incorrectly stated time study when it was in fact a more robust analysis of the activities performed by the unit. The department disagrees that documentation was inadequate upon meeting with the IST Fiscal Projects Admin unit for further explanation of the analysis and believes this analysis is a more accurate depiction of the work they perform than a more simplistic study would have been.

NFOCUS Applications: The Department believes report numbers at the point in time that they were processed were accurate, as retroactive eligibility causes the variance depending on when you pull the report. However, the Department agrees that the point in time report should be saved for documentation.

Finding 2019-029

Program: Various, including 93.778 – Medical Assistance Program (Medicaid); CFDA 93.575 – Child Care and Development Block Grant (Child Care) – Allowable Costs/Cost Principles

Grant Number & Year: Various, including 1805NE5ADM, FFY 2018; G1701NECCDF, FFY 2017

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

Criteria: 45 CFR § 75.403 (October 1, 2018) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

Per 45 CFR § 75.405(a) (October 1, 2018):

> *A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.*

Title 45 CFR § 75.511(a) (October 1, 2018), requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

A good internal control plan requires procedures to ensure costs are adequately documented and allocated in accordance with relative benefits received.

Condition: Operating expenditures were not adequately supported, resulting in questionable costs charged to Federal programs. A similar finding was noted in the prior audit. The summary schedule of prior audit findings states the corrective action plan is complete.

Repeat Finding: 2018-020

Questioned Costs: $43 known ($38 1805NE5ADM; $5 G1701NECCDF)

Statistical Sample: No

Context: We randomly selected 25 Agency operating expenditures for testing and noted the following issues:

- We tested a $150 invoice for three hours of translation service. The Agency was unable to provide support that services were actually provided. The Agency had no support on file for one hour of service, and a note was on file for the other two hours of service stating that the appointment was canceled. Thirty-eight dollars was paid with Federal Medicaid funds and is considered questioned costs.

- We tested a $11,319 payment for licensing software maintenance that was allocated to various programs based on the number of licenses within each program. The Agency erroneously excluded several categories of licenses, which caused the allocation to be incorrect. A total of $192 was charged to Child Care. If all the license types had been included in the allocation, only $187 would have been charged to Child Care. The variance of $5 is considered questioned costs.

- We tested a payment for the verification of educational credentials. The payment was for eight verifications at a rate of $12.50 each, for a total charge of $100. However, the contract states the charge should be only $7.00 per verification, resulting in a total overpayment of $44. This payment was made with State funds, but it was coded to a cost center that is ultimately charged to both Federal and State programs through the quarterly cost allocation process. Additionally, the Agency did not pay this invoice for over a year due to employee turnover. This is not timely.

- We tested two payments to schools, totaling $3,778, for Medicaid administrative costs; the total Federal share of these types of payments was $5,514,892 during the fiscal year. The Agency has a contract with a third party to verify that amounts paid by the Agency are correct. However, the Agency did not monitor the contractor's procedures or calculations to ensure they were adequate.

Federal payment errors noted within the sample were $43. The total Federal sample tested was $181,645, and total operating expenditures paid with Federal funds during the fiscal year were $81,313,420.

Cause: Inadequate review.

Effect: Noncompliance with Federal and State requirements and a risk of loss of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure costs are adequately documented and allocated in accordance with relative benefits received.

> **Management Response:** The Department agrees with the finding. The Department has an ongoing process improvement project that is reviewing the payment process from start to finish. This will include the submission and review of all payments by program staff, procurement staff, and accounting staff.

<u>Finding 2019-030</u>

Program: CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children and CFDA 10.578 – WIC Grants to States – Allowability & Subrecipient Monitoring

Grant Number & Year: 183NE706W1003, FFY 2018; 16163NE806W5003, FFY 2016; 173NE522G5210, FFY 2017

Federal Grantor Agency: U.S. Department of Agriculture

Criteria: 2 CFR § 200.303 (January 1, 2019) directs the Agency to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control includes the establishment of controls to ensure subrecipients use Federal awards in accordance with Federal compliance requirements, including procedures for monitoring of subrecipients' fiscal activities related to Federal expenditures.

2 CFR § 200.331(d) (January 1, 2019) requires a pass-through entity to do the following: "Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]"

2 CFR § 200.403 (January 1, 2019) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

Condition: As noted in Finding 2019-006, for one subrecipient tested, the Agency did not have adequate monitoring procedures to support the allowability of subrecipient expenditures. A similar finding was noted in the prior audit.

Repeat Finding: 2018-024

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency receives monthly reimbursement requests from local agencies. These requests list the expenses by cost categories. The monthly expense reports are reviewed by Agency staff when received for payment; however, no invoices or detailed documentation is submitted to support that the expenditures are allowable and in accordance with Federal regulations. The Agency later performs desk reviews of the local agencies, in which source documents are requested to support the line items selected from the monthly expense reports for testing.

For the one subrecipient we selected for testing, the Agency performed a desk review of June 2018 expenses in September 2018. Of the $63,800 requested by the local agency, supporting documentation was obtained and reviewed for only $387. One of the largest expenses, salary and benefits of $46,119, was not reviewed. The Agency disbursed $938,500 in aid to the local agency during State fiscal year 2019. We did note, however, that the local agency also had a Single audit for the fiscal year ended September 30, 2018, with WIC audited as a major program, which would provide some assurance of compliance with Federal requirements. Therefore, we did not question any costs.

In addition, during testing of expenditures for this subrecipient, we noted that an Agency business unit was assigned to CFDA 10.557 in EnterpriseOne; however, according to the grant award, the appropriate CFDA should be 10.578. For fiscal year 2019, there was $7,526 inappropriately recorded to CFDA 10.557.

Cause: Inadequate monitoring procedures.

Effect: When adequate monitoring is not performed, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve procedures for monitoring subrecipients. Monitoring should include procedures to ensure monthly reports are accurate and agree to support, and expenditures are in accordance with Federal requirements.

Management Response: Partially Agree

Finding 2019-031

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Allowability & Subrecipient Monitoring

Grant Number & Year: All open, including #18AANET3SS, FFY 2018; #18AANET3CM, FFY 2018; #18AANET3HD, FFY 2018; #1901NEOASS, FFY 2019; #1901NEOACM, FFY 2019; and #1901NEOAHD, FFY 2019

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

Criteria: 45 CFR § 75.352(d) (October 1, 2018) requires a pass-through entity to monitor the activities of the subrecipient to ensure that Federal awards are used in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

45 CFR § 75.403 (October 1, 2018) requires costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to ensure subrecipients comply with applicable cost principles.

45 CFR § 75.405(a) (October 1, 2018) provides the following:

> *A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.*

45 CFR § 75.430(i)(1)(viii) (October 1, 2018) states, in relevant part, the following:

> *Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards . . . [.]*

45 CFR § 75.438 (October 1, 2018) states the following:

> *Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the HHS awarding agency*.

45 CFR § 75.352(d)(3) (October 1, 2018) requires pass-through entity monitoring of the subrecipient to include the following:

> *Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §75.521*.

45 CFR § 75.521 (October 1, 2018) states, in relevant part, the following:

> *(a) General. The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given. Prior to issuing the management decision, the Federal agency or pass-through entity may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the auditee. While not required, the Federal agency or pass-through entity may also issue a management decision on findings relating to the financial statements which are required to be reported in accordance with GAGAS.*
>
> * * * *
>
> *(c) Pass-through entity. As provided in § 75.352(d), Requirements for pass-through entities, paragraph (d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.*

Condition: Subrecipient monitoring procedures were inadequate. The Agency did not follow up adequately on deficiencies noted by agreed-upon procedures to ensure that corrective action was implemented by the subrecipients. A similar finding was noted in the prior audit.

Repeat Finding: 2018-025

Questioned Costs: $6,936 known

CFDA	Grant	Questioned Costs
93.044	18AANET3SS	$ 915
93.044	1901NEOASS	$ 968
93.045	18AANET3CM	$ 530
93.045	1901NEOACM	$ 2,713
93.045	18AANET3HD	$ 415
93.045	1901NEOAHD	$ 1,395

Statistical Sample: No

Context: The Agency receives monthly expense reports from eight subrecipient Area Agencies on Aging (AAAs). These reports include attachments with a breakdown of the current month's expenses by cost categories and indicate the amount of local matching funds used for each of the activities. The monthly expense reports are reviewed by Agency staff; however, no invoices or detailed supporting documentation are required at the time of payment. The Agency also reviews Single Audit reports submitted by the AAAs.

For fiscal year 2019, the Agency engaged a contractor to perform agreed-upon procedures of the subrecipients' expenditures. The contractor sampled transactions for varied months throughout the fiscal year ended June 30, 2019. The contractor prepared a report for each subrecipient review that detailed various items of insufficient documentation, inadequate procedures, or noncompliance with Federal guidelines. The Agency then provided the subrecipients with a letter that briefly summarized the results of the agreed-upon procedures report with general recommendations for the subrecipient.

Three of eight subrecipients did not have adequate follow-up to ensure compliance with Federal regulations. We noted the following:

- For one AAA, the agreed-upon procedures report noted that personnel costs were based on estimates and were not a reflection of actual time worked. Also, operating expenses were allocated to various programs, but the support was not adequate to ensure costs were charged based on relative benefits received. The AAA did not conduct a new time study or cost allocation plan for fiscal year 2019, but it indicated a new cost allocation plan would be implemented in fiscal year 2020. Known questioned costs for the payment tested were $5,056.

- One AAA was allocating personnel costs and other expenses based on budgeted amounts, which is not in accordance with Federal cost principles. The AAA did not submit a cost allocation plan or a time study for fiscal year 2019 and did not make any adjusting entries for the fiscal year. The Agency did not adequately follow-up on findings to ensure corrective action was taken. Known questioned costs for the payment tested were $1,860.

- One AAA charged a staff Christmas meal to the Federal grant. There was not adequate documentation to support that the charges were properly repaid. Known questioned costs total $20.

We reviewed $354,694 in subrecipient payments and noted that $6,936 did not have adequate documentation to support that findings were corrected and adjustments made as needed. As a result, we question $6,936. The Agency paid $6,319,083 in aid to the eight AAAs during fiscal year 2019.

We also reviewed two fiscal year 2018 subrecipient single audits. For both subrecipients tested, the Agency failed to issue a formal management decision on audit findings.

Cause: Inadequate monitoring procedures.

Effect: Without adequate follow-up procedures to ensure subrecipient expenditures are allowable, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve procedures for following up on subrecipient deficiencies to ensure subrecipient payments are for actual and allowable costs, in accordance with Federal requirements. We further recommend the Agency issue management decisions for subrecipients' single audit findings.

> **Management Response:** Does not agree. The SUA fiscal team will review the expenses individually. The AAA with $5,056 in questioned costs is under a corrective action plan with multiple steps and documents due to the Department. The corrective action plan was submitted to the agency on 2/12/19 with follow-up communications about outstanding items sent on 6/3/19 and 9/6/19. Additional disallowance letters were sent by DHHS on 6/27/19, 7/18/19, and 9/26/19 before the disallowed amount was remitted by the agency to DHHS. The corrective action plan was provided to the auditor.
>
> The AAA with $1,860 questioned costs does have a cost allocation plan on file. The agency did not make adjusting entries. The agency in question was audited by the APA, and was under a corrective action plan with the APA as a result. The Department did not require a duplicate corrective action plan as a result. The agency responded to the APA regarding the corrective action plan on 11/9/18 with updated policies and submitted its completed time study to DHHS on 12/17/18. The AAA with a $20 charge did remediate this unallowable expense. Documentation was provided to the APA.

APA Response: The disallowance letter referred to for the first subrecipient noted was for CFDA 93.043, Title III, Part D, services, which is not part of the Aging Cluster. No support was provided to show that findings were corrected and adjustments were made, or costs were returned, for CFDA 93.044 and 93.045 questioned costs. Regarding the second subrecipient, the Agency acknowledges that adjusting entries were not made. Documentation provided for the third subrecipient was inadequate, moreover, to support that the $20 was repaid.

Finding 2019-032

Program: CFDA 93.069 – Public Health Emergency Preparedness; CFDA 93.889 – National Bioterrorism Hospital Preparedness Program – Allowability & Subrecipient Monitoring

Grant Number & Year: #1 NU90TP921891-01, FFY 2019

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

Criteria: 45 CFR § 75.352(d) (October 1, 2018) requires a pass-through entity to monitor the activities of the subrecipient to ensure that Federal awards are used in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

45 CFR § 75.302(a) (October 1, 2018) requires the State to have accounting procedures sufficient to allow for "the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award." Good internal control requires procedures to ensure financial activity is properly recorded in the accounting system.

45 CFR § 75.403 (October 1, 2018) requires costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to ensure subrecipients comply with applicable cost principles.

45 CFR § 75.430(i)(1) (October 1, 2018) states, as is relevant, the following:

> *Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
>
> > *(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;*
> >
> > * * * *
> >
> > *(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . . ;*
> >
> > *(iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;*
> >
> > * * * *
> >
> > *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*
> >
> > *(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:*
> >
> > * * * *

> *(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.*

45 CFR § 75.430(i)(3) (October 1, 2018) states, in relevant part, the following:

> *[C]harges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.*

45 CFR § 75.431 (October 1, 2018) states, in relevant part, the following:

> * * * *
>
> *(c) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in §75.447); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities . . . .*
>
> *(d) Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits.*

Condition: Subrecipient monitoring procedures were inadequate. The Agency did not adequately follow up on deficiencies that were noted during the subaward monitoring to ensure corrective action was implemented by the subrecipients. A similar finding was noted in the prior audit.

Repeat Finding: 2018-026

Questioned Costs: $146,970 known

CFDA #	Grant #	Amount
93.069	NU90TP921891-01	$ 127,552
93.889	NU90TP921891-01	$ 19,418

Statistical Sample: No

Context: The Agency made payments to 30 subrecipients during the fiscal year ended June 30, 2019. The Agency used a contractor to perform agreed-upon procedures of the subrecipients, and reviewed and obtained documentation for samples of transactions and other support available for varied quarters throughout the fiscal year ended June 30, 2019.

The contractor prepared a report for each subrecipient review. In most cases, the report noted various items of insufficient documentation or inadequate procedures to ensure that the subrecipient's requests for reimbursement were allowable within Federal guidelines.

The Agency then provided that report to the subrecipient, along with a letter containing instructions to see the results of the monitoring report and take any corrective actions needed for the recommendations noted and report back to the Agency within 30 days. However, a majority of the corrective action responses the Agency received indicated that the subrecipient would be making future changes to documentation and procedures. Furthermore, the corrective action responses did not result in refunding of payments that were questioned or obtaining additional documentation to support that the amounts questioned were allowable.

We tested payments to six subrecipients, totaling $528,135. We then reviewed the Agency's subrecipient monitoring documentation of these payments. During our review of the Agency's documentation, we noted that the subrecipients had inadequate support or procedures to ensure expenditures were for actual and allowable costs for four of the six subrecipients' payments, or $146,970 of the $528,135 tested. Subrecipient payments for the fiscal year ended June 30, 2019, totaled $5,389,409. During testing, we noted the following (most subrecipients had more than one type of error):

- The Agency's subrecipient monitoring reports for two subrecipients tested noted that salaries and benefits were not being charged in accordance with Federal requirements. One subrecipient's timesheets did not include the total number of hours actually worked by program each day, as required. The other subrecipient was using budgeted time estimates. While the Agency requested corrective action plans from the subrecipients, there was no further follow-up by the Agency to recover the noted unallowable payments made. Nor did the Agency obtain documentation to support the subrecipient made the necessary corrections to charge salaries and benefits for actual time. The salary and benefits payments questioned total $109,602.

- For four subrecipients tested, we noted that various expenses lacked adequate or appropriate supporting documentation. The total amount questioned for the various expenses noted below is $37,368. We noted the following:

  - Four of the subrecipients tested had shared costs charged to the program, but lacked adequate documentation to support such charges or used an improper allocation method, including:

    1) Costs allocated by budgeted full-time equivalent (FTE) method rather than actual time worked on the program for $1,280.

    2) Costs allocated based on budgeted personnel hours rather than actual hours worked on the program for $498.

    3) Costs allocated among multiple subawards based on the total funding provided by the subawards, rather than received benefits, totaling $6,695.

    4) Costs of $2,025 split 50/50 with no documentation to explain why 50% was being charged to the subaward.

  - Costs not yet incurred were noted. One of the subrecipients tested was charging the program for costs that had not yet been paid by the subrecipient. For one of the costs, the subrecipient was using amounts from its budget rather than actual expenses paid, for a variance of $1,999. Another cost lacked documentation to support that $10,500 had been spent.

  - One of the subrecipients tested was charging the program to pay for a contracted employee who charged 100% of their time to the program. The contractor's timesheets and expense reports, however, listed costs for other programs, leading to questions about the accuracy of the timesheets. With no further documentation provided to support the 100% allocation to the program, all of the salary, $13,000 for the contracted individual as well as associated costs for the individual (office space at $1,140 and telecommunication services at $231), were questioned.

  While the Agency requested corrective action plans from the subrecipients, further follow up by the Agency to recover the noted unallowable payments previously made to the subrecipient was not done.

Cause: The Agency's follow up on subrecipients' required corrective actions plans was insufficient.

Effect: Without adequate follow-up procedures to ensure subrecipient expenditures are allowable, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve procedures for following up on subrecipient monitoring's corrective action plans to ensure subrecipient payments are for actual and allowable costs.

Management Response: Partially agrees. There is disagreement between the University and APA on the allowability of their time tracking methodology. We have requested a management decision from the CDC and will proceed according to the outcome of that decision.

On all subrecipients, we will seek further documentation from our subrecipients. We will determine any amounts to be repaid and collect those funds accordingly for return to the federal funding agency.

We continually work to improve our procedures. In addition, prior to this audit finding we hired a Federal Aid Administrator II to help implement these procedures. This new position has ownership and oversight of our subrecipient monitoring and all related follow-up with subrecipients. We have already seen reductions in the time needed to complete subrecipient follow-up because of this, and expect continued improvement.

Finding 2019-033

Program: CFDA 93.217 – Family Planning Services – Allowability & Subrecipient Monitoring

Grant Number & Year: FPHPA076214, grant period 7/1/2015 to 8/31/2018; FPHPA006315, grant period 9/1/2018 to 3/31/2019

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

Criteria: 45 CFR § 75.303 (October 1, 2018) directs an Agency to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires the pass-through entity to establish controls to ensure subrecipients use Federal awards in accordance with Federal compliance requirements, including procedures for monitoring of subrecipients' fiscal activities related to Federal expenditures.

45 CFR § 75.352(d) (October 1, 2018) requires a pass-through entity to monitor the activities of a subrecipient to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

45 CFR § 75.302(a) (October 1, 2018) requires fiscal control and accounting procedures sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to Federal award requirements.

45 CFR § 75.403 (October 1, 2018) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

Condition: The Agency did not have adequate monitoring procedures to ensure payments to subrecipients were for allowable activities and costs. A similar finding was noted in the prior audit.

Repeat Finding: 2018-027

Questioned Costs: $1,626,208 known (FPHPA076214 – $417,900; FPHPA006315 – $1,208,308)

Statistical Sample: No

Context: The Agency disbursed $1,626,208 to 13 subrecipients during fiscal year 2019. The subrecipients provided monthly reports to the Agency that included a breakdown of the expenses by cost categories for Family Planning funds and program income. The Agency did not require subrecipients to submit invoices or detailed supporting documentation with the monthly reports.

During fiscal year 2019, the Agency obtained support for one expenditure, totaling $20,000, from one of the subrecipients' monthly reports. From this one expenditure, the Agency determined that $4,202 was unallowable and was returned to the State. No other monitoring procedures were performed during fiscal year 2019.

Cause: The Agency did not allocate adequate resources towards monitoring.

Effect: Without adequate subrecipient monitoring procedures, there is an increased risk of costs being unallowable and not in compliance with Federal regulations, which could result in Federal sanctions.

Recommendation: We recommend the Agency implement procedures to ensure expenditures are for allowable activities in accordance with Federal regulations. We also recommend subrecipient monitoring procedures be improved to include a review of all subrecipients.

> **Management Response:** Does not agree. NE DHHS Reproductive Health completed one desk audit during the state Fiscal Year 19, which was in January 2019. The Corrective Action Plan created for NE Reproductive Health's previous finding, 2018-027, states "NE Reproductive Health will request source documents from at least one subrecipient per year if staff remain at current levels." NE Reproductive Health had previously identified a lack of capacity to conduct extensive Subrecipient monitoring in addition to managing the large Title X grant, monitoring pass-through funds from the Title V MCH block grant, and awarding/monitoring grants to local entities for colposcopy training and education from state general funds. Since no additional staff were hired during the state Fiscal Year 19, NE Reproductive Health completed one desk audit as planned for the Title X subawards in this period. It should be restated that NE Reproductive Health conducted pre-award assessments on subrecipients and reviewed monthly expenditure reports to ensure that actual expenses aligned with an approved budget, and thus were allowable, allocable and reasonable.

APA Response: As mentioned in the response, the Agency required the review of source documents from "at least" one subrecipient per year. This is, of course, a minimum requirement. Where problems have been shown to exist, one would expect a more aggressive approach towards safeguarding public funds. Reviewing only $20,000 of $1,626,208 in subrecipient expenditures is insufficient to ensure that funds were used in accordance with Federal regulations, especially as a similar finding and questioned costs have been noted since 2015. Moreover, the Agency found that $4,202 of the $20,000 was unallowable, which clearly indicates the need for additional review.

Finding 2019-034

Program: CFDA 93.556 – Promoting Safe and Stable Families; CFDA 93.671 – Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services – Allowability & Subrecipient Monitoring

Grant Number & Year: G1701NEFPSS, FFY2017; G1801NEFVPS, FFY2018

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

Criteria: 45 CFR § 75.303 (October 1, 2018) directs an Agency to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires the pass-through entity to establish controls to ensure subrecipients use Federal awards in accordance with Federal compliance requirements, including procedures for monitoring of subrecipients' fiscal activities related to Federal expenditures.

45 CFR § 75.352(d) (October 1, 2018) requires a pass-through entity to monitor the activities of a subrecipient to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

45 CFR § 75.403 (October 1, 2018) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

Condition: The Agency did not have adequate subrecipient monitoring procedures. A similar finding was noted in the prior audit.

Repeat Finding: 2018-030

Questioned Costs: $338,250 known ($333,645 – G1701NEFPSS; $4,605 – G1801NEFVPS)

Statistical Sample: No

Context: Subrecipient payments for Promoting Safe and Stable Families (PSSF) for fiscal year 2019 totaled $876,653. We tested one payment to a subrecipient for $333,645, of which $290,010 was payments passed through to other contractors, and $43,635 was for payroll and other direct and indirect costs. The Agency did not obtain documentation for this payment. During fiscal year 2019, the Agency requested documentation for one payment of $29,000 made to one of the subrecipient's contractors. The Agency received Support Service Funding Requests for rent/utilities/car repairs, invoices and contracts for the Family and Schools Together program, and timesheets; however, a detail list was not obtained in order to tie this support to the $29,000 payment. In addition, testing of one $29,000 payment to a contractor is not sufficient monitoring to ensure $876,653 in subrecipient payments was allowable and in accordance with Federal requirements.

Subrecipient payments for Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services for fiscal year 2019 totaled $979,613. We tested two payments to subrecipients.

- The first payment was for $6,246, which consisted of $2,373 for payroll and $3,873 for other direct costs. Adequate documentation was on file for the payroll costs; however, no documentation was obtained for the other direct costs. The Agency did perform an on-site review, stating in its documentation that support was reviewed for other direct costs; however, the Agency did not maintain this support.

- The second payment was for $11,497, which consisted of $10,765 for payroll and $732 in other direct costs. The Agency did obtain timesheets and paystubs to support the payroll; however, no documentation was obtained for the other direct costs. The Agency did perform an on-site review, stating in its documentation that support was reviewed for other direct costs; however, the Agency did not maintain this support.

Cause: Inadequate procedures.

Effect: Without adequate subrecipient monitoring procedures, there is an increased risk for the misuse of funds.

Recommendation: We recommend the Agency improve procedures to ensure subrecipients are monitored, and adequate documentation is maintained to support that expenditures are allowable and in accordance with Federal requirements.

Management Response: Agree

<u>Finding 2019-035</u>

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability & Eligibility

Grant Number & Year: #1701NETANF, FFY 2017

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

Criteria: Per 45 CFR § 75.403 (October 1, 2018), allowable costs must be reasonable, necessary, and adequately documented.

Per 45 CFR § 205.56(a)(1)(i) (October 1, 2018):

> *The State agency shall review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the applicant's or the recipient's eligibility or the amount of assistance.*

Per the "Combined State Plan for Nebraska's Workforce System" (July 12, 2018), *Employment First Participation*, pg. 237:

> *Once a family applies for Aid to Dependent Children (ADC) cash assistance, all work-eligible individuals, unless they otherwise qualify for an exemption from Employment First, are referred to the Employment First program at the time of the intake interview. The work-eligible individual is required to complete an Employment First Self-Sufficiency Contract within five days of the referral and immediately engage in approved work activities.*
>
> *Dependent children age 15 or younger (including an emancipated minor) and dependent children age 16, 17, or 18 who are full-time students regularly attending an elementary or secondary school or a dependent child age 16 or 17 who is a full-time student and regularly attending college, are not required to participate in the Employment First program.*

Per 468 NAC 2-009.02, "Earned income is money received from wages, tips, salary, commissions, profits from activities in which an individual is engaged as a self-employed person or as an employee."

Per NAC Appendix 468-000-209, the maximum ADC standard payment amount for a unit size of three is $450.

A good internal control plan would require eligibility determinations and payments to be accurate.

Condition: Three of 25 TANF cash assistance payments tested were not in compliance with State and Federal requirements.

Repeat Finding: No

Questioned Costs: $200 known

Statistical Sample: No

Context: During our cash assistance testing, we noted the following:

- For one case, a 17-year-old child in the unit was determined to be exempt from participation in Employment First due to student status. The student verification document showed that the individual was attending school half time or less; therefore, she should have been required to participate in Employment First. The individual was ineligible to receive ADC benefits for the month tested due to non-participation in Employment First, resulting in $36 in questioned costs.

- For one case, the individual informed the Agency of new employment on March 28, 2019; however, a worker closed the alert on April 5, 2019, without addressing the income from the new employment. The Agency never verified this income. Consequently, the income in the individual's budget was understated, resulting in questioned costs of $155.

- For one case, the individual received $81 cash and credit for $9 against funds owed to the Agency in their first payment for December 2018. The family's circumstances changed during the month, and they became eligible for an additional payment. The family received $369 in a second December payment for a total benefit of $459. The maximum payment amount for the family was only $450, resulting in questioned costs of $9. When calculating the second payment, NFOCUS failed to consider the $9 credit as a benefit to the family.

Federal payment errors for the sample tested were $200. The total Federal sample tested was $9,922, and the total Federal cash assistance for the fiscal year was $18,171,251. Based on the sample tested, the case error rate was 12% (3/25). The dollar error rate for the sample was 2.02% ($200/$9,922), which estimates the potential dollars at risk for fiscal year 2019 to be $367,059 (dollar error rate multiplied by population).

Cause: Worker errors and NFOCUS system error.

Effect: The issues noted increase the risk that Federal funds will be paid to ineligible individuals, and Federal funds will be overpaid to eligible recipients.

Recommendation: We recommend that the Agency implement procedures to ensure compliance with State and Federal regulations.

Management Response: Agrees

<u>Finding 2019-036</u>

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Grant Number & Year: #1701NETANF, FFY 2017

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

Criteria: Per 45 CFR § 75.303(a) (October 1, 2018), the non-Federal entity must do the following:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Per 45 CFR § 75.403 (October 1, 2018), allowable costs must be reasonable, necessary, and adequately documented.

A good internal control plan requires procedures to ensure that overpayments are returned timely to the Federal grant.

Condition: In March 2019, the Agency made $257,314 in TANF overpayments to 822 families. Most of those overpayments have not been returned to the Federal grant.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: On February 25, 2019, the Agency made cash assistance payments to families for March. On February 27, staff realized the same amounts from the *prior* month were paid. In many instances, the amount was the same. However, underpayments and overpayments were made. For underpayments, the Agency simply issued the difference to make the families whole. For overpayments, the Agency sent demand letters to the recipients and subsequently set up accounts receivable in NFOCUS.

We reviewed 28 payments in detail and noted that 21 were Federally-funded and had overpayments of $6,454. Of that total, only $185 had been repaid as of June 30. As of January 17, 2020, $4,903 in Federal funds had still not been repaid on the 21 we reviewed. Based on our review of 28 payments, it is likely that most of the $257,314 has not been repaid.

Cause: The Agency does not return overpayments to the Federal grant until they are repaid or recouped.

Effect: The Federal grant was overcharged.

Recommendation: We recommend the Agency implement procedures to ensure overpayments are returned timely to the Federal grant. The Agency could consider repaying the Federal grant immediately out of State general funds, and then depositing any eventual repayments/recoupments to general funds.

> **Management Response:** Does not agree. The Department agrees that an error was made in the NFOCUS system that improperly paid individuals the February benefit during the month of March in 2019. However, the stated cause of the finding was "The Agency does not return overpayments to the Federal grant until they are repaid or recouped." This would make it seem the issue is not the incorrect payment, but rather the manner in which we are recouping the overpayments and reimbursing the federal grant. This is the reason for the department's disagreement. The department is following the current collection policy, which allows individuals to repay via recoupments from future benefits or via payment plans set up in NFOCUS. Further, the TANF grant is unique in that it does not have a specific period of performance. Therefore, the federal regulations do not contain a timeframe in which these amounts must be repaid. The department recognizes the auditor's recommendation to repay the federal grant with state funds and then reimburse the state as repayment's come in. The department disagrees with this course of action because the federal TANF regulations do not mandate it and taking such course of action could be viewed as a misuse of state general funds.

APA Response: A deficiency in internal control over compliance exists when the design or operation of a control does not allow for prevention, or detection and correction, of noncompliance on a timely basis. The Agency does not dispute having expended Federal funds improperly. The Agency is solely

culpable for not only making those invalid expenditures but also failing to correct them in a timely manner. Consequently, the Agency should act responsibly by taking aggressive, proactive measures to rectify its mistake – not rely upon the actions of other parties, who are not at fault for the improper disbursements, to provide the necessary remedy. Having mishandled the Federal funds at issue, the Agency should ensure that those monies are returned to the Federal grantor immediately. We reject the claim that using State funds to resolve a financial error by a State agency would be inappropriate. To the contrary, we contend that such action is the proper method for redressing the Agency's present error.

Finding 2019-037

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability, Subrecipient Monitoring & Reporting

Grant Number & Year: #1701NETANF, FFY 2017

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

Criteria: 45 CFR § 75.352(d) (October 1, 2018) requires a pass-through entity to monitor the activities of the subrecipient to ensure that Federal awards are used in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

45 CFR § 75.403 (October 1, 2018) requires costs to be reasonable, necessary, and adequately documented.

Per 45 CFR § 75.352 (October 1, 2018):

All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

(i) Subrecipient name (which must match the name associated with its unique entity identifier;

(ii) Subrecipient's unique entity identifier;

(iii) Federal Award Identification Number (FAIN);

(iv) Federal Award Date (see § 75.2 Federal award date) of award to the recipient by the HHS awarding agency;

(v) Subaward Period of Performance Start and End Date;

(vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;

(vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;

> *(viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;*
>
> *(ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);*
>
> *(x) Name of HHS awarding agency, pass-through entity, and contract information for awarding official of the pass-through entity;*
>
> *(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;*
>
> *(xii) Identification of whether the award is R&D; and*
>
> *(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 75.414).*

Title 45 CFR § 75.302 (October 1, 2018) requires that fiscal control and accounting procedures of the State be sufficient to permit preparation of required reports and permit the tracing of funds to a level of expenditures adequate to establish that the use of these funds was not in violation of applicable regulations.

Per the Administration for Children & Families Instructions for Completion of State TANF Financial Report Forms, Line 27, Federal Unliquidated Obligations should be reported.

Per 45 CFR § 75.2 (October 1, 2018), "obligations" are defined as follows:

> *[W]hen used in connection with a non-Federal entity's utilization of funds under a Federal award, obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.*

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

A good internal control plan requires procedures to ensure subrecipients comply with applicable cost principles, required information is disclosed to subrecipients, Federal reports are accurate and include all applicable accounts and expenditures, and the Summary Schedule of Prior Audit Findings is accurate.

Condition: Procedures to monitor expenditures of the Employment First (EF) subrecipient should be improved. A similar finding has been noted in prior audits since 2013.

Repeat Finding: 2018-033

Questioned Costs: $34,930 known

Statistical Sample: No

Context: The Agency paid $7,777,572 during the fiscal year to its subrecipient ResCare to provide EF case management and program services for TANF recipients. The Agency paid ResCare monthly based on invoices submitted. We noted the following issues:

- The Agency's financial monitoring of ResCare's monthly invoices was inadequate. The Agency had a desk review process that involved requesting substantiating documentation for line items within the monthly invoices. We observed three of the Agency's monthly reviews and noted the following:

    - Total salaries charged during the fiscal year were $4,525,276. The Agency reviewed salaries for four different months in the year; we selected the line item for March 2019 to review, for $442,620. The Agency reviewed timecards but did not adequately review payroll allocations for those employees not working solely on the grant.

    - Total fringe benefits charged during the fiscal year were $1,023,218. The Agency selected the line item for April 2019 to review, for $115,048. The Agency obtained documentation for 12 of the 662 line items and selected larger items to review; however, $38,812 was not reviewed. The Federal share, $34,930, is considered questioned costs. ResCare's accounting records are complex, with numerous allocations and accruals, and the Agency did not address that complexity in its review. For the line items that *were* reviewed, we noted the following issues: benefit amounts were not traced to paystubs; workers' compensation amounts were not traced to actual payments; accruals were not reviewed adequately to ensure they were reversed; and the Agency did not recalculate FICA charges to ensure they were accurate.

- The Agency's subaward with ResCare was effective July 1, 2018. The subaward did not communicate most of the information required by 45 CFR § 75.352(a). We noted this in the prior audit. The Agency amended its contract on September 26, 2019, to communicate this required information, but the subrecipient's unique entity identifier and the subaward period of performance start and end date were still missing. Additionally, the Agency stated that the Federal Award Identification Number was 1801NESORSR, but it was actually 1701NETANF. Both the grant year and the Federal program were incorrect.

- The Agency did not provide the dollar amount made available under each Federal award and the CFDA number at time of disbursement as required. This omission appears to have caused ResCare to record incorrectly all revenues received by the State as Federal funds. For ResCare's December 31, 2018, Single Audit, $8,870,977 was reported on the Schedule of Expenditures of Federal Awards (SEFA), but the State provided only $8,008,107 in Federal funds. Of the $862,870 difference, $829,822 was State general funds misclassified by ResCare as Federal funds. ResCare's SEFA was misstated.

- The July 1, 2018, subaward was for $9,805,139 for the first year of services. This constitutes an unliquidated obligation, and it should have been reported on Line 27 of the Agency's ACF-196R report, but it was not. Agency staff acknowledged not tracking this line item for reporting purposes.

- Since 2013, we have noted that the Agency's agreements with its EF contractors more closely resembled subrecipient, rather than vendor relationships. On July 1, 2018, the Agency ended its contracts with ResCare and another vendor, and signed a subaward with ResCare, officially making ResCare its sole EF subrecipient. However, the Summary Schedule of Prior Audit Findings for June 30, 2019, incorrectly stated, "The Agency did not award the agreements as subawards."

Cause: Agency error.

Effect: Inaccurate information reported to both the Federal government and ResCare. Without adequate financial monitoring, the Agency could be paying for unallowable costs.

Recommendation: We recommend the Agency implement procedures to ensure subrecipients comply with applicable cost principles, required information is disclosed to subrecipients, Federal reports are accurate and include all applicable accounts and expenditures, and the Summary Schedule of Prior Audit Findings is accurate.

Management Response: Agree

Finding 2019-038

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Reporting

Grant Number & Year: #1701NETANF, FFY 2017

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

Criteria: Per 45 CFR § 265.3(a) (October 1, 2018), States must collect on a monthly basis, and file on a quarterly basis, a TANF Data Report (ACF-199) and a Separate State Plan-Maintenance of Effort (SSP-MOE) Data Report (ACF-209). These reports include disaggregated information on families receiving TANF and SSP-MOE assistance. Information reported includes demographic data, the amount of assistance received, educational level, employment status, work participation activities, citizenship status, and earned and unearned income.

The "Combined State Plan for Nebraska's Workforce System" (July 2018), *Separate State Program for Specified Exemptions*, pgs. 249-250, states, in relevant parts, the following:

> *Nebraska has implemented a separate state program for single-parent families receiving ADC cash assistance where the adult or minor parent qualifies for one of the specified exemptions . . . .*
>
> * * * *
>
> *2. A parent or needy caretaker relative, guardian or conservator of a child under the age of 12 weeks . . . .*

The August 2019 OMB Compliance Supplement identifies key line items that contain critical information. The ACF-199 report's key line items include Item 49 Work Participation Status and Item 50 Unsubsidized Employment hours.

Per 45 CFR § 265.7 (October 1, 2018), the ACF-199 and ACF-209 reports must be complete and accurate.

A good internal control plan requires procedures to ensure that reviews of this data are adequately documented, issues noted are resolved timely, and all key line items are reported accurately.

Condition: The Agency did not perform an adequate review of individual case information on a sample basis to ensure the accuracy of the ACF-199 and ACF-209 reports. We requested the ACF-199 and ACF-209 reports for 10 cases, which comprised 92 key line items. For one case, there was no corresponding ACF-209 report, so six key line items were not reported. For another case, two key line items were reported incorrectly.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The ACF-199 and ACF-209 are data reports electronically submitted by NFOCUS to the Federal government. The reports are automatically generated. Therefore, it is important that the Agency review a sample of these submissions to ensure they are accurate.

The Agency's procedure is for a program specialist to review three ACF-199 cases and three ACF-209 cases per month and work with program management and Information Technology staff if issues are noted with inaccurate data on the reports. We reviewed the samples for September 2018 and February 2019 and noted that the program specialist does not document her review of each case. She adds notes only if issues are noted. Since no issues were noted in September 2018, nor on four of the cases in February 2019, there was no evidence those cases were actually reviewed.

The program specialist did note issues with a key line item on two of the cases from February 2019. She realized there are instances of the Agency reporting that childcare assistance was not received, when it actually was. This was an issue she originally noted in November 2017, and it has not yet been resolved. In fact, nothing was done to work on the issue between February 2018 and January 2020, or nearly two years.

During our testing of 10 cases and 92 key line items, we noted that one case was not reported at all, and another case had errors:

- For one case, the parent was exempt from Employment First because she was a parent of a child under the age of 12 weeks. Therefore, the family was in the Separate State Plan, and the Agency should have provided an associated ACF-209 report to the Federal government. However, no report was created or provided, and the Agency was unsure why.

- For another case, the participant had met the work participation rate for the month, but the Agency's Employment First subrecipient did not enter her hours into NFOCUS until after the reporting deadline. This caused two key line items to be misreported, as noted in the following table:

Key Line Item	Actually Reported	Should Have Been Reported
49 Work Participation Status	14 – Required to participate, but not participating; and not subject to a work sanction for the reporting month.	19 – Required to participate and meeting minimum participation requirements.
50 Unsubsidized Employment Hours	0 weekly hours	27 weekly hours

Cause: The Agency did not devote adequate resources to ensuring the ACF-199 and ACF-209 reports were complete and accurate.

Effect: Increased risk of significant information being reported incorrectly, which could result in Federal sanctions.

Recommendation: We recommend the Agency implement procedures to ensure reviews of ACF-199 and ACF-209 data are adequately documented, issues noted are resolved timely, and key line items are reported accurately.

Management Response: Agree

Finding 2019-039

Program: CFDA 93.568 – Low-Income Home Energy Assistance (LIHEAP) – Reporting

Grant Number & Year: G18B1NELIEA, FFY 2018

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

Criteria: 45 CFR § 96.30(a) (October 1, 2018) states, in part: "Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant . . . ."

Per 45 CFR § 96.82(a) (October 1, 2018):

> *Each grantee which is a State or an insular area which receives an annual allotment of at least $200,000 shall submit to the Department, as part of its LIHEAP grant application, the data required by section 2605(c)(1)(G) of Public Law 97-35 (42 U.S.C. 8624(c)(1)(G)) for the 12-month period corresponding to the Federal fiscal year (October 1-September 30) preceding the fiscal year for which funds are requested. The data shall be reported separately for LIHEAP heating, cooling, crisis, and weatherization assistance.*

Per 42 USC § 8624(c)(1)(G) (2018), the number and income levels of households are required to be reported.

Good internal control requires procedures to ensure reported data is accurate.

Condition: The income levels of households that received weatherization assistance were not reported accurately on the LIHEAP Household Report for the FFY 2018 grant. A similar finding was noted in the prior audit.

Repeat Finding: 2018-034

Questioned Costs: None

Statistical Sample: No

Context: For FFY 2018, the "LIHEAP Household Report-Long Form," under "Section II. Number of Assisted Households by Poverty Interval," reported the number of households assisted by poverty level. The total number of households reported included: 38,638 heating assistance; 11,156 cooling assistance; 3,237 crisis assistance; and 147 weatherization assistance.

We tested 10 households that received LIHEAP assistance and noted two weatherization assistance households were not reported in the correct poverty level. For one household tested, the income level was reported as 126-150% poverty, but it should have been reported in the 101-125% poverty category. For another household tested, the income level was reported as 101-125% poverty, but it should have been reported in the 76-100% poverty category. For this second household, it appears the incorrect annual poverty guidelines were used in the calculation of poverty level.

Cause: Inadequate review procedures.

Effect: When procedures are not performed to ensure reported data is accurate, there is an increased risk of noncompliance with Federal requirements.

Recommendation: We recommend the Agency implement procedures to ensure reports are accurate.

Management Response: Agree

Finding 2019-040

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Allowability & Eligibility

Grant Number & Year: #G1601NECCDF, FFY 2016; #G1901NECCDF, FFY 2019; #G1901NECCDD, FFY 2019; #G1901NECCDM, FFY 2019

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

Criteria: 45 CFR § 98.67(a) (October 1, 2018) states "Lead Agencies shall expend and account for CCDF [Child Care and Development Fund] funds in accordance with their own laws and procedures for expending and accounting for their own funds."

Title 392 NAC 3-005.01C states, "A family whose income exceeds the maximum for LF [Low Income Family] but is equal to or less than 130 percent of the Federal Poverty Level (FPL) is eligible as LC [Low Income Sliding Fee Schedule]. To participate in LC, a family must pay the fee as shown in the fee schedule."

Title 392 NAC 3-005.01D1 states, "A family that is receiving TCC [Transitional Child Care] may be required to pay a fee."

Title 392 NAC 3-001.02 states, "If parents are separated, divorced, or unmarried but have shared custody of a child, both parents may be eligible for Child Care Subsidy. Eligibility is based on the income of the parent with whom the child is residing at the time and any child support or other financial assistance from the other parent."

Title 392 NAC 3-005.04 states, "The client must provide verification of earned income, with a copy of check stubs . . . ." Good internal controls require such amounts verified to be used in the calculation for income eligibility.

Title 392 NAC 4-003.01A states, "The Department pays by attendance, not enrollment. Payment is not made for time when the child is not receiving care; this includes when the provider is on vacation, is ill, or is not providing care for some other reason."

Title 392 NAC 4-001 states, "The worker notifies the provider and the client of the client's eligibility and the amount of the client's fee on an authorization notice."

Title 392 NAC 4-003.02 states, in relevant part, "Care for 6 or more hours must be billed by the day."

Title 392 NAC 4-002.01 requires the client to "contact the worker within ten days when: 1. The client's situation has changed (e.g., address, income, family composition, need for child care, child care schedule)[.]"

Title 392 NAC 5-001.01 states, in relevant part, "Before furnishing any service, each provider must sign Form CC-9B agreeing: . . . 7. To retain authorizations, billing documents, and attendance records for four years to support and document all claims[.]"

The Child Care Provider Handbook (Handbook) dated January 2008, states, in relevant part, "You must complete the Attendance Calendar to accurately reflect the dates on which child care services were provided as well as the exact number of hours of service provided. For each day, partial hours of service provided should be rounded up to the next quarter hour . . . ." Additionally, the Handbook states, "You and the client/parent/caretaker must sign the calendar at the end of the billing period."

Good internal control requires procedures to ensure payments are in accordance with Federal and State requirements.

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: Child care payments did not comply with Federal and State requirements. A similar finding has been noted in our previous audit reports since 2007. The Summary Schedule of Prior Audit Findings states the status is complete.

Repeat Finding: 2018-035

Questioned Costs: $1,201 known

CFDA	Grant #	Questioned Costs
93.596	1901NECCDF	$ 377
93.596	1901NECCDM	$ 146
93.575	1901NECCDD	$ 562
93.575	1601NECCDF	$ 116

Statistical Sample: No

Context: We tested 25 child care claims and noted 11 with errors. Some payments had more than one type of error.

- For three claims tested, the attendance calendar was signed; however, the parent's signature did not match the signature on the application. Therefore, it appears the attendance calendar was not signed by the parent, as required. For one of these claims, moreover, the parent claimed the provider denied care for the child during the period tested.

- For one claim tested, the child's custodial parent was changed on June 1, 2018; however, the provider continued to bill for care through April 2019 for time associated with the now non-custodial parent. For October 16, 2018, through October 31, 2018, the provider billed for 120 hours of care; however, the court order only authorized the non-custodial parent to have custody every other weekend, during which time the provider was closed.

- For one claim tested, child care was billed over the authorized amount. Authorization for the child tested was for care up to 49 hours. The provider billed and was paid for 50.25 hours.

- For one claim tested, unearned income for child support was not included in the income calculation. As the client was eligible under the Transitional Child Care program, this income exclusion resulted in the incorrect family fee being charged. For two additional claims, the family fee was incorrect.

- For one claim tested, the Agency understated earned income in the family's budget, which caused the family fee to be calculated incorrectly.

- For one claim, the family fee was correctly calculated, but only half of the required family fee was paid.

- For one claim tested, the provider was unable to provide the attendance calendar; therefore, 10 days of child care billed could not be verified.

- For one claim tested, the payment did not agree to the attendance calendar. The provider billed for 14 days of care; however, the attendance calendar showed only 13 days of care provided.

Federal payment errors noted for the sample tested were $1,007. The total Federal sample tested was $5,244 and total child care Federal assistance claims for the fiscal year were $43,078,601. Based on the sample tested, the case error rate was 44% (11/25). The dollar rate for the sample was 19.20% ($1,007/$5,244), which estimates the potential dollars at risk for fiscal year 2019 to be $8,271,091 (dollar rate multiplied by the population).

In addition to the $1,007 Federal questioned costs noted on the sample items tested, we also noted $194 of Federal questioned costs on other line items of the claims reviewed, including improper rate, billed over authorized amount, and bill did not agree to attendance calendar.

Cause: Ineffective review. The Agency does not have automated procedures to ensure attendance records agree to billing documents, service authorizations are not exceeded, and family fees are automatically deducted in applicable cases.

Effect: Ineffective review of claims increases the risk for misuse of State and Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure payments are allowable, adequately supported, and in accordance with State and Federal regulations. We further recommend the Agency ensure billing documents agree with attendance sheets. We also recommend the Agency take the necessary action to recover the overpayments.

Management Response: Agree

<u>Finding 2019-041</u>

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Allowability

Grant Number & Year: All open, including #G1901NECCDF, FFY 2019

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

Criteria: 45 CFR § 98.67(c) (October 1, 2018) contains fiscal requirements applicable to Federal child care funds. That regulation states the following:

> *Fiscal control and accounting procedures shall be sufficient to permit: . . . (2) The tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the provisions of this part.*

45 CFR § 98.55(d) (October 1, 2018), *Matching fund requirements*, states, "The same expenditure may not be used to meet the requirements under both paragraphs (b) [matching funds] and (c) [maintenance of effort] of this section in a fiscal year."

A good internal control plan requires procedures to ensure Federal claims are adequately identified, and the same individual claims are not identified as Federal funds more than once.

Condition: The Agency did not adequately identify expenditures charged to the grant. The Agency performed journal entries throughout the fiscal year to charge Federal funds for child care claims but it did not identify which specific claims were Federal until we asked after the end of the fiscal year. Once the detail was provided, we noted that $2,297,890 of claims had already been identified as Federal funds in State fiscal year 2017.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: Child care claims are initially charged to State general funds and become part of a "claims universe." Then, the Agency performs periodic journal entries to move a portion of the costs to Federal funds. A total of $43,078,601 of these journal entries were performed during the fiscal year. The following issues were noted:

- The Agency did not identify which specific claims within the claims universe were to be charged to Federal funds at the time of each journal entry. Since the claim-level detail was not identified with the journal entries throughout the year, we requested the data from the Agency and the Agency subsequently determined which claims should be identified as Federal.

- One journal entry was for $2,913,461 to close out the 2016 grant. Since the underlying pay dates provided by the Agency were from October and November 2016, the auditor went back to the file from State fiscal year 2017 to verify the Agency did not include the same claims as Federal funds in both State fiscal year 2017 and State fiscal year 2019. Many claims were in fact duplicated, resulting in potential questioned costs of $2,297,890.

  There were additional claims in the claims universe that the Agency could replace these duplicate claims with, as the Agency pays for many more child care claims with State general funds. The Agency did not have procedures to ensure that it was selecting claims that had not already been charged to Federal funds. The Agency eventually provided us with unduplicated claims.

Cause: Staff turnover.

Effect: Noncompliance with Federal requirements and a possibility of significant questioned costs if not corrected.

Recommendation: We recommend the Agency implement procedures to ensure Federal claims are adequately identified, and individual claims are not charged to Federal funds more than once.

> **Management Response:** Partially agrees - In the past, when journal entries were created, the individual claims were pulled and identified at that time to be eligible for claiming. We always had enough claims and had excess that could have been claimed if federal funding was available. We never put an identifying code of them at the time of the journal entry but used the proper rules to identify the claims eligible when the audit was asked to DHHS.

<u>Finding 2019-042</u>

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Special Tests and Provisions

Grant Number & Year: Various, including #G1901NECCDF, FFY 2019

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

Criteria: Per 45 CFR § 98.41 (October 1, 2018), the State must have requirements to protect the health and safety of children, including the prevention and control of infectious diseases, building and physical premises safety, and health and safety training.

Per 391 NAC 3-005.09A:

> *The Department will make a fire inspection referral when: . . . 2. Every two years following the initial fire inspection[.]"*

Per 391 NAC 3-005.09B*:*

> *The Department will make a sanitation inspection referral when: . . . 2. Every two years following the initial sanitation inspection . . . [.]*

A good internal control plan requires adequate documentation to be maintained to support compliance with health and safety requirements.

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The Agency did not have adequate procedures to ensure health and safety requirements were met for child care providers. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2018-038

Questioned Costs: None

Statistical Sample: No

Context: The Agency has two tiers of providers that are subject to health and safety requirements. These are child care centers and family child care homes. Each type of provider is subject to separate but similar State regulations. We tested 40 child care providers subject to health and safety requirements. We noted the following:

- For one child care center tested, the Agency could not provide any sanitation inspections that had been performed. This center was located in a school and has operated as a licensed school-age-only child care center since November 10, 2014.

- Four additional child care centers tested did not have a sanitation inspection performed within the last two years:

#	Date of Last Inspection	Months Overdue as of June 30, 2019
1	March 18, 2015*	27
2	May 18, 2015**	25
3	October 13, 2015	20
4	May 18, 2017	1

*The inspection was completed after the fiscal year on August 4, 2019.
**The child care was located in a school, and the Agency was unable to provide the most recent inspection or the agency that conducts the inspection.

- Two child care centers tested did not have a fire inspection performed within the last two years. Inspections were 8 to 12 months overdue. One center subsequently had an inspection after the fiscal year. The second center had not had an inspection since June 2016.

- For one compliance review tested, the Agency could not provide documentation containing the provider's signature, certifying all information provided during the review was true and correct.

Cause: Depending on the city or county, the Agency relies on local fire departments or the State Fire Marshal to conduct fire inspections for child care centers. The Agency makes a referral to the fire department when an inspection is due, but the Agency does not pay for these inspections and cannot control the timing of the inspections.

Effect: Without adequate procedures to ensure health and safety requirements are met, there is an increased risk of noncompliance with Federal regulations and the possibility of children being cared for in unsafe facilities.

Recommendation: We recommend the Agency implement procedures to ensure all health and safety requirements are met for child care providers. This should include establishing a documented review of sanitation requirements for school-age only child care centers as well as child care centers located in a school.

Management Response: Partially agrees - DPH Response - It is agreed that some sanitation and fire inspections have not been conducted every 2 years. These inspections are conducted by entities external to DHHS. Resources are an issue for these entities, which contributes to not meeting the regulatory timeframes for DHHS Children's Services Licensing. It is disagreed in part because DHHS has a policy and procedure for making referrals and following up with these entities; however, DHHS has no authority to require these entities to complete the inspections more promptly.

It is also disagreed regarding the finding about a sanitation inspection not being performed in a school-age-only center located in a school. The Child Care Licensing Act was amended in 2018 to provide that school-age childcare programs operated in Nebraska Department of Education (NDE) approved or accredited schools shall be deemed to meet the standards of the State Department of Education for the care and protection of children. Neb. Rev. Stat. 71-1913 indicates that the requirements for DHHS to request the State Fire Marshal (SFM) or its delegated authority to perform fire or sanitation inspections no longer apply to school-age childcare programs.

APA Response: Title 391 NAC 3-005.09A and NAC 4-005.09A require fire inspections every two years after the initial inspection. Likewise, 391 NAC 3-005.09B and NAC 4-005.09B require sanitation inspections every two years "unless the center is located in a health care facility or school that receives more frequent sanitation inspections[.]" For these exceptions, the Agency still has the responsibility of ensuring that the health care facilities or schools in which they are located actually receive "more frequent sanitation inspections." DHHS should be able to document this, not simply pass it off to another agency and trust that someone else is taking care of the inspections; otherwise, there is no way of knowing whether "more frequent inspections" have actually occurred. The Agency must either ensure that "more frequent inspections" are taking place or perform biannual inspections itself. Those are the only options under the current rules.

The Nebraska Supreme Court has said, "Agency regulations that are properly adopted and filed with the Secretary of State of Nebraska have the effect of statutory law." <u>Smalley v. Neb. HHS</u>, 283 Neb. 544, 557, 811 N.W.2d 246, 256 (2012). Consequently, the Agency must either adhere to these rules or amend them accordingly.

<u>Finding 2019-043</u>

Program: CFDA 93.575 – Child Care and Development Block Grant – Allowability, Period of Performance & Subrecipient Monitoring

Grant Number & Year: #G1601NECCDF, FFY 2016

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

Criteria: Per 45 CFR § 75.352(d) (October 1, 2018) all pass-through entities must do the following:

Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Per 45 CFR § 75.352, "All pass-through entities must: (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information . . . :

> *(1) Federal Award Identification.*
>
> > * * * *
> >
> > *(iv) Federal Award Date . . . of award to the recipient by the HHS awarding agency;*
> >
> > * * * *
> >
> > *(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;*
>
> * * * *
>
> *(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part . . . .*

45 CFR § 98.60(d) (October 1, 2017) states, in part, the following:

> *The following obligation and liquidation provisions apply to States and Territories:*
>
> > *(1) Discretionary Fund allotments shall be obligated in the fiscal year in which funds are awarded or in the succeeding fiscal year. Unliquidated obligations as of the end of the succeeding fiscal year shall be liquidated within one year.*
> >
> > * * * *
> >
> > *(8) Any funds not obligated during the obligation period specified in paragraph (d) of this section will revert to the Federal government. Any funds not liquidated by the end of the applicable liquidation period specified in paragraph (d) of this section will also revert to the Federal government.*

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

A good internal control plan requires procedures to ensure compliance with Federal and State requirements.

Condition: During our testing of subrecipient payments, we noted that the Agency did not have adequate documentation on file to support that payments were allowable. In addition, subawards did not include required information. We further noted subawards signed after the required obligation date had passed. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2018-039

Questioned Costs: $127,368 known

Statistical Sample: No

Context: During the fiscal year, $3,118,408 was paid to subrecipients. The Agency paid $1,717,274 directly to subrecipients and paid $1,401,134 to the Nebraska Department of Education (NDE) related to subrecipient payments of NDE. We tested one subrecipient of the Agency and two NDE subrecipients. We noted the following:

- The Agency paid $1,146,735 during the fiscal year to the subrecipient, which in turn provided funds to school districts to promote "high-quality early care and learning opportunities that help parents guide the healthy development of their infants and toddlers." We tested one payment for $641,908. According to the subaward agreement, the Agency "shall reimburse Subrecipient for its actual, allowable, reasonable, and allocable costs." The Agency reviewed a sample of expenditures for two of seven of the subrecipient's contracts. We noted several issues with the expenses sampled, including no personnel costs reviewed, and invoices or receipts were on file but there was not adequate documentation to support the costs were reasonable, necessary, and allowable for the grant. For example, receipts to restaurants for staff development did not have a listing of staff or an agenda for the training or staff development conducted; invoices for T-shirts used as promotional and incentive items lacked documentation of how the expenditure related to improving the quality of child care for infants and adults; and copies of cancelled checks were provided, but there was no detailed invoices or source documentation. However, as the subrecipient had a Single Audit for the period with the Child Care grant as a major program and no findings, we did not question any specific items.

  We also noted that the Agency did not provide the dollar amount made available under each Federal award and the CFDA number at time of disbursement as required.

- NDE enters into subaward agreements with various subrecipients, including Educational Service Units, and pays those subrecipients from NDE funds. Then, NDE requests reimbursement from the Agency. We tested two of nine NDE subrecipients, and the subawards did not include the Federal award date, the Federal awarding agency, the requirement that the auditor have access to records, and the dollar amount made available under the Federal award and CFDA at time of disbursement. We also reviewed one payment for each of the two subrecipients. NDE obtained general ledger accounting records for the expenditures but did not obtain or review any timesheets, invoices, or other source documentation. Therefore, documentation was inadequate to support that payments were allowable for the grant, and we question costs of $127,368. In addition, one of the subawards tested was awarded outside the period of performance. The FFY 2016 discretionary grant was required to be obligated by September 30, 2017, but the award was not signed until October 10, 2017.

Cause: Inadequate monitoring procedures.

Effect: The Agency did not comply with Federal requirements, and there is an increased risk for unallowable charges.

Recommendation: We recommend the Agency implement procedures to improve subrecipient monitoring and ensure compliance with Federal requirements.

> **Management Response:** Partially agree - In regards to the NDE subaward that was signed outside of the period of performance, the payments related to that subaward were not allowed and were not paid using CCDF funding. NDE was required to remove the expenses related to the subaward from the request and a payment was made for the revised amount.

In regards to the Federal Award and CFDA number, each subaward that CCDF implements lists the FAIN and CFDA number within the subaward. This subaward contains the information on page 1.

NDE enters into contracts as well as grant awards with their recipients. The contracts and grant awards related to FY16 contained the required information when necessary. The contracts that NDE enters into are contracting with an individual to provide services to the general public for coaching requirements included when participating in Step Up to Quality. These contracts are not required to contain the Federal award date, awarding agency, auditor access and dollar amount available under the award and CFDA number. The grant awards that were issued as part of this subaward did contain the required information.

APA Response: Regulations require the dollar amount to be made available under each Federal award and the CFDA number at the time of disbursement. Simply including this information on the subaward when it is granted is not sufficient.

The subawards provided to us did not have all of the required information.

Finding 2019-044

Program: CFDA 93.575 – Child Care and Development Block Grant – Earmarking & Period of Performance

Grant Number & Year: #G1601NECCDF, FFY 2016

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

Criteria: Per 45 CFR § 98.60(a) (October 1, 2017), "The CCDF is available, subject to the availability of appropriations, in accordance with the apportionment of funds from the Office of Management and Budget . . ."

The 2016 CCDF Targeted Funds Allocation (published March 14, 2016) per the Office of the Administration for Children and Families for Nebraska Infant and Toddler was $742,930.

45 CFR § 98.60(d) states, in part, the following:

> *The following obligation and liquidation provisions apply to States and Territories:*
>
> > *(1) Discretionary Fund allotments shall be obligated in the fiscal year in which funds are awarded or in the succeeding fiscal year. Unliquidated obligations as of the end of the succeeding fiscal year shall be liquidated within one year.*

Per 45 CFR § 75.2 (October 1, 2018):

> *Obligations, when used in connection with a non-Federal entity's utilization of funds under a Federal award, obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.*

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

A good internal control plan requires procedures to ensure compliance with Federal requirements.

Condition: Expenditures were charged to the FFY 2016 grant after the period of performance. Also, earmarking requirements were not met for Infant and Toddler targeted funds. A similar finding was noted in the prior audit. The Summary Schedule of Prior Findings states the status is complete.

Repeat Finding: 2018-040

Questioned Costs: $322,267 known

Statistical Sample: No

Context: We tested one journal entry that transferred $322,267 from the FFY 2017 grant to the FFY 2016 grant. The original transactions were for subrecipient payments; however, the subaward agreement was not signed until January 22, 2018, and therefore, was not obligated as of September 30, 2017. Payments to the subrecipient were made in May and August 2018. The FFY 2016 grant was required to be obligated by September 30, 2017. In addition, these expenditures were used to meet the Infant and Toddler targeted funds for the FFY 2016 grant. The Agency reported that $743,755 was spent on Infant and Toddler targeted funds, of which $322,267 was related to the journal entry noted.

Cause: Ineffective control procedures.

Effect: Noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve procedures to ensure earmarking requirements are met and expenditures charged are within the allowed time period.

Management Response: Agree

Finding 2019-045

Program: CFDA 93.658 – Foster Care Title IV-E – Subrecipient Monitoring

Grant Number & Year: All open, including #1901NEFOST, FFY 2019

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

Criteria: 45 CFR § 75.352 (October 1, 2018) specifies pass-through entity responsibilities, including ensuring that subrecipients meet audit requirements. Per 45 CFR § 75.352(a)(1)(xi), "[T]he pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement[.]"

45 CFR § 75.352(d) requires the pass-through entity to do, in part, the following:

> *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.*

Condition: The Agency did not notify subrecipients of the dollar amount made available under each Federal award and the CFDA number at the time of disbursement. A similar finding was noted in the prior audit. We also noted that, for one subrecipient tested, the Agency did not perform any financial monitoring during the fiscal year.

Repeat Finding: 2018-042

Questioned Costs: Unknown

Statistical Sample: No

Context: The Auditor noted that, although the Agency did not notify subrecipients of the dollar amount made available under each Federal award and the CFDA number at time of disbursement, the Agency periodically provided the subrecipients the Federal dollars expended. However, for two of three subrecipients tested, the notifications were not adequate.

- One subrecipient tested with Federal expenditures, totaling $2,075,470, during the fiscal year was not notified of the dollar amount under each Federal award at the time of disbursement or periodically during the year.

- One subrecipient tested with Federal expenditures, totaling $330,073, during the fiscal year was notified periodically; however, the notifications were not sufficient for the subrecipient to prepare an accurate Schedule of Expenditures of Federal Awards. There was no notification of grant year 2018 disbursements, from August 2018 through November 2018, of $233,607. The notification in July 2019 indicated that it covered the period October 1, 2018, through May 31, 2019; however, the dollars were for March 2019 through July 2019 disbursements. In addition, the subrecipient's fiscal year ended on December 31 each year; therefore, the notification would not have been sufficient for the subrecipient to present properly the Schedule of Expenditures of Federal Awards.

  We further noted that the Agency did not perform financial monitoring of this subrecipient during the fiscal year to ensure costs were allowable and complied with Federal regulations.

Fiscal year ended June 30, 2019, expenditures to subrecipients totaled $3,568,805.

Cause: Inadequate procedures.

Effect: When subrecipients are not provided all required notifications, there is an increased risk for noncompliance with Federal requirements. If not made aware of the total Federal funds received, the subrecipient may fail to obtain a Single Audit or include all required major programs. Without financial monitoring of subrecipient expenditures, there is an increased risk for unallowable costs.

Recommendation: We recommend the Agency notify subrecipients of all information required by Federal regulations. We further recommend the Agency perform financial monitoring of all subrecipients.

Management Response: Agree

Finding 2019-046

Program: CFDA 93.658 – Foster Care Title IV-E – Reporting

Grant Number & Year: #1801NEFOST, FFY 2018; #1901NEFOST, FFY 2019

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

Criteria: A good internal control plan requires procedures to ensure reports are accurate and complete and reconcile to the accounting system. Good internal control also requires adjustments to be made in a timely manner.

45 CFR § 75.302 (October 1, 2018) states, in part, the following:

> *(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also §75.450.*
>
> *(b) The financial management system of each non-Federal entity must provide for . . . (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements . . . .*

45 CFR § 75.303 (October 1, 2018) states, in part, the following:

> *The non-Federal entity must:*
>
>> *(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).*

Per GAO Standards for Internal Control in the Federal Government (Green Book) (OV3.06):

> *A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.*

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The Agency did not have adequate procedures to ensure Federal Financial Reports (FFRs) were accurate. We noted adjustments were not proper. A similar finding was noted in the prior audit. The Schedule of Prior Audit Findings states the status is complete. The Agency's controls were not effective to ensure transactions were recorded properly.

Repeat Finding: 2018-043

Questioned Costs: Unknown

Statistical Sample: No

Context: Our prior audit noted Maintenance Assistance on Part 3, Line 5a, of the June 2018 Federal report, which included other waiver services that were reported on Line 6a in the previous quarter. The total amount overstated was $1,608,079, and the Federal Share overstated was $845,045. The September 2017 Federal report was also in error, resulting in Part 3, Line 5a, being overstated by $2,111,964. The Federal share overstated was $1,095,053. The Agency attempted to correct the errors with an increasing adjustment on the September 2018 report, but it did not properly consider the amounts overstated. A decreasing adjustment for $3,720,043 ($1,940,098 Federal share) was not made.

During review of the September 2018 report adjustments, we also noted an increasing adjustment of $725,415 (Federal share $381,306) for FFY18 Quarter 3, Other Waiver Services. However, it appears these claims were previously reported on the June 2018 report. The Agency did not have adequate support for the increasing adjustment.

We tested the FFRs for the quarters ended December 2018 and March 2019 and noted that the Federal share of reported adjustments for other waiver claims did not agree to the accounting system. The total adjustment and Federal share of the adjustment were correctly reported; however, the journal entry to record the transaction on the accounting system incorrectly recorded the State share as Federal funds and the Federal Share as State funds.

	Per Accounting System		Per Report	
Quarter Ended	Federal Share	State Share	Federal Share	State Share
12/31/18	$ 523,945	$ 580,958	$ 580,627	$ 524,276
3/31/19	$ 611,065	$ 677,558	$ 677,558	$ 611,065

The Agency has a segregation of duties in place to ensure each transaction has a separate preparer and approver. There is also a requester and On-Base approver, as well as an individual performing the pre-audit function. Each of these journal entries had at least five separate individuals involved in processing the transaction; yet, none of them noticed the Federal and State funding percentages were incorrectly applied.

Cause: Employee turnover and worker error.

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

Recommendation: We recommend the Agency implement procedures to ensure Federal reports are accurate, and adjustments are timely. We further recommend the Agency improve procedures to ensure transactions are recorded properly on the accounting system.

Management Response: Agree

<u>Finding 2019-047</u>

Program: CFDA 93.658 – Foster Care Title IV-E – Allowability

Grant Number & Year: #1901NEFOST, FFY 2019; #1801NEFOST, FFY 2018

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

Criteria: Per 45 CFR § 75.302(b)(4) (October 1, 2018), "The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes."

Per 45 CFR § 75.403 (October 1, 2018), costs must be necessary, reasonable, and adequately documented.

Per Nebraska Foster Care Waiver terms and conditions, the State may use Federal Foster Care grant funds to pay for the following:

> *[A]n expanded array of evidence-based programs and services that promote family stability and preservation. This array may include, but is not limited to:*
>
> - *Parent Child Interaction Therapy (PCIT)*
> - *Positive Parenting Program (Triple P)*
> - *Wraparound*

Per Agency contracts with family support providers, mileage and travel time are to be submitted for payment on a Travel Log. Per the "Established Rate" section of the Parenting Time/Supervised Visitation Service Attachment (effective July 1, 2018):

> * * * *
>
> 8. *Travel Time and Distance shall be within 5 miles and 15 minutes per one-way trip of what is measured by MapQuest or Google Maps. One-Way trip shall be defined as the entire trip from initial starting address to the destination address where the Family Support Service starts, including all stops in between . . . .*
>
> 9. *DHHS shall pay the Contractor $18.00 per hour for time travelled to and from the location where the Parenting Time/Supervised Visitation Services are provided. The travel time shall be consistent with the length of time required to travel to deliver Parenting Time/Supervised Visitation Services in accordance with the DHHS Service Referral. Consistent shall be defined as being within fifteen (15) minutes of the time recorded by MapQuest or Google Maps. This 15 minutes will be considered a margin of error. If the length of time is more than fifteen minutes (15) over what is recorded on MapQuest or Google Maps, the Contractor shall note the reasons why on the travel log. If no explanation is provided on the Travel Log, DHHS will pay the Contractor for the length of time measured by MapQuest or Google Maps after rounding up to the nearest fifteen (15) minute increment as indicate increment table below.*
>
> 10. *The mileage and travel time shall be submitted for payment on a Travel Log developed and provided by DHHS. The Travel Logs shall be submitted at the end of each month for services provided during the previous month. Travel time shall be rounded up to the nearest fifteen (15) minute increment for each one-way trip rate recorded on the Travel Log . . .*

A good internal control plan requires procedures to ensure services billed are reasonable, and adequate supporting documentation is maintained for services provided.

Condition: Seven of 25 waiver expenditures tested were not adequately documented or were not reasonable.

Repeat Finding: No

Questioned Costs: $143 known (#1801NEFOST, $18; #1901NEFOST, $125)

Statistical Sample: No

Context: In 2013, the Federal grantor approved a waiver for the State to operate a child welfare demonstration project. The waiver allows for additional services to be provided that are not normally covered under Title IV-E Foster Care, but the demonstration project must remain cost neutral to the Federal government.

During the fiscal year, the Agency charged $2,547,414 in waiver-based expenditures to the Foster Care grant. These expenditures were for travel time and mileage costs paid to contractors related to family support and parenting time/supervised visitation services. We selected 25 claims and noted the following:

- For six claims tested, the travel time was not reasonable or was 15 minutes more than Google Maps without an explanation. The Federal share of questioned costs totaled $127.

- For one claim tested, the number of miles billed was not reasonable. The provider billed for mileage to FedEx, which appeared to be personal in nature. The Federal share of questioned costs totaled $16.

Federal questioned costs for the sample tested totaled $143. The Federal sample tested totaled $3,280. Total Federal population was $2,547,414. Based on the sample tested, the case error rate was 28% (7/25). The dollar error rate for the sample tested was 4.36%, which estimates the potential dollars at risk for fiscal year 2019 to be $111,067 (dollar error rate multiplied by population).

Cause: Clerical errors and inadequate review.

Effect: Unallowable costs were charged to the grant.

Recommendation: We recommend the Agency implement procedures to ensure payments are proper and in accordance with State and Federal regulations.

Management Response: Agree

Finding 2019-048

Program: CFDA 93.667 – Social Services Block Grant – Period of Performance

Grant Number & Year: #G1701NESOSR, FFY 2017

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

Criteria: 45 CFR § 96.14(a) (October 1, 2018) states, in relevant part, "Amounts unobligated by the State at the end of the fiscal year in which they were first allotted shall remain available for obligation during the succeeding fiscal year . . . ."

The Notice of Grant Award for the FFY 2017 grant states that the award is available for expenditures for the period October 1, 2016, through September 30, 2018.

Good internal control requires procedures to ensure that charges are in accordance with Federal regulations and grant terms.

Condition: Expenditures were charged to the FFY 2017 grant for services after the period available.

Repeat Finding: No

Questioned Costs: $338,188 known

Statistical Sample: No

Context: We tested one journal entry that moved payroll expenditures originally paid by the State General Fund and charged the FFY 2017 Social Services Block Grant. We noted that the charges included services, totaling $338,188, from October 24, 2018, through November 21, 2018, which is outside the allowable period for the grant.

Cause: Ineffective control procedures.

Effect: Noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve procedures for ensuring that charges to grants are within the allowed period.

Management Response: Agree

<u>Finding 2019-049</u>

Program: CFDA 93.667 – Social Services Block Grant – Allowability

Grant Number & Year: #G1801NESOSR, FFY 2018; #G1901NESOSR, FFY 2019

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

Criteria: 45 CFR § 96.30(a) (October 1, 2018) provides, as is relevant, "[A] State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditures of its own funds."

Regarding Maximum Rates and Allowable Units, 473 NAC 5-001.06A provides, in relevant part, "The Central Office establishes a statewide rate for chore services matching the federal minimum wage. See Appendix." 473 NAC 5-001.06D adds, "Local units shall submit requests to exceed policy maximums to Central Office for prior approval."

Per 473 NAC Appendix 473-000-201, "Nebraska Social Services for Aged and Disabled Fee Schedule," the rate for chore services is $9.00 per hour.

473 NAC 5-018.06B-1, regarding upper limits for common carriers, states, "Neb. Rev. Stat. § 75-303.02 limits the distance rates for common carriers at a rate no greater than three times the state employee mileage rate."

Per 473 NAC 5-010.03B, regarding Need for [Meal] Service, "Eligible clients must - . . . 3. Not live in a congregate facility (e.g., board and room home or hotel) where meal service is the responsibility of the facility and the cost of the meals is included in the payment rate."

Per 473 NAC 5-002.06B, regarding Adult Day Care Frequency, "A day is defined as six or more hours per day."

A good internal control plan requires procedures to ensure services were authorized, received, and performed in accordance with State and Federal requirements. This would include having clients sign documentation to verify that services were received; if the client does not approve the services, the Agency should have other procedures to ensure the services were actually provided.

Condition: Social Services Block Grant (SSBG) assistance payments tested did not comply with State and Federal regulations.

Repeat Finding: No

Questioned Costs: $24 known

Grant #	Questioned Costs
1801NESOSR	$ 1
1901NESOSR	$ 23

Statistical Sample: No

Context: We tested 26 claims for SSBG services and noted 7 with errors. Some payments had more than one type of error. The claims were paid 90% with State funds and 10% with Federal SSBG funds. During testing, we noted the following:

- For three claims tested, the support provided did not contain a client signature or other documentation to verify that services were provided to the client.

- For one claim tested, the client was "authorized for chore services as approved per the Service Needs Assessment (SNA) Plan, not to exceed 3 hours and 15 minutes per week. One occurrence of laundry (out of the home) per week is authorized." The SNA allowed two hours per week for laundry and 75 minutes per week for cleaning. The timesheet listed jobs to be done as clean kitchen, bathroom, and vacuum; however, laundry was not included on the timesheet, but 3 hours and 15 minutes was billed for each week.

- For one claim tested, the rate of chore service provided exceeded the allowable rate per regulations. The Agency was unable to provide documentation to support the approval of the increased rate.

- For one claim tested, the rate of transportation provided exceeded the allowable rate per the Service Provider Agreement.

- For one claim tested, a meal was provided for a day in which the client no longer lived at home.

- For one claim tested, adult day care services were not provided at the minimum hours per day for six days billed.

- For one claim tested, the timesheet provided did not contain adequate information to verify the hours of service provided; therefore, the APA could not determine that six or more hours were provided each day as required.

The total Federal sample tested was $364, and Federal errors for payments tested were $24. Total SSBG Federal assistance payments for fiscal year 2019 were $743,997. The dollar error rate for the sample was 6.59% ($24/$364), which estimates the potential dollars at risk for fiscal year 2019 to be $49,029 (dollar error rate multiplied by population).

Cause: Ineffective review.

Effect: Ineffective review of claims increases the risk for misuse of State and Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure payments are adequately supported and in accordance with State and Federal regulations.

Management Response: Agree

Finding 2019-050

Program: CFDA 93.778 – Medical Assistance Program – Reporting

Grant Number & Year: #1905NE5MAP, #1905NE5ADM, FFY 2019

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

Criteria: Title 45 CFR § 75.302 (October 1, 2018) requires financial management systems of the State sufficient to permit preparation of required reports and permit the tracing of funds to a level of expenditures adequate to establish that the use of these funds were in accordance with applicable regulations. Title 42 CFR § 433.10 (October 1, 2018) provides for payments to states based on a Federal Medical Assistance Percentage (FMAP). EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from EnterpriseOne.

A good internal control plan requires procedures to reconcile submitted reports to the accounting system. A good internal control plan also requires adjustments and reconciling items to be resolved in a timely manner.

Condition: Reconciliation procedures need improvement to ensure reports are accurate, and adjustments are made in a timely manner. A similar finding was noted in prior audits.

Repeat Finding: 2018-046

Questioned Costs: $25,948 known

Statistical Sample: No

Context: Reconciliations of reports to the accounting system were not timely. On June 14, 2019, we requested the CMS 64 reconciliations for quarters ended during fiscal year 2019. The Agency responded that the September 30, 2018, reconciliation was complete, but December 31, 2018, and March 31, 2019, reconciliations were not yet completed. As of September 6, 2019, the reconciliations were still not complete.

We tested two quarterly reports and noted that the Federal share of child support collections reported for the December quarter did not agree to the general ledger. The Federal share reported was $281,215, but the general ledger total was $255,267 – a variance of $25,948. It appears that four documents were improperly credited to State funds rather than using the FMAP rate to credit the Federal share. As a result, we question $25,948.

The Agency reported a total of $1,224,061,141 Federal expenditures for the Medical Assistance Program in fiscal year 2019.

Cause: Reconciliations not completed and clerical errors.

Effect: Without timely reconciliations, there is an increased risk for the misuse of funds and inaccurate reporting.

Recommendation: We recommend the Agency improve procedures to ensure reports are accurate and reconciliations are timely. We further recommend all reconciling items and adjustments be resolved in a timely manner.

Management Response: Agree.

Finding 2019-051

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: #1905NE5MAP, FFY 2019

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

Criteria: Per 45 CFR § 75.403 (October 1, 2018), costs must be reasonable, necessary, and adequately documented.

Title 471 NAC 15-003.02(1) states that personal assistance services not documented in the service plan are non-allowable services.

Title 471 NAC 15-006 requires that the provider bill only for services actually provided and authorized, perform the personal assistance services noted on the service plan, and accurately document services provided on Form MC-37 "Service Provider Timesheet."

Title 471 NAC 15-006.06C requires that, after receiving a provider's timesheet and billing document, the beneficiary's social service worker or designee must verify that "the hours worked and services provided fall within the parameters of those authorized" by the service needs assessment.

A good internal control plan requires procedures to ensure services provided agree to the service needs assessment.

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, “When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding’s recurrence and planned corrective action, and any partial corrective action taken.”

Condition: During testing of personal assistance service (PAS) claims, we noted that services provided did not agree to the service needs assessments. We also noted that the timing when services were provided did not appear reasonable. A similar finding was noted in prior audits. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2018-047

Questioned Costs: $133 known

Statistical Sample: No

Context: The Agency offers personal assistance services (assistance with hygiene, mobility, housekeeping, etc.) to Medicaid recipients with disabilities and chronic conditions. The services to be provided are based on individual needs and criteria that must be determined in a written service needs assessment (SNA). Providers complete timesheets indicating the services provided and the times of service.

We noted issues with all five PAS claims tested, as follows:

- Services detailed on the “Service Provider Time Sheet” did not agree to the authorized services on the SNA. Providers billed for services that were performed more than the allotted maximum minutes per week. For example, a provider billed for “Transfer-Moderate Assistance” 49 times during the week; however, the SNA allowed only for 35 occurrences per week. Three of the five claims tested had services billed in excess of the maximum authorized.

- Units billed on the Service Provider Time Sheet did not agree to the minutes allotted by the SNA for services. The SNA details the tasks to be provided, the frequency allowed for each, and the number of minutes allotted for each task. One unit is 15 minutes. For example, on one day a provider worked four hours from 12:00 p.m. to 4:00 p.m. and claimed 16 units for the day, as follows:

Authorized per Week per SNA			**Provided per Timesheet**	
Frequency	Minutes	Task	Frequency	Calculated Minutes
14	10	Dressing	2	20
7	5	Hair Grooming	1	5
28	3	Transfer-Minimal Assistance	4	12
14	3	Needs Assistance with Eating/Cutting Meat	2	6
21	20	Needs Meals Prepared	3	60
21	10	Needs to be Fed	3	30
7	3	Remove Trash	1	3
7	15	Wash Dishes	1	15
28	2	Assist on/off Toilet	4	8
14	2	Establish/Maintain Brief/Diaper/Bedpan Routine	2	4
Total Calculated Minutes (Frequency times Authorized Minutes)				163

In this example, 163 minutes or 11 units would be allotted for the tasks listed on the timesheet; however, the provider billed 16 units. Four of five claims tested had days that the tasks listed on the timesheet did not agree to the units claimed.

	# Days in week that did not agree	Units per Timesheet	Units Billed
1	4 days	116	135
2	3 days	67	96
3	2 days	33	39
4	6 days	81	99

- Services detailed on the "Service Provider Time Sheet" agreed to the SNA, but the timing when the services were provided did not appear reasonable. Providers billed for services that were performed during unreasonable times during the time care was provided.
  - One provider worked from 6:00 a.m. to 10:00 a.m. and claimed feeding assistance 6 times, dressing assistance 3 times, and wheelchair assistance 14 times during the four hours. The provider also listed numerous other tasks for the day, including preparing meals, cleaning, laundry, and grocery shopping. It does not appear reasonable to assist with dressing 3 times, feeding 6 times, or wheelchair assistance 14 times in four hours.
  - One provider worked from 12:00 p.m. to 4:00 p.m. on six days and from 12:45 p.m. to 5:30 p.m. another day. The provider claimed assistance dressing twice each day and assistance feeding three times each day, which does not appear reasonable for the hours worked.
  - Another provider worked from 6:00 p.m. to 10:00 p.m. on four days and eight hours on three days. However, the provider claimed several tasks were completed the same number of times each day. The following frequency of tasks claimed did not appear reasonable on days working four hours from 6:00 p.m. to 10:00 p.m. The number of units claimed and paid was 16 units each on four hour days and 32 units each on eight hour days. Therefore, it appears the timesheet record of services provided was not completed correctly.

Assistance	Frequency Claimed Each Day (Four Hours Worked)	Frequency Claimed Each Day (Eight Hours Worked)
Dressing	2	2
Transfer-Moderate	7	7
Wash Dishes	2	2
Assist On/Off Toilet	4	4
Cleansing on Toilet	4	4
Establish/Maintain Brief/Diaper/Bedpan Routine	3	3

Federal payment errors noted totaled $133. The total Federal payments tested was $1,001, and the total Federal share of PAS claims for the fiscal year was $7,325,148.

Cause: Inadequate procedures to review PAS claims.

Effect: An inadequate review of PAS claims increases the risk of services provided not being in accordance with the recipient's needs, as well as the risk of services being billed but not provided.

Recommendation: We recommend the Agency implement procedures to ensure payments are allowable, adequately supported, and in accordance with State and Federal regulations.

Management Response: Agree. Ongoing issues occur with individual providers incorrectly interpreting the SNA and constant education needing to be provided regarding the client responsibility for ensuring blank timesheets are signed. Constant turnover of staff/providers have created repeat errors for PAS services.

Finding 2019-052

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: #1905NE5MAP, FFY 2019

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

Criteria: Per 42 CFR § 431.53 (October 1, 2018), "A State plan must – (a) Specify that the Medicaid agency will ensure necessary transportation for beneficiaries to and from providers . . . ."

Per Title 471 NAC 27-001, "Non-Emergency Transportation (NET) Services are a ride, or mileage reimbursement for a ride, and escort/attendant services provided so that a Medicaid eligible client with no other transportation resources can receive Medicaid coverable services."

The Agency's contract with the NET broker contains the following:

> *The contractor shall develop and maintain a process to be approved by the Department for no less than ten (10%) percent random audits monthly of NET provider supporting documentation per trip to validate a completed service and that submitted charges are correct in accordance to Department regulations.*

Title 45 CFR § 75.403(g) (October 1, 2018), requires costs to be adequately documented.

Per 45 CFR § 75.303(a) (October 1, 2018), an Agency must establish and maintain effective internal control to ensure compliance with Federal requirements. A good internal control plan requires policies and procedures to ensure NET claims are reviewed to confirm that medical services actually occurred, and Federal and State requirements are followed.

Condition: The Agency did not adequately monitor the NET broker. We tested five NET claims. For three of five payments tested, there were no medical claims on the Medicaid Management Information System (MMIS), and verification with the medical provider did not support that the trip was proper. Additionally, for two payments, the NET broker authorized a trip to a location that could not be verified as a Medicaid provider. A similar finding was noted in the prior audit.

Repeat Finding: 2018-049

Questioned Costs: $53 known

Statistical Sample: No

Context: A broker provided NET services for the Medicaid program through June 30, 2019. A Medicaid-eligible recipient who needed a ride to a Medicaid-eligible provider called the broker, and the broker set up an NET provider to provide the requested transportation. The broker was paid $4.74 per one-way trip for managing the service, and the NET providers were paid based on various rate schedules.

The Agency's monitoring of the contract was not adequate during the fiscal year. The contract required the broker to audit NET providers' supporting documentation per trip to validate a completed service and to verify that submitted charges were correct. We requested the monthly audit completed by the broker for March 2019. The monthly audit provided listed 60 trips from July 18, 2018, to September 4, 2018, of which eight trips identified services in which no medical appointment was attended per the medical provider, and one other trip was identified as "No Answer." Results of the monthly reviews are submitted to Program Integrity for review and follow-up action. Although Program Integrity received the monthly audits completed by the broker, these monthly audits included only 60 trips, and the error rate for the March 2019 audit was 15%. Additionally, verification of the broker's audits was not completed. Therefore, it does not appear procedures were adequate to ensure charges were allowable.

During our testing of five broker claims and the associated provider claims, we noted a lack of verification that a service was performed for three payments. This resulted in Federal questioned costs of $20 paid to the broker and $33 paid to the provider. For two of these payments, verification could not be made that the address to which travel was requested belonged to a Medicaid provider.

The broker was paid $890,831 in Federal Medicaid funds during the fiscal year. The Federal claims tested for the broker totaled $28, and $20 in errors was noted. We tested $70 in Federal payments to NET providers and noted $33 in questioned costs. Per the Agency, the Federal share of payments to NET providers for the fiscal year was $5,144,198.

Beginning July 1, 2019, the NET services were included in the managed care Heritage Health benefit package. Heritage Health plans have contracted with a transportation broker and will administer the NET service for their members. Nebraska Medicaid will administer the NET services for fee-for-service members.

Cause: Inadequate monitoring by the Agency. The broker did not have to verify with the medical provider that a service was scheduled. The broker was only required to verify the Medicaid eligibility of the recipient and that the address to which travel was requested belonged to a Medicaid provider.

Effect: Failure to review claims and providers adequately increases the risk for loss or misuse of Federal funds.

Recommendation: We recommend the Agency complete their final review of the broker's monthly audits and request refunds from the broker for any payments that were not in compliance with State or Federal regulations. We further recommend the Agency determine if procedures are necessary to review additional claims to ensure compliance with Federal regulations.

Management Response: Partially Agrees. The transportation brokers audit was reviewed and a collection of administration fees for the remaining claims that were found to be paid for trips to non-covered Medicaid payable services were submitted for collection. The transportation broker did agree to complete a post pay review. The broker has completed the reviews and refunded the administrative payments for rides that did not appear to have a corresponding medical service.

The activities of the transportation broker were listed in the contract and did not include verification of a Medicaid covered service prior to authorization of the transportation. Their task was to arrange for transportation with an enrolled transportation provider when the client was Medicaid eligible and did not have other means of transportation.

Also, because the client has a right to privacy in reference to their medical care, it is not appropriate to mandate that the transportation broker or the transportation provider receive specific knowledge of the nature of a medical appointment.

Further, a claim to Nebraska Medicaid or one of the managed care entities is not the only way to determine if a medical appointment happened. The medical care may be reimbursed by private insurance or Medicare - in this situation, the transportation would still be covered by Nebraska Medicaid. The care may be reimbursed as a global rate where there is not a claim for each specific service, but one claim paid at the beginning or end of a service. For example, maternity care is paid as a global rate, but the pregnant individual will have multiple appointments prior to delivery.

Finally, not all Medicaid covered services occur at a "medical office" or location. Mental health and substance abuse providers often hold sessions in the community to work on coping skills and managing behavior in the community.

Some medical providers have been unwilling to share information about client appointment with the transportation broker and the Department has no means to mandate that they respond to inquiries.

Finding 2019-053

Program: CFDA 93.778 – Medical Assistance Program – Allowability and Eligibility

Grant Number & Year: #1905NE5MAP, FFY 2019; #1805NE5MAP, FFY 2018

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

Criteria: Per 45 CFR § 75.303 (October 1, 2018):

The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Per 45 CFR § 75.302(a), "Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds." 45 CFR § 75.403(g) requires costs to be adequately documented.

Per 477 NAC 23-001.01:

The total equity value of available non-excluded resources of the client . . . is determined and compared with the established maximum for available resources that the client may own and still be considered eligible. If the total equity value of available non-excluded resources exceeds the established maximum, the client is ineligible.

According to NAC Appendix 477-000-012, the Medicaid resource limit for a household size of one is $4,000.

Per 477 NAC 23-001.05B1, "in computing the amount of a unit's total available resources, the potential sales value of all real property, other than the allowed exemption for the home, must be determined and used." Per 477 NAC 23-001.05B3e, if an applicant moves away from the home and is unable to return to the home, the home becomes an available resource.

Per 477 NAC 23-001.05B5:

One (1) motor vehicle regardless of its value, as long as it is necessary for an applicant/client or a member of his/her household for employment or medical treatment, shall be disregarded. If an applicant/client has more than one (1) motor vehicle, the vehicle with the greatest equity must be excluded. Any other motor vehicles are treated as non-liquid resources and the equity is counted toward the resource limit.

Per 477 NAC 23-001.05B5a, "The disregard of any motor vehicle is not allowed when it has been determined that a client residing in a nursing home or an assisted living facility and receiving services through HCBS or PACE does not intend, or will not be able to return home if medical transportation is included in the payment to the facility[.]"

According to NAC Appendix 477-000-012, the "standard of need" (meaning the income required) for someone residing in a nursing facility is $60. Any other income received must be paid to the nursing facility as a share of cost.

Title 45 CFR § 75.511(a) (October 1, 2018) requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

A good internal control plan requires procedures to ensure that income, resources, and living arrangements are updated timely for changes and are adequately documented and verified.

Condition: The Agency did not adequately verify the income and resources of individuals residing in nursing facilities to ensure limits were not exceeded, and the individuals were eligible. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings states that the corrective action is complete.

Repeat Finding: 2018-051

Questioned Costs: $5,994 known ($5,158 #1905NE5MAP; $836 #1805NE5MAP)

Statistical Sample: No

Context: We tested 25 nursing facility payments and noted the following issues:

- One recipient never sold her $78,980 home after moving into a nursing facility. The Agency should have required the recipient to sell her home and use the proceeds for medical care, but the Agency failed to do so. The entire claim is considered questioned costs, with a Federal share of $3,797. Also for this case, the Agency was unable to provide any supporting documentation for a burial trust valued at $3,800.

- One recipient notified the Agency that he had two vehicles valued at $3,200 and $550, but the Agency did not include them as available resources. We also discovered that the recipient owned property valued at $1,550 that was not declared by him or discovered by the Agency. The ownership records for the property were readily available on a public county assessor website. If these resources were included in the budget, the recipient would have been over the resource limit for Medicaid. Therefore, the entire claim is considered questioned costs, with a Federal share of $1,361.

- One recipient moved from an assisted living facility to a nursing facility in the middle of the month. The Agency paid both the assisted living claim, which the provider erroneously submitted for the entire month, *and* the nursing facility claim. Questioned costs outside of the sample of $836 were noted. MMIS did not have an edit check in place to ensure duplicate claims were not paid.

- One recipient had title to a 2003 Chevrolet Impala with a value of $1,988, a 1967 Chevrolet Camaro, and a 1971 Dodge Pickup. None of these vehicles were included as resources, but they should have been. If the Camaro were in good condition, the recipient would have been over the resource limit and ineligible for Medicaid.

Federal payment errors noted were $5,158 in the sample and $836 outside of the sample. The total Federal sample tested was $55,708, and the total Federal nursing facility expenditures during the fiscal year were $189,029,242. Based on the sample tested, the case error rate was 16% (4/25). The dollar error rate was 9.26% ($5,158/$55,708), which estimates the potential dollars at risk for fiscal year 2019 to be $17,504,108 (dollar error rate multiplied by population).

Cause: Worker error and inadequate review. The Agency did not appear to review thoroughly cases where the recipient's living arrangement changed.

Effect: If income, resources, and living arrangements are not adequately verified, there is an increased risk recipients will be inappropriately determined eligible for Medicaid or determined eligible with an incorrect share of cost.

Recommendation: We recommend the Agency implement procedures to ensure that income, resources, and living arrangements for recipients are updated timely for changes and are adequately documented and verified. The Agency should review closely cases where recipients move from living at home to residing in a nursing facility because, at that point, the recipient's home and vehicle can no longer be excluded as resources.

Management Response: Agree.

Finding 2019-054

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including #1905NE5MAP, FFY 2019

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

Criteria: Title 42 CFR § 447.253(b)(1)(i) (October 1, 2018) provides the following:

The Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers to provide services in conformity with applicable State and Federal laws, regulations, and quality and safety standards.

According to 42 CFR § 447.253(g) (October 1, 2018), "The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers."

The Nebraska Medicaid State Plan, Attachment 4.19-D, 12-011.11 (Audits), says the following:

The Department will perform at least one initial desk audit and may perform subsequent desk audits and/or a periodic field audit of each cost report. Selection of subsequent desk audits and field audits will be made as determined necessary by the Department to maintain the integrity of the Nebraska Medical Assistance Program. The Department may retain an outside independent public accounting firm, licensed to do business in Nebraska or the state where the financial records are maintained, to perform the audits. Audit reports must be completed on all field audits and desk audits.

AICPA Professional Standards AU-C Section 500.A32 states the following:

Audit evidence obtained directly by the auditor (for example, observation of the application of a control) is more reliable than audit evidence obtained indirectly or by inference (for example, inquiry about the application of a control) . . . . Audit evidence provided by original documents is more reliable than audit evidence provided by photocopies, facsimiles, or documents that have been filmed, digitized, or otherwise transformed into electronic form, the reliability of which may depend on the controls over their preparation and maintenance.

Title 45 CFR § 75.511(a) (October 1, 2018) requires the auditee to prepare a summary schedule of prior audit findings. Per subsection (b)(2) of that same regulation, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

A good internal control plan requires procedures to ensure a risk assessment is performed on long-term care facilities, and those considered high risk are field audited in order to maintain the integrity of the Medical Assistance Program.

Condition: We noted the Agency did not perform field audits on any long-term care facilities identified as high risk. A similar finding was noted in prior audits. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2018-052

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency performs risk assessments of the facilities each year and identifies high-risk facilities.

In prior audits, we noted that, during fiscal year 2016, the Agency identified nine high-risk facilities for the period ended June 30, 2015; only three had field audits performed. The Agency did not document why field audits were unnecessary for the others. We also noted one high-risk facility identified in fiscal year 2017 had not yet had a field audit.

During fiscal year 2018, the Agency identified 23 high-risk facilities for the period ended June 30, 2017. During fiscal year 2019, the Agency identified 21 high-risk facilities for the period ended June 30, 2018. The Agency claims they intend to contract for field audits for the facilities, but they had not done so as of June 30, 2019.

The Federal share of Medicaid payments to long-term care facilities in State fiscal year 2019 was $189,029,242.

Cause: The Agency did not dedicate adequate resources to the task of field audits.

Effect: When facilities do not have periodic field audits, there is an increased risk for submitted cost reports to contain errors or fraud.

Recommendation: We recommend the Agency devote adequate resources to field audits of long-term care facilities.

> **Management Response:** Does Not Agree. In accordance with 471 NAC 12-011.1, NE SPA Attachment 4.19D Page 26, and our Standard Operating Procedure (SOP) manual, the statute of limitations for conducting onsite field audit for nursing facilities deemed high risk through the final administrative determination is five (5) years, from the end of the cost report period. The facilities identified in this finding were either within the five (5) year timeframe, and/or were subsequently deemed low risk through the final administrative determination:

1 high-risk facility for report period ended June 30, 2016: Douglas County Health Center – report period available for field audit until June 30, 2021.

Identified as high-risk on desk audit by a now-retired Auditor Supervisor. The increased costs were initially identified as an area of concern, and the facility was listed as "high-risk" on the Audit Program and the Audit Log. Upon further review, the now retired supervisor discovered most of the cost increase was attributable to payroll, which would not be a high risk area. He changed the high-risk designation on the Audit Program to low risk, but forgot to change the designation on the Audit Log. Documentation of the removal of this facility from the high-risk list is contained in the "High Risk Changes" folder on the J: drive, per our "Identification of High Risk Providers" procedure.

23 high-risk facilities for report period ended June 30, 2017: Wilber – report period available for field audit until June 30, 2022.

22 Skyline facilities – These facilities, along with other Skyline facilities in other states, are currently under investigation by federal authorities, and will not be audited further by DHHS Medicaid without specific direction by the feds.

21 high-risk facilities for report period ended June 30, 2018: All of these were operated by the Klaasmeyer Receivership and were designated high-risk as they had accrued, but unpaid, building lease costs at the time of the desk audits. Per Medicare regulations, providers must liquidate short-term liabilities within one year from the end of the cost report period. It has recently been determined the accrued lease costs have been liquidated, thus removing the high-risk designation. Documentation to support this change is located in the "High Risk Changes" folder on our J: drive, per our "Identification of High Risk Providers" procedure.

APA Response: Although the State Plan allows the Agency to initiate an audit within five years, it does not seem reasonable for the Agency to delay initiation of an audit of a provider identified as high risk. High-risk providers should be audited as soon as possible to ensure issues are resolved timely and to reduce the risk for errors or abuse to occur.

Finding 2019-055

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Grant Number & Year: #1905NE5MAP, FFY 2019

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

Criteria: Title 45 CFR § 75.403 (October 1, 2018) requires costs to be necessary, reasonable, and adequately documented.

Title 45 CFR § 75.302 (October 1, 2018) requires financial management systems of the State sufficient to permit preparation of required reports and permit the tracing of funds to a level of expenditures adequate to establish the use of these funds were in accordance with applicable regulations. Title 45 CFR § 75.302 also requires each state to expend and account for Federal awards in accordance with state laws and procedures. EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from EnterpriseOne.

Per 45 CFR § 75.303 (October 1, 2018), an Agency must establish and maintain effective internal control to ensure compliance with Federal requirements.

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: Depreciation amounts included in the provider rate for the Beatrice State Development Center (BSDC) were not adequately supported. BSDC is a State facility of the Agency. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2018-053

Questioned Costs: $47,837 known

Statistical Sample: No

Context: BSDC is a State intermediate care facility for individuals with developmental disabilities. Medicaid reimburses the State for the cost of care of Medicaid-eligible individuals. The Agency prepares a cost report to determine the cost per day to be reimbursed. In addition to depreciation from the EnterpriseOne system, the Agency also used a depreciation schedule from an unknown source that was not adequately supported. The information from this schedule was used in the calculation of the Medicaid cost per day for BSDC. The depreciation appears to be from building improvements from 1994 to 2003 before the State implemented the EnterpriseOne system. However, there is not adequate documentation to ensure the amounts are correct or that the amounts were not duplicated in the conversion to EnterpriseOne. We also noted depreciation related to three buildings not belonging to BSDC was included. The buildings were not used for BSDC clients. The Federal share of questioned costs related to these costs totaled $47,837.

Cause: Unknown

Effect: If inaccurate or unsupported information is used to calculate the Medicaid cost per day, there is an increased risk of the rate being inaccurate and the State overcharging Medicaid for services.

Recommendation: We recommend the Agency ensure that all costs are adequately documented and in accordance with Federal requirements.

Management Response: Agree

Finding 2019-056

Program: CFDA 93.778 – Medical Assistance Program – Subrecipient Monitoring

Grant Number & Year: #1805NE5MAP, FFY 2018; #1905NE5MAP, FFY 2019

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

Criteria: 45 CFR § 75.352 (October 1, 2018) states, in part, the following:

All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

(i) Subrecipient name (which must match the name associated with its unique entity identifier;

(ii) Subrecipient's unique entity identifier; (iii) Federal Award Identification Number (FAIN);

* * * *

(iv) Federal Award Date (see §75.2 Federal award date) of award to the recipient by the HHS awarding agency;

(v) Subaward Period of Performance Start and End Date; . . .

* * * *

(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement; . . .

Per 45 CFR 75.351(a) (October 1, 2018):

Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

(1) Determines who is eligible to receive what Federal assistance;

(2) Has its performance measured in relation to whether objectives of a Federal program were met;

(3) Has responsibility for programmatic decision making;

(4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and

(5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Per 45 CFR 75.351(c) (October 1, 2018), "In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement."

Good internal control requires procedures to ensure Federal award information is communicated clearly to subrecipients.

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The Agency did not notify subrecipients of all required Federal award information. The Agency did not notify subrecipients of the dollar amount made available under each Federal award and the CFDA number at the time of disbursement. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings states the status is complete.

Repeat Finding: 2018-055

Questioned Costs: None

Statistical Sample: No

Context: During the fiscal year, the Agency passed through Federal Medicaid dollars to Area Agencies on Aging (AAA). We reviewed one AAA subaward agreement and noted the AAA subawards did not have the correct FAIN. In addition, the Agency did not identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement. The Federal share of Medicaid subrecipient payments to AAAs for the fiscal year totaled $4,717,125.

Cause: Agency staff were not familiar with Federal requirements.

Effect: When subrecipients are not provided all required notifications, there is an increased risk for noncompliance with Federal requirements. If not made aware of the total Federal funds received, the subrecipient may fail to obtain a Single Audit or include all required major programs.

Recommendation: We recommend the Agency notify subrecipients of all information required by Federal regulations.

> **Management Response:** Agree. Agency staff turnover led to a gap in education regarding the Federal requirements. A process for documenting notification to the subrecipients of all reward information. Education has been provided to staff regarding the current Federal reporting requirements and a standard operating procedure has been implemented. At the time of disbursement, the subrecipients are notified of the CFDA number, Federal award number, and the dollar amount available under each Federal award. Additionally, an e-mail is sent to subrecipients summarizing the amount of Federal funds received in every month's reimbursement. The Agency is now notifying subrecipients of all required Federal award information and CFDA number at the time of disbursement.

Finding 2019-057

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Eligibility

Grant Number & Year: #1905NE5MAP, FFY2019

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

Criteria: Per 45 CFR 75.403(g) (October 1, 2018), costs must be adequately documented.

42 CFR § 431.17(b) (October 1, 2018) requires the following:

A State plan must provide that the Medicaid agency will maintain or supervise the maintenance of the records necessary for the proper and efficient operation of the plan. The records must include -

(1) Individual records on each applicant and beneficiary that contain information on -

* * * *

(iii) Facts essential to determination of initial and continuing eligibility;

* * * *

(vi) The disposition of income and eligibility verification information received under §§435.940 through 435.960 of this subchapter . . . .

42 CFR § 435.945(c) (October 1, 2018), states, in relevant part, the following:

The agency must furnish, in a timely manner, income and eligibility information, subject to regulations at part 431 subpart F of this chapter, needed for verifying eligibility to the following programs:

(1) To other agencies in the State and other States and to the Federal programs both listed in §435.948(a) of this subpart and identified in section 1137(b) of the Act;

Condition: For 1 of 40 managed care claims tested, the auditor was unable to verify the income used to determine whether eligibility was correct. Per the case file narratives, the Agency verified income using the Federal hub; however, the Agency was unable to provide documentation to support that the income used was correct.

Repeat Finding: No

Questioned Costs: $88 known

Statistical Sample: No

Context: Eligibility for Medicaid is generally based on financial and non-financial criteria. Income eligibility is based on a percent of the Federal Poverty Level, which is based on national demographic data and updated on an annual basis. The State is to use data accessed through the Federal Data Services Hub (Hub) to make eligibility determinations; however, per the Computer Matching and Privacy Protection Act Agreement (CMPPA), the Agency may not disclose matching data received from the Hub to any entity or individual.

We selected 40 managed care claims for testing. In most instances, we were able to redetermine that the individual was eligible using the State wage information interface or other income verification support imaged in the individual's case file. However, for one claim tested, the Agency used the Hub to determine income, and there was no documentation the Agency could provide to support that the income used was correct. As a result, we question the Federal share of the payment of $88.

Federal payment errors noted totaled $88. The total Federal payments tested was $6,439, and the total Federal share of managed care claims for the fiscal year was $648,225,863.

Cause: The Agency utilizes an interface with the Hub to obtain income information used in determining Medicaid eligibility. The CMPPA between the Agency and the Federal government specifies that the Agency may not use or disclose matching data received from the Hub to any entity or individual.

Effect: Without documentation to support that the income used was correct, we could not determine whether the individual was eligible for Medicaid.

Recommendation: We recommend the Agency work with the Federal government to allow auditors to review income information on the Hub used to determine Medicaid eligibility.

> **Management Response:** Does Not Agree. As noted by the auditor the Department is not allowed to release the electronic interface information used to verify income per federal guidance. The Department does not believe there were any errors as the income was verified.

<u>Finding 2019-058</u>

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including #1905NE5MAP, FFY 2019

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

Criteria: According to 42 CFR § 447.253(g) (October 1, 2018), "The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers."

Per 42 CFR § 447.253(b)(1)(i):

> *The Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers to provide services in conformity with applicable State and Federal laws, regulations, and quality and safety standards.*

The Nebraska Medicaid State Plan, Attachment 4.19-A, § 10-010.03B8a, provides the following:

> *Facilities will be subject to a preliminary and a final reconciliation of Medicaid payments to allowable Medicaid costs. A preliminary reconciliation will be made within six months following receipt by the Department of the facility's cost report. A reconciliation will be made within 6 months following receipt by the Department of the facility's settled cost report.*

A good internal control plan requires procedures to ensure reconciliations of hospital cost reports are completed timely.

Condition: No critical access hospital cost report reconciliations were completed during the fiscal year.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: Critical access hospitals are approved rural hospitals. Audited cost reports are used to make final adjustment payments to critical access hospitals. The Federal government contracts with independent auditors to perform cost report audits on all facilities that have Medicare beds. All Nebraska Medicaid hospitals have Medicare beds – so, when obtained, the Agency relies on these audits for all the Medicaid hospitals. Final audited cost reports can generally be obtained from the independent auditor 18 months after the hospital's year-end.

The Agency had not performed any hospital cost report reconciliations for the 2016 cost reports received during fiscal year 2019. Of the 64 critical access hospitals in 2016, the Agency received 59 audited cost reports on September 13, 2018. Per regulations, the reconciliations should have been completed by the six-month deadline of March 2019; however, they were not complete as of the June 30, 2019 fiscal year end. The Federal share of critical access hospital payments for the fiscal year totaled $7,946,895.

Cause: The Agency did not devote adequate resources to ensure cost reports were reconciled in a timely manner.

Effect: Increased risk for errors and unallowable costs.

Recommendation: We recommend the Agency implement procedures to ensure hospital cost reports are reconciled within six months of the receipt of the facility's settled cost reports.

> **Management Response:** Agree. Due to staff turnover, previous cost-report-reconciliation timelines were missed. With new staff working on the reconciliations and new procedures in place to ensure cost reports being completed in a timely manner, DHHS does not anticipate this finding to reoccur in the current model.

Finding 2019-059

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including #1905NE5MAP, FFY 2019

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

Criteria: Per 42 CFR § 455.104(b) (October 1, 2018), the State Medicaid Agency must obtain the following disclosures from the disclosing entity:

> *(1)(i) The name and address of any person (individual or corporation) with an ownership or control interest in the disclosing entity, fiscal agent, or managed care entity.*
>
> * * * *
>
> *(4) The name, address, date of birth, and Social Security Number of any managing employee of the disclosing entity (or fiscal agent or managed care entity).*

Person with an ownership or control interest is defined, in part, in 42 CFR § 455.101(c) (October 1, 2018) as a person or corporation that:

> *Has an ownership interest totaling 5 percent or more in a disclosing entity;*
>
> *Has an indirect ownership interest equal to 5 percent or more in a disclosing entity;*

Additionally, under 42 CFR § 455.101(e), an "other disclosing entity" includes "an officer or director of a disclosing entity that is organized as a corporation[.]"

Per 42 CFR § 455.436 (October 1, 2018), the State Medicaid Agency must do the following:

> *(a) Confirm the identity and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of Federal databases.*
>
> *(b) Check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the Excluded Parties List System (EPLS), and any such other databases as the Secretary may prescribe.*
>
> *(c)(1) Consult appropriate databases to confirm identity upon enrollment and reenrollment . . . .*

Per 42 CFR § 455.412 (October 1, 2018), the State Medicaid Agency must:

> *(a) Have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State.*
>
> *(b) Confirm that the provider's license has not expired and that there are no current limitations on the provider's license.*

Good internal control requires procedures to ensure all required disclosures are provided.

Condition: Medicaid providers were not properly screened or disclosures were not obtained for managing employees or persons with ownership or controlling interest.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested screening and enrollment for 25 Medicaid providers (18 Long-Term Care facilities, 6 Hospitals, and 1 Intermediate Care Facility for Intellectually Disabled). We noted the following:

- Five providers did not have adequate ownership screening or disclosures. The providers failed to disclose any managing employees or persons with ownership or controlling interest; as a result, only the organization was screened and disclosed. The Agency did not have procedures to reject or follow-up on disclosure forms that were clearly incomplete.

- One provider did not have a license verification performed when the provider was revalidated in January 2019.

Cause: The Agency relies on the provider's disclosure to be complete, true, and accurate.

Effect: Without adequate procedures to ensure providers are screened and disclosures are complete, there is an increased risk of provider ineligibility, which could result in unallowable costs or potential harm to patients.

Recommendation: We recommend the Agency obtain disclosures and screen providers as required by Federal regulations. We also recommend the Agency implement procedures to ensure license verifications are performed.

Management Response: Partially Agrees. The Agency expects the provider's disclosure to be complete, true, and accurate. The Department uses all screening tools and resources as required in the Code of Federal Regulations (CFR) The Department includes the CFR disclosure definitions found at 42 455.101-455.102 with the provider agreement. If an improper or questionable disclosure is discovered through the screening process or at any other time throughout the provider's enrollment, appropriate action is taken with the provider to assure a proper disclosure is provided. Additionally, providers may be subject to sanction for improper disclosure.

The Department agrees that one provider did not have a license verification performed when the provider was revalidated in January 2019.

APA Response: 45 CFR § 75.303 requires the Agency to "establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." It is not sufficient for the Agency to rely on the provider's disclosures. Obvious errors and omissions should be reviewed to ensure compliance with Federal regulations.

Finding 2019-060

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including #1905NE5MAP, FFY 2019

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

Criteria: Title 42 CFR § 455.1 (October 1, 2018) sets forth the requirements for a State fraud detection and investigation program, including a method to identify whether services reimbursed by Medicaid were actually furnished to beneficiaries. The Agency's Program Integrity and Special Investigations Units (SIU) perform these functions.

Per 42 CFR § 455.14 (October 1, 2018), "If the agency receives a complaint of Medicaid fraud or abuse from any source or identifies any questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation."

Per Title 480 NAC 5-006:

No provider approval will be issued or remain in effect if there is a conviction for, admission of, or substantial evidence of crimes against a child or vulnerable adult, crimes involving intentional bodily harm, crimes involving the illegal use of a controlled substance, or crimes involving moral turpitude on the part of the provider or any other household members.

Condition: Five of 25 Medicaid cases tested did not comply with Federal requirements.

Repeat Finding: 2018-037

Questioned Costs: Unknown

Statistical Sample: No

Context: We noted the following issues:

Three Program Integrity cases were not properly reviewed.

- One provider was referred due to billing excessive hours, including potentially billing for times when the child was in school and the parent was not working. The case was closed after requested school records were not received even though the provider had previous questionable billings. No attempt was made to obtain any work or medical appointment records to ensure the provider was not billing for unauthorized times.

- One case identified a provider who had a household member with a criminal history that would preclude the provider from providing Medicaid services in the provider's home. The provider was allowed to continue services in the home as the Agency determined there was no safety issue. This was not in compliance with regulations.

- For another case, a referral was made regarding a provider who had a history of hiring individuals with criminal backgrounds. The case was closed as unsubstantiated even though there was evidence of billings submitted with overlapping services, and complaints were made against the provider for not providing services to clients and having a client sign blank billing documents. Additionally, there was not sufficient documentation to support criminal background results were obtained for all employees of the provider's organization.

One SIU case was not properly reviewed.

- A client was referred in April 2019 after failing to report a checking account that caused the client to be over resources and not qualify for Medicaid. The case was closed in June 2019 due to insufficient evidence; however, the case was reopened in July 2019 after we requested the case file.

During testing, we also noted that a case was referred to Program Integrity after a managed care company questioned payments made on behalf of a deceased client. The client died on July 2, 2016, and the Medicaid case was not closed until June 1, 2018, almost two years later. The Agency approved Medicaid and several other programs even though correspondence sent to the client was returned and no phone calls or messages were answered. A total of $37,951 in benefits were paid after the client's death, of which $35,483 was Medicaid and $2,468 was other programs. As of September 23, 2019, $30,243 has been recovered from two managed care companies; however, overpayments totaling $5,240 have not been properly established for two additional managed care companies.

Additionally, since Program Integrity only reviews Medicaid programs, no attempts have been made to recover the payments from the other programs.

Cause: The Agency did not devote adequate resources, including adequate staff, to ensure Medicaid fraud cases were properly worked.

Effect: When potential fraud cases are not adequately pursued, this results in noncompliance with Federal requirements. When repayment is not adequately pursued, this results in a loss of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure cases referred to Program Integrity and the SIU are properly reviewed, and appropriate dispositions are made.

Management Response: Does Not Agree.

Allegation of provider billing excessive hours - The investigator was unable to substantiate the allegations, as educational privacy laws do not allow schools to release attendance information without parental permission. Wage information from the Department of Labor is only informative when the client is an employee, it does not include information for contracted workers. The allegation could not be substantiated.

Household Member with Criminal History - The provider, client, and the household member with a criminal history are all family members. Whether or not the provider is a provider, the client will continue to live in this household. The waiver eligibility determinations assess whether or not the client has a safe living environment. This client's living arrangement was determined to be safe. Disenrollment of providers in similar situations has led to administrative appeals by the provider and client. The Department lost these appeals. The investigator reviewed the available information about the criminal background and the history of living arrangement for the client, provider, and household member. It was found that there was no health and safety issue because of the household member's criminal history.

Provider alleged to be hiring individuals with criminal backgrounds - The provider was educated about their responsibilities for completing screening and background checks of employees. The allegations could not be substantiated.

SIU Case - The investigator closed the case after his initial review of the information. He deemed it insufficient evidence. After closure and prior to the supervisor reviewing his decision, the case was selected in the audit. Subsequently the supervisor completed the review, determined there was a possible deprivation of resources to become eligible, and decided to reopen the case.

Deceased Client - Investigation was opened on 11/19/2018 concerning capitation payments paid after the client's death (date of death 7/2/2016). Refunds were requested from all of the appropriate managed care entities. As of 11/13/2019, all Medicaid refunds have been collected. In the future, Program Integrity may review client participation in other programs so that other programs can assess the need for refunds.

APA Response: As noted above, Title 480 NAC 5-006 provides the following:

No provider approval will be issued or remain in effect if there is a conviction for, admission of, or substantial evidence of crimes against a child or vulnerable adult, crimes involving intentional bodily harm, crimes involving the illegal use of a controlled substance, or crimes involving moral turpitude on the part of the provider or any other household members.

<u>Finding 2019-061</u>

Program: CFDA 93.898 – Cancer Prevention & Control Programs for State, Territorial & Tribal Organizations – Allowability & Subrecipient Monitoring

Grant Number & Year: #NU58DP006278 period end 6/29/19

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

Criteria: 45 CFR § 75.303 (October 1, 2018) requires the Agency to "[e]stablish and maintain effective internal control over the Federal award . . . ." Good internal control requires procedures to ensure costs are reasonable and adequately documented.

Per 45 CFR § 75.403 costs must be reasonable, necessary, and adequately documented. Per 45 CFR § 75.404, "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost."

45 CFR § 75.353 (October 1, 2018) provides the following:

> *With prior written approval from the HHS awarding agency, a pass-through entity may provide subawards based on fixed amounts up to the Simplified Acquisition Threshold, provided that the subawards meet the requirements for fixed amount awards in §75.201.*

45 CFR § 75.201(b) (October 1, 2018) states, in part, the following:

> *[P]ass-through entities as permitted in §75.353, may use fixed amount awards (see §75.2 Fixed amount awards) to which the following conditions apply:*
>
> > *(1) The Federal award amount is negotiated using the cost principles (or other pricing information) as a guide. The HHS awarding agency or pass-through entity may use fixed amount awards if the project scope is specific and if adequate cost, historical, or unit pricing data is available to establish a fixed amount award based on a reasonable estimate of actual cost.*

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The transactions were paid as fixed amount subawards, but there was not adequate documentation to support that the awards were based on a reasonable estimate of actual costs. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings states that the status is complete.

Repeat Finding: 2018-029

Questioned Costs: $35,000 known

Statistical Sample: No

Context: Documentation was not adequate to support that fixed amount subawards were based on a reasonable estimate of actual cost. We tested two payments and noted the following:

- For one subrecipient, the payment was $5,000 for data extraction for screening rates. There was no documentation to support the reasonableness of the payment.

- For the second subrecipient, the payment was $30,000 for completion of the Quality Plan and Clinic Assessment and reporting of National Quality Forum quality measures. There was no documentation to support that the rate was a reasonable estimate of actual costs.

Total Federal questioned costs noted were $35,000. Subrecipient payments for the fiscal year totaled $887,036.

Cause: The Agency did have Federal grantor approval for fixed amounts subawards; however, supporting documentation provided to the auditors was not adequate to determine the amounts were reasonable.

Effect: When amounts paid are not adequately documented, there is an increased risk that charges will be excessive.

Recommendation: We recommend the Agency maintain adequate documentation to support that fixed amount subawards are based on a reasonable estimate of actual cost.

> **Management Response:** Does not agree. Program funder approved not only fixed cost subawards, but also reviewed the payment structure for all deliverables. Program payment structure was compared to other breast and cervical screening programs across the nation and was determined to be reasonable. The program is currently engaged in a "study" with CDC evaluating effectiveness of Nebraska's current payment structure.

APA Response: Per 45 CFR § 75.201(b)(1), fixed amount subawards are allowable if "adequate cost, historical, or unit pricing data is available to establish a fixed amount award based on a reasonable estimate of actual cost." Documentation was not adequate to support that the fixed amounts were a reasonable estimate of actual costs.

Finding 2019-062

Program: CFDA 93.917 – HIV Care Formula Grants – Allowability, Cash Management, Eligibility & Subrecipient Monitoring

Grant Number & Year: 17X08HA29238, Period End 9/29/2018

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

Criteria: 45 CFR § 75.403 (October 1, 2018) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

45 CFR § 75.352 (October 1, 2018) states, in relevant part, the following:

> *All pass-through entities must:*
>
> > * * * *
> >
> > *(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward[.]*

42 USC 300ff-26(b) (2018) states the following:

> *To be eligible to receive assistance from a State under this section an individual shall –*
>
> > *(1) have a medical diagnosis of HIV/AIDS; and*
> >
> > *(2) be a low-income individual, as defined by the State.*

State ADAP Client Eligibility Policy (Revised 01/2017) states, in relevant part, the following:

> *2. Client must meet current income eligibility guidelines requiring that a client's household earned income must fall below 300% of the Federal Poverty Guidelines . . . .*
>
> * * * *
>
> *6. Client must permanently reside in Nebraska and must have a valid physical street/home address and must be physically living there . . . .*

Good internal control requires procedures to ensure: 1) all costs are allowable per the grant; 2) all clients are eligible; 3) documentation is maintained to support amounts claimed by and paid to subrecipients; and 4) rebate funds are expended before Federal funds.

Per 45 CFR § 75.305(b)(5) (October 1, 2018):

> *To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments*.

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The Agency did not have adequate subrecipient monitoring procedures to ensure expenditures were allowable and in accordance with Federal requirements. The Agency did not have adequate procedures to ensure individuals receiving services met State and Federal eligibility requirements. The Agency did not have documentation to support it monitored eligibility determinations by subrecipients. We also noted that the Agency did not have procedures to ensure rebates were spent before requesting Federal grant funds. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings states that the status is complete.

Repeat Finding: 2018-056, 2018-057

Questioned Costs: $556,854 known

Statistical Sample: No

Context: The Agency paid $565,032 in Federal program funds to subrecipients during the fiscal year ended June 30, 2019. We tested $556,854 in subrecipient payments and noted that one payment for $307,408 included an invoice and a general ledger printout but no source documentation such as invoices, timesheets, etc. The second payment for $249,446 had only an invoice and no supporting documentation. The auditor asked the Agency to provide support for any subrecipient monitoring performed, and the Agency verified that no financial monitoring was performed for the subrecipient for fiscal year 2019. The Agency also verified that no monitoring of eligibility was performed.

We also noted that Federal funds were spent when Rebate funds were available. The average month-end Rebate fund balance was over $2 million during the fiscal year, and the Rebate fund balance at June 30, 2019, was $2,961,528; however, the Agency spent $580,989 in Federal funds during fiscal year 2019.

Cause: Inadequate procedures and inadequate oversight.

Effect: Inadequate subrecipient monitoring could result in loss or misuse of Federal funds. Failing to spend rebates first could result in questioned costs or sanctions, as Federal funds are being expended when rebates are available.

Recommendation: We recommend the Agency ensure that adequate supporting documentation is on file for all expenditures to ensure they are allowable and in compliance with Federal regulations. We also recommend the Agency ensure clients served meet eligibility requirements. We further recommend rebates be expended before Federal funds.

Management Response: Partially agrees. The Agency had procedures in place; program staff did not follow them. As a result, during State fiscal year 2019, the Agency performed its own review of program procedures and protocols. That review resulted in numerous major program changes that were just beginning at the end of the state fiscal year. Changes include:

- Subrecipients provide G/L and other supporting documentation that is then reviewed by program staff for allowability, allocability, and reasonableness.
- In order to more adequately track the funds allocated to the cost and service categories, subsidiary codes have been developed for all service categories and are applied to all payments.
- All subrecipient budgets require a budget justification specifying the service and cost category and are closely reviewed by program staff for allowability and allocability.
- Rebate funds are being utilized prior to the drawdown of any federal funds. The procedure put in place in 2018 is being followed to the letter.
- Program staff monitors expenses on a monthly basis to determine the balance of rebate cash account and to ensure that no expenses have been mistakenly applied to federal funding sources.
- The Agency identified a client-level data system that will assist in monitoring and tracking consumer eligibility and enrollment. The data system provider is knowledgeable of Federal requirements including eligibility and reporting specific to the Ryan White HIV/AIDS Program, as it currently works with and is the top-recommended data system by other RWHAPs across the nation.

Finding 2019-063

Program: CFDA 93.917 – HIV Care Formula Grants – Reporting

Grant Number & Year: 17X07HA00042, Period end 3/31/2018

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

Criteria: 45 CFR§ 75.302 (October 1, 2018) states, in part, the following:

> *(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non- Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also §75.450.*
>
> *(b) The financial management system of each non-Federal entity must provide for . . .(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements . . . .*

Per Policy Clarification Notice (PCN) #15-04 (Revised 01/11/2019), "In the 'Ryan White Rebate Funding' section, report . . . the expended rebate amount[.]"

Good internal control requires procedures to ensure that all reports have a documented review by a knowledgeable individual prior to submission. Good internal control also requires procedures to ensure reports are accurate.

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The Agency did not report drug rebates properly. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2018-058

Questioned Costs: None

Statistical Sample: No

Context: We tested the report for grant 17X07HA00042, submitted March 2019. The Agency reported Total Rebates Available as $5,634,328, which were the rebates received during the grant period, but did not include the $603,600 beginning balance. Therefore, Total Rebates Available and Unexpended Rebates reported were understated by $603,600.

Cause: Clerical error.

Effect: Inaccurate reporting could lead to Federal sanctions.

Recommendation: We recommend the Agency ensure reports contain accurate information.

Management Response: Agree

<u>Finding 2019-064</u>

Program: CFDA 93.945 – Assistance Programs for Chronic Disease Prevention and Control – Allowability & Subrecipient Monitoring

Grant Number & Year: 5 NU58DP004819-05-00, budget period ended 6/29/2018

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

Criteria: Per 45 CFR § 75.403 (October 1, 2018), allowable costs must be necessary, reasonable, and adequately documented.

45 CFR § 75.352(d) (October 1, 2018) requires a pass-through entity to monitor the activities of the subrecipient to ensure that Federal awards are used in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

45 CFR § 75.430(i)(1) (October 1, 2018) states, as is relevant, the following:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

* * * *

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . . .

* * * *

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award . . . .

45 CFR § 75.430(i)(3) (October 1, 2018) states, in relevant part, the following:

[C]harges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.

Good internal control requires procedures to ensure payments to subrecipients are in accordance with Federal requirements.

According to 45 CFR § 75.511(a) (October 1, 2018), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

Per 45 CFR § 75.511(b), "The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs."

45 CFR § 75.511(b)(1) adds, "When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken."

Finally, 45 CFR § 75.511(b)(2) provides, "When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken."

Condition: The Agency did not have adequate subrecipient monitoring procedures. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2018-060

Questioned Costs: $50,479 known

Statistical Sample: No

Context: Subrecipient payments totaled $163,856 for the fiscal year ended June 30, 2019. We tested the largest subrecipient payment for $50,479. There was an invoice from the subrecipient for the total due, but no detail of expenses or supporting documentation such as invoices and timesheets. According to Agency staff, monitoring had been performed on the subaward during the prior fiscal year. However, the documentation provided was not adequate. The subrecipient was reimbursed for one employee for 6 hours at $62.50, which agreed to her hourly salary rate paid; however, she was also reimbursed 79.82 hours at $200 per hour. The subrecipient was reimbursed for another employee for 10 hours at $200 per hour, which was in excess of her actual wages of $27.50 per hour. In addition, no documentation, such as a timesheet, was obtained to support the 100% of the employees' activity or distribution of wages among different activities; nor was there documentation of the total number of hours worked each day. A similar finding was noted in the prior audit.

Cause: Inadequate monitoring procedures.

Effect: The Agency did not comply with Federal requirements. In addition, without adequate supporting documentation, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve monitoring procedures to ensure subrecipient payments are for actual and allowable costs in accordance with Federal requirements.

> **Management Response:** Partially agrees. The Unit does have subrecipient monitoring procedures in place, and staff follow the procedures. The Unit guideline is that an entire invoice is tested annually for each subawardee. Program staff followed the guideline and even tested two invoices during the award period.
>
> Program acknowledges that the structure of the award did not enable staff to verify actual costs for salaries/wages. As a result of this and similar prior findings for this award, we no longer utilize this type of subaward. Awards of this nature are now structured as fixed amount awards, and we receive prior federal approval for such awards.

While the award structure created financial monitoring challenges, the subreceipient did perform all required work and provided detailed information on the progress of the work completed during the award period. The work conducted was in alignment with the federal award expectations, allowable, and positively contributed to the implementation of the federal award.

The audit finding indicated that "no detail of expenses" was available for the questioned costs. This is inaccurate; the subrecipient provided an expense report with each invoice. The finding also stated, "documentation provided was not adequate." We feel this implies that all documentation received and tested was inadequate. We acknowledge that documentation for salaries/wages was not adequate for determine actual costs; however, sufficient documentation was provided for the other budget categories and enabled staff to determine actual costs.

APA Response: No detail of expenses was provided to the auditor for the $50,479 invoice. As acknowledged by the Agency, documentation for salaries was not adequate.

COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

Finding 2019-065

Program: CFDA 16.575 – Crime Victim Assistance – Allowability & Subrecipient Monitoring

Grant Number & Year: 2015-VA-GX-0010, FFY 2015; 2016-VA-GX-0067, FFY 2016; 2017-VA-GX-0010; FFY 2017

Federal Grantor Agency: U.S. Department of Justice

Criteria: 2 CFR § 200.331(d) (January 1, 2019) requires a pass-through entity to monitor the activities of the subrecipient to ensure that Federal awards are used in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and performance goals are achieved.

2 CFR § 200.302(a) (January 1, 2019) requires the State to have financial management systems sufficient to allow for "the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."

2 CFR § 200.403 (January 1, 2019) requires costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to ensure subrecipients comply with applicable cost principles.

Per 2 CFR § 200.405(a) (January 1, 2019), "A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received."

2 CFR § 200.430(i)(1) (January 1, 2019) states, as is relevant, the following:

> *Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
>
> * * * *
>
> *(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities . . . ;*
>
> * * * *
>
> *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award . . . .*

Condition: The Agency did not have adequate subrecipient monitoring procedures. Documentation was inadequate to support that the amounts paid were allowable and in accordance with Federal requirements. A similar finding was noted in the prior audit.

Repeat Finding: 2018-062

Questioned Costs: $12,376 known

Grant	Questioned Costs
2015-VA-GX-0010	$ 715
2016-VA-GX-0067	$ 1,056
2017-VA-GX-0010	$ 10,605

Statistical Sample: No

Context: During the fiscal year, the Agency received reimbursement requests from subrecipients, including supporting documentation such as timesheets and invoices. However, we noted that the Agency did not always obtain adequate support for all amounts reimbursed. We noted that 6 of 25 aid payments tested did not have sufficient documentation to ensure all amounts were allowable and in accordance with Federal cost principles.

The following issues were noted:

- Adequate time records were not on file to support the distribution of employee compensation.
- There was a lack of support for allocations used to charge operating expenses.
- Expenses were based on budgets rather than actual amounts.
- There was a lack of invoices.
- Support was inadequate to determine if charges were for grant activities.

Federal questioned costs for the payments tested totaled $12,376. The total sample tested was $259,342, and the total of aid payments for the fiscal year was $12,189,098. Based on the sample tested, the dollar error rate was 4.77%, which estimates the potential dollars at risk for fiscal year 2019 to be $581,420 (dollar error rate multiplied by population).

Cause: Inadequate monitoring procedures.

Effect: Without adequate supporting documentation, there is an increased risk for loss or misuse of funds.

Recommendation: We recommend the Agency improve procedures to ensure payments are allowable and in accordance with Federal requirements.

> **Management Response:** Nebraska Crime Commission monitors subrecipients based on risk per 2 CFR 200.331(a)(6b-e). The outcome of the risk assessment determines what monitoring level is applied to the subrecipient organization. It is not reasonable nor feasible for Nebraska Crime Commission to review 100% supporting documentation for all subrecipients. That would be a substantial burden on our agency as well as funded programs. The monitoring procedures we have in place are adequate and actually have resulted in less questioned cost findings than previous audits or monitors when 100% documentation was reviewed. In response to the issues regarding lack of support for allocations used to charge operating expenses, we have reached out to OVC for clarification on what the prorating requirements are for operating expenses as the VOCA Rule does not specify how the costs must be prorated. Also in 2 CFR 200.413 Direct costs paragraph (d) does not specify the manner in which costs must be prorated other than there must be a basis of allocation for the benefit provided to the Federal award. VOCA is for the purposes of direct services to victims of crime, it would be reasonable to justify allocation of such costs based on the direct services portion of the program. The majority of the VOCA funded programs are 100% victim service programs, it is our position that for those programs 100% of the operating costs would be allowable even if a lesser justification rate was used in the budget. For programs that do not provide 100% victim services beginning in February 2020 we implemented a pro-rating spreadsheet that is to be submitted with each billing of operating expenses to validate the allowable actual proration of that cost. The Federal Grants and Programs did modify previous monitoring language to essentially mirror Federal requirements per the request of Department of Justice.

<u>Finding 2019-066</u>

Program: CFDA 16.575 – Crime Victim Assistance – Cash Management

Grant Number & Year: 2017-VA-GX-0010, FFY 2017; 2016-VA-GX-0067, FFY 2016; 2015-VA-GX-0010, FFY 2015

Federal Grantor Agency: U.S. Department of Justice

Criteria: 31 CFR § 205.33(a) (July 1, 2018) states, in relevant part, the following:

> *A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project.*

Section 3.1 Payments (pg. 30) of the "DOJ Grants Financial Guide" (December 2017), issued by the U.S. Department of Justice, contains the following:

> *Drawdown requests should be timed to ensure that Federal cash on hand is the minimum needed for disbursements/reimbursements to be made immediately or within 10 days. If not spent or disbursed within 10 days, funds must be returned to the awarding agency.*

(https://www.ojp.gov/financialguide/doj/pdfs/DOJ_FinancialGuide.pdf). A good internal control plan requires procedures to ensure that drawdowns are spent according to Federal guidelines.

Condition: Three of seven draws tested were not spent within 10 days. A similar finding was noted in the prior audit.

Repeat Finding: 2018-065

Questioned Costs: None

Statistical Sample: No

Context: There were 54 receipt drawdowns, totaling $13,318,309, during the fiscal year. We tested seven receipts and noted the following:

Draw Date	Date Draw was Fully Expended	# of Days
9/28/2018	11/6/2018	39
1/23/2019	2/13/2019	21
6/19/2019	7/19/2019	30

Cause: Lack of adequate procedures and oversight.

Effect: Noncompliance with Federal regulations, which could result in sanctions.

Recommendation: We recommend the Agency implement specific procedures to ensure drawdowns are fully expended in a timely manner.

Management Response: In response to U.S. Department of Justice and the issued Management letter for the same finding in the SFY 2018 audit procedures have been recently implemented to resolve the excess cash on hand findings. Effective February 5, 2020 the Financial Point of Contact designation has been changed to Kellie Rabenhorst, Director of Federal Grants and Programs. The procedures for drawdowns was revised and made effective February 7, 2020. The procedure outlines the manner in which payments are reviewed and entered that then triggers the drawdown process. We are currently in the process of transitioning all federal grants to State Accounting to complete the drawdowns through the Delay of Draw System utilizing the Average Clearance Pattern Structure. For grants that have been moved to the drawdown process with State Accounting the Director of Federal Grants and Programs will review the drawdowns every Friday to ensure there is no excess cash on hand and that the drawdown balances to the payments approved. Grants that have not yet transitioned to the State Accounting drawdown process require the Director of Federal Grants and Programs to review the drawdown prior to submission to ensure it is accurate and that there is support for the amount requested. The Director of Federal Grants and Programs will then review the completed drawdown within 10 days after submission to confirm there is no excess cash-on-hand. If there is excess cash-on-hand the Director of Federal Grants and Programs will notify the Budget and Accounting Division and ensure that the funds are returned to the awarding agency in accordance with federal regulations and the terms and conditions of the award.

Finding 2019-067

Program: CFDA 16.575 – Crime Victim Assistance – Reporting

Grant Number & Year: 2016-VA-GX-0067, FFY 2016; 2017-VA-GX-0010, FFY 2017

Federal Grantor Agency: U.S. Department of Justice

Criteria: 2 CFR § 200.302(a) (January 1, 2019) requires the following:

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

Per 2 CFR § 200.71 (January 1, 2019), "obligations" are defined as follows:

> *When used in connection with a non-Federal entity's utilization of funds under a Federal award, obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.*

Good internal control requires procedures to ensure that Federal reports are accurate and include all applicable accounts and expenditures.

2 CFR § 200.511(b) (January 1, 2019) states, in relevant part, the following:

> *The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs . . . .*
>
> * * * *

(2) When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation.

Condition: Federal financial reports (FFRs) were inaccurate. A similar finding was noted in the prior audit. According to the Summary Schedule of Prior Audit Findings, the issue has been resolved.

Repeat Finding: 2018-066

Questioned Costs: None

Statistical Sample: No

Context: The Agency submitted nine quarterly FFRs during the fiscal year. We tested two of those reports and found that the Agency did not properly report the amount of subawards, which are obligations when awarded and should be reported as "Federal share of unliquidated obligations."

Both FFRs tested were incorrect as follows:

	Reported	Should Be
2016 Grant for period ending 12/31/18		
Federal share of unliquidated obligations	$ 0	$ 3,148,939
Unobligated balance of Federal funds	$ 4,646,931	$ 1,499,573
2017 Grant for period ending 3/31/19		
Federal share of unliquidated obligations	$ 5,419,031	$ 3,672,267
Unobligated balance of Federal funds	$ 0	$ 1,746,764

Cause: Inadequate oversight.

Effect: Noncompliance with Federal requirements, which could result in sanctions.

Recommendation: We recommend the Agency implement procedures to ensure that reports are accurate.

Management Response: In response to U.S. Department of Justice and the issued Management letter for the same finding in the SFY 2018 audit procedures have been recently implemented to resolve untimely or inaccurate Federal Financial Reporting. Effective February 5, 2020 the Financial Point of Contact designation has been changed to Kellie Rabenhorst, Director of Federal Grants and Programs. The procedures for federal financial reporting was revised and made effective February 6, 2020. The Federal Financial Reporting will now be completed by the Federal Grants and Programs Division. The Director of Federal Grants and Programs has created a schedule of reporting on all federal grants received by the Nebraska Crime Commission. The Internal Compliance Manager within the division will complete the reports as indicated by the schedule after compiling all necessary information to include the amount obligated at the time of reporting. The Director of Federal Grants and Programs will review all Federal Financial Reports for accuracy and ensure the report is completed prior to the deadline.

MILITARY DEPARTMENT

Finding 2019-068

Program: CFDA 12.401 – National Guard Military Operations and Maintenance (O&M) Projects – Cash Management

Grant Number & Year: Appendices – W91243-17-2-1001, FFY17; W91243-18-2-1001, FFY18; W91243-19-2-1005, W91243-19-2-1021, and W91243-19-2-1024, FFY19

Federal Grantor Agency: U.S. Department of Defense

Criteria: Title 2 CFR § 200.305(a) (January 1, 2019) states, in part, "For states, payments are governed by Treasury-State CMIA agreements and default procedures codified at 31 CFR Part 205 . . . ."

Title 31 CFR Part 205 (July 1, 2018) implements the Cash Management Improvement Act (CMIA) and requires State recipients to enter into agreements that document accepted funding techniques for Federal assistance programs. The CMIA Agreement between the State of Nebraska, Secretary of the Treasury, and U.S. Department of the Treasury, for the period July 1, 2018, through June 30, 2019, requires the program to request Federal funds in accordance with the pre-issuance funding technique by which funds are to be requested and deposited in a State account not more than three business days prior to the disbursement of funds.

Master Cooperative Agreement (October 2015), Article V – Payment, Section 503, Payment by Advance Method, states, "The advance payment method shall be according to procedures established in, NGR 5-1, Chapter 11, and 2 CFR §200.305."

National Guard Regulation (NGR) 5-1, National Guard Grants and Cooperative Agreements, Section 11-5, Advance Payment Method, Section (5), states, "[T]he grantee agrees to minimize the time elapsing between the transfer of funds from the U.S. Treasury and their disbursement by the State. (no more than 45 days)."

A good internal control plan would include procedures to ensure the time between the drawdown of Federal funds and disbursements are minimized and in compliance with State of Nebraska CMIA Agreement and National Guard Regulations.

Condition: The Agency was not in compliance with the Federal cash management requirements during the fiscal year.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: We noted the timing of two of eight drawdowns tested was not in compliance with NGR 5-1. Funds were expended 49 and 63 days after the drawdown of Federal funds, which exceeded the 45-day maximum per NGR 5-1. We also noted that seven of eight drawdowns tested were not in compliance with the applicable funding technique outlined in the CMIA Agreement. Funds were expended from 8 to 43 business days after the drawdown of Federal funds, which exceeded the three business day maximum, as outlined in the CMIA Agreement.

Cause: Funds were drawn down in order to have adequate money available at the end of the State and Federal fiscal years. The Agency's policy was to follow the NGR requirements of 45 days rather than the CMIA Agreement requirement of three business days.

Effect: The Agency is not in compliance with Federal cash management requirements, which could result in sanctions. Additionally, there is an increased risk for the loss of Federal funding.

Recommendation: We recommend the Agency ensure the amount of time between the Federal draw and the disbursement of funds by the State is minimized and in compliance with the State of Nebraska CMIA Agreement and National Guard Regulations.

> **Management Response:** The Nebraska Military Department reaffirms the overall goal of efficient cash management. Federal program agencies and States should limit funds transfers to the minimum amounts necessary to meet program goals.

DEPARTMENT OF TRANSPORTATION

Finding 2019-069

Program: CFDA 20.205 – Highway Planning and Construction – Reporting

Grant Number & Year: All open

Federal Grantor Agency: U.S. Department of Transportation

Criteria: 2 CFR § 200.302(a) (January 1, 2019) provides the following:

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

2 CFR § 200.302(b)(1) requires financial management systems to identify all Federal awards received and expended and the Federal programs under which they were received.

2 CFR § 200.302(b)(3) requires the following:

Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

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

A good internal control plan requires the auditee to reconcile the Schedule of Expenditures of Federal Awards (SEFA) to the financial statements to ensure the schedule is complete and accurate. Good internal control also requires management to design the information system to achieve objectives, including compliance with Federal requirements.

Condition: The Agency lacked adequate procedures for reconciling SEFA expenditures to EnterpriseOne in a timely and complete fashion. As noted in Finding 2019-016, the funding source for expenditures is not recorded or maintained on EnterpriseOne.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency does not enter CFDA information in EnterpriseOne. Vendor payments are recorded into the Agency's Payment System (RPS), which then interfaces with the State's Accounting System to record the transactions and create payments to those vendors. When the Agency records vendor payments for construction projects, those cost records are sent to the Agency's Project Finance System (PFS), which is used to track road construction projects. PFS then allocates the project costs to the different funding sources (e.g., State funds, local funds, Federal funds). The Agency's accounting systems are not set up to provide a full general ledger to be easily run by Federal program. In order to provide a detailed listing of expenditures by Federal program, the Agency would need to run a separate detailed listing of expenditures for each project's Control Number and manually identify the Federal expenditures, as the Control Number would include both Federal and non-Federal expenditures.

We requested the Agency perform this manual reconciliation for CFDA 20.205, which is comprised of 507 control numbers, totaling $305,627,962. The process was time-consuming, so the Agency focused primarily on higher-dollar control numbers. Eventually, the Agency was able to identify the majority of the expenditures to transaction-level detail. However, 94 control numbers, totaling $2,232,341, were left unreconciled.

Cause: The Agency's accounting systems are not set up to provide for a full general ledger to be easily run by Federal program, and the Agency does not enter CFDA information into EnterpriseOne.

Effect: Without a full general ledger, it is impossible to review all transactions to ensure they are allowable in accordance with Federal regulations, increasing the risk for misuse of funds and inaccurate reporting.

Recommendation: We recommend the Agency implement procedures to ensure all expenditures reported on the SEFA can be traced to EnterpriseOne transaction-level detail. We further recommend the Agency establish an adequate interface between the RPS system and the State's Accounting System to ensure the funding is properly recorded.

Management Response: NDOT's recording of federal reimbursement as a revenue in the State's Accounting System to a cash fund following the expenditure of state funds is a long-standing practice done with the knowledge of DAS State Accounting. Specific, unique revenue object codes have been created in EnterpriseOne and are used to separately account for federal reimbursement. Since these are state expenses at the time of payment and state cash funds are used, there is not a need to record federal information to the expenditure. After the state expenses are identified in NDOT's Project Finance System for potential federal reimbursement, the federal information is recorded there. This practice was established long ago as a reflection of the fact that the federal reimbursement could take place months and even years following the initial state expense. With respect to the Auditor's request during the audit to be provided a detailed listing of federal reimbursement under CFDA 20.205, NDOT reconciled 99% of the total $305,627,962 of federal reimbursement and those payments could be traced back to a payment in EnterpriseOne. With more time, NDOT could have reconciled the remaining 1% equal to $2,232,341, but it was our impression no more time was available.

NDOT recently conferred with Federal Highway Administration (FHWA) Nebraska Division financial staff regarding the Auditor's comments and recommendation and received assurances from them that they are confident that NDOT can provide expenditure summaries from NDOT's systems by CFDA number that agrees to FHWA records. Further, an assurance was received that NDOT has proper accounting controls in place from their federal perspective. They've advised NDOT is able to provide information that enables FHWA to reconcile from total project costs of the project to federal reimbursed costs and verify that the reimbursement was done at the appropriate federal participation percentage.

Finding 2019-070

Program: CFDA 20.505 – Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research – Allowability & Subrecipient Monitoring

Grant Number & Year: All open, including NE-2019-012-00, FFY 2016

Federal Grantor Agency: U.S. Department of Transportation

Criteria: 2 CFR § 200.331(d) (January 1, 2019) requires pass-through entities to do the following:

> *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward . . . .*

Title 2 CFR § 200.403 (January 1, 2019) requires costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to be in place to ensure compliance with Federal requirements.

2 CFR § 200.511(b) (January 1, 2019) states, in relevant part, the following:

> *The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs . . . .*
>
> * * * *
>
> *(2) When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation.*

Condition: The Agency did not have adequate documentation on file to support that payments were for allowable activities and in accordance with allowable cost principles. The Agency also did not perform adequate subrecipient monitoring. A similar comment was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as completed.

Repeat Finding: 2018-067

Questioned Costs: $144,664 known

Statistical Sample: No

Context: A Metropolitan Planning Organization (MPO) is a forum for cooperative transportation decision-making for metropolitan planning areas. The Agency did not perform adequate monitoring of the two MPOs tested.

The Agency reimbursed MPOs for costs reported on quarterly invoices. However, the Agency did not obtain support for the amounts reported. We tested two payments, totaling $173,331, of which $144,664 did not have source documentation, such as timesheets or invoices, on file. Subrecipient payments for fiscal year 2019 totaled $543,892.

Cause: The Agency did not have adequate procedures to monitor whether subrecipients complied with Federal requirements.

Effect: Increased risk for misuse of funds.

Recommendation: We recommend the Agency implement procedures to monitor subrecipients. Additionally, we recommend the Agency obtain and maintain adequate documentation to support that costs are allowable and in accordance with Federal requirements.

Management Response: NDOT does not concur with the questioned costs. NDOT Transit reviews each invoice for allowable costs and contacts the MPO for additional information as needed.

APA Response: The Agency only had documentation on file to support that $28,667 of the $173,331 tested was in accordance with Federal cost principles.

Finding 2019-071

Program: CFDA 20.509 – Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring

Grant Number & Year: NE-2017-013-00, FFY 2015; NE-2018-015-00, FFY 2016

Federal Grantor Agency: U.S. Department of Transportation

Criteria: Title 2 CFR § 200.403 (January 1, 2019) requires costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to be in place to ensure compliance with Federal and State requirements.

Title 2 CFR § 200.331 (January 1, 2019) requires the pass-through entity to do, among other things, the following:

> *(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved . . . .*
>
> * * * *
>
> *(f) Verify that every subrecipient is audited as required by Subpart F–Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.*

Title 2 CFR § 200.430(i)(1) (January 1, 2019) states the following, in relevant part:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

> *(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;*
>
> * * * *
>
> *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*
>
> *(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards . . . .*

Per 2 CFR § 200.405(a) (January 1, 2019), "A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received."

Per 2 CFR 200.501(b) (January 1, 2019), any non-Federal entity that expends $750,000 or more in Federal money per year is required to obtain a single audit.

2 CFR § 200.511(b) (January 1, 2019) states, in relevant part, the following:

> *The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs . . . .*
>
> * * * *
>
> *(2) When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation.*

Condition: The Agency did not have adequate subrecipient monitoring procedures. The Agency did not have adequate support that payments were for allowable activities and in accordance with allowable cost principles. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as completed.

Repeat Finding: 2018-068

Questioned Costs: $387,563 known (NE-2017-013-00, $213,692; NE-2018-015-00, $173,871)

Statistical Sample: No

Context: During the fiscal year, the Agency paid $8,094,124 to 61 subrecipients. Subrecipients receive assistance to provide transportation services to rural areas, based on their operating deficit and their non-operating costs. To receive reimbursement, the subrecipient provides a report of its operating revenue, operating costs, and non-operating costs. The subrecipient receives Federal reimbursement for 50% of its operating deficit (operating costs less operating revenues) and 80% of its non-operating costs.

We tested 25 payments, 21 of which were payments to 16 subrecipients. Documentation on file for the payments included worksheets prepared by the subrecipient. The Agency did perform financial desk reviews for subrecipients; however, the reviews tested were not adequate. Questioned costs of $383,483 were noted for the following reasons:

- For 12 subrecipients tested, documentation was not adequate to support personnel charges were allowable and in accordance with Federal cost principles. The Agency did not have timesheets, time certifications, or other payroll documentation on file for all reimbursement requests. In some cases, payroll documentation was on file, but there was not adequate support to verify that the correct amount was charged to the program, as there was no documentation to support the employees' full salary or the benefits received, such as workers' compensation and health insurance premiums.

- For four subrecipients tested, fuel costs were not adequately supported. The Agency did not obtain documentation to support payment was made by the subrecipient.

- For 11 subrecipients tested, maintenance and/or capital costs were not adequately supported. The Agency did not obtain invoices for expenses such as rent, insurance, and transportation costs. Furthermore, allocations used by the subrecipients were not always supported to ensure costs charged to the program were proper.

  - One subrecipient was sometimes unable to meet transportation demands with its own buses and drivers, so it purchased cab tickets and sold the tickets back to the public for less than the purchase price. Because the cab ticket purchase is classified as a non-operating expense and the subsequent sale is classified as operating revenue, the Federal and State reimbursement rates are different for each side of the transaction. As a result, the subrecipient makes a profit every time it buys and sells a cab ticket, instead of providing service through its normal operations. For four months tested, the subrecipient earned $2,890 through this method, which does not appear proper.

- The Agency did not review fare revenue, which could include receiving supporting documentation, performing analytical review, or any other procedures. Fares reduce the Federal reimbursement; therefore, if not properly reported, Federal reimbursements could be excessive.

- For one vendor tested, the Agency did not review adequate documentation to support expenditures made. The Agency obtained a report from the vendor's accounting system, but no further support, such as invoices or receipts, were obtained.

We also noted the following during testing:

- The Agency did not perform subrecipient monitoring for two intercity bus service subrecipients. During fiscal year 2019, these two subrecipients were reimbursed a total of $578,916.

- The Agency did not adequately monitor subrecipients to ensure required single audits were obtained and management decisions issued when necessary. The list used by the Agency to determine whether a subrecipient was required to submit a single audit was outdated and did not appropriately track the Federal dollars paid to the subrecipients. We noted 11 subrecipients that were not on the list. For one subrecipient tested, the Agency noted a single audit was not on file with the Federal Audit Clearinghouse; however, per our review, an audit was on file and should have been reviewed.

- On October 16, 2019, the APA issued a letter to the Fullerton Area Senior Center (Center) regarding concerns related to its financial situation. The Center's operation of transportation services, called Nance Trans, received funding from the Agency. The APA's review of the Center's accounting records for the fiscal year found: 1) the Center Director and Nance Trans Manager received vacation, sick, and holiday pay for ineligible hours, totaling $2,478; 2) pay rates charged for three employees tested lacked documentation; and 3) several timesheets lacked a supervisory approval, and hours paid did not agree to timesheets. We reviewed the Agency's monitoring and determined there was a lack of adequate support for the reimbursements made to the subrecipient with questioned costs of $4,080. The review included operating expenses, such as phone and utilities costs, fuel reimbursements, and payroll expenditures, all of which lacked adequate support for invoices, timesheets, and monitoring of revenues. The Agency paid Nance Trans approximately $58,000 during the fiscal year.

Federal payment errors noted were $307,832 in the sample and $79,731 outside of the sample. The total Federal sample tested was $758,772, and the total Federal expenditures during the fiscal year were $9,772,389. Based on the sample tested, the dollar error rate was 40.57% ($307,832/$758,772), which estimates the potential dollars at risk for fiscal year 2019 to be $3,964,658 (dollar error rate multiplied by population).

Cause: Inadequate procedures, documentation, and oversight. Reviews were not adequate to ensure subrecipient costs were in accordance with Federal requirements.

Effect: Without adequate subrecipient monitoring, there is an increased risk that costs will not be allowable, reasonable, or necessary.

Recommendation: We recommend the Agency improve procedures to ensure subrecipient expenditures are allowable and in accordance with Federal regulations.

Management Response: NDOT Transit does not concur with the questioned costs. NDOT Transit conducts in depth reviews of subrecipients during the fiscal year. A notation is made on each worksheet of every monthly reimbursement invoice that includes information regarding questionable costs requiring follow up and justification to determine if the expense is allowable. NDOT Transit will continue to conduct in depth reviews of monthly invoices per the established criteria.

Intercity bus invoices are currently reviewed and supporting documentation requested as needed.

The Federal Transit Administration (FTA) requested and was subsequently provided additional information for similar findings in FY14 and FY18. No further follow up was needed or concerns were expressed.

NDOT Audit Section has determined that the inclusion of only the dollar amount that NDOT passed through to a subrecipient is not an adequate indication of whether or not the need for a single audit exists. Consequently, NDOT Audit Section has implemented procedures as noted in the corrective action plan.

APA Response: Subrecipients tested did not have adequate documentation to support the expenditures were in accordance with Federal cost principles. Review of revenues is important to ensure subrecipients are not increasing the Federal reimbursement by under-reporting revenues.

Finding 2019-072

Program: CFDA 20.600 – State and Community Highway Safety – Allowability & Subrecipient Monitoring

Grant Number & Year: All open, including #69A37518300004020NE0, FFY 2018

Federal Grantor Agency: U.S. Department of Transportation

Criteria: A good internal control plan requires procedures to ensure subrecipients utilize Federal funds for authorized purposes and in compliance with all applicable regulations.

Title 2 CFR § 200.403 (January 1, 2019) requires costs to be reasonable, necessary, and adequately documented.

Title 2 CFR § 200.331(d) (January 1, 2019) requires all pass-through entities to do the following:

Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Title 2 CFR § 200.405(a) (January 1, 2019) states the following, in relevant part:

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

* * * *

> *(2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods . . . .*

Title 2 CFR § 200.430(i)(1) (January 1, 2019) requires that records for salaries and wages to do, among other things, the following:

> *(iii) Reasonably reflect the total activity for which the employee is compensated . . . ;*
>
> * * * *
>
> *(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award . . . .*

Condition: The Agency did not have adequate documentation on file to support that subrecipient payments were for allowable activities and in accordance with allowable cost principles. A similar finding was noted in the prior audit.

Repeat Finding: 2018-070

Questioned Costs: $30,918 known (#69A37518300004020NE0, FFY 2018)

Statistical Sample: No

Context: We tested five grant expenditures from the Highway Safety Cluster and noted the following:

- One subrecipient tested requested reimbursement for payroll, rent, and other operating expenses. However, adequate supporting documentation was not on file, as follows:
  - The time reports were not in accordance with Federal requirements. The time reports were either not on file or did not indicate the number of hours attributable to the grant versus other activities worked.
  - Rent and electricity expenses were allocated to the grant at 80% and 43%, respectively. There was no support for the allocation percentage used to determine if the amounts claimed were reasonable.
  - Indirect costs, charged to the grant at the de minimus rate of 10%, were based on payroll records that were not adequately supported; therefore, the related indirect costs claimed were not reasonable.
- One subrecipient requested reimbursement for administrative fees for two employees who worked 70% and 66%, respectively, on the grant; however, the fees were charged at 100%.

We tested $206,635 expenditures and question costs of $30,918. The Agency paid subrecipients a total of $3,947,825 from the Highway Safety Cluster during the fiscal year.

Cause: Inadequate review and documentation.

Effect: Increased risk for unallowable costs charged to Federal grant.

Recommendation: We recommend the Agency improve procedures to ensure subrecipient expenditures are allowable and in accordance with Federal regulations.

Management Response: The Nebraska Department of Transportation Highway Safety Office (HSO) implemented improved procedures to ensure that all subrecipient expenditures are for allowable activities after the previous audit that was finalized in August of 2019. The expenses noted above were from March to June of 2019, and were not changed prior to the previous audit.

Finding 2019-073

Program: CFDA 20.600 – State and Community Highway Safety – Earmarking

Grant Number & Year: #69A37518300004020NE0, FFY 2018

Federal Grantor Agency: U.S. Department of Transportation

Criteria: Title 23 U.S.C. 402(b)(1)(C) (2018) requires at least 40% of Federal funds apportioned to the State to be expended by political subdivisions of the State.

Appendix E to 23 CFR Part 1200(a) (April 1, 2019) provides the following:

> *To ensure compliance with the provisions of 23 U.S.C. 402(b)(1)(C) and 23 U.S.C. 402(h)(2), which require that at least 40 percent or 95 percent of all Federal funds apportioned under Section 402 to the State or the Secretary of Interior, respectively, will be expended by political subdivisions of the State, including Indian tribal governments, in carrying out local highway safety programs, the NHTSA Approving Official will determine if the political subdivisions had an active voice in the initiation, development and implementation of the programs for which funds apportioned under 23 U.S.C. 402 are expended.*

Appendix E to 23 CFR Part 1200(c) states, in part, the following:

> *(2) When Federal funds apportioned under 23 U.S.C. 402 are expended by a political subdivision, such expenditures are clearly part of the local share . . . .*
>
> *(3) When Federal funds apportioned under 23 U.S.C. 402 are expended by a State agency for the benefit of a political subdivision, such funds may be considered as part of the local share, provided that the political subdivision has had an active voice in the initiation, development, and implementation of the programs for which such funds are expended. A State may not arbitrarily ascribe State agency expenditures as 'benefitting local government.' . . . Evidence of consent and acceptance of the work, goods or services on behalf of the local government must be established and maintained on file by the State until all funds authorized for a specific year are expended and audits completed.*

A good internal control plan requires procedures to ensure the local percentage is met, and evidence is maintained to support that political subdivisions had an active voice in the expenditure of funds.

Condition: The Agency did not have documentation on file to support that political subdivisions had active voices in expenditures by the State that were for the benefit of local agencies. A similar finding was noted in the prior audit.

Repeat Finding: 2018-071

Questioned Costs: None

Statistical Sample: No

Context: We tested five payments identified as expenditures for political subdivisions. Four of the payments tested were not made directly to the local agency but were paid by the State on behalf of the local agency. For those four payments, the Agency did not have documentation to support that the political subdivision had an active voice in the expenditure of funds.

Cause: Inadequate procedures.

Effect: Noncompliance with Federal regulations, which could result in sanctions.

Recommendation: We recommend the Agency implement procedures to ensure evidence is maintained to support that political subdivisions have active voices in expenditures by the State for their benefit.

> **Management Response:** The NDOT-HSO has discussed this procedure with our Regional NHTSA Administrator for a complete definition of a local political subdivision and an active voice.


GREAT SEAL OF THE STATE OF NEBRASKA
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AUDITEE SECTION

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NEBRASKA

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DEPT. OF ADMINISTRATIVE SERVICES

Corrective Action Plan

The State of Nebraska Administrative Services respectfully submits the following corrective action plans for the fiscal year ended June 30, 2019. The corrective action plans were prepared by the State agency noted.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

The accompanying schedule of prior audit findings is reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs.

If the U.S. Department of Health and Human Services has questions regarding the corrective action plans or status of prior audit findings please contact Philip Olsen at 402-471-0600 or Philip.Olsen@nebraska.gov.

Sincerely yours,

Philip J. Olsen

Philip Olsen
State Accounting Administrator

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II. Findings Relating to the Financial Statements:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2019-001

CAFR Preparation

Corrective Action Plan: In addition to reviewing options for additional resources, State Accounting will continue to implement and improve CAFR processes and train existing teammates. State Accounting will work with the State agency personnel providing information for the CAFR process and help to ensure accrual information is supported and has a sound accounting base.

Contact: Sheryl Hesseltine (402) 471-0610

Anticipated Completion Date: On-going

Finding 2019-002

Capital Asset Issues

Corrective Action Plan: State Accounting has started the process to update the current policy for capitalization, including guidance on capitalizing land improvements. State Accounting will begin a review of the current procedures for recording fixed assets, including those under the Master Lease Program, accurately in accordance with Generally Accepted Accounting Principles.

Contact: Sheryl Hesseltine (402) 471-0610

Anticipated Completion Date: June 30, 2020

Finding 2019-003

Lack of Financial Statement Reconciliation

Corrective Action Plan: State Accounting will assess the risk of not reconciling the SEFA to the financial statements and develop any additional procedures according to that assessment.

Contact: Sheryl Hesseltine (402) 471-0610

Anticipated Completion Date: Ongoing

DEPARTMENT OF EDUCATION

Finding 2019-004

Improper Payables

Corrective Action Plan: In the future NDE will make sure to only include AA ledger types when running the reports. NDE will also double check to make sure only AA ledger type payments are included.

The process for running this report for completing this follow-up portion of the CAFR Report, using only Ledger Type AA, will be documented by NDE and double checked in the future.

Contact: Paul Haas

Anticipated Completion Date: Complete

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2019-005

Material Adjustments

Corrective Action Plan: DHHS Financial Services will continue to develop, assess, and improve upon internal procedures. Financial Services staff hosts an annual CAFR kick-off meeting with all staff involved in the reporting process and includes DAS Accounting in these meetings. This meeting outlines the internal reporting process, documentation expectations, prior year audit findings and deadlines. Documentation for each accrual item is then collected and compiled by responsible parties based on a pre-defined and communicated deadline for an initial review and then is subsequently reviewed by Financial Services.

Contact: John Meals

Anticipated Completion Date: 6/30/2020

Finding 2019-006

Lack of Adequate Subrecipient Monitoring

Corrective Action Plan: Expense reviews for the $2.2 million in question are being conducted in FY20.

Contact: Karen Harker

Anticipated Completion Date: 6/30/2020

Finding 2019-007

Capital Asset Issues

Corrective Action Plan: DHHS Financial Services will develop procedures to ensure the capitalization of assets is properly accounted for. DHHS Financial Services will also create an internal memo to be sent out to DHHS all to inform our department of the capitalization requirements and how to notify Financial Services that capitalization may be necessary.

Contact: John Meals

Anticipated Completion Date: 6/30/2020

Finding 2019-008

Program 354 – Child Welfare Aid

Corrective Action Plan: NFOCUS Payment Errors: The agency has implemented an ongoing Supervisor case review process to monthly review NFOCUS claims in addition to a reporting system to flag and check unusually high monthly authorizations outside of set parameters. The Program Manger receives the report, which is created on authorizations issued and is able to make sure the errors are corrected before a service begins. The staff have been trained on calculating overpayments and making referrals for investigation. A member of the billing team currently performs a billing audit on a sample of claims billed via the provider claims portal on a monthly basis. Due to the number of claims billed, some claims do not go through the initial audit.

Contractual Aid Payments Not Adequately Monitored: A complete review of current procedures is taking place. Those procedures will be enhanced to ensure that adequate supporting documentation is reviewed, contract provisions are being reviewed and met, site visits are established, and that personnel costs will be reviewed to support that the actual time spent on the subawards and contracts is in accordance with Federal cost principles. The enhanced procedures will ensure that expenditures are reasonable and necessary. As of May 2019, the Department created a new internal auditor position for monitoring of CFS subawards and contracts to assure additional compliance.

Contact: Erin Yardley

Anticipated Completion Date: 6/30/2020

<u>Finding 2019-009</u>

Medicaid Holding Fund

Corrective Action Plan: DHHS Financial Services will develop procedures to ensure fund balances are correct at the State fiscal year end. If balances cannot be adjusted prior to State fiscal year end, adjustments will be communicated to State Accounting to reflect the proper accrual on the financial statements.

Contact: John Meals

Anticipated Completion Date: 6/30/2020

<u>Finding 2019-010</u>

NFOCUS User Access

Corrective Action Plan: The Department will work to establish procedures to ensure the NFOCUS Access Request Checklist are properly completed and maintained. The Department will also work to establish a central location for this work to be completed.

Contact: John Meals

Anticipated Completion Date: 6/30/2020

<u>Finding 2019-011</u>

Overpayment Mailbox

Corrective Action Plan: The Department implemented standard operating procedures for the pursuit of overpayments in 2017. The Department has processed all overpayments received since October 1, 2016 timely. The agency has completed the corrective action plan and disputes the finding. During the last state fiscal year, the team established $2,073,116.85 overpayments for SNAP on 4,273 referrals. Each month, 300-500 new referrals of potential overpayments are received, reviewed and processed within 30 days of the referral. Last year, 2% overpayment referrals were determined as non-pursuable. The reasons a referral is categorized as non-pursuable include: by regulation, no overpayment occurred; not enough information to determine if overpayment occurred; amount of overpayment is under the dollar threshold for collection and overpayment is outside the state statute timeframe to collect. In many circumstances, client cooperation is required to determine the amount of an overpayment; last year 435 SNAP benefit cases were closed due to client not cooperating with agency to determine amount of overpayment.

In December 2019, with approval and guidance from the USDA Food and Nutrition Service, the agency began reviewing the suspended overpayment referrals and were able to find that 7,653 were considered beyond the pursuable timeframe to be established per 273.18(c)(i). In addition, 2,206 were considered unresolved due to not enough information received to establish a claim, four referrals were determined as non-overpayments, and one was considered non-pursuable due to death of the client. This left the agency with 381 additional cases to review. Of those cases, 123 were found to have active SNAP benefits to allow claims to be established. Currently those final 123 cases are being reviewed further to determine what actions need to be taken. The agency estimates a review of these cases to be completed by the end of March 2020.

Contact: Shannon Grotrian

Anticipated Completion Date: 3/31/2020

Finding 2019-012

Lack of Internal Controls Over Program 262

Corrective Action Plan: The Department is working to implement several corrective actions per the Program 262 report previously issued. Updates to the corrective action plans were submitted to the APA in December 2019.

Contact: Ryan Daly

Anticipated Completion Date: 6/30/2020

Finding 2019-013

University of Nebraska Medical Center Medical Education Revolving Fund

Corrective Action Plan: Going forward, the Department will comply with Neb Stat 85-134.

Contact: John Meals

Anticipated Completion Date: 6/30/2020

Finding 2019-014

NFOCUS External Access – Child Advocacy Centers

Corrective Action Plan: Addressing the access of the Child Advocacy Centers (CACs) will occur as part of a CFS-wide reassessment of access to NFOCUS and will not be limited to only the CACs. Below is the access review and access establishment process created by Mark Nelson, IT Manager - Information Systems & Technology - DHHS, which will be used to address NFOCUS access issues.

Evaluation: All external entities with access to N-FOCUS will have access levels and reasoning for said access levels re-examined. This evaluation will focus on the need of the Department and each external agency and will involve the business areas more fully into the process, which is essential since the data belongs to the business areas. The access review will be conducted by staff from CFS, MLTC, Legal Services, and IS&T with coordination with Internal Audit. IS&T expects this process to take several months to complete.

Yearly Re-evaluation: After completion of the evaluation and access modification phase, the effort will expand to tracking external contracts more fully including a re-evaluation of access on an annual basis. This re-evaluation will also grow to a more formal evaluation of the individuals covered by each entity.

Contact: Steven Greene

Anticipated Completion Date: 9/30/2020

DEPARTMENT OF REVENUE

Finding 2019-015

Lack of Supporting Documentation for Tax Incentive Payments

Corrective Action Plan: In order to provide the APA with adequate documentation for their internal control review, the DOR is proposing a compensating control that would avoid the inefficient use of resources required for copying and retaining thousands of documents, but provide additional assurances regarding accuracy of invoices reviewed in the field. Under this plan, an Audit Manager will request a sample of invoices to verify that the amounts scheduled by the field auditor for refund tie to the actual invoices. Those sampled invoices will also be retained for APA review.

Contact: Ron Gottula, Controller

Anticipated Completion Date: This practice will be implemented immediately, followed by its incorporation into DOR procedures.

DEPARTMENT OF TRANSPORTATION

<u>Finding 2019-016</u>

Federal Activity Recorded in Cash Funds

Corrective Action Plan: NDOT will confer with the Department of Administrative Services regarding the State Accounting policy.

Contact: Lyn Heaton

Anticipated Completion Date: August 2020

III. Findings Relating to Federal Awards:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2019-017

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

Corrective Action Plan: DAS Central Finance will continue to work the various Divisions to ensure that rates are applied consistently and correctly.

Contact: Ann Martinez, DAS Controller

Anticipated Completion Date: The current rate setting period began in January 2020 and will be completed in June 2020 when the new biennial rates are published for FY21-23.

Finding 2019-018

Program: Various, including CFDA 93.767 – Children's Health Insurance Program – Reporting

Corrective Action Plan: Administrative Services will provide agencies with training specific to SEFA in the next Business User Group meeting planned for May 2020. Administrative Services will also update our internal instructions for completing and reviewing the SEFA.

Contact: Sheryl Hesseltine, Financial Systems and Reports Manager (402) 471-0610

Anticipated Completion Date: May 2020

DEPARTMENT OF EDUCATION

Finding 2019-019

Program: CFDA 84.010 – Title I Grants to Local Educational Agencies – Subrecipient Monitoring & Special Tests and Provisions

Corrective Action Plan: The ESEA/ESSA Monitoring Checklist was updated on 11/13/19 to include this item: Schools and LEAs have implemented appropriate policies and procedures for documenting the removal of a student from the regular adjusted Graduation Cohort.

Contact: Beth Wooster

Anticipated Completion Date: Completed on 11/13/19

Finding 2019-020

Program: CFDA 84.027 and 84.173 – Special Education Cluster (IDEA) – Allowability & Subrecipient Monitoring

Corrective Action Plan: We have started a new a fiscal review department which will be conducting in-depth onsite reviews and collecting the required documentation. Additionally, NDE has been working with the APA office to ensure these fiscal reviews meet all necessary requirements.

Contact: Jen Utemark

Anticipated Completion Date: July 2020

Finding 2019-021

Program: CFDA 84.027 and 84.173 – Special Education Cluster (IDEA) – Earmarking

Corrective Action Plan: The Nebraska Department of Education Special Education Office will implement additional procedures to verify the accuracy of non-public school membership totals applied to the appropriate public school district Individuals with Disabilities Education Act (IDEA) allocation calculations. An additional person will review and verify the accuracy of the initial calculation of non-public school membership totals to the appropriate public school district allocation calculations. This additional procedure will be included in calculating FFY2020 IDEA grant allocations and documented by June 1, 2020.

Contact: Greg Prochazka

Anticipated Completion Date: June 1, 2020

Finding 2019-022

Program: CFDA 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Allowability

Corrective Action Plan: Nebraska VR will review its policy regarding the exclusion of certain items due to the personalized nature of the equipment to ensure they are in compliance with State and Federal regulations and make changes to the policy. Programming changes will be made to Nebraska VR's data system to support the changes in policy. Additional programming will include a report for monitoring all equipment purchases to ensure compliance.

Contact: Lindy Foley

Anticipated Completion Date: April 1, 2020

Finding 2019-023

Program: CFDA 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States – Eligibility

Corrective Action Plan: Nebraska VR will continue to monitor both the timely completion of IPE's and the IPE extensions as part of the team Compliance Review that are completed annually.

Contact: Lindy Foley

Anticipated Completion Date: Completed

Finding 2019-024

Program: CFDA 84.287 – Twenty-First Century Community Learning Centers – Allowability & Subrecipient Monitoring

Corrective Action Plan: We have started a new a fiscal review department which will be conducting in-depth onsite reviews and collecting the required documentation. Additionally, NDE has been working with the APA office to ensure these fiscal reviews meet all necessary requirements.

Contact: Jan Handa

Anticipated Completion Date: July 2020

Finding 2019-025

Program: CFDA 84.287 – Twenty-First Century Community Learning Centers – Special Tests and Provisions

Corrective Action Plan: No Corrective Action Needed

Contact: Jan Handa

Anticipated Completion Date: N/A

Finding 2019-026

Program: CFDA 84.367 – Supporting Effective Instruction State Grant – Allowability & Subrecipient Monitoring

Corrective Action Plan: We have started a new a fiscal review department which will be conducting in-depth onsite reviews and collecting the required documentation. Additionally, NDE has been working with the APA office to ensure these fiscal reviews meet all necessary requirements.

Contact: Jen Utemark

Anticipated Completion Date: July 2020

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2019-027

Program: CFDA 93.658 – Foster Care Title IV-E – Allowable Costs/Cost Principles

Corrective Action Plan: The Division of Child and Family Services will appoint someone to manage the RMTS system for CFSS workers, which includes quality assurance measures as well as training staff.

Contact: Patrick Werner

Anticipated Completion Date: 3/31/20

Finding 2019-028

Program: Various, including CFDA 93.558 – Temporary Assistance for Needy Families (TANF); CFDA 93.575 – Child Care and Development Block Grant; CFDA 93.658 – Foster Care Title IV-E; CFDA 93.667 – Social Services Block Grant; CFDA 93.778 – Medical Assistance Program (Medicaid) – Allowable Costs/Cost Principles

Corrective Action Plan:

Labor Hours: Vendor has been notified and sent the most recent PACAP for vendor to do a complete review against how cost centers are programmed. Vendor indicated that it would be fixed effective the 9/30/19 quarter.

Time and Effort Legal Services: Instructions for gathering time and effort statistics have been updated to reflect that labor hours will now be queried off business units that have payroll costs posted to them for the cost center in question. Corrective adjustment will be made by reported QE 12/31/19.

Time and Effort Resource Development Medicaid staff: A labor distribution change was requested to begin paying these staff out of an RD Business Unit. Instructions for gathering time and effort statistics have been updated to reflect that labor hours will now be queried off business units that have payroll costs posted to them for the cost center in question. Corrective adjustment will be made by reported QE 12/31/19.

Time and Effort Resource Development SSBG: Instructions for gathering time and effort statistics have been updated to reflect that labor hours will now be queried off business units that have payroll costs posted to them for the cost center in question. Corrective adjustment will be made by reported QE 12/31/19.

RMTS Child Protection and Safety Services: Corrective adjustment by reported QE 12/31/19.

IST Fiscal Projects Administration: Agency will update PACAP to reflect that allocation methodology is a "statistical analysis of activity benefiting specific programs that IST Finance is responsible for processing" in the amendment submitted for the 9/30/19 quarter.

NFOCUS Applications: Agency will ensure that they receive the point in time report to supplement the statistic effective the 9/30/19 quarter.

Contact: Patrick Werner

Anticipated Completion Date: Reported QE 12/31/19

Finding 2019-029

Program: Various, including 93.778 – Medical Assistance Program (Medicaid); CFDA 93.575 – Child Care and Development Block Grant (Child Care) – Allowable Costs/Cost Principles

Corrective Action Plan: Incorporate and distribute the results of the process improvement project.

Contact: John Meals

Anticipated Completion Date: 12/31/2019

Finding 2019-030

Program: CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children and CFDA 10.578 – WIC Grants to States – Allowability & Subrecipient Monitoring

Corrective Action Plan: The Agency has a process and procedures in place to ensure a review is completed of monthly financial status reports submitted by subrecipients. WIC program staff will consult with FNS-USDA, to revise the forms and process for completing the financial review component, which is part of the biennial subrecipient monitoring.

Contact: Peggy Trouba

Anticipated Completion Date: 9/30/2020

Finding 2019-031

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Allowability & Subrecipient Monitoring

Corrective Action Plan: The SUA has implemented a tracking process, using an Excel sheet, identifying the items of interest for each year by AAA. The topic, date due, and SUA team member responsible for follow up is included. This is updated with each monitoring visit, and consulted regularly. The management decision letters will be added to this tracking tool.

The Department add recipients on the "management decision" letter alerts internally, which will help multiple units address these issues as a team.

Contact: Cynthia Brammeier

Anticipated Completion Date: 6/30/2020

Finding 2019-032

Program: CFDA 93.069 – Public Health Emergency Preparedness; CFDA 93.889 – National Bioterrorism Hospital Preparedness Program – Allowability & Subrecipient Monitoring

Corrective Action Plan:

1) Revise subrecipient monitoring procedures to include clarification on monitoring follow-up.

2) Determine amounts of the $146,970 that are unallowable and request repayment from subrecipients.

3) Maintain Federal Aid Administrator II position and keep subrecipient monitoring oversight as job duty of that position.

4) Maintain tracking of all subrecipient monitoring, including repayment of any unallowable funds.

Contact: Eric Sergeant

Anticipated Completion Date: 8/25/2020

Finding 2019-033

Program: CFDA 93.217 – Family Planning Services – Allowability & Subrecipient Monitoring

Corrective Action Plan: NE Reproductive Health no longer manages the Title X Grant as of April 1, 2019, therefore capacity to conduct Subrecipient monitoring has improved, along with training taken by the Program Manager in 2019.

Contact: Tina Goodwin, Sara Morgan

Anticipated Completion Date: 6/30/2020

Finding 2019-034

Program: CFDA 93.556 – Promoting Safe and Stable Families; CFDA 93.671 – Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services – Allowability & Subrecipient Monitoring

Corrective Action Plan: CFS hired a Financial Auditor in May 2019 to monitor the CFS subrecipients to ensure that funds are used appropriately.

The Financial Auditor has initiated an audit of the largest PSSF subaward for FY 2018-2019. This Audit kicked off in February 2020. Continued audits of PSSF Subrecipient programs will occur on an annual basis.

As for the Family Violence Prevention and Services/Domestic Violence Shelter and Support Services, beginning FY 2019 the CFS subrecipient Monitors began saving copies of all documentation from their onsite reviews in the DHHS share drive. Additional measures are in process of implementation in the budget review process for new contracts, which includes random moment time studies, and more detailed budget narratives for expense allocations.

Contact: Allison Wilson, Angie Ludemann

Anticipated Completion Date: 12/31/2020

Finding 2019-035

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability & Eligibility

Corrective Action Plan: Guidance will be reissued to eligibility workers in the Agency on the requirements for Employment First requirements for students 18 or younger who are not enrolled full time in school. The standard operational process for clearing alerts and acting on information known to the Agency will be addressed with the appropriate staff member. The Agency will request the NFOCUS technical team initiate a system fix to account for the credit paid on one payment case so it is counted as credit when a subsequent payment is opened during the same month.

Contact: Will Varicak

Anticipated Completion Date: 9/1/2020

Finding 2019-036

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability

Corrective Action Plan: N/A

Contact: John Meals

Anticipated Completion Date: N/A

Finding 2019-037

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Allowability, Subrecipient Monitoring & Reporting

Corrective Action Plan: The Agency will seek additional training and guidance for financial subrecipient monitoring from the internal auditor and Procurement team. When the agency completes a desk review of subawardee's fringe benefits, all of the line items will be reviewed at least once a year. All the requirements as required per 45 CFR 75.352 will be disclosed to subrecipient on a monthly basis per email when their monthly invoice is processed.

Contact: Will Varicak

Anticipated Completion Date: 9/1/2020

Finding 2019-038

Program: CFDA 93.558 – Temporary Assistance for Needy Families (TANF) – Reporting

Corrective Action Plan: The Agency will add a process to document if there were no issues found when reviewing ACF-199 and ACF-209 cases. The agency will work with NFOCUS to resolve the issue with childcare reported as not being received when it was actually received. In addition, the issue that resulted in one case not being reported on the ACF-209 report correctly will analyzed and addressed by NFOCUS staff.

Contact: Will Varicak

Anticipated Completion Date: 12/31/2020

Finding 2019-039

Program: CFDA 93.568 – Low-Income Home Energy Assistance (LIHEAP) – Reporting

Corrective Action Plan: In federal fiscal year (FFY) 2019, the Nebraska Department of Environment and Energy (NDEE) began requiring sub-grantees to attach income documentation/verification to all sub-grantee home expenditure requests. In addition, in FFY 2019, NDEE began verifying that the income levels and the income amount the sub-grantees load into the BCJO system is correct prior to processing a reimbursement request.

NDEE is also working with the Office of the Chief Information Office (OCIO) to determine if the Weatherization Assistance Program Database can be programmed to ensure the household income corresponds with the household income level category before allowing a BCJO to be submitted for reimbursement.

Contact: Matt Thomsen

Anticipated Completion Date: 2/20/2020

Finding 2019-040

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Allowability & Eligibility

Corrective Action Plan: Concerning billing errors and attendance records, the Department has been working on a redesign of the provider billing portal. This redesign will include: parents logging their child(ren) in and out, attendance time auto calculated, automatic deduction of the families co-pay, electronic storage of all subsidy documents, billing claims will not be able to exceed the maximum hours and days authorized, and other enhancements and safeguards. This is scheduled to pilot April-May 2020 with a statewide implementation scheduled for fall 2020.

A report was redesigned to provide detailed information on providers who failed to deduct copayments. This report is being reviewed and past claims are being adjusted to collect unpaid copayments. Resource Development staff are discussing with providers where errors are identified. This review will continue until the portal project is complete. This will not be an issue once the billing portal is implemented.

Resource Development workers will continue to review the use of calendars and parental signatures annually when the provider agreement is renewed. Parent signatures will no longer be required once the revised billing portal is implemented.

Concerning the Economic Assistance errors, staff are required to review the client's responsibilities during the interview at initial application and inform the client of the changes they are required to report within ten days. When staff process childcare eligibility budgets there is a pop-up that requires them to review the income being used in the budget before they approve it. Program will work on enhancing tools and tips for staff.

Contact: Nicole Vint

Anticipated Completion Date: 6/30/2020

Finding 2019-041

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Allowability

Corrective Action Plan: We have created a new field in our claims database to put a claim identifier on each claim once we use it for federal claiming. This will eliminate the ability to use a claim multiple times.

Contact: Andrew Keck

Anticipated Completion Date: 6/30/2020

Finding 2019-042

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Special Tests and Provisions

Corrective Action Plan: The department will work with external entities to improve compliance with Federal requirements.

Contact: Becky Wisell, Nicole Vint

Anticipated Completion Date: 6/30/2020

Finding 2019-043

Program: CFDA 93.575 – Child Care and Development Block Grant – Allowability, Period of Performance & Subrecipient Monitoring

Corrective Action Plan: This subaward payment was caught in the period of time when CCDF was implementing improvements to subrecipient monitoring procedures. Since this payment, all contracts and grant awards are reviewed prior to payments being made, any expenses related to contracts or grant awards that were not obligated within the required period are not allowed and must be removed from the reimbursement request. An increase in supporting documentation has been implemented; approximately 25% of all reimbursement requests are randomly selected to provide supporting documentation. The supporting documentation is reviewed for allowability. If payments are found to be non-allowable based on the requirements of the funding source, the payments are not allowed and must be removed from the request.

Contact: Nicole Vint

Anticipated Completion Date: 6/30/2020

Finding 2019-044

Program: CFDA 93.575 – Child Care and Development Block Grant – Earmarking & Period of Performance

Corrective Action Plan: DHHS will work with ACF to determine if reports need to be revised or if any dollars need to be returned.

Contact: Heather Arnold

Anticipated Completion Date: 6/30/2020

Finding 2019-045

Program: CFDA 93.658 – Foster Care Title IV-E – Subrecipient Monitoring

Corrective Action Plan: DHHS will begin to use a spreadsheet to report the initial disbursement, and monthly Federal award to sub-recipients along with the CFDA number. This will include the Federal funding source and monthly amounts. This will begin in January 2020.

Financial monitoring will be started through an internal audit process by April 30, 2020.

Contact: Manuel Escamilla

Anticipated Completion Date: 4/30/2020

Finding 2019-046

Program: CFDA 93.658 – Foster Care Title IV-E – Reporting

Corrective Action Plan: Adjustments will be made on the December 2019 report. In addition, JEs were completed to correct the FMAP rate.

Contact: Heather Arnold, Andrew Keck

Anticipated Completion Date: 2/28/2020

Finding 2019-047

Program: CFDA 93.658 – Foster Care Title IV-E – Allowability

Corrective Action Plan: These service types will be added to an existing pool of service authorizations for billing review. This review will involve a more in depth review of 15% sample of all service authorizations to resolve any questionable claims with the provider.

Contact: Manuel Escamilla

Anticipated Completion Date: 1/31/2020

Finding 2019-048

Program: CFDA 93.667 – Social Services Block Grant – Period of Performance

Corrective Action Plan: DHHS will work with their Federal Partners to determine if questioned costs can be replaced with allowable claims or will need to be returned.

Contact: Heather Arnold

Anticipated Completion Date: 6/30/2020

Finding 2019-049

Program: CFDA 93.667 – Social Services Block Grant – Allowability

Corrective Action Plan: SSAD Program Manager and Policy Specialist will work with RD Supervisor to provide clear direction for requirements of SSAD providers in the area of congregate meals, adult day, and transportation services. SSAD Program Manager and Policy Specialist will also work with RD Supervisor to develop any needed procedures or updates to current procedures in signing/renewing providers for SSAD.

The current internal audit system of the SSAD program will be enhanced to include monitoring of required signatures, daily/hourly billing for Adult day.

Informational Letters to providers will be developed/sent on the requirements of obtaining signatures for congregate meals.

Contact: Tammy Allison

Anticipated Completion Date: 5/31/2020

Finding 2019-050

Program: CFDA 93.778 – Medical Assistance Program – Reporting

Corrective Action Plan: The previous corrective action plan was to have all reconciliations current within 90 days of the each quarter starting with the 9/30/19 quarter and we have achieved that goal. The 9/30/19 reconciliations will be complete by 12/31/19 and we will remain timely going forward.

Contact: John Meals

Anticipated Completion Date: 12/31/2019

Finding 2019-051

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: The Electronic Visit Verification project will be implemented in a phased approach starting in the fall of 2020. This project is part of section 12006 of the 21st Century Cures Act that requires use of the EVV system for personal care services (PCS) that will require an in-home visit by a provider and will help the Medicaid program to reduce/prevent Fraud/Waste/Abuse. In addition, updated PAS provider/worker training will be provided to address the items mentioned above.

Contact: Kathy Scheele, Debbie Flower

Anticipated Completion Date: 3/31/2020

Finding 2019-052

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: On July 1 2019, the Managed Care Organizations have taken over responsibility of the non-emergency medical transportation of their assigned clients through their vendors. The contractual mandate stipulates that one of their goals is to decrease the costs of care and to this end, it is anticipated that they will be more successful in their administration of the non-emergency transportation program.

Fee-For-Service clients can request non-emergency transportation through the Access Nebraska Customer Service Center. These clients are then referred to one of two SSWs who have been trained in identifying provider enrollment in MMIS before approving a trip.

The final refund of administrative payments was sent on 9/27/2019. The transportation broker submitted the refund on 10/7/2019 and it has been posted by Finance.

Contact: Anne Harvey, Tara Neeman

Anticipated Completion Date: 07/01/2019

Finding 2019-053

Program: CFDA 93.778 – Medical Assistance Program – Allowability and Eligibility

Corrective Action Plan: The Department will review policy and guidance regarding living arrangement and determine what additional tools can be provided to field operations staff. The Department policy and program accuracy will work with field operations on ways to correct this.

Contact: Catherine Gekas Steeby

Anticipated Completion Date: 09/30/2020

Finding 2019-054

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: MLTC will perform field audits on high-risk providers in accordance with 471 NAC 12-011.1, NE SPA Attachment 4.19D Page 26, and our Standard Operating Procedure (SOP) manual.

Contact: Flora Coan

Anticipated Completion Date: 11/22/2019

Finding 2019-055

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: The agency will document procedures needed to support BSDC depreciation calculations.

Contact: John Meals

Anticipated Completion Date: 06/30/2020

Finding 2019-056

Program: CFDA 93.778 – Medical Assistance Program – Subrecipient Monitoring

Corrective Action Plan: Education has been provided to staff regarding the current Federal reporting requirements and a standard operating procedure has been implemented. The Agency is now notifying subrecipients of all required Federal award information and CFDA number at the time of disbursement. At the time of disbursement, the subrecipients are notified of the CFDA number, Federal award number, and the dollar amount available under each Federal award. Additionally, an e-mail is sent to subrecipients summarizing the amount of Federal funds received in every month's reimbursement. Copies of these e-mails are saved in PDF format and the totals are tracked on a spreadsheet to follow the new documented standard operating procedure.

Contact: Kathy Scheele

Anticipated Completion Date: 12/01/2019

Finding 2019-057

Program: CFDA 93.778 – Medical Assistance Program – Allowability & Eligibility

Corrective Action Plan: N/A

Contact: Catherine Gekas Steeby

Anticipated Completion Date: N/A

Finding 2019-058

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: New procedures have been developed which improve efficiency of the process.

Contact: Andrew Keck, Michael Rothfuss, Jeremy Brunssen

Anticipated Completion Date: 03/31/2020

Finding 2019-059

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: Changes have been made to the online provider enrollment portal to better facilitate proper disclosures from providers.

Changes are being made to prevent the error from reoccurring that resulted in the missed license verification screening.

Contact: Danny Vanourney, Anne Harvey

Anticipated Completion Date: 02/28/2020

Finding 2019-060

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: Additional staff resources would be helpful for investigating fraud, waste, abuse, and erroneous payments.

Contact: Anne Harvey

Anticipated Completion Date: 11/22/2019

Finding 2019-061

Program: CFDA 93.898 – Cancer Prevention & Control Programs for State, Territorial & Tribal Organizations – Allowability & Subrecipient Monitoring

Corrective Action Plan: The program strives to ensure that pay structures are adequate and reasonable to meet objectives of grant. The program has selected specific deliverables to test for actual costs in each grant period. The deliverables noted in this audit finding are done annually or quarterly. The program will select the quarterly data extraction deliverable to test in quarter four of the current grant period.

Contact: Melissa Leypoldt

Anticipated Completion Date: 7/31/2020

Finding 2019-062

Program: CFDA 93.917 – HIV Care Formula Grants – Allowability, Cash Management, Eligibility & Subrecipient Monitoring

Corrective Action Plan: Agency will continue to follow and improve upon items noted below.

- Subrecipients provide G/L and other supporting documentation that is then reviewed by program staff for allowability, allocability, and reasonableness.
- In order to more adequately track the funds allocated to the cost and service categories, subsidiary codes have been developed for all service categories and are applied to all payments.
- All subrecipient budgets require a budget justification specifying the service and cost category and are closely reviewed by program staff for allowability and allocability.
- Rebate funds are being utilized prior to the drawdown of any federal funds. The procedure put in place in 2018 is being followed to the letter.
- Program staff monitors expenses on a monthly basis to determine the balance of rebate cash account and to ensure that no expenses have been mistakenly applied to federal funding sources.
- The Agency identified a client-level data system that will assist in monitoring and tracking consumer eligibility and enrollment. The data system provider is knowledgeable of Federal requirements including eligibility and reporting specific to the Ryan White HIV/AIDS Program, as it currently works with and is the top-recommended data system by other RWHAPs across the nation.

Contact: Gwen Hurst, Danielle Wing

Anticipated Completion Date: 6/25/2021

Finding 2019-063

Program: CFDA 93.917 – HIV Care Formula Grants – Reporting

Corrective Action Plan: Process was changed to include the correct reporting of drug rebates but with the timing of the finding, the 2017 report was not adjusted to the changes made to the 2016 report. The 2017 and 2018 reports will be adjusted for the missed amount previously corrected on the 2016 report.

Contact: Heather Arnold

Anticipated Completion Date: 6/30/2020

Finding 2019-064

Program: CFDA 93.945 – Assistance Programs for Chronic Disease Prevention and Control – Allowability & Subrecipient Monitoring

Corrective Action Plan: The department no longer has an award with this entity. The department now utilizes a fixed price award with entities doing similar work and receives prior federal approval for these awards.

Contact: Gwen Hurst, Jamie Hahn

Anticipated Completion Date: 9/30/2020

COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

Finding 2019-065

Program: CFDA 16.575 – Crime Victim Assistance – Allowability & Subrecipient Monitoring

Corrective Action Plan: Monitoring procedures have been modified to include specific Federal language and was implemented in February 2020. The Final Addendum-FFY 2020 NE Monitoring Plan is available upon request.

Contact: Kellie Rabenhorst, Director of Federal Grants and Programs

Anticipated Completion Date: February 5, 2020

Finding 2019-066

Program: CFDA 16.575 – Crime Victim Assistance – Cash Management

Corrective Action Plan: Procedures have been implemented to address the excess cash on hand to include the transition of grants to State Accounting. The FG&P Drawdown Procedure and the State Accounting Phase In Plan is available upon request.

Contact: Kellie Rabenhorst, Director of Federal Grants and Programs

Anticipated Completion Date: All grants will be transitioned to State Accounting for drawdown by April 1, 2020 with the exception of grants that end prior to July 1, 2020.

Finding 2019-067

Program: CFDA 16.575 – Crime Victim Assistance – Reporting

Corrective Action Plan: Procedures have been implemented as of February 6, 2020 to address the finding. The FG&P FFR Procedure is available upon request.

Contact: Kellie Rabenhorst, Director of Federal Grants and Programs

Anticipated Completion Date: February 6, 2020

MILITARY DEPARTMENT

Finding 2019-068

Program: CFDA 12.401 – National Guard Military Operations and Maintenance (O&M) Projects – Cash Management

Corrective Action Plan: The Nebraska Military Department will continue to exercise all efforts to minimize the time between the drawdown of federal funds and their disbursement for program purposes. Due to the complexity of the funding structure and funding sites within the Department, the Nebraska Military Department plans to follow-up with DAS-Accounting to seek an exception to the CMIA, based on the nature of compliance requirements.

Contact: Ms. Shawn D. Fitzgerald, Agency Controller

Anticipated Completion Date: Ongoing

DEPARTMENT OF TRANSPORTATION

Finding 2019-069

Program: CFDA 20.205 – Highway Planning and Construction – Reporting

Corrective Action Plan: NDOT does recognize that improvements could be made to the internal financial systems. In fact, NDOT has recently begun the process of developing a financial systems modernization roadmap, which will guide future enhancement and/or replacement of some of the existing legacy systems. FHWA will be invited to participate in the modernization efforts. In the short term, NDOT will also explore development of an automated report within the existing internal financial systems that would be comparable to the manual reconciliation that was performed, allowing the information to be provided more timely.

Contact: Lyn Heaton, Becky Fleming

Anticipated Completion Date: Ongoing

Finding 2019-070

Program: CFDA 20.505 – Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research – Allowability & Subrecipient Monitoring

Corrective Action Plan: NDOT Transit will continue to request supporting documentation for expenses incurred during the billing period. Documentation will be kept on site and provided to auditors upon request.

Contact: Marisue Wagner

Anticipated Completion Date: Completed

Finding 2019-071

Program: CFDA 20.509 – Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring

Corrective Action Plan: The NDOT Transit Section will continue to follow established procedures to monitor compliance by reviewing invoices, requesting supporting documentation for expenses as needed and following up with site visit findings. As of July 1, 2019, NDOT Transit has established new subrecipient reporting requirements to meet federal and state regulations. For example, subrecipient transit staff must document actual hours worked on the project rather than using a percentage of time for employees that are working on other projects. Future payroll documents submitted with the reimbursement request will reflect actual hours. In addition, subrecipients using a cost allocation percentage are required to submit supporting documentation to verify the methodology to establish the allocation. When site visits are conducted, the reviewer will verify the space allocated to transit.

In February 2019, NDOT Audit Section developed a new method to learn what additional Federal Pass Through dollars have been distributed to subrecipients.

Utilizing a master list, NDOT Audit Section will send out a letter and form to all subrecipients shortly after their fiscal year end. Subrecipients must complete the form and return it to NDOT within 45 days. In this form, they will disclose and certify whether or not they will need to have a single audit conducted.

- If the subrecipient indicates a single audit is needed, NDOT Audit Section will continue to monitor for timely filing with the Federal Audit Clearinghouse and issue a management letter as needed.

- If the subrecipient indicates a single audit is not needed, they must disclose all Federal Pass Through dollars received from all agencies. The total of the subrecipient's Federal Pass Through dollars will be logged showing why no further monitoring occurred.

We feel this information will provide the most complete and reliable data to assist us in determining who needs what level of monitoring.

Contact: Linda Langdale, Ken Rouch, Marisue Wagner, George Gallardo, Noah Finlan and Denise Rice

Anticipated Completion Date: Completed

Finding 2019-072

Program: CFDA 20.600 – State and Community Highway Safety – Allowability & Subrecipient Monitoring

Corrective Action Plan: The HSO has implemented more detailed requirements for all subrecipients that require time reports to include all hours worked, division between grant hours and other funded hours as well as only including the percent of all employee related expenses that each employee worked in that period. All previously missing requirements discussed with the auditors have been added to the requirements.

Contact: Bill Kovarik

Anticipated Completion Date: 2/20/2020

Finding 2019-073

Program: CFDA 20.600 – State and Community Highway Safety – Earmarking

Corrective Action Plan: The NDOT-HSO has revised procedures to only include expenditures for local political subdivisions as defined by our Regional NHTSA Administrator. If any future expenditures are considered as local benefit and are not paid to a local political subdivision, we will require the project to be initiated by, developed and approved by the local political subdivision.

Contact: Bill Kovarik

Anticipated Completion Date: 2/20/2020

STATE OF NEBRASKA
Summary Schedule of Prior Audit Findings

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2018-001 Since 2007	Administrative Services CAFR Preparation	**Status:** Ongoing **Reasons for Recurrence:** Turnover and training both in the financial reporting team and in the agencies who provide information for the CAFR **Partial Corrective Action Taken:** BUG (Business User Group) meetings for training on specific topics **Corrective Action Planned:** In addition to reviewing options for additional resources, State Accounting will continue implementing new processes and training for existing staff as well as State agency personnel providing information for the CAFR process
2018-002	Board of Educational Lands and Funds Land not Reported as an Investment and Unauthorized Bank Account	**Status:** Not Completed and Completed **Reasons for Recurrence:** Waiting on Administrative Services for Report of Land Instructions and implementation **Partial Corrective Action Taken:** Email correspondence with Sheryl Hesseltine, waiting on response for Land as Investment **Corrective Action Taken:** Bank Account transferred to State Treasurer under Fund 63210 on 8/07/2018.
2018-003 Since 2004	Health & Human Services Material Adjustments	**Status:** Complete
2018-004 Since 2015	Health & Human Services Overpayment Mailbox	**Status:** Partially Complete **Reasons for Recurrence:** **Corrective Action Planned:** The Department implemented standard operating procedures for the pursuit of overpayments in 2017. The Department has processed all overpayments received since October 1, 2016 timely. The agency has completed the corrective action plan and disputes the finding. During the last state fiscal year, the team established $2,384,675 overpayments for SNAP on 2,971 referrals. Each month, 300-500 new referrals of potential overpayments are received, reviewed and processed within 30 days of the referral. Last year, 32% overpayment referrals were determined as non-pursuable. The reasons a referral is categorized as non-pursuable include: by regulation no overpayment occurred; not enough information to determine if overpayment occurred; amount of overpayment is under the dollar threshold for collection and overpayment is outside the state statute timeframe to collect. In many circumstance, client

Finding #	State Agency/Finding	Status of Finding/Agency Comments
		cooperation is required to determine the amount of an overpayment; last year 435 SNAP benefit cases were closed due to client not cooperating with agency to determine amount of overpayment. As discussed in previous audit, the agency has suspended processing on 10,614 SNAP referrals submitted from 2011 -2015. DHHS has notified USDA Food and Nutrition Services of the suspension. The reason for suspending the review includes: the amount of casework required to determine if an overpayment exists is excessive; the ability to obtain the required verification such as the client address and income information is questionable; and the state does not have the ability to pursue an overpayment that is over 12 months old. The agency explained to USDA Food and Nutrition Service that the referrals occurred during a time period when the state was experiencing difficulty in determining eligibility timely and the backlog developed during ACCESSNebraska implementation. USDA Food and Nutrition Service has acknowledged the agencies notification and has requested DHHS review the referrals to classify as non-pursuable, client and agency caused. They are requesting we follow up with State Investigations Unit where appropriate. We are in process of completing this work.
2018-005	Health & Human Services External NFOCUS User Access	**Status:** Partially Complete **Reasons for Recurrence:** **Corrective Action Planned:** Addressing the access of the Child Advocacy Centers (CACs) will occur as part of a CFS-wide reassessment of access to NFOCUS and will not be limited to only the CACs. Below is the access review and access establishment process created by Mark Nelson, IT Manager - Information Systems & Technology - DHHS, which will be used to address NFOCUS access issues. Evaluation: All external entities with access to N-FOCUS will have access levels and reasoning for said access levels re-examined. This evaluation will focus on the need of the Department and each external agency and will involve the business areas more fully into the process which is essential since the data belongs to the business areas. The access review will be conducted by staff from CFS, MLTC, Legal Services, and IS&T with coordination with Internal Audit. If a more appropriately focused level of access is available that will fulfill the Department's needs, the external party will be moved to that level. IS&T expects this process to take several months to complete. Yearly Re-evaluation: After completion of the evaluation and access modification phase, the effort will expand to tracking external contracts more fully including a re-evaluation of access on an annual basis. This re-evaluation will also grow to a more formal evaluation of the individuals covered by each entity.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2018-006	Health & Human Services Program 354 – Child Welfare Aid	**Status:** Partially Complete **Reasons for Recurrence:** **Corrective Action Planned:** Standard operating procedures are being updated and staff training is occurring to work on this finding. NFOCUS Claim Overpayments and Errors. The agency has implemented an ongoing Supervisor case review process to monthly review NFOCUS claims. In addition, a reporting system to flag and check unusually high monthly authorizations outside of set parameters. The Program Manger receives the report which is created on authorizations issued and is able to make sure the errors are corrected before a service begins. The staff have been trained on calculating overpayments and making referrals for investigation. A warrant has been issued in Douglas County on the case of the large overpayment for Adoption Subsidy. The agency is also receiving payments on the overpayment claim. Federal Funds Not Fully Utilized for Adoption Assistance after clarification from ACF, this was corrected. Respite Adoption Subsidy code 8421 was changed from Child Welfare funded to IV-E funded in NFOCUS as of November 9, 2018 and applied to claims thereafter. For past claims, eight prior quarters were not available to claim additional IV-E funds available under the waiver cap to draw. Contractual Aid Payments Not Adequately Monitored A complete review of current procedures is taking place. Those procedures will be enhanced to ensure that adequate supporting documentation is reviewed, contract provisions are being reviewed and met, site visits are established, and that personnel costs will be reviewed to support that the actual time spent on the subawards and contracts is in accordance with Federal cost principles. The enhanced procedures will ensure that expenditures are reasonable and necessary.
2018-007	Investment Council Improper Investment Classification	**Status:** Completed **Reasons for Recurrence:** NA **Partial Corrective Action Taken:** NA **Corrective Action Taken:** The Council does assist when classifications are questioned by other state agencies or state auditors merging the bank classifications into the state's established classifications. This practice is outlined in the most

Finding #	State Agency/Finding	Status of Finding/Agency Comments
		recent APA Cash & Investment Presentation & Disclosure Memo dated 6.30.18, section titled "DAS Procedures for Preparation of Footnote." The Council will continue to assist agencies whenever asked to help ensure they meet GASB investment codification standards. Furthermore, the Council will continue to educate agencies about the State's various investment portfolios as requested.

STATE OF NEBRASKA
Summary Schedule of Prior Audit Findings

FINDINGS RELATING TO FEDERAL AWARDS:

Nebraska Department of Administrative Services

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-008 Since 2015	Various, 93.778 Allowable Costs	**Status:** In Process **Reasons for Recurrence:** Rate setting occurs only every two years. DAS continues to review and revise the processes each time. DAS continues to monitor fund balances regularly, however due to various transactions or a delay in a project some June 30th balances are high, but plans are in place to address the balances. **Partial Corrective Action Taken:** None **Corrective Action Planned:** The development of assessments, rates and surcharges for the next biennium – FY21-23 will begin in January 2020. The estimated costs used are based on historical costs and estimated increases during the final fiscal year of the current biennium and then the estimated costs for the new biennium. At that time DAS will begin a review of its various rate setting procedures including the Building Division indirect cost allocations, work order rate, etc. It was felt that the planned implementation of a new ERP system would provide the needed information to review and revise Print Shop rates. DAS is no longer moving forward with a new ERP system, but is upgrading the current JDE system from 9.1 to 9.2. An upgrade will not provide new system functionality. Any increased functionality would only be possible in the future and is dependent on staff resources and future funding. Central Finance has contacted the JDE Upgrade Team regarding the Print Shop's needs. It has not been determined at this time what data can be pulled from JDE. Central Finance will continue to work with the Upgrade Team. DAS Central Finance will continue to work with the various Divisions to ensure that rates are applied consistently.
2017-008	Various, 93.778, 93.563, 93.575, 93.596, 10.558, 84.126 Cash Management	**Status:** Resolved **Reasons for recurrence:** **Partial corrective action taken:** **Corrective action taken:** All updates to the clearance patterns were made

Nebraska Department of Administrative Services (Concluded)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2017-009 Since 2016	Various, 93.069, 93.889 Reporting	**Status:** Resolved **Reasons for recurrence:** **Partial corrective action taken:** **Corrective action taken:** DAS is continually examining the structure of our quarterly analysis spreadsheets to ensure that accurate reporting is made for unusually structured grants.
2018-009 Since 2015	Various, 93.767, 20.205 Reporting	**Status:** In Process **Reasons for Recurrence:** Staff turnover/training **Partial Corrective Action Taken:** None **Corrective Action Planned:** DAS will review procedures to ensure the SEFA is complete and accurate

Nebraska Department of Economic Development

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-010 Since 2017	14.228 Program Income/ Subrecipient Monitoring	**Status:** In Process **Reasons for Recurrence:** Significant backlog requiring monitoring in Revolving Loan Program **Partial Corrective Action Taken:** According to the 2018 corrective action plan, new procedures were implemented January 2019 with a focus on RLF monitoring compliance. **Corrective Action Planned:** The department has performed monitoring activities throughout 2019 and will continue to do so until these are completed.
2017-013	14.228 Allowability/ Reporting/ Subrecipient Monitoring	**Status:** In Process **Reasons for Recurrence:** High staff turnover rate, increased regulatory burden, the lack of adequate systems to track data required for monitoring grantees, and significant backlog requiring monitoring in CDBG program. **Partial Corrective Action Taken:** According to the 2018 corrective action plan, new CDBG procedures were implemented in FY19. **Corrective Action Planned:** The plan presented to HUD included a goal of 20 monitoring visits per quarter which the department has been conducting throughout calendar year 2019.

Nebraska Department of Economic Development (Concluded)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2017-015	14.228 Reporting	**Status:** Completed January 2019 **Reasons for Recurrence:** High staff turnover rate, increased regulatory burden, and the lack of adequate systems to track data required for the report. **Partial Corrective Action Taken:** According to the 2018 corrective action plan, new CDBG procedures were implemented in FY19. **Corrective Action Planned:** Program staff and financial staff confer to ensure information reflected in reports is consistent and accurate.

Nebraska Department of Education

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-011 Since 2017	10.558 Eligibility	Nutrition Services implemented a process June 1, 2019 to include submission financial documentation prepared by an outside source to substantiate financial viability.
2018-012	84.027 & 84.173 Allowability/ Subrecipient Monitoring	1. Detailed accounting records have been collected to support all subrecipient aid payments. 2. Subaward language was updated with all required information. 3. Single audits were reviewed timely
2018-013 Since 2017	84.126 Allowability	1. Nebraska VR implemented a process on April 1, 2019 within their case management system to ensure equipment agreements are completed for all equipment purchases going forward that exceed $5,000. 2. Current Case Service Procurement and Consumer Accountability policies only require verification that a cash advance is used as authorized. The proof of purchase documentation in this case met all policy requirements.
2018-014 Since 2017	84.126 Eligibility	1. A copy of the audit finding report was shared with all VR Office Directors, and timely plan development was addressed by the agency Director and Assistant Director during Team Tour; 2. Tracking compliance of the 90 day timeline for plan development was added as a goal to the Office Director performance reviews; 3. A peer review process has been implemented (each Office Director completing a Compliance Review for another team), to ensure annual reviews are performed timely.

Nebraska Department of Education (Concluded)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-015 Since 2017	84.367 Allowability/ Subrecipient Monitoring	1. Suprecipient monitoring procedures have been reviewed and updated as needed. 2. New fiscal monitoring staff have been hired to ensure internal compliance with subrecipient monitoring guidance and as well as conducting on-site visits and monitoring of their own.

Nebraska Energy Office

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-016	93.568 Allowability/ Eligibility/ Subrecipient Monitoring	**Status:** Completed **Reasons for Recurrence:** Changes in current applicable regulations, processes and human error. **Partial Corrective Action Taken:** A Policy and Procedures manual was created and distributed in June 2019. **Corrective Action Planned:** Continued monitoring of subrecipients to ensure compliance with the Policy and Procedures manual.

Nebraska Department of Health and Human Services

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-017 Since 2015	Various, 93.658 Allowable Costs	**Status:** Complete
2018-018 Since 2013	Various, 10.561, 93.558, 93.568, 93.575, 93.596, 93.778 Allowable Costs	**Status:** Complete
2018-019 Since 2016	Various, 93.778, 17.235 Allowable Costs	**Status:** Complete
2018-020	Various, 10.557, 10.561, 93.778 Allowable Costs	**Status:** Complete
2018-021	10.551 Special Tests	**Status:** Complete
2018-022	10.557 Reporting	**Status:** Complete

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-023	10.557 Special Tests	**Status:** Complete
2018-024	10.557 Allowability/ Subrecipient Monitoring	**Status:** Complete
2018-025 Since 2010	93.044, 93.045 Allowability/ Subrecipient Monitoring	**Status:** Not Complete **Reasons for Recurrence:** Inadequate monitoring procedures. **Corrective Action Planned:** The Agency disagrees with this finding. The agency will follow up at the mid-point between monitoring visits with each AAA. The agency will require additional documentation regarding budget revisions made as a result of cost allocation changes.
2018-026 Since 2014	93.069, 93.889 Allowability/ Subrecipient Monitoring	**Status:** Partially Complete **Reasons for Recurrence:** The Agency's follow up on subrecipients' required corrective actions plans was insufficient. **Corrective Action Planned:** Will continue to follow up on subrecipient required corrective action plans that are still in process, to include recovery of unallowable payments previously made to subrecipients.
2018-027 Since 2015	93.217 Allowability/ Subrecipient Monitoring	**Status:** Not Complete **Reasons for Recurrence:** Lack of monitoring performed and inadequate follow-up procedures to determine whether expenditures were allowable or program income adhered to requirements. **Corrective Action Planned:** NE Reproductive Health will request source documents from at least one subrecipient per year if staff remain at current levels. NE Reproductive Health will again request permission to hire additional staff to conduct financial reviews by June 2019. NE Reproductive Health Program Manager will identify and attend updated cost analysis training by December 2019.
2018-028 Since 2015	93.217 Reporting	**Status:** Complete
2018-029	93.283, 93.898 Allowability/ Subrecipient Monitoring	**Status:** Complete

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-030	93.556, 93.671 Subrecipient Monitoring	**Status:** Partially Complete **Reasons for Recurrence:** Site reviews and desk review procedures were not adequate. **Corrective Action Planned:** Promoting Safe and Stable Families Subrecipient implemented an electronic time keeping system effective July 1, 2018. Prior to that date, the Subrecipient used paper timesheets. The electronic time keeping system requires the employee to track their time and effort, by grant, on a daily basis, and their supervisor's approval prior to the end of the pay cycle. Further review is done every pay cycle by the Director of Accounting and the Chief Financial Officer of the sub-recipient. Completed July 2018. CFS is working with the Promoting Safe and Stable Families Subrecipient to ensure the correct amount of administration is charged to the federal grant in FFY19. Anticipated completion date: January 2019.
2018-031 Since 2011	93.558 Allowability	**Status:** Complete
2018-032 Since 2013	93.558 Allowability	**Status:** Complete
2018-033 Since 2013	93.558 Allowability/ Subrecipient Monitoring	**Status:** Not Complete **Reasons for Recurrence:** The Agency did not award the agreements as subawards. The Agency implemented a desk review but did not obtain sufficient documentation to ensure the costs were allowable and accurate **Corrective Action Planned:** The Agency agrees that the technical requirement of the regulations was not fulfilled and will be rectified by amending the award to include that information.
2018-034	93.568 Reporting	**Status:** Complete
2018-035 Since 2007	93.575, 93.596 Allowability/ Eligibility	**Status:** Complete
2018-036 Since 2013	93.575, 93.596 Reporting	**Status:** Complete

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-037 Since 2011	93.575, 93.596, 93.778 Special Tests	**Status:** Partially Complete **Reasons for Recurrence:** The Agency did not devote adequate resources, including an adequate number of staff, to ensuring Medicaid fraud cases were worked in a timely manner. **Corrective Action Planned:** Updated SOP's have been implemented in the Special Investigations Unit to ensure all cases are reviewed and assigned as a top priority within two days of referral. Tracking is being done separately to monitor the timeliness of all ongoing Childcare and Medicaid investigations and ensure they are completed within the mandated amount of time. A process improvement project is currently in the data collecting phase of the investigative process to improve timeliness. DHHS Accounting is in the process of working with our Process Improvement team to revise childcare collection policy and improve efficiencies on this process. The process is currently ongoing.
2018-038 Since 2017	93.575, 93.596 Special Tests	**Status:** Complete
2018-039 Since 2017	93.575 Allowability/ Period of Performance/ Subrecipient Monitoring	**Status:** Complete
2018-040 Since 2016	93.575 Allowability/ Earmarking	**Status:** Complete
2017-049 Since 2003	93.658 Allowability	**Status:** Complete
2017-050 Since 2016	93.658 Allowability	**Status:** Complete
2018-041	93.658 Allowability/ Eligibility	**Status:** Not Complete **Reasons for Recurrence:** Worker error and inadequate review. **Corrective Action Planned:** 1. Regarding incorrect payment made by child placing agency. Corrective action is: Claim is being reviewed and follow up letter will be sent to the provider stating they have not paid the foster parent the correct amount for the identified claim. The provider must submit the correct payment and send copies of bank documentation to reflect the correction has been completed. A pending file is maintained until the provider provides the required documentation. Current practice is our Billing and Payment team review claims quarterly to verify payments are accurate.

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
		2. Regarding documentation not provided to support individual met the Bridge to Independence participation requirements for the month tested. Corrective action is to require DHHS Independence Coordinators (IC) to be responsible for verification of program participation even for those individuals placed out of state. Conference calling between the individual, the courtesy worker, and the IC should occur to ensure program eligibility is met and documented appropriately. 3. Regarding documentation of fingerprint-based criminal record background check not being provided, it was noted that for the case audited, a prior audit was completed where the background checks were pulled. The fingerprint-based check was not returned to the foster home file for one adult in the home. The corrective action plan will be to always double check that all background checks are returned to the corresponding file after each audit.
2018-042 Since 2016	93.658 Subrecipient Monitoring	**Status:** Partially Complete **Reasons for Recurrence:** Unknown **Corrective Action Planned:** The Agency will start providing the subrecipients noted in this audit with monthly notice of the dollar amount made available under each Federal award and the CFDA number at the time of disbursement. Responsibility will be assigned to ensure these notices are sent as required.
2018-043	93.658 Reporting	**Status:** Complete
2018-044	93.658 Matching/ Period of Performance	**Status:** Complete
2017-052 Since 2011	93.659 Allowability	**Status:** Complete
2018-045 Since 2015	93.659 Reporting	**Status:** Complete
2017-054	93.758 Allowability/ Subrecipient Monitoring	**Status:** Complete
2017-056 Since 2013	93.778 Allowability	**Status:** Complete

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-046 Since 2006	93.778 Reporting	**Status:** Not Complete **Reasons for Recurrence:** Errors were due to inadequate review and clerical errors. Reconciliations were not complete due to staffing changes. **Corrective Action Planned:** The agency will have all reconciliations current within 90 days of each quarter end starting with the 9/30/19 quarter.
2018-047 Since 2014	93.778 Allowability	**Status:** Complete
2018-048 Since 2009	93.778 Allowability/ Eligibility	**Status:** Complete
2018-049 Since 2015	93.778 Allowability	**Status:** Not Complete **Reasons for Recurrence:** Inadequate monitoring by the Agency. The broker did not have to verify with the medical provider that a service was scheduled. The broker is only required to verify the Medicaid eligibility of the recipient and that the address to which travel was requested belonged to a Medicaid provider. Although the broker performed a monthly audit to ensure transportation was allowable, there was no follow-up or corrective action taken by the Agency to recover the disallowed costs. **Corrective Action Planned:** Beginning on July 1, 2019, the Heritage Health managed care entities will be responsible for the non-emergency medical transportation of their assigned clients. Because of their contractual mandate to manage the care of the clients and to decrease the costs of care, it is expected that their management of transportation will be more successful. The current plan is for the Access Nebraska Customer Service Center to authorize non-emergency medical transportation for fee-for-service clients. Services will be reviewed on a post pay basis for compliance. If changes are needed in how the services are managed, those involved will coordinate. Until this change, Program Integrity and Program staff will continue to work with the NEMT Broker to continue their "audits", identify trends in clients or NEMT drivers, and to pursue refunds of the administrative charges for trips dispatched when a medical service was not billed.

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
		The Program Integrity team will also track situations where the clients care may not be billed on a specific service rendering date making it impossible to "audit." These medical services include globally billed prenatal care, dialysis care, and services with a primary payer other than Medicaid (private insurance or Medicare).
2018-050 Since 2016	93.778 Allowability	**Status:** Partially Complete **Reasons for Recurrence:** Worker error. **Corrective Action Planned:** The agency will implement policies and procedures to prevent reoccurrence of these issues.
2018-051 Since 2017	93.778 Allowability/ Eligibility	**Status:** Complete
2018-052 Since 2017	93.778 Special Tests	**Status:** Complete
2018-053 Since 2017	93.778 Allowability	**Status:** Complete
2018-054	93.778 Special Tests	**Status:** Not Complete **Reasons for Recurrence:** Prior to the OIG report, staff believed signing off that the deficiencies had been corrected was sufficient documentation. **Corrective Action Planned:** NESA has implemented the following action plans to satisfy OIG and Single Audit concerns regarding nursing homes: 1. On August 16, 2017, NESA's Program Manager of the Office of Long Term Care Facilities conducted re-training for all nursing homes on the types of evidence that should be submitted to demonstrate compliance with correction plans. 2. Current NESA procedures include the CMS 2567 and a cover letter identifying the requirements for an acceptable POC together with specification of the types of evidence for which proof must be submitted to NESA before a facility will be placed in compliance.

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
		3. NESA implemented a tracking system to track and ensure that NESA has received evidence to prove compliance with the facility's POC before a facility is placed back in compliance utilizing an offsite revisit. If NESA has not received evidence showing compliance with the POC, NESA has created a follow-up letter requesting the required evidence and informing the facility that the facility will not be placed back into compliance until NESA receives and accepts the required evidence. 4. NESA trained its surveyors on methodology to appropriately save electronic files in electronic storage as well as the qualities of evidence that will be sufficient to demonstrate facility compliance in the onsite revisit. 5. NESA initiated bi-monthly investigation packet reviews, to ensure that electronic files are saved appropriately and contain the required information. Plan for Hospitals - The State Fire Marshal (SFM) will have SFM surveyors review the appropriate documentation provided by the facilities, will obtain a copy of the documentation, and will provide the documentation to NESA to attach the documentation in the federal database. In addition, the SFM will review all revisit 2567's to make sure the Tag 0000/Initial Comments reflects that the SFM did do a revisit and that the facility is in correction before sending a letter copy of the revisit 2567 to the facility.
2018-055	93.778 Subrecipient Monitoring	**Status:** Complete
2018-056 Since 2017	93.917 Allowability/ Cash Management/ Subrecipient Monitoring	**Status:** Complete
2018-057	93.917 Eligibility/ Subrecipient Monitoring	**Status:** Complete
2018-058	93.917 Reporting	**Status:** Complete
2018-059	93.917 Earmarking	**Status:** Complete

Nebraska Department of Health and Human Services (Concluded)

2018-060 Since 2017	93.945, 93.757 Allowable Costs/ Subrecipient Monitoring	**Status:** Complete
2018-061 Since 2017	93.994 Allowable Costs/ Subrecipient Monitoring	**Status:** Complete

Nebraska Commission on Law Enforcement and Criminal Justice

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-062	16.575 Allowability/ Subrecipient Monitoring	We continue to monitor subrecipients per our Monitoring Plan and associated risk assessment. The timekeeping issues have been resolved with the implementation of KRONOS in February 2018. However, since the State Auditors reviewed timesheets prior to that period they issued a finding. We continue to not compromise victim safety by receiving shelter locations, rather, the costs are monitored based on reasonableness and questioned if needed. This issue has been discussed with U.S. Department of Justice, Office for Victims of Crime and they are in agreement. We will take any other follow up actions as requested by DOJ Office of Audit Assessment and Management.
2018-063	16.575 Earmarking	Same as stated in the response. The PMT tracks this information since FY 2015 and is updated based on actual as reported by the subrecipient. Starting July 1, 2019 grant period they will report on Priority Spending areas along with monthly expenditures.
2018-064	16.575 Allowability	KRONOS continues to be the timekeeping system utilized, funded staff use the system.
2018-065	16.575 Cash Management	From July 8-11, fourteen of our federal block grants were tested via an on-site monitor by DOJ staff. During this monitor, testing was done for excess cash on hand at 3-31-19 and only one of the grants was found to have excess cash on hand. We continue to refine our method for our Letter of Credit withdrawals and our accounting and grants staff are meeting on July 29 to discuss this issue.
2018-066	16.575 Cash Management/ Reporting	(a) This issue has been resolved. (b) We are now reporting the correct amount of unliquidated obligations.

Nebraska Library Commission

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2017-070 Since 2014	45.310 Subrecipient Monitoring	Regarding subrecipient monitoring, 2 CFR Part 200, Appendix XI, of the Compliance Supplement issued by the OMB.states that subrecipient awards of less than $750,000 do not require annual audits, and all of the four library systems are under that threshold. The Supplement states that "during-the-Award Monitoring should be conducted through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub-recipient monitors Federal awards in compliance with laws, regulations, and the provisions of grant agreements." To further clarify the supplement states that monitoring activities normally occur throughout the year and may take various forms, including: • Reporting – reviewing financial and performance reports submitted by the subrecipient. • Site visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations. • Regular contact – regular contacts with subrecipients and appropriate inquiries concerning program activities. We review financial and performance reports, conduct site visits, and have regular contact with subrecipients. According to the language of the OMB's compliance requirements the Systems are not high risk subrecipients and should be considered as low risk: Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., if the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems.) Evaluation of subrecipient risk also may take into consideration the extent of Federal monitoring of subrecipient entities that also are recipients of prime Federal awards. We are in compliance with the OMB's monitoring recommendations as described in 2 CFR Part 200, Appendix XI. We will continue to work with the systems to strengthen the process through documentation of our comparison of expenditures to annual financial compilations. To assure compliance, systems will provide detailed listings of their federal fund expenditures and the Commission will review these and may ask for documentation as support for certain transactions.

Nebraska Department of Transportation

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-067	20.505 Allowability/ Subrecipient Monitoring	**Status:** Completed **Reasons for Recurrence:** The MPO invoices were not previously reviewed. **Partial Corrective Action Taken:** Another transit staff member has been assigned the task of reviewing MPO invoices prior to payment. **Corrective Action Planned:** The corrective action described above has been implemented.
2018-068 Since 2013	20.509 Allowability/ Subrecipient Monitoring	**Status:** Completed **Reasons for Recurrence:** NDOT Transit conducts in depth reviews of subrecipients during the fiscal year. A notation is made on each worksheet of every monthly reimbursement invoice that includes information regarding questionable costs requiring follow up and justification to determine if the expense is allowable. NDOT Transit does not analyze reported fares due to the number of variables that affect the amount collected. Fares are determined locally and could vary by passenger age, distance traveled, in county versus out of county destination, type of service, etc. Fares are reported monthly by source. The City of Norfolk Public Transit purchases cab tickets to sell at a reduced rate for use by passengers during hours when the public transit system is not available. The revenue generated by the sale of these tickets is reported as other revenue. The City seeks reimbursement for the administrative burden of purchasing, selling and tracking the cab tickets by claiming an administrative fee as local match. Norfolk Public Transit does not profit from the partnership with the local cab company, and the program provides a valuable transportation resource for the community. **Partial Corrective Action Taken:** NDOT Transit will continue to do in depth reviews of invoices. NDOT Transit does not analyze fares for reasons stated above. No corrective action needed. **Corrective Action Planned:** Completed

Nebraska Department of Transportation (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-069 Since 2017	20.509 Reporting	**Status:** Completed **Reasons for Recurrence:** The National Transit Database report is prepared and submitted annually as required. There is no regulation regarding how the information is compiled or who submits the information for the reporting agency. However, report users who have access are identified in the NTD system. The user who inputs the data elements is not identified in the report after it is submitted as it is not required. When NDOT created the budget and opened the grants in question, NDOT was reimbursing subrecipients with federal funds at 50%. Funds remained in these grants because NDOT changed the reimbursement percentage to 50% federal reimbursement for operating costs and 80% for non-operating. The NDOT grants manager was unable to de-obligate the funds and close the grant. FTA's Region 7 Program Manager advised NDOT to show the funds as fully expended causing misinformation in the FFRs. **Partial Corrective Action Taken:** The NTD report information will continue to be compiled and reported as required. The FFRs are reported correctly unless instructed otherwise by FTA. **Corrective Action Planned:** Completed
2018-070	20.600, 20.616 Allowability/ Subrecipient Monitoring	**Status:** **Reasons for Recurrence:** Misinterpretation of Federal guidelines and weakness of internal processes. **Partial Corrective Action Taken:** Reevaluate internal employee training and the invoice review process. **Corrective Action Planned:** Work with vendor to strengthen quality of documentation. Implement supervisor approval to review invoice documentation and process. Monitor office processes to eliminate reoccurrence.

Nebraska Department of Transportation (Concluded)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2018-071	20.600 Earmarking	**Status:** **Reasons for Recurrence:** Lack of oversight and insufficient training. **Partial Corrective Action Taken:** Local percentage now being tracked throughout the internal invoice process. **Corrective Action Planned:** Staff training on local benefit and definition of "active voice." Vertical approval of local benefit distinction. Monitor to mitigate reoccurrence.